

Essential Guide to
**Social and Human
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CFO LEADERSHIP NETWORK

ESSENTIAL GUIDE TO SOCIAL AND HUMAN CAPITAL ACCOUNTING



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NAVIGATING THIS GUIDE

INTRODUCTION



What is social and human capital accounting, and what is the role of finance?

- [About this guide](#)
- [What is social and human capital?](#)

BUSINESS CASE



Why is social and human capital accounting important to business?

TOOLS AND GUIDANCE



How do I identify the relevant social and human capital topics, measure and value them, and be transparent about calculations used?

- [Introduction](#)
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INTEGRATE



How do I integrate social and human capital into decision making?

PRACTICAL EXAMPLES



How have Network members integrated social and human capital accounting into decision making?

WHAT IS COVERED

This guide aims to help organizations to integrate social and human capital accounting into business decision making, to enhance business performance and increase social outcomes delivered. It has been developed 'by finance teams for finance teams', but will also be of interest to anyone seeking to understand the key challenges faced by organizations when undertaking social and human capital accounting. A range of current practices for addressing the challenges are included, alongside some suggested tools and guidance.

Click on this icon throughout the guide to follow links to further information.



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THE PROJECT TEAM

We would like to thank all of the project team members who contributed to the A4S Social and Human Capital Accounting Guide.



A4S CFO LEADERSHIP NETWORK PROJECT TEAM

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BURBERRY
London, England



nationalgrid

SIEMENS



THE CROWN
ESTATE





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INTRODUCTION FROM THE A4S CFO LEADERSHIP NETWORK

I am delighted to introduce this guide, which aims to demonstrate how accounting for social and human capital can enhance business decision making, and drive long term commercial and societal value. Alongside tools and guidance, it provides practical examples of how Network organizations are integrating social and human factors into their business processes.

As a CFO, I don't want to have to choose between running a successful business and a responsible, sustainable one – they should, and can, be one and the same. In a world of resource scarcity, changing employment patterns, social polarization and distrust of business, it is no longer sufficient to assess an organization's performance based solely on its financial results.

Social and human capital makes a fundamental contribution to the performance of an organization, and can be significantly enhanced or damaged by its activity. Issues such as inequality in the workplace, stress, changing productivity, unemployment, homelessness and community attitude to business have an effect on the success of organizations in the long term, especially with regard to the engagement of our own people and the trust we engender in the community around us. However, they are less well understood than some of the other capitals (financial, manufactured, intellectual and natural), not least because people and societal based outcomes are inherently more difficult to track consistently, and in some cases can be controversial to assess in financial terms.

Like many other organizations, The Crown Estate has been investing in social and human capital for a number of years, benefiting our own organization as well as others involved. What's new is that

our techniques for rigorously measuring the impact have created compelling evidence for further investment. We have developed a methodology to understand and measure the value we create across all of the capitals, and as a framework for assessing our positive and negative impacts, it provides us with better information and can help us to make more informed and richer decisions.

I, as well as many other members of the A4S CFO Leadership Network, have seen many benefits from investment in social and human capital and realized how investment in one capital often helps to transform others. These benefits range from improved reputation, stronger stakeholder relationships, better access to and retention of talent, and cost savings, all of which ultimately enhance business resilience and increase competitive advantage.

Whatever your experience of, and approach to, social and human capital accounting, I hope you find this guide useful. I would like to thank the A4S CFO Leadership Network for developing it, and for drawing on their own experience to offer practical insight and ideas from a range of sectors. All members of the Network are committed to driving progress in this developing field, and would warmly welcome any feedback you have gathered from your own organization's experience.

**KATE BOWYER, CFO,
THE CROWN ESTATE**

"As a CFO, I don't want to have to choose between running a successful business and a responsible, sustainable one"

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WHAT IS SOCIAL AND HUMAN CAPITAL?

HUMAN CAPITAL

The knowledge, skills and attributes of the workforce and others across the value chain.

SOCIAL CAPITAL

Value added to society by the organization's products, services and activities, as well as the relationships within and between communities, groups of stakeholders and other networks.

These definitions are based on our experience as a diverse group of organizations, whilst also drawing upon existing definitions from the following sources:

[**<IR> Framework definitions of Human Capital and Social and Relationship Capital**](#) 

[**WBCSD Social Capital definition**](#) 

[**World Bank Social Capital definition**](#) 



"Social and human capital have equal weighting alongside financial and other capitals in our Total Contribution approach. However, these metrics are less advanced than other areas."

Claudine Blamey, Head of Sustainability, The Crown Estate

AT WHAT STAGE OF DEVELOPMENT IS SOCIAL AND HUMAN CAPITAL ACCOUNTING?

Whilst the positive and negative interactions between business, society and individuals are crucial to good decision making, social and human capital accounting is far less well developed, and therefore less commonly practised than financial accounting. Social and human capitals are, by their very nature, more subjective than other capitals such as financial, natural, manufactured and intellectual, and are also less developed. This can make the prioritization, quantification and potential monetization of social and human capital open to challenge from various stakeholders. This guide focuses on practical examples and suggested tools and guidance for how social and human capital can be integrated into decision making in ways that develop resilient and sustainable business models.

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EXAMPLES OF SOCIAL AND HUMAN CAPITAL

The following themes have been identified as falling within the frames of social and human capital. The list below is not exhaustive but demonstrates the key areas that fall, in our experience, under the broad definitions of social and human capital outlined on the previous page, with individual areas often having a cross cutting element.

LICENCE TO OPERATE

- Trust and reputation
- Response to societal expectations
- Responsible tax policy
- Community relations

ECONOMIC FAIRNESS

- Access to basic products and services such as fuel, water, sanitation, medicines, financial services, communications, etc.
- Affordability

SOCIAL TRENDS

- Ageing population
- Obesity and nutrition
- Urbanization
- Citizenship
- Inclusion: gender, race, religion, sexual orientation, economically disadvantaged

STRENGTH AND RESILIENCE OF WORKFORCE

- Attraction, selection and retention
- Job creation
- Skills
- Training and education
- Apprentices

WORKING CONDITIONS

- Reward, recognition and fair pay
- Fair trade
- Forced labour
- Child labour
- Employment rights
- Freedom of association and right to collective bargaining
- Health and safety
- Diversity
- Working hours
- Wellbeing

HUMAN RIGHTS

- Privacy
- Security, including cyber security
- Freedom of expression

IMPACTS AND DEPENDENCIES

Organizations can encounter both human and social capital *impacts* and *dependencies*. For example, a business can *impact* the employability of its staff through its approach to training *and be dependent* on a good supply of appropriately skilled and educated recruits. For more complex examples it can be useful to plot out the impact and dependency pathways involved.

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USE EXISTING EXPERTISE

The starting point for any organization should be to understand their current decision making processes, and determine the type of social and human capital information that will be useful within these processes to enhance business and societal outcomes. The aim should be to integrate social and human capital information into existing processes and systems. This is not something that can be achieved overnight. There is no 'one size fits all' solution, and the approaches taken by organizations vary significantly depending upon the type of industry, existing processes and organizational culture. The aim is to get started, or to enhance what already exists, trial different options and determine the best way to inform and enhance decision making to develop resilient and sustainable business models.

ROLE OF FINANCE

The core skills of finance teams are essential for the integration of social and human capital information into decision making. In particular: experience of prioritizing information needs; analysing data and information; designing, preparing and communicating management information; and oversight/ownership of information systems, can be applied equally to monetary and non monetary information.

It is important to note that social and human capital information should not be held exclusively by sustainability and Human Resources (HR) teams respectively, but should be seen as company wide information sets that flow into and out of key decision making processes, and are also visible in the boardroom.

TOP TIPS

Identify how social and human capital links to your strategic objectives and focus on those areas that are most relevant for decision making

Make a start and keep it simple, it takes time so get a head start now

Think big, and develop a long term, ambitious vision that will drive innovation and maximize impact

Develop a pilot to demonstrate the benefits for new areas not currently being evaluated

Don't reinvent the wheel, start with what you already have



"A business case developed with finance showed that we could save four to five times expected programme costs by implementing an initiative focused on customer behaviour."

Anglian Water

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BUSINESS CASE

With the global economy entering a new era, organizations are having to address issues they could previously ignore. However, the traditional ways of capturing, tracking and reporting business performance focus mainly on financial and operational measures, and do not allow organizations to manage proactively the new social and human capital opportunities and risks they are facing both now and in the future.

“Measuring human capital has changed the way we think about our people, and how to develop them as individuals while creating a more productive, and sustainable workforce”

Gregor Alexander,
CFO, SSE

US\$5 trillion

The purchasing power of the 4.5 billion people at the bottom of the wealth pyramid¹

4.9 billion

The projected size of the global middle class in 2030, up from 2 billion today²

81%

of consumers read some sort of customer review or rating prior to making a purchase³

US\$3 trillion

The cost of cybercrime in 2015⁴

52%

of people worldwide trust business⁵

US\$335 billion

The projected size of the sharing economy by 2025⁶

The global population worries about losing their jobs due to⁷

60%

lack of training/skills

55%

jobs moving to cheaper markets

54%

automation

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BUSINESS CASE: KEY BENEFITS

Members of the A4S CFO Leadership Network have experienced first hand how the use of social and human capital accounting can enhance decision making and drive long term commercial value.

We have found five key business benefits from accounting for social and human capital.

Strengthening your licence to operate

Proactively managing and addressing emerging risks

Enhancing and maintaining your reputation

Reducing the cost base

Identifying and exploring new markets and emerging opportunities

 The Practical Examples section highlights these business benefits

INNOVATION

\$2–3 trillion a year will need to be invested over 15 years⁸ to meet the UN Global Goals for Sustainable Development. This will open up new markets and drive innovation.

OPPORTUNITY

The UK's FTSE 100 invests over £200bn a year on people.⁹

RISK

84% of S&P 500 market value is implied intangibles.¹⁰

National Grid

saw a **2:1 return** on investment from their wellbeing programme.

SSE

found their human capital to be worth an estimated **£3.4 billion** in 2014, corresponding to an average human capital of **£173,000** per employee.

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BUSINESS CASE: KEY BENEFITS

NATIONAL GRID (CASE STUDY)

THROUGH OUR EMPLOYEE WELLBEING PROGRAMME WE ARE STRENGTHENING OUR LICENCE TO OPERATE, AND SAVING COSTS

National data indicates that the average business cost of poor mental health is £1,029 per employee. This has broader personal and societal impacts, as well as being a cost and a risk to business continuity, our reputation with our employees and our stakeholders.

We developed a tailored programme to support employees with occupational health and wellbeing advice and support, and rehabilitation services for physical and mental health issues.

For every £1 investment in these services, we are seeing at least a £2 return in reduced sickness absence costs. The combination of the health and support services we

provide has positive outcomes, for example employees return ahead of their predicted return to work date.

The predicted return to work date is based on an independent international database covering age, work type, sex, type and degree of injury and or illness.

This investment in occupational health, employee assistance programmes and rehabilitation services not only support the 3% of absent employees, but also the health and performance of the 97% still at work. To monitor the performance of the programme, we track running costs, sickness rates and return to work compared to expected return.

KEY BUSINESS BENEFITS

- Strengthening your licence to operate
- Enhancing and maintaining your reputation
- Reducing the cost base

For every
£1 investment
in our services, we are
seeing at least a
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nationalgrid

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BUSINESS CASE: KEY BENEFITS

UNILEVER (CASE STUDY)

THE ROLE OF OUR SOCIAL COMMITMENTS IN DEVELOPING NEW MARKETS

One of our social commitments is to empower five million women by 2020.

Women comprise over 70% of Unilever's consumers. They are also active participants in our value chain. Many of our smallholder farmers, factory employees and distributors are women.

We know that the positive impact of economically empowering women creates a ripple effect on families,

communities and economies. Women are the change agents in the family, as they reinvest 90% of their income into supporting their families.

We believe we can shape our future growth by promoting the formal and active participation of women in the economy, in particular in regions where we want to expand our business, such as Africa. In turn, this provides the opportunity to grow our markets, brands and business. We intuitively know the commercial value of empowering women, but without solid metrics to analyse this our investment may not be as effective as it could be.

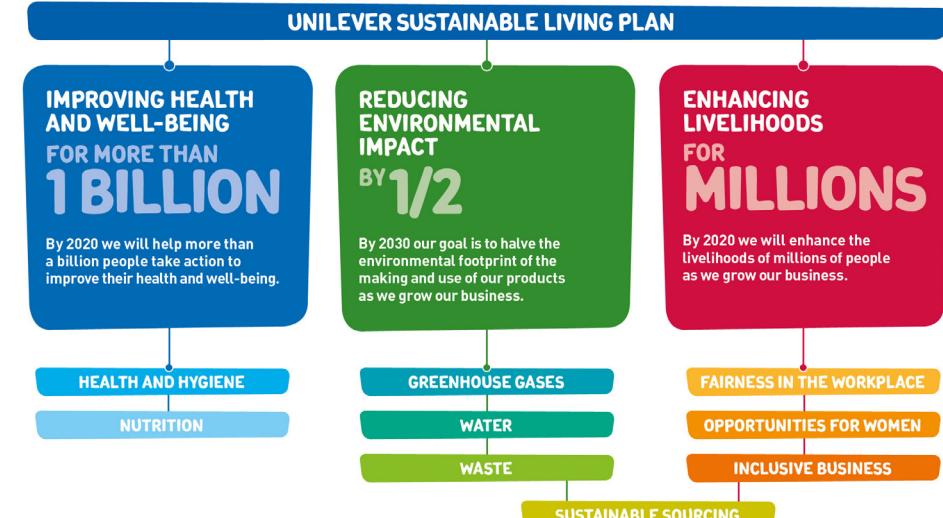
KEY BUSINESS BENEFIT

Identifying and exploring new markets and emerging opportunities

"By measuring our commitment to empower women we are evidencing the growth opportunity for our brands, and our contribution to generating broader opportunities for women."

33%
of consumers buy from brands based on their sustainability credentials¹¹

See full case study for further information



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BUSINESS CASE: KEY BENEFITS

BRITISH LAND (CASE STUDY)

ADDRESSING SKILLS SHORTAGES

One of our strategic sustainability goals is to develop skills and opportunities.

For us, this means helping address emerging skills shortages and securing the skills that our business, customers and suppliers need to maintain quality.

One of our ongoing programmes in skills development is the Source Skills Academy at Meadowhall which we set up with Sheffield City Council in 2003 to provide retail and customer training for the local community and businesses in Sheffield.

KEY BUSINESS BENEFIT

Proactively managing and addressing emerging risks

THE BRITISH LAND SOURCE SKILLS ACADEMY

SOCIAL RETURN ON INVESTMENT (SROI)

£53.4 million in its first ten years
(approximately £3.70 for every £1 invested)

DELIVERING WORK-BASED LEARNING

3,500 learners have completed full qualifications or are in the process of doing so, and 700 have completed short qualifications

SUPPORTING LOCAL JOBSEEKERS

Of 1,400 jobseekers who have completed employability programmes and gained qualifications, 800 have also gained employment



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TOOLS AND GUIDANCE STAGES

Tools and guidance available to organizations wishing to account for their social and human capital are explored in more detail across three key stages. Our approach draws upon the stages within the *Natural Capital Protocol*, recognizing the importance of alignment of approaches across all forms of capital (financial, manufactured, intellectual, human, social and natural).

More information on each of these stages can be found on the following pages.

SCOPE

How do I select my appraisal scope to focus on the most important areas, and the relevant parts of my value chain?

MEASURE AND VALUE

How do I determine the basis of information, the method of collecting it, and the values calculated?

EVALUATE AND APPLY

How do I evaluate the results and apply the findings?

BOUNDARIES

Set the business, value chain, temporal and geographic boundaries, attributing accountability, control and influence.

MATERIALITY

Focus on the issues that have the most significant impact on the organization and its stakeholders.

COMPLETENESS

Incorporate both positive and negative impacts and dependencies. Make sure key decision makers and stakeholder groups are consulted and nothing important is left out.

MEASUREMENT

Consider the most appropriate measurement timescale and data collection methods, consistent with other evaluations and reporting undertaken across the organization, that meets the needs of users.

VALUATION

Measure your impact and/or dependencies, and understand the value to your organization and to society.

CONFIDENCE

Assess underlying data to ensure it is robust, comparable and reliable, and can be trusted by decision makers.

Demonstrate transparency and recognize uncertainty.

APPLICATION

Work across the organization to apply the findings, and further integrate within business decision making.

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TOOLS AND GUIDANCE: SCOPE

This stage will determine which social and human capital factors are most relevant for inclusion in your assessment based on the business decision being made.

SCOPE

How do I select my appraisal scope to focus on the most important areas, and the relevant parts of my value chain?

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SCOPE: BOUNDARIES

Set the business, value chain, temporal and geographic boundaries, attributing accountability, control and influence

RATIONALE

- It is important to be clear about what is included and what is excluded, and how this links to the needs of decision makers

CONSIDERATIONS

- A social and/or human capital assessment may cover the entire organization, an individual operating division, a project or a product
- Include the full value chain, from upstream through direct operations, to downstream impacts and dependencies arising from the use of products and services
- The time period for assessment will depend upon the decision being made
- Identify where and how the majority of the outcomes, impacts, benefits and dependencies occur. For example this may include direct operations, suppliers, customers and certain geographies

See pages 18-20 for further guidance across these areas



PRACTICAL EXAMPLE

SSE HUMAN CAPITAL VALUATION BOUNDARIES:

Valuation is applied to SSE's direct employees, and is benchmarked against several key indicators, to assess the relative importance to the overall business.

See full case study for further information



PRACTICAL EXAMPLE

THE CROWN ESTATE AND TOTAL CONTRIBUTION BOUNDARIES FOR NETWORKS AND PEOPLE:

- **Direct contributions:** Activities carried out by us
- **Indirect contributions:** Activities commissioned by us but carried out within our supply chain
- **Enabled contributions:** Activities carried out on our portfolios by our customers

See full case study for further information



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SCOPE: BOUNDARIES

Determine the assessment boundary

STEP 1

- Identify the type of organizational decision being made

What organizational decision is being made?

CORPORATE LEVEL
(e.g. entire company or subsidiary)

PROJECT
(e.g. new investment, reorganization, project and service tender submissions)

PRODUCT
(e.g. R&D spend, product changes)

STEP 2

- Determine where the social and human capital risks and opportunities lie across the whole value chain
- Assess where the greatest impacts occur, upstream with direct operations, or downstream
- Identify the impacts and dependencies that might be of relevance to the organization and its stakeholders
- Assess the extent to which the organization has control or influence along the value chain

Where do the majority of impacts and dependencies occur in my value chain?**UPSTREAM**

Covers activities of suppliers including second and third tier suppliers ([see next page](#) for further guidance)

DIRECT OPERATIONS

Covers activities over which the business has direct operational control, including majority owned subsidiaries and direct control ([see next page](#) for further guidance)

DOWNSTREAM

Covers activities linked to the purchase, use (including benefits derived), re-use, recovery, recycling, and final disposal of the business products and services ([see next page](#) for further guidance)

STEP 3

- Identify the appropriate time period to use

What time period should be used?**HISTORICAL**

Determines previous impact to input into future decisions, or to assess performance

SNAPSHOT

Assesses impact/dependency at a point in time

FINANCIAL YEAR

Gives an indication of annual activity and matches other reporting periods

EXPECTED PROJECT/PRODUCT LIFESPAN

determines impact for entire lifespan of project/product

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SCOPE: BOUNDARIES

Considerations for setting the boundary across your value chain

UPSTREAM

- Do you know the social and human capital risks within your upstream supply chain (including within your tier 2 and 3 suppliers)?
- Can your upstream supply chain help you understand changing societal expectations and macro trends?
- Do changing societal expectations mean you may have to work differently with your direct and indirect suppliers?
- Will an improved understanding of social and human capital within your upstream suppliers help you comply with regulations and/or industry standards?
- Will a quantification of your local societal and human capital outcome and/or impact through your supply chain help with your licence to operate in the area and/or direct resources more effectively?
- Will an upstream investment in skills development or community cohesion address a significant business risk or opportunity?

DIRECT OPERATIONS

- Do the majority of your social and human capital impacts occur at your own operations?
- Do you have significant business activities that impact local communities?
- Do you have limited control over your value chain?
- Does your business rely on your human capital, i.e. a services business?
- Would a greater understanding of your social capital support your license to operate?

DOWNSTREAM

- Do you supply goods/services that have significant social or human capital impact?
- Are there opportunities for you to develop goods/services that help your customers to respond to social/human capital trends?
- Do you understand the barriers that new customers may face in purchasing your goods/services?
- Does your customer profile mean you are more likely to be impacted by business model changes?
- Can you influence customer behaviour to increase positive and/or reduce negative social and human capital impacts?
- Do you know how customers use your products/services?
- Do you have any product safety concerns?
- Are there social or human capital trends that will impact demand for your products/services?

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SCOPE: BOUNDARIES

Business and societal risk factors to consider when setting your value chain boundary

Financial

- Which suppliers does your organization have the highest spend with, including direct and indirect?
- Which customers provide the highest revenue to your organization?
- Does the business model of your suppliers or customers present a social or human capital risk?

Geography

- From which geographies do you source, and which do you provide goods/services to?
- Which of these are deemed high risk because of weak legal and regulatory frameworks, poor human rights records, limited labour laws or high levels of corruption?
- Which ones provide the greatest opportunity to address societal needs through the sourcing or provision of your goods/services?

Size and significance

- Which suppliers/customers are most business critical for your organization?
- What is the relative size of your organization compared to your customers/suppliers, and does this impact your ability to influence?

Tier

- What is the length of your value chain, where do you sit on it and how does this impact your social and human capital risks and opportunities?
- What is your ability to build relationships both upstream and downstream along your value chain?

Complexity and traceability

- What is the level of complexity in your supply chain and how does this impact your ability to affect change?
- Do you have full traceability along your value chain or are there gaps in your knowledge?
- What level of effort would be needed to obtain full traceability, and would this be beneficial to the success of the business?

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SCOPE: MATERIALITY

Focus on the issues that have the most significant impact on the organization and its stakeholders

RATIONALE

- It is not practical or efficient to measure all social and human capital issues in detail, so focus on those that are most material to your organization and upon which you have the greatest impact

CONSIDERATIONS

- Include all capitals (financial, manufactured, intellectual, human, social and natural) within a materiality assessment as they are often inter related ([see page 101](#) for definitions of key terms)
- Start by compiling a long list of all the impacts your organization may be accountable for, alongside the level of control/influence you have for each of these impacts ([see page 6](#) for some of the key themes linked to social and human capital)

MATERIALITY

In financial statements “information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements”. For sustainability, materiality is determining the relevance and significance of an outcome to an organization and its stakeholders.

If an outcome is relevant then the significance of the issue needs to be considered. Significance means that the real or potential scale of the outcome (both positive and negative) has passed a threshold that means it influences decisions and actions.

Source: Supplementary Guidance on Materiality from Social Value UK

For further guidance on materiality for reporting purposes [see Statement of Common Principles of Materiality of the Corporate Reporting Dialogue](#)

- Identify the issues that may affect your organization directly both now and in the future, but also be aware of the implications of the wider framework within which you operate, such as changing societal expectations and government policy (see the [A4S Essential Guide to Managing Future Uncertainty](#), and [page 38](#) for further guidance)
- A materiality assessment typically incorporates social and human capital impacts and dependencies now and in the near future, reflecting the commercial implications and the level of stakeholder concern ([see page 22](#) for process steps for a materiality assessment)

PRACTICAL EXAMPLE

BRITISH LAND'S STRATEGIC PRIORITIES:

- Customer orientation (social capital)
- Expert people (human capital)
- Right places (financial, manufactured and intellectual capital)
- Capital efficiency (financial, natural and manufactured capital)

[See full case study for further information](#) 



PRACTICAL EXAMPLE

YORKSHIRE WATER CASE STUDY:

- Seeking customer input to identify material factors and incorporate them into performance commitments
- **34** out of **52** of the commitments relate to social and human capital

[See full case study for further information](#) 



YorkshireWater

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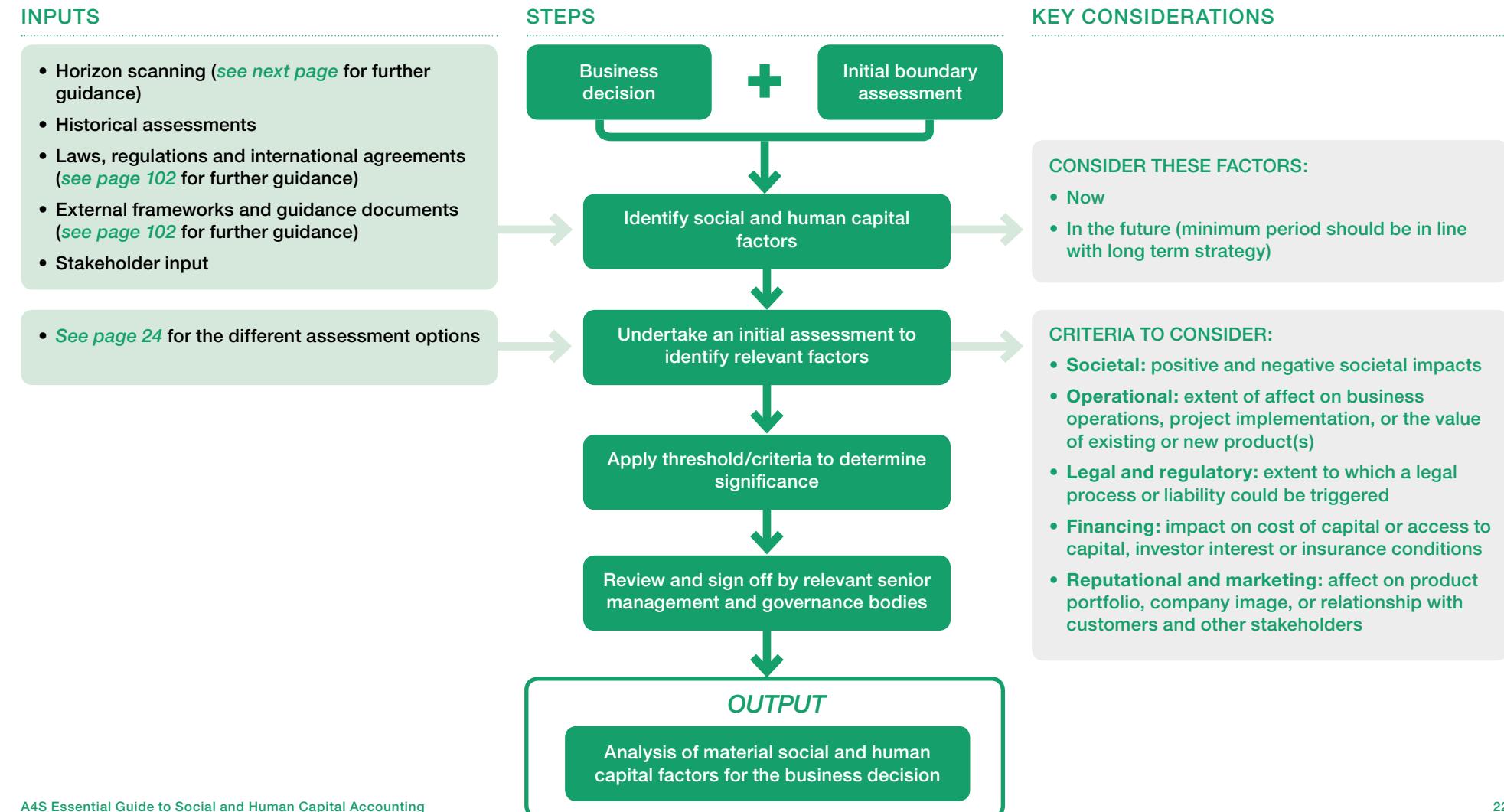
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SCOPE: MATERIALITY

Process steps for a materiality assessment



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SCOPE: MATERIALITY

Horizon scanning

WHAT IS IT?

A technique for identifying emerging trends and assessing how these developments might affect the success of organizations through a systematic examination of potential threats and opportunities.

WHY IS IT PARTICULARLY USEFUL FOR SOCIAL AND HUMAN CAPITAL?

Key emerging trends are significantly driven by or magnified by social and human capital factors. This includes areas such as changing customer behaviours, skills shortages, water crises, income disparity and pandemics.

WHICH TIMEFRAME TO CONSIDER?

The timeframe is an important consideration in horizon scanning as societal impacts and dependencies are likely to become more material to the business over time. As a minimum the timeframe should reflect the vision/strategy of the organization, and also reflect the nature of business activity, as well as the length of time over which the decision will impact.

WHICH FRAMEWORKS COULD BE USEFUL FOR UNDERTAKING HORIZON SCANNING?

PESTEL

(Political, economic, social, technological, environmental, and legal)

- Helps identify current external factors e.g. changing demographics as well as those that may change in the future e.g. increase in purchasing power of middle classes
- Provides an holistic understanding of the wider business environment
- Can encourage strategic thinking beyond a short term time horizon

sSWOT

(Sustainability SWOT)

- Provides a new twist on the traditional framework
- Designed to help identify connections between sustainability challenges and other trends that are creating big changes in future markets.

See the A4S Essential Guide to Managing Future Uncertainty for further information 

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SCOPE: MATERIALITY

Conducting assessments

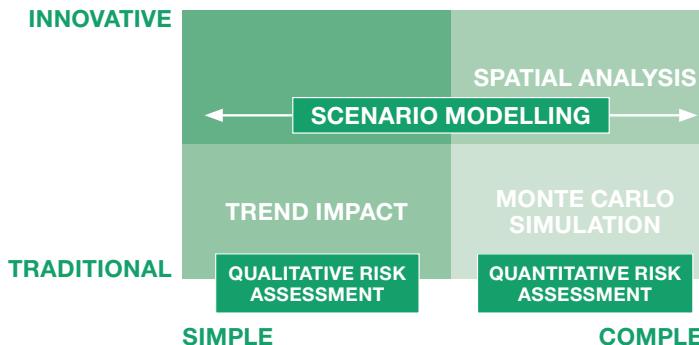
There are a number of different approaches available to assess social and human capital risks and determine their level of materiality to your decision.

These range from traditional to innovative, and can be simple or more complex, as shown in the diagram to the right.

See the A4S Essential Guide to Managing Future Uncertainty for further guidance



1	Qualitative risk assessment	<ul style="list-style-type: none"> An approach to scoring risks against a pre defined rating scale (e.g. 'low', 'medium' or 'high' or 1-5 scale) Typically, two axes are used to plot likelihood of occurrence and severity
2	Quantitative risk assessment	<ul style="list-style-type: none"> Assignment of a numerical or financial value to improve your understanding of the implication of risks
3	Trend impact analysis	<ul style="list-style-type: none"> Simple forecasting approach that extrapolates historical data into the future, while taking into account unprecedented future events
4	Scenario modelling	<ul style="list-style-type: none"> Tool to model a range of future scenarios against which to test potential solutions or decisions
5	Monte Carlo simulation	<ul style="list-style-type: none"> A computerized mathematical technique that applies probability distributions to one or more uncertain factors Lets you see the possible outcomes of decisions and provides probabilities of different outcomes occurring
6	Spatial analysis	<ul style="list-style-type: none"> Spatial planning uses Geographic Information System (GIS) tools and business information to map economic, social, cultural and environmental factors with geographic information



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SCOPE: COMPLETENESS

Incorporate both positive and negative impacts and dependencies. Make sure key decision makers and stakeholder groups are consulted and nothing important is left out

RATIONALE

- To be credible and useful the scope needs to be balanced

CONSIDERATIONS

- Include both the positive and negative implications and consequences
- Do not exclude a topic because it is controversial, or because you believe it is outside of your control or influence ([see page 6](#) for some of the key themes linked to social and human capital)
- Understand the views of stakeholders along the value chain and from impacted communities
- Identify key internal decision makers and understand their information requirements

PRACTICAL EXAMPLE

UNILEVER'S SCREENING OF PRODUCTS FOR NEGATIVE IMPACTS AS PART OF THEIR 'SUSTAINABLE LIVING BRAND' ASSESSMENT

All products that are categorized as improved or leading are shortlisted as potential 'sustainable living products'. They are then checked by our legal and external affairs team against our internal methodology before a final decision is taken by the Sustainable Business Team. If they are approved as 'sustainable living products' they receive an increased marketing budget allocation and are included in our financial KPI reporting.

[See full case study for further information](#) 



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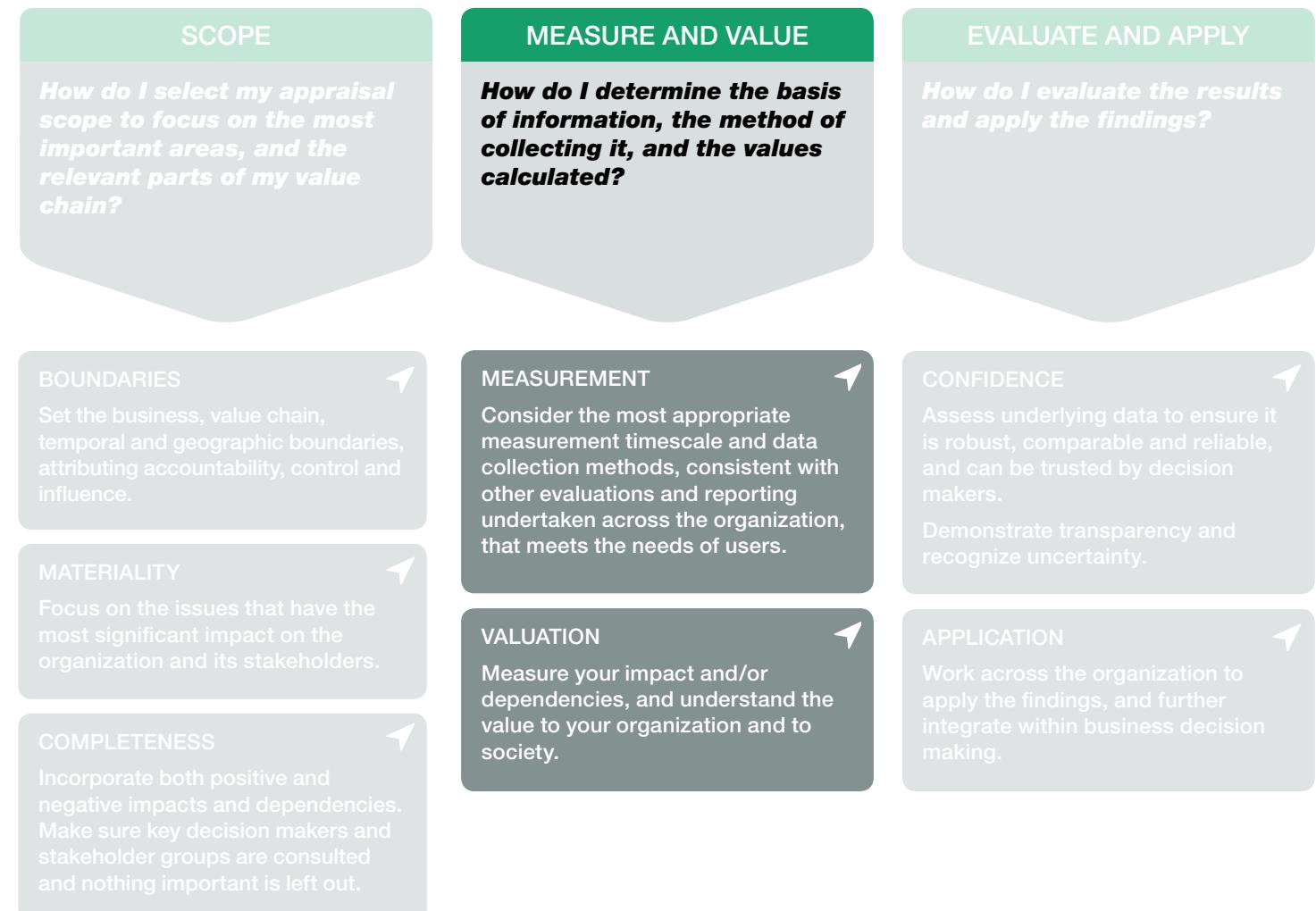
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TOOLS AND GUIDANCE: MEASURE AND VALUE

This stage will help you to select the most appropriate measures to support the business decision you are making



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MEASURE AND VALUE: MEASUREMENT

Consider the most appropriate measurement timescale and data collection methods, consistent with other evaluations and reporting undertaken across the organization, that meets the needs of users

RATIONALE

- Pick timescales appropriate to the assessment being made
- Make data collection as efficient as possible

CONSIDERATIONS

- Timescales may be chosen to enable comparative analysis and demonstrate annual changes, or cover the lifetime of assets ([see the practical examples](#) for further information)
- Discount rates can be used to factor in future valuations ([see the A4S Essential Guide to Capex](#) for further guidance)
- Match existing business performance reporting schedules, and consider the timeliness of information for decision making
- Ensure information is efficiently collected, leveraging existing information systems within the organization and external sources ([see the next page](#) for further guidance on sourcing information)
- Aim for a balance between the availability of information, what you can collect, and the detail needed to inform decisions

PRACTICAL EXAMPLE

SSE HUMAN CAPITAL REPORT

See how we calculated the economic value of our human capital to understand the primary drivers for either enhancing or eroding it.



[See full case study for further information](#)

Time adjustments: retirement, turnover and other reasons for leaving, including health issues and premature mortality

Discounted using a company weighted average cost of capital (WACC)

Sum of
expected future
labour earnings

x

Adjustments
for time spent
with SSE

x

Discount factor

=

Economic
value of
human capital

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MEASURE AND VALUE: MEASUREMENT

Sourcing information – A worked example for human capital accounting from SSE

STEP	DESCRIPTION	INFORMATION SOURCE
1	Group employees into homogenous groups (i.e. with similar expected future earnings pathways)	SSE HR systems
2	Estimate relationship between age and earnings for each group	Internal calculation
3	Match average earnings profiles to individual employees	Internal calculation
4	Apply estimated (relative) increase in earnings over time to individual's current earnings	Internal calculation
5	Adjust expected future earnings for real productivity growth	UK: Office for Budget Responsibility (OBR) 2013; Datastream 2014 Republic of Ireland (ROI): Central Statistics Office (CSO); Datastream 2014
6	Make adjustments for the length of time employees are expected to spend with SSE including: 1. Retirement age 2. Contract length 3. Health reasons for leaving 4. Mortality 5. Other reasons for turnover (voluntary and involuntary)	1. UK: Labour Force Survey, Office for National Statistics (ONS); OECD 2012 ROI: Labour Force Survey, CSO; OECD 2012 2. SSE HR systems 3. UK and ROI: Annual Population Survey, ONS, 2011 4. UK: Office for National Statistics, 2013 ROI: CSO, 2013 5. SSE HR systems
7	Discount individual expected future earnings to 2014 values	SSE weighted average cost of capital (WACC)

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MEASURE AND VALUE: VALUATION

Measure your impact and/or dependencies, and understand the value to your organization and to society

RATIONALE

- Determining value allows for easier integration into business decision making, and better communication with stakeholders

CONSIDERATIONS

- Determine whether it is worthwhile for decision making to move beyond measuring 'outputs' to valuing the outcomes, which represent the value being created or destroyed. For example, for training programmes the 'input' might be time and resources used, the 'output' might be the number of people attending, and the 'outcome' is the value derived by attendees, your organization and society ([see page 46](#) for further information)
- Valuations may be qualitative (e.g. a narrative describing value), quantitative non monetary (e.g. survey data, audit results, indicators etc.) or quantitative monetary (e.g. shareholder values and/or societal values) ([see the next page](#) for further guidance)
- Consider the pros and cons of different approaches; qualitative may be easier to communicate but quantitative may be more meaningful and easier to integrate into decision making ([see the next page](#) for further guidance)
- Financial values may be easier to include in business cases but may involve unproven conversion factors and result in higher levels of uncertainty

PRACTICAL EXAMPLE

SOUTH WEST WATER: DEVELOPING MEASURES TO CAPTURE OUR BENEFITS TO THE COMMUNITY:

A core element of our business strategy is an outcome defined as 'benefiting the community', which recognizes the benefit of our activities to the regional economy. To capture the direct economic community benefits that can be attributed to our business, we developed a bespoke input:output framework which quantifies our regional socio economic contribution. We also developed a community scorecard which included a basket of measures around skills development; recreation and leisure activities; and infrastructure investment and service delivery, to capture the broader benefits we provide.

[See full case study for further information](#) 



PRACTICAL EXAMPLE

THE CROWN ESTATE: TOTAL CONTRIBUTION METHODOLOGY:

Our Total Contribution methodology helps us demonstrate the value we create by measuring the impact of our activity on the capitals on which we depend. It reflects the positive and negative flows of our business activities. Having evaluated other options, we put economic values on indicators for each capital. By introducing a common unit of measurement we can compare and aggregate performance across different metrics. We also gain insights into the magnitude and relativity of impacts. Perhaps most importantly, we can integrate all these indicators into standard finance based management systems, gaining much richer information and tools to influence and evaluate our decisions. 'Our networks' and 'Our people' are equivalent to 'social' and 'human' capital.

[See full report for further information](#) 



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MEASURE AND VALUE: CHOOSING THE RIGHT APPROACH TO VALUATION

Many different types of measurements can be useful within business decision making, and the choice of which to use will depend on a number of factors

WHEN IS EACH TYPE OF MEASURE USEFUL?			
QUALITATIVE	QUANTITATIVE	MONETARY – SHAREHOLDER VALUE	MONETARY – SOCIETAL VALUE
<ul style="list-style-type: none"> • Initial consideration of many issues • Quantitative data is unavailable or would be overly complex to measure • Alongside quantitative information to obtain a more nuanced picture • To bring the project/initiative/impact to life 	<ul style="list-style-type: none"> • Where severe, long term or irreversible impacts are likely • Where absolute and relative measures are useful • For comparison against targets • Where impacts/risks have an ethical/political dimension, and where quantitative information can help to minimize subjectivity and bias 	<ul style="list-style-type: none"> • Investigating gross and net impacts • Developing a business case for an investment decision • Making trade offs between different issues • Assessing financial impact of risks and opportunities • Communicating potential market value of an opportunity/risk to investors 	<ul style="list-style-type: none"> • Making trade offs between different issues/across geographies, taking into account the full value chain dependencies and impacts • Understanding potential risks and opportunities • Focusing on 'licence to operate' or reputation • Assessing projects which have significant community benefits or impacts • Comparing relative impact between projects
MONETIZATION			
BENEFITS	CHALLENGES	EXAMPLES OF SHAREHOLDER VALUE	EXAMPLES OF SOCIETAL VALUE
<ul style="list-style-type: none"> • Language is readily understood • There is a common financial unit to identify trade offs 	<ul style="list-style-type: none"> • There can be scepticism about valuation methodologies • It can be costly • It is not appropriate to monetize everything 	<ul style="list-style-type: none"> • Change in revenue • Replacement costs • Future regulatory costs 	<ul style="list-style-type: none"> • Revealed preference approaches • Stated benefits • Value (benefit/cost) transfers

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TOOLS AND GUIDANCE: EVALUATE AND APPLY

This stage sets out how to evaluate the results of your assessment and apply the findings to business decision making.

SCOPE

How do I select my appraisal scope to focus on the most important areas, and the relevant parts of my value chain?

MEASURE AND VALUE

How do I determine the basis of information, the method of collecting it, and the values developed?

EVALUATE AND APPLY

How do I evaluate the results and apply the findings?

BOUNDARIES

Set the business, value chain, temporal and geographic boundaries, attributing accountability, control and influence.

MATERIALITY

Focus on the issues that have the most significant impact on the organization and its stakeholders.

COMPLETENESS

Incorporate both positive and negative impacts and dependencies. Make sure key decision makers and stakeholder groups are consulted and nothing important is left out.

MEASUREMENT

Consider the most appropriate measurement timescale and data collection methods, consistent with other evaluations and reporting undertaken across the organization, that meets the needs of users.

VALUATION

Measure your impact and/or dependencies, and understand the value to your organization and to society.

CONFIDENCE

Assess underlying data to ensure it is robust, comparable and reliable, and can be trusted by decision makers.

Demonstrate transparency and recognize uncertainty.

APPLICATION

Work across the organization to apply the findings, and further integrate within business decision making.

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EVALUATE AND APPLY: CONFIDENCE

Assess underlying data to ensure it is robust, comparable and reliable, and can be trusted by decision makers. Demonstrate transparency and recognize uncertainty

RATIONALE

- The data must be adequate for use in decision making, and may ultimately be subject to internal or external quality checks and verification
- Credibility is enhanced by being transparent about gaps and uncertainties, and ensuring both negative and positive impacts and dependencies are captured

CONSIDERATIONS

- The assumptions, valuation techniques and methods used should be clearly stated in any assessment
- Where there is uncertainty in the process or results, this should be stated and an explanation given for why a judgement has been made (*see the practical examples* for further information)
- In some cases, instead of using an absolute number, it may be more representative for the valuation technique to show a range, and it could also be beneficial to the user to show the level of confidence in the data and/or conduct a sensitivity analysis

PRACTICAL EXAMPLE

BRITISH LAND: MEASURING AND VALUING REGIONAL CONTRIBUTIONS AT MEADOWHALL

British Land marked the 25 year anniversary of the Meadowhall shopping centre with a review exploring the social, economic and environmental contributions to the Sheffield City Region and the wider UK. The review highlighted the level of robustness of the indicators used based on data availability and categorized them as 'low', 'medium' and 'high'.

[See full case study for further information](#) 



LIST OF INDICATORS ASSESSED

Indicator covered	Measured as	Methodology	Level of robustness based on data availability
Economic	Gross Value Added, employment	Direct reporting for landlord and managing agent	High
		Direct reporting for occupiers	Low
		Input-output modelling for Meadowhall (all entities)	Medium
Fiscal	Total tax contribution	Direct reporting for landlord and managing agent	High
		Estimates for occupiers	Medium
		Input-output modelling for Meadowhall (all entities)	Low
Social	Training and skills development, Health & Safety, Community programme	Direct reporting for managing agent and The Source Skills Academy	High
		Estimates of occupiers	Medium
		Input-output modelling for Meadowhall (all entities)	Low
Environmental	Carbon emissions, air quality, water use, waste generation	Direct reporting for Common Parts Area	High
		Estimates for occupiers	Low
		Input-output modelling for Meadowhall (all entities)	Low

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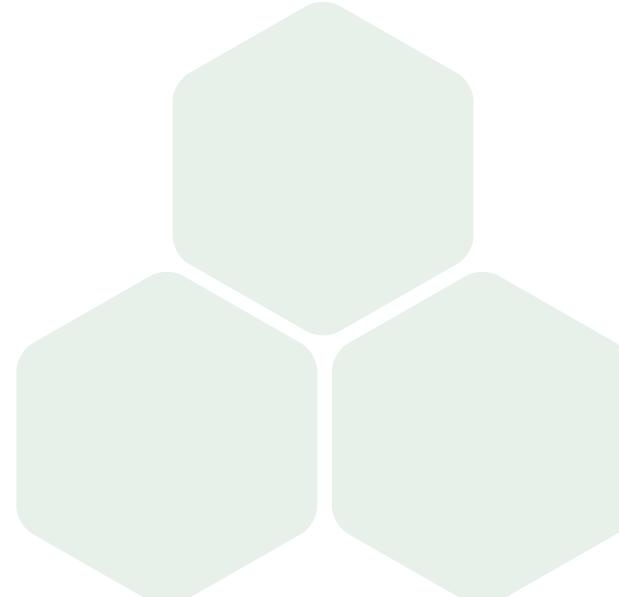


EVALUATE AND APPLY: CONFIDENCE

PROJECT TEAM EXAMPLES

THE CROWN ESTATE'S TOTAL CONTRIBUTION METHODOLOGY

Within their methodology, The Crown Estate clearly disclose how they have addressed transparency¹¹.



TRANSPARENCY

We work on three principles of transparency:

CREDIT

We are clear whether the contribution we are stating is direct, indirect or enabled.

To help us understand and report on who is responsible for what, we group activities under three headings:

- **Direct activity** (carried out by ourselves)
- **Indirect activity** (commissioned by us and carried out by our supply chain)
- **Enabled activity** (carried out by our customers on our land)

CONFIDENCE

We are clear about our assumptions and say how confident we are in our data.

It's not possible to capture primary data for every indicator, so we use recognized methodologies, models and research to estimate results where necessary. We make our data sources clear in all cases. Since our first report there have been two developments concerning this principle:

- The introduction of a more systematic internal confidence scoring system
- *An Insight Report produced by PwC* which assesses the maturity of the approach, processes and transparency underpinning the metrics and the basis of calculation used to determine economic value

CONTRIBUTION

We include both positive and negative indicators so we can show a net impact.

This helps to give a more balanced picture of our impact and to highlight where we need to focus our efforts.

See full Total Contribution Methodology Report for further information 



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EVALUATE AND APPLY: APPLICATION

Work across the organization to apply the findings, and further integrate within business decision making

RATIONALE

- Use the results to help drive business success and maximize social contribution

CONSIDERATIONS

- Apply at multiple levels: corporate, operating division, project and product development
- Help identify new markets and business models, and drive product innovation (*see the A4S Essential Guide to Managing Future Uncertainty*, and *page 38* for further guidance)

See the Integrate section for more guidance 

PRACTICAL EXAMPLE

SOUTH WEST WATER: DEVELOPING MEASURES TO CAPTURE OUR BENEFITS TO THE COMMUNITY

See how we are reporting our community benefits to our Board.

See full case study for further information 



- Use in long term strategy development (*see Unilever case studies* for further guidance)
- Incorporate the results in risk management, particularly in considering the longer term (*see the A4S Essential Guide to Managing Future Uncertainty*, and *page 38* for further guidance)
- Build into business cases for investments (*see the A4S Essential Guide to Capex*, and *page 41* for further guidance)
- Build into ratio analysis to support performance management e.g. HROCE and HROI ratios (Human Return on Capital Employed = relevant productivity measure/human capital value; and Human Return on Investment = relevant productivity measure/personnel costs)

- Help meet current and expected legislation and industry standards (*see the Yorkshire Water case study* and the *South West Water case study* for further guidance)
- Integrate into investor communications (*see the A4S Essential Guide to Enhancing Investor Engagement* for further guidance)
- Build into wider company communications to enhance reputation, support stakeholder dialogue and maintain licence to operate (*see page 42* for further guidance)

PRACTICAL EXAMPLE

SAINSBURY'S: THE ROLE OF HUMAN CAPITAL IN SAINSBURY'S GREENEST GROCER PROGRAMME

See how we delivered a nationwide behaviour change programme which equipped Store Managers with the knowledge and tools to engage their colleagues on saving energy in stores.

See full case study for further information 



PRACTICAL EXAMPLE

UNILEVER: INCORPORATING SOCIAL MEASURES TO RANK INNOVATION PROJECTS

See how we are incorporating social measures within our innovation projects and assessing the financial impact of our Unilever Sustainable Living Plan.

See full case study for further information 



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INTEGRATING SOCIAL AND HUMAN CAPITAL INTO DECISION MAKING

The aim of this guide is to support the integration of social and human capital accounting into existing business decision making processes. This section provides some key considerations for how it can be integrated into core finance processes. The other *A4S Essential Guides* in the series provide further guidance on how to integrate.

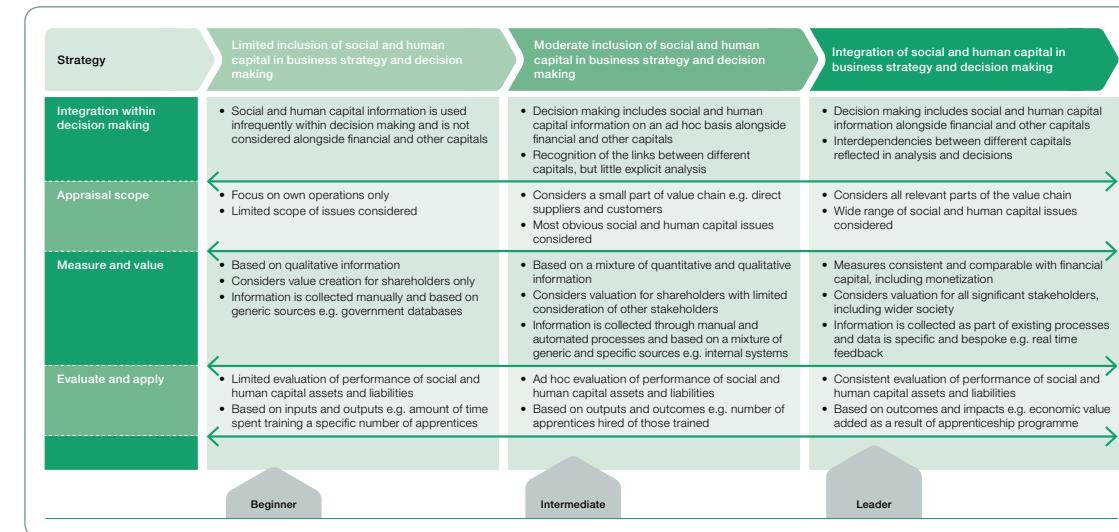
- Managing Future Uncertainty ([see page 38](#), and the *A4S Essential Guide* for further guidance)

- Strategic Planning, Budgeting and Forecasting ([see page 39](#) for further guidance; the A4S Essential Guide will be available soon)
- Integrated Management Reporting ([see page 40](#) for further guidance; the A4S Essential Guide will be available soon)
- Capital Investment Appraisal Process ([see page 41](#), and the *A4S Essential Guide* for further guidance)
- Enhancing Investor Engagement ([see page 42](#), and the *A4S Essential Guide* for further guidance)



MATURITY MAP

We have also developed a maturity map for you to assess your overall level of integration, and to see how advanced you are across the three stages covered in the Tools and Guidance section. *This can be found on the next page.*



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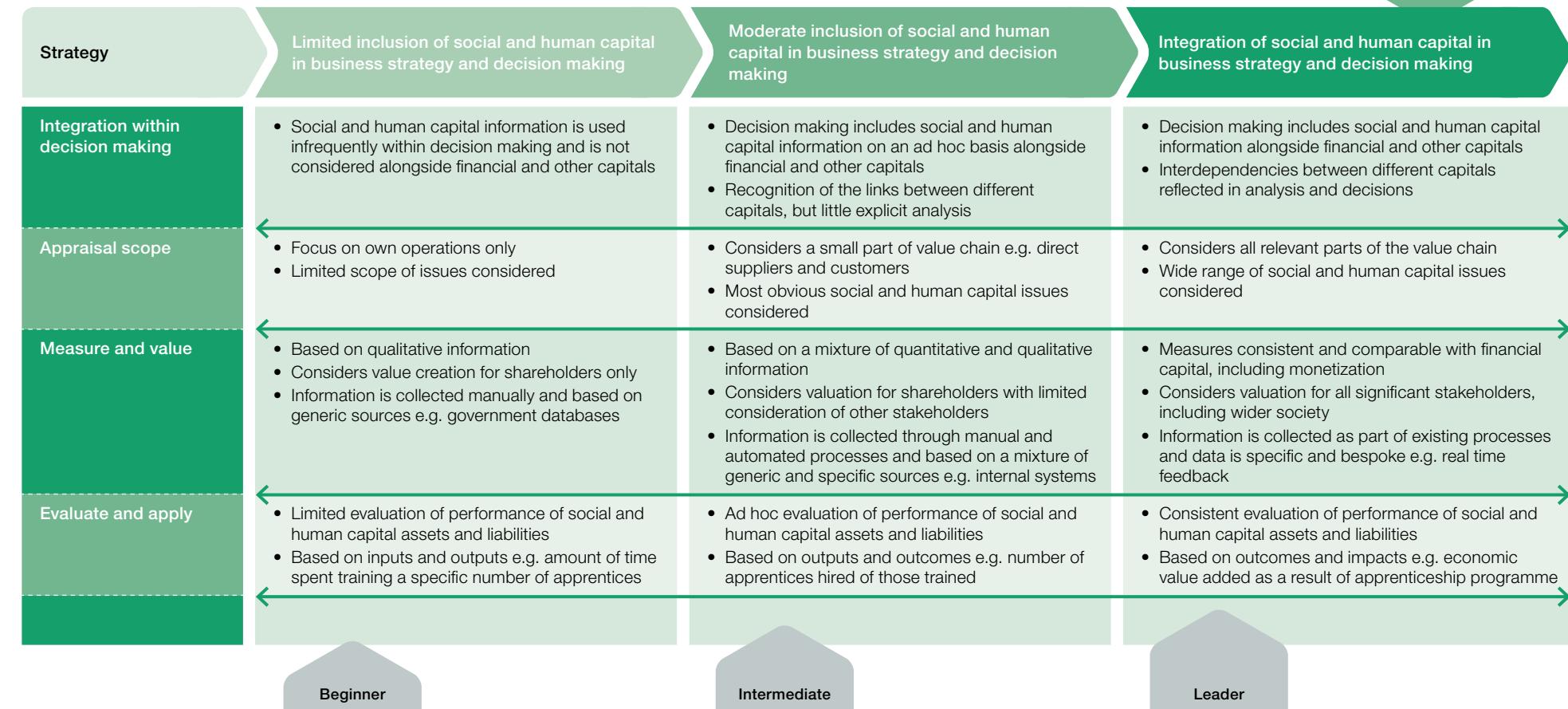
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SOCIAL AND HUMAN CAPITAL ACCOUNTING

Use of social and human capital information to deliver better business outcomes

Do you understand how your social and human capital supports the success of your organization? Do you have the information you need to understand the value of these assets and what impacts them?



MATURITY MAP

The maturity map is designed to enable you to assess what you are currently doing, and understand how you can develop your processes further. It has been developed as a way to capture the different dimensions within social and human capital accounting.

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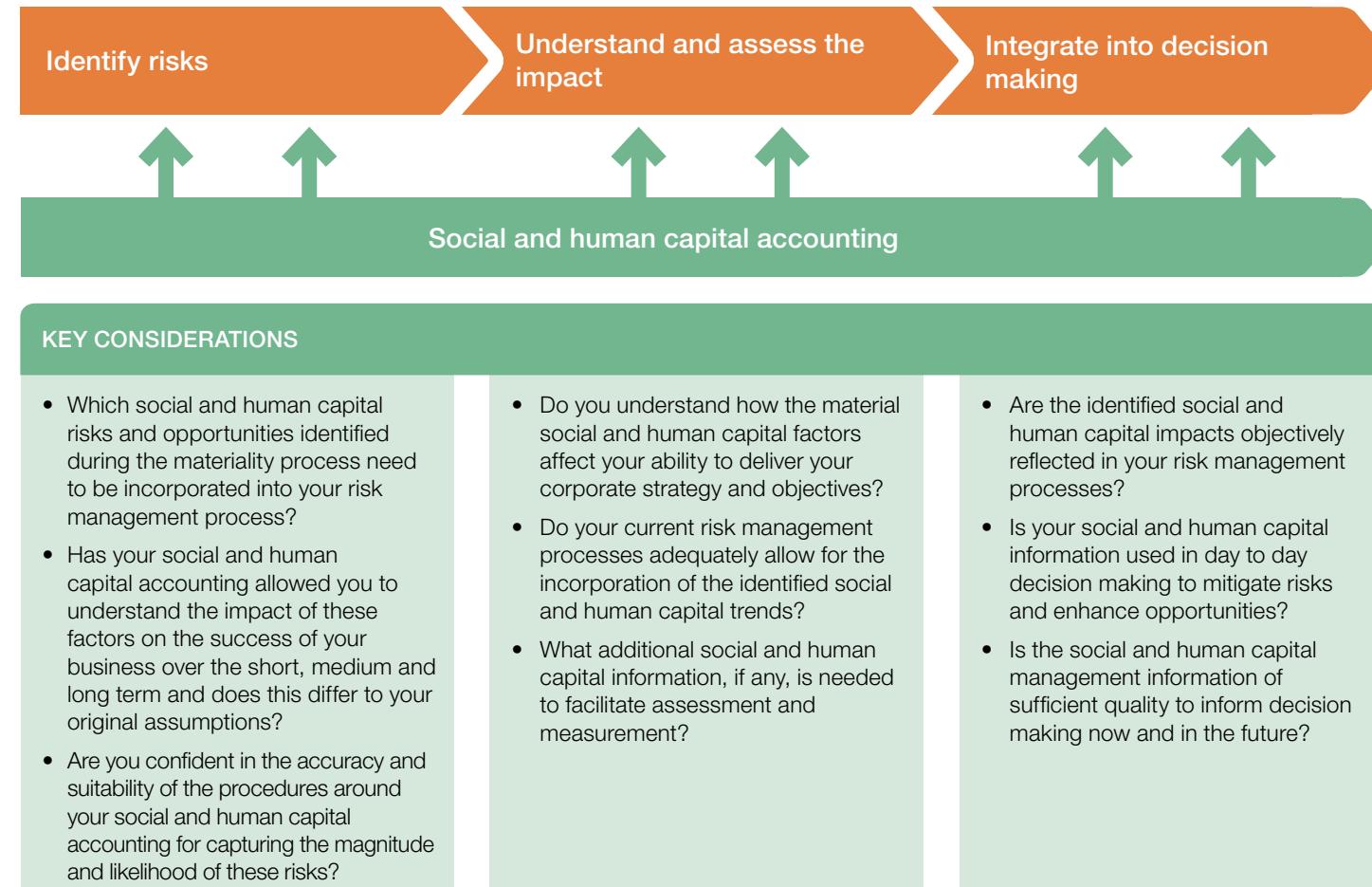
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INTEGRATION INTO RISK MANAGEMENT PROCESSES



For further information see the A4S Essential Guide to Managing Future Uncertainty



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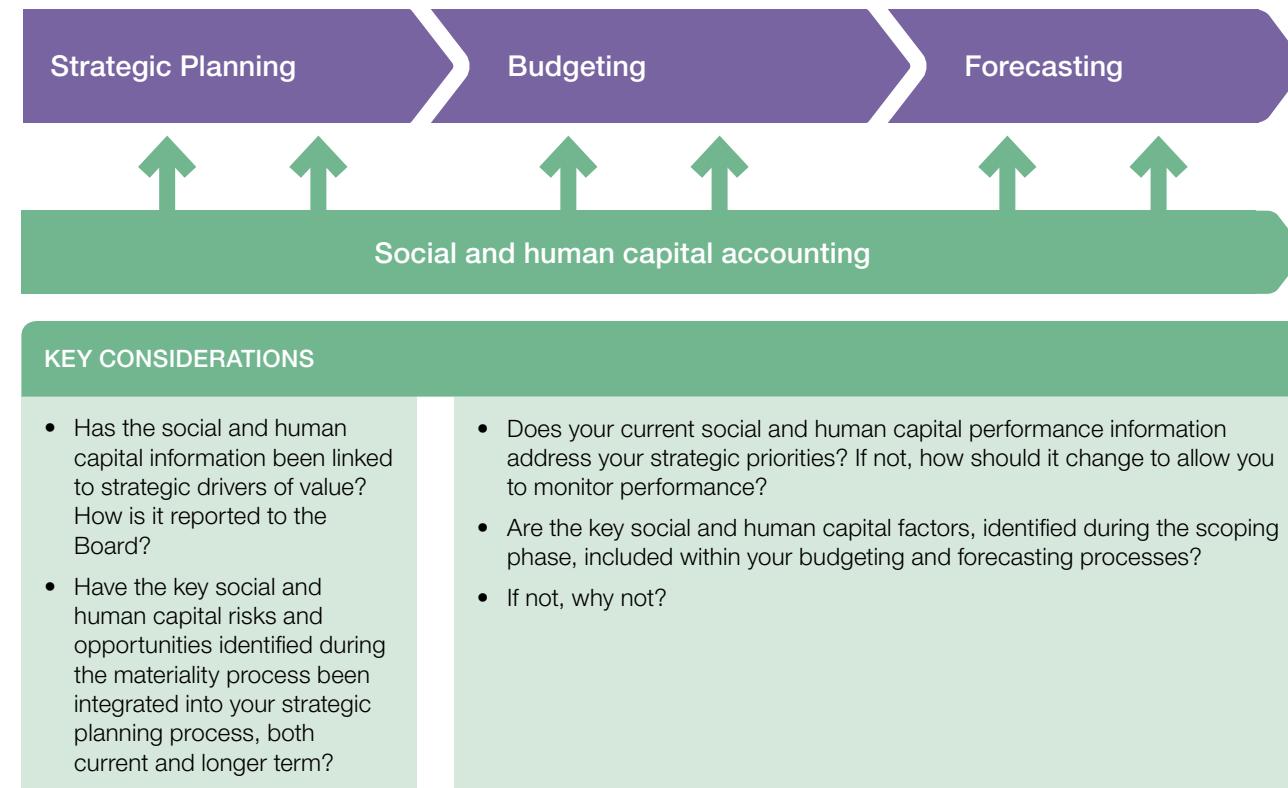
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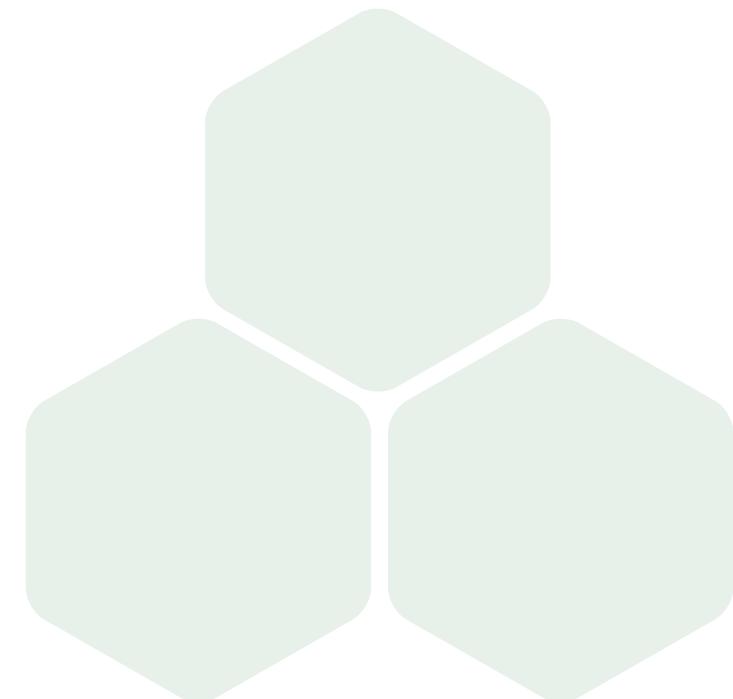
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INTEGRATION INTO STRATEGIC PLANNING, BUDGETING AND FORECASTING PROCESSES



The A4S Essential Guide to Strategic Planning, Budgeting and Forecasting will be available soon



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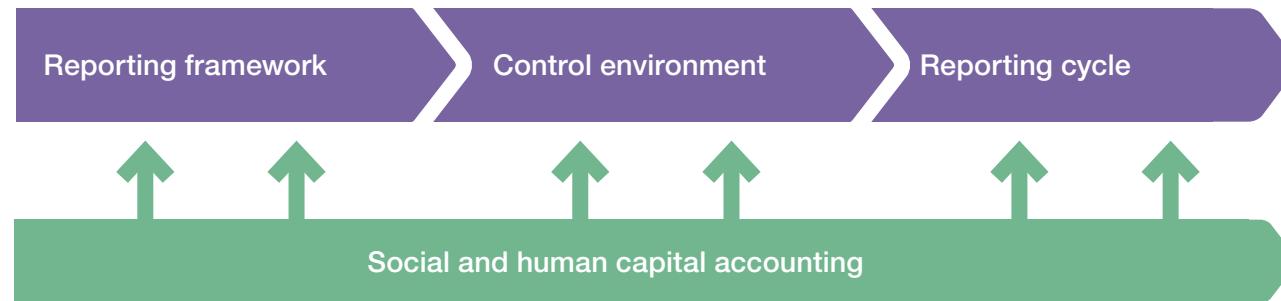
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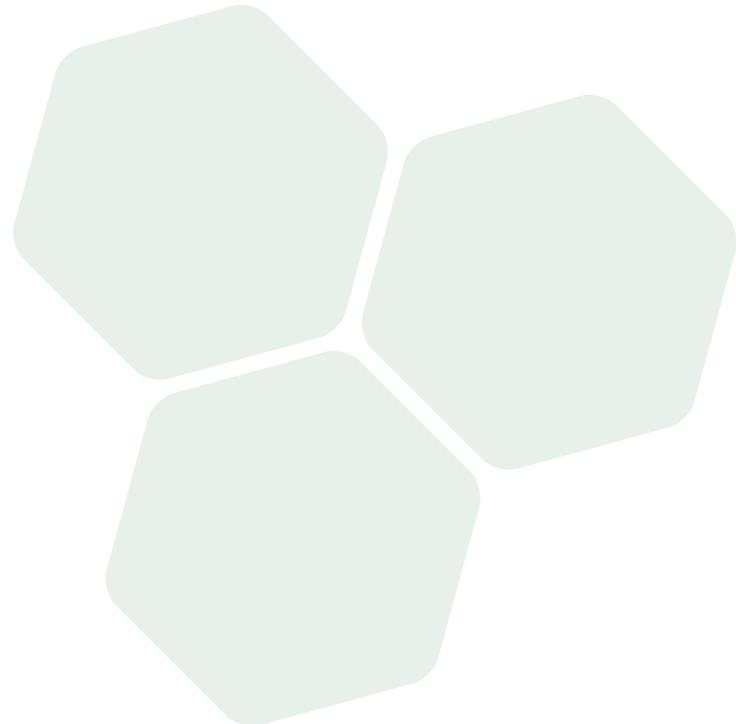
INTEGRATION INTO INTEGRATED MANAGEMENT REPORTING PROCESSES



KEY CONSIDERATIONS

- How is your social and human capital information included in your current internal reporting framework and how is this expected to change over time?
- Does the social and human capital information get reported to the right people at the right time for them to make informed decisions?
- Do decision makers have confidence in the information reported and an understanding of what is being reported?
- Does the control framework for social and human capital information meet the needs of users?
- Do current internal reporting systems allow social and human capital information to be reported easily and in an integrated and timely manner?

The A4S Essential Guide to Integrated Management Reporting will be available soon



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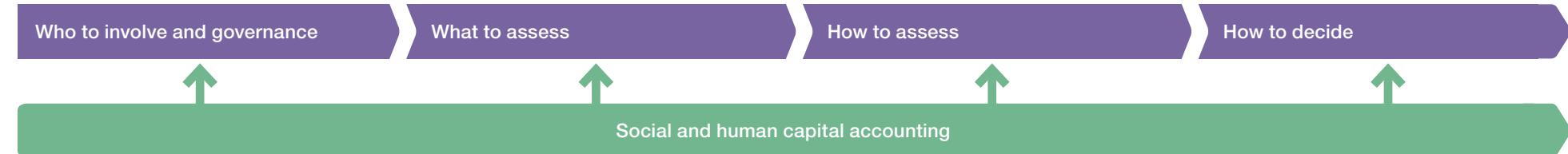
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INTEGRATION INTO THE CAPEX PROCESS



KEY CONSIDERATIONS

- Is there clear commitment from the CFO, Board and Investment Committee that material social and human capital factors should be considered in capital investment decisions?
- Are you using the institutional knowledge gained from the social and human capital assessment process to feed into your project team?
- Would any stakeholder engagement undertaken for your social and human capital accounting help increase support for the project, offer additional perspectives and/or add credibility?
- Are you using the material social and human capital factors identified within your project assessment?
- Are there additional factors that need to be specifically assessed for this project? If so, how do these feed back into your social and human capital materiality assessment process?
- Are there additional external factors that have been identified that could significantly impact the success of the project over its lifetime (e.g. human, political and social landscapes)?
- Did your social and human capital assessment cover the same data points, timeframe and issues needed for your project assessment?
- If the social and human capital assessment derived qualitative results, can this be incorporated into the decision making process?
- Did your social and human capital accounting result in a monetary assessment? Consider how this can be incorporated within the project's financial model (e.g. via NPV, ROI or IRR).
- How can insights from the social and human capital assessment be incorporated into the standard decision making criteria (either monetary or non monetary)?
- How do you choose between investment options and how are social and human capital factors incorporated?
- Do your funding options include consideration of social and human capital?
- Are there opportunities to deliver enhanced social and human capital outcomes as part of the decision making process?

For further information see the A4S Essential Guide to Capex



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INTEGRATION INTO INVESTOR RELATIONS ACTIVITY



KEY CONSIDERATIONS

- | | | | | | |
|--|---|---|---|--|---|
| • Have you communicated the role of social and human capital in underpinning long term business performance? | • Do the assessment results show the consequences of major social and human capital trends on your business performance and how you are responding to these?

• Have you communicated these insights to your investors? | • Have you put short term issues into the context of longer term strategy, external drivers and context, and included social and human capital measures and milestones to demonstrate you are on track and progressing over time? | • Have you demonstrated that social and human capital issues are key business drivers, and linked them to revenue growth, cost reduction, risk management or retention of key people? | • Have you integrated social and human capital information throughout all communications, not as a standalone section? | • Are you consistently reporting on material and insightful social and human capital performance measures year on year, whatever the results? |
|--|---|---|---|--|---|

For further information see the A4S Essential Guide to Enhancing Investor Engagement



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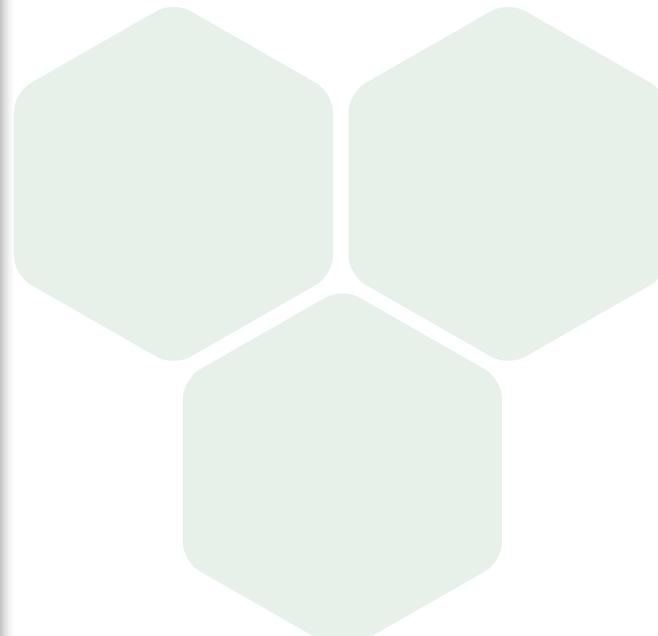
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INTEGRATION CHALLENGES

For many, the terms social and human capital may be new, so determining how to measure and build them into decision making can be daunting. Although the terms may be new they are relevant to all organizations, and some of the key measures will already be being captured.

For any new initiative challenges will be faced. We have identified the following common challenges, and provided suggested ways of responding to them.



Challenge

Lack of buy in from stakeholders that this is of business value

No sufficiently robust underlying data

The resources are not available to deliver this work

Without a common industry approach or standard it is not possible to get consistent information

It is viewed as too hard to do

Response

Share the global trends and business benefit case studies

Try starting with a qualitative analysis and build from there

Start small and demonstrate the benefits through a pilot

Get started and work with peers to inform the emerging standards

Join networks, or actively meet with peers, to learn from others and share experience

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INTEGRATION TOP TIPS

MAKE A START

Don't let perfect be the enemy of the good. Start simple, learn as you go, run some pilots and focus on what is most relevant

COLLABORATE INTERNALLY

Finance, HR and Sustainability teams bring unique skillsets which are needed to support an integrated approach

DON'T REINVENT THE WHEEL

Use existing information systems to gather data whenever possible

BE CANDID

Don't avoid difficult issues and consider both positive and negative impacts

SPEAK THE RIGHT LANGUAGE

Use business terms e.g. cost savings, revenues, risks, and ROI to highlight the financial benefits

BE INCLUSIVE

Understand and incorporate the needs and expectations of your stakeholders

BUILD THE CASE

Develop a pilot to demonstrate the benefits for new areas not currently being evaluated

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PRACTICAL EXAMPLES

A range of examples of social and human capital accounting from CFO Leadership Network organizations are provided on the following pages. These case studies each set out why the different initiatives were undertaken, key metrics and information sources, and details of how they are being implemented.

The case studies have been presented to show the different approaches being used, and are categorized as inputs, outputs, outcomes, or impacts. This shows that the ultimate aim does not need to be about capturing impact but is dependent upon the type of information needed to influence the business decisions being made.

INPUTS

Resources dedicated to, or consumed by, the project/initiative

British Land: Measuring and valuing community investment

OUTPUTS

The results of the project/initiative

Yorkshire Water: Introducing a new social tariff

OUTCOMES

Benefits or changes during or after project activities (e.g. better projects, increased skills)

Anglian Water: Acknowledging our dependency on customers and developing a behaviour change programme

IMPACTS

Long term consequences

Unilever: Assessing the financial impact of the Unilever Sustainable Living Plan through product categorization

SSE: Understanding the value of our human capital and the impact it has on business performance

Unilever: Incorporating social measures into rank innovation projects

British Land: Measuring and valuing regional contributions at Meadowhall

The Crown Estate: Implementing a skills and recruitment programme to add value to our business

KEY THEME

KEY BUSINESS BENEFIT



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PRACTICAL EXAMPLES

British Land: Measuring and valuing community investment

WHAT?

Our approach to measuring and valuing community investment has evolved since we started reporting on social and environmental matters in 2002. Key changes include:

- Moving from a qualitative approach of sharing examples of good practice, to applying a portfolio wide approach to reporting
- Increasing focus on valuing what community investment achieves, socially and economically
- Using community data to inform decision making and strategy

WHY?

We recognize the social and commercial importance of community investment. Our community investment programme improves our ability to secure planning consents, thereby delivering us cost savings. Through measuring and valuing our community investment we are able to focus on the priority business issues.



HOW?

We use the LBG Framework as a basis for measuring the monetary and non-monetary contribution of corporate community investment which we have tailored to our business ([see next page](#) for information on metrics), using an online tool to collect and analyse community investment data from across our portfolio.

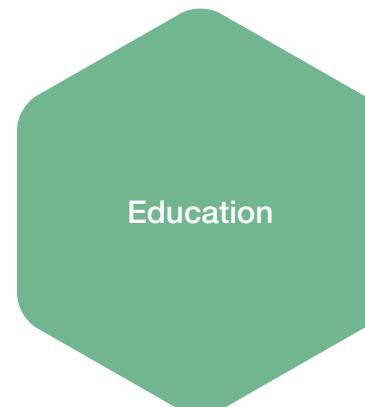
KEY THEME

Community relations

KEY BUSINESS BENEFIT

Enhancing and maintaining reputation

Our areas of focus



Education



Employment and
training



Wellbeing, culture
and leisure

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PRACTICAL EXAMPLES

British Land: Measuring and valuing community investment

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Improve ability to secure planning consents • Meet regulatory requirements • Focus investment on priority business issues 	<ul style="list-style-type: none"> • Direct (cash, staff time, in kind, management costs) and indirect contributions (leveraged) categorized by geography, beneficiary and type of activity <p><i>Source: internal systems</i></p>	<p>IMPACT Community contributions</p> <p>DEPENDENCY Social licence to operate</p>	<p>FINANCIAL CAPITAL Programme costs, occupancy rates</p> <p>INTELLECTUAL CAPITAL Increased institutional knowledge</p>



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PRACTICAL EXAMPLES

British Land: Measuring and valuing community investment

CHALLENGES

ESTABLISHING A SYSTEM FOR GATHERING, ANALYSING AND REPORTING COMMUNITY INVESTMENT DATA

After initially using Excel spreadsheets we rolled out an online tool for community data. The tool provided much greater analytical capability, so we can now analyse community investment by business area, geographical regions, priority issues being addressed, and beneficiaries.

MAKING THE PROCESS AS STRAIGHTFORWARD AS POSSIBLE FOR THE LOCAL PROPERTY TEAMS AND BRINGING NEW PEOPLE UP TO SPEED

We have focused on adapting the LBG language so that it is meaningful to staff and suppliers, such as using 'fundraising' rather than 'leveraged'.

TOP TIPS

Provide tools to support staff and suppliers in data collection and reporting, and give clear instructions and appropriate training

Share best practice and celebrate success, e.g. through annual awards

Ensure teams appreciate how important community reporting is to the business

Don't expect to collect everything – focus on the most material data and be prepared to build on this over time



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PRACTICAL EXAMPLES

Yorkshire Water: Introducing a new social tariff

WHAT?

For many years we have offered a range of support measures to our customers who struggle to pay their water bill. The number of people we help to pay their bill is a measure of success within our business plan for 2015 onwards, and this measure is a key part of our social capital accounting. We identified a gap in the support we offer to our customers, as all of our existing programmes were only available to those in debt. We developed a specific social tariff¹ to address this gap, going beyond our regulatory requirements.

WHY?

The business case was built around protecting revenue and improving brand, whilst also putting us in a stronger position with the regulator and government who are focusing on social tariffs. The social tariff also demonstrated our awareness of, and response to, specific customer needs.

1 Social tariff as defined by Ofwat is reduced charges for individuals who would otherwise have difficulty paying their water bills in full



YorkshireWater

HOW?

The measure of success for this initiative is based on achieving our Performance Commitment to our customers and regulator, which is to support 24,000 customers per year. The project included the following key elements:

- **Appraisal scope:** Investigation, scoping and definition
- **Measure and value:** Data capture and analysis; benefits and costs; customer research design, completion and analysis; impact assessment; stakeholder engagement and pilot
- **Evaluate and apply:** Review, implementation

KEY THEME

Affordability

KEY BUSINESS BENEFIT

Licence to operate

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PRACTICAL EXAMPLES

Yorkshire Water: Introducing a new social tariff

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Helps to prevent new, and resolve existing, cases of bad debt arising as a consequence of non payment of bills that may otherwise be unaffordable to some customers • Provides reputational and financial benefits through improved customer service and by placing a greater focus on the needs and views of our customers 	<ul style="list-style-type: none"> • Number of customers supported per year <p><i>Source: internal systems</i></p>	<p>IMPACT Licence to operate, debt</p> <p>DEPENDENCY Customer behaviour, customer trust</p>	<p>FINANCIAL CAPITAL Cost of programme Supports management of bad debt Improved customer perception leads to increased willingness to pay</p>



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PRACTICAL EXAMPLES

Yorkshire Water: Introducing a new social tariff

HOW?

Given the nature of the project it was important that it was accepted by our stakeholders. A significant proportion of the project was therefore focused on customer engagement and impact assessment.

WHO WAS INVOLVED?

- **External stakeholders:** Citizen's Advice Bureau, Age UK and Ofwat
- **External expertise:** Economic specialists and customer research agency
- **Yorkshire Water tariff team:** Modelled impacts
- **Yorkshire Water finance and regulatory team:** Reviewed business case to secure funding and monitor ongoing performance

HOW IS PERFORMANCE MONITORED AND WHAT IS THE ROLE OF FINANCE?

Performance against the measure is monitored by a Delivery Assurance Group made up of key colleagues from across the business. This includes trend analysis, identification of risks and opportunities. Progress is monitored and governed by the Customer Service Delivery Board.

Should we look to be failing, or falling behind our aspirations, then this would be reviewed by the Finance team and by the Board Investment Committee to determine whether additional funding is needed. The Finance team also have the overall view of the business plans behind each of our Performance Commitments so that they can account/budget accordingly and raise issues as necessary through the Board Investment Committee.



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PRACTICAL EXAMPLES

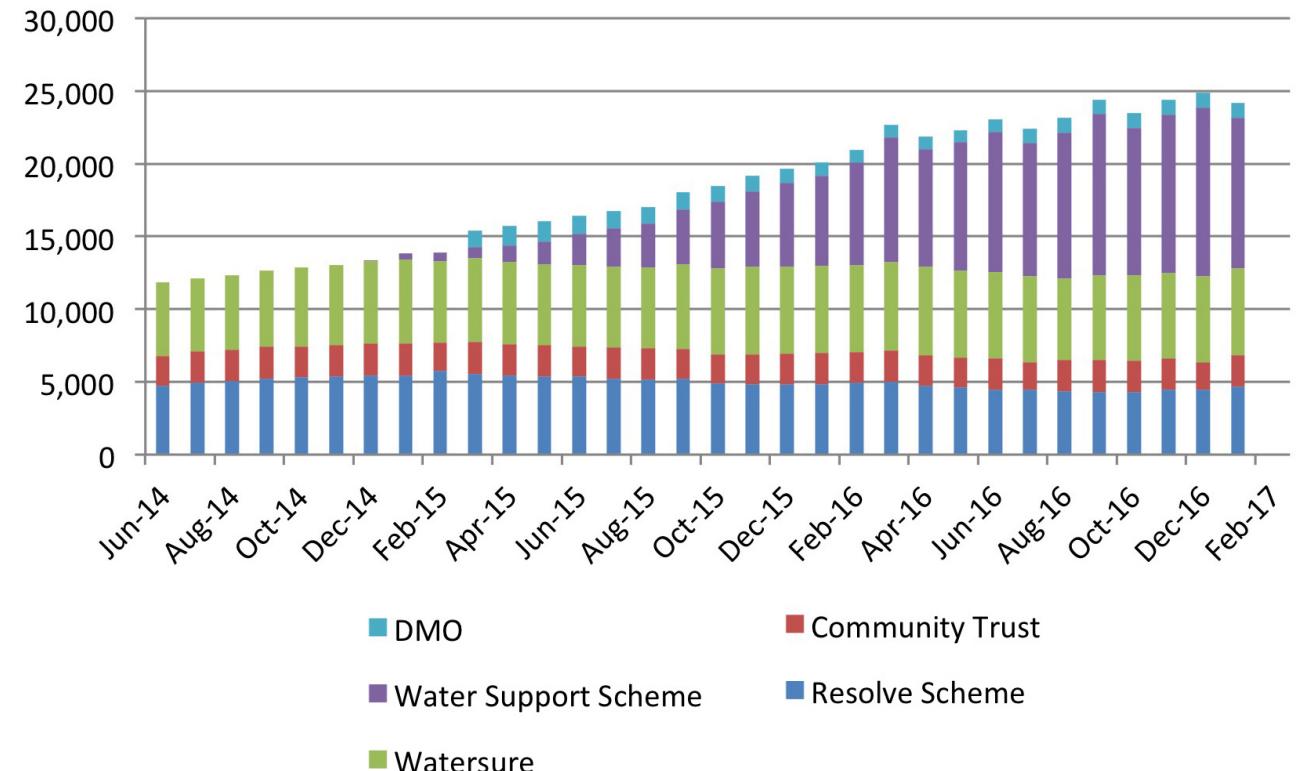
Yorkshire Water: Introducing a new social tariff

MEASUREMENT

The measure of success for this initiative is based on achieving our overall regulatory customer Performance Commitment which is to support 24,000 customers per year. The measure has been in place since April 2015, and we monitor this on a monthly basis.

MONITORING THE NUMBER OF CUSTOMERS HELPED BY MONTH

Number of customers helped



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PRACTICAL EXAMPLES

Yorkshire Water: Introducing a new social tariff

Challenges

Addressing affordability for all customers struggling to pay was not possible

The results of the initial research were inconclusive

Some segments of customers were not applying for the scheme due to lack of awareness or reluctance to provide financial information

How did we overcome them?

We undertook continuous engagement with customers throughout the pilot phase and shared all relevant information. Whilst this was challenging, it proved important at acceptance stage.

A further phase of research was introduced building on the previous studies. This proved successful in capturing customer views and also identified how customer concerns could be addressed.

We collaborated with a range of third parties to help promote the scheme, and also simplified the application process. Both of these activities have resulted in an increase in take up.



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PRACTICAL EXAMPLES

Unilever: Measuring and reporting on Unilever's Opportunities for Women Commitment

WHAT?

We have set an ambitious target to empower five million women by 2020. We are in the process of developing a measurement and reporting framework to enable us to manage performance towards delivering the commitment.

WHY?

Women comprise over 70% of Unilever's consumers. Research shows that women reinvest 90% of income into their families (compared to 30 – 40% among men). They are also active participants in our value chain. Many of our smallholder farmers, factory employees, distributors and young entrepreneurs are women. We know that the positive impact of economically empowering women creates a ripple effect on families, communities, and economies. We believe we can shape our future growth by promoting the formal and active participation of women in the economy, and in regions where we want to expand our business. In turn, by empowering women, their families and their communities, we have the opportunity to grow our markets, brands and business.



HOW?

Our commitment is breaking new ground and there are therefore few precedents for measurement and reporting that we can draw upon ([see next page](#) for information on metrics). To address this, we convened a series of workshops with internal and external stakeholders to guide our understanding and share learning.

For a number of brands we now have a theory of change and framework in place to measure their positive social impact. For example, one brand is launching a project in India this year which will explore how to measure the additional income generated for women participating in an online learning initiative.

KEY THEME

Social trends, gender inclusion

KEY BUSINESS BENEFIT

Enhancing and maintaining reputation



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PRACTICAL EXAMPLES

Unilever: Measuring and reporting on Unilever's Opportunities for Women Commitment

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Demonstrating progress on commitment • Achieving our vision to grow our business sustainably • Enhancing our reputation as a leader in sustainability 	<ul style="list-style-type: none"> • Number of women participating in initiatives aimed at their upskilling <p><i>Source: attendance records</i></p> <ul style="list-style-type: none"> • Number of women empowered <p><i>Source: participant surveys</i></p>	<p>IMPACT New markets Increased skill levels Reduced health and safety incidents</p> <p>DEPENDENCY Reputation and trust Local skill levels</p>	<p>FINANCIAL CAPITAL Improved revenue New markets Brand value</p> <p>HUMAN CAPITAL Strengthen rights Improve skills Expand opportunities</p>



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PRACTICAL EXAMPLES

Unilever: Measuring and reporting on Unilever's Opportunities for Women Commitment

WHY?

We believe the framework will help drive sustainable growth faster, whilst removing barriers to further progress by delivering the following benefits:

1. A forward looking and cohesive measurement and reporting approach to give us a more complete picture on our progress
2. More informed decision making on steering existing initiatives, and developing new initiatives across the business through robust and efficient data and analytics
3. Better future proofing and a scalable model through better performance management enabled by the measurement and reporting framework

ROLE OF FINANCE

Finance are a key part of the working group and have been responsible for reviewing and strengthening the proposed framework to ensure the process for reporting is robust and can be validated, and ultimately externally assured, and that all claims can be supported by evidence.



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PRACTICAL EXAMPLES

South West Water: Developing measures to capture our benefits to the community

WHAT?

One of the core elements in our business strategy is an outcome defined as 'benefiting the community', which recognizes the direct and indirect benefit of our activities to the regional economy. This is something that our stakeholders want to know about, and therefore that we want to track and enhance where possible. To help address this, we have developed measures to capture our direct and indirect impacts.

WHY?

Within the water and sewerage services sector there is an increasing need to demonstrate to our stakeholders the broader community benefits delivered. We developed two types of measures as part of our five year planning process so we can capture and communicate the wider environmental and societal value of the services we provide. Wider social and human capital impacts are also monitored and used to form part of business decision making. This greater visibility helps provide momentum for increasing knowledge and developing operational tools and techniques that can be used across the business.



HOW?

To capture the direct economic community benefits that can be attributed to our business, we developed a bespoke input:output framework which quantifies our regional socio economic contribution. We also developed a community scorecard which included a basket of measures around skills development; recreation and leisure activities; infrastructure investment; and service delivery to capture the broader benefits we provide.

CLEAN, SAFE AND RELIABLE SUPPLY OF DRINKING WATER 

Providing an uninterrupted supply of fresh clean water that not only meets the highest water quality standards but is also free from unwanted taste, colour or odour.

RELIABLE WASTEWATER SERVICE 

Ensuring our customers can rely on us to remove and dispose of wastewater safely and efficiently, and that the likelihood of sewer flooding on customers' property is minimised.

AVAILABLE AND SUFFICIENT RESOURCES 

Preventing restrictions on water use and managing and delivering the region's supplies as efficiently as possible.

RESILIENCE IN EXTREME CONDITIONS 

Making sure water and wastewater services can withstand the potential impacts of extreme weather and security threats.

RESPONSIVE TO CUSTOMERS 

Dealing with customer requests, problems and queries quickly and efficiently, and ensuring the service our customers receive represents value for money.

PROTECTING THE ENVIRONMENT 

Minimising our impact on the world around us and taking steps to protect and enhance it where possible.

BENEFITING THE COMMUNITY 

Having a positive long-term effect on people and quality of life in the region.

FAIR CHARGING 

Being efficient in order to keep our costs as low as possible and offering support to those who struggle to pay.

KEY THEME

Community benefits

KEY BUSINESS BENEFITS

Licence to operate
Enhancing and maintaining reputation

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PRACTICAL EXAMPLES

South West Water: Developing measures to capture our benefits to the community

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> Ability to demonstrate wider societal benefits beyond delivery of core operations and investments 	<ul style="list-style-type: none"> The community scorecard (see the next page for further information) 	IMPACT Community contribution Improved skill base DEPENDENCY Community acceptance Licence to operate	FINANCIAL CAPITAL Programme costs and benefits



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PRACTICAL EXAMPLES

South West Water: Developing measures to capture our benefits to the community

HOW?

To capture the direct economic community benefits, we developed a bespoke input:output framework which quantifies our regional socio economic contribution in terms of the number of jobs the company supported and the value of economic output it helped to generate through purchases of goods and services within the Devon and Cornwall economy.

We also developed a further set of measures which linked to our strategy and were identified as benefiting the community in the region. These were raised as part of customer research undertaken and were included in a community scorecard basket of measures, specifically focused on:

- Skills development through education and apprenticeships
- Support for recreation and leisure activities
- Support for the regional economy through investment in infrastructure and service delivery

Rather than focusing on the individual KPIs, a basket of measures was used to reflect the different ways the benefits could be delivered, and were developed through customer and stakeholder research.



ROLE OF FINANCE

A key feature of our decision making process is that accounting, economic and commercial skills are considered together. Expertise in the market and regulatory framework sits across both the Finance and Regulatory teams, who work closely together to challenge and support the business. This combination of skills is central to the design of measures and frameworks, alongside identifying the customer research and stakeholder engagement used to develop them.

The diagram below reflects South West Water's performance against our community scorecard metrics for 2015/16. Commentary of our performance can be found on pages 28 to 31 of our [Annual Performance Report](#).

	Community scorecard		
	2014/15	2015/16	2020 target
RIDDOR incidence rate [nr]	7	7	0
Number of Apprentices	61	85	100
Employee satisfaction (%)	74	74	80
Staff productivity (%)	75	77	80
Staff attendance levels (%)	96.4	97.1	97
Number of training days [nr]	5,707	4,634	4,000
Investors in People Standard [grade]	Silver	Silver	Silver
Number of volunteer days	151	192	200
Visitor numbers at recreational sites	1.79m	1.86m	2.1m
Sponsorship grants to local community [£'000]	74.7	89.0	80

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PRACTICAL EXAMPLES

South West Water: Developing measures to capture our benefits to the community

In addition to the formal annual reporting publications, the components of the community scorecard are monitored by South West Water management and Board in the following ways:

Component

Monitoring

Employee satisfaction levels

Annual staff survey

Number of training days

Monitored through HR systems

Number of apprenticeships

Monitored by Board Employee Development sub Group

Staff attendance levels

Monitored through HR systems

Investors in people standard

Monitored by Board Employee Development sub Group

Accidents at work

Separate Board reporting of RIDDOR metrics, incident reviews etc.

Number of volunteer days

Part of engagement and communication systems

Visitor numbers at recreational sites

Monitored by delivery partner (South West Lakes Trust)

Sponsorship grants to the local community

Part of engagement and communication systems

The targets for each component were agreed with individual stakeholders, or linked to internal strategies where appropriate. Monthly reporting to the Board of the individual metrics against the targets, and an updated forecast for the year, is produced so that the data sits alongside costs and investments made as well as other measures of performance.

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PRACTICAL EXAMPLES

Anglian Water: Acknowledging our dependency on customers and developing a behaviour change programme

WHAT?

A key part of our social capital is the relationship with our customers as the smooth operation of our network is dependent on their behaviour. Each year there are approximately 30,000 blockages across our 76,000km of sewers. About two thirds of these are avoidable, caused by people putting fats, oils, greases and unflushable products down toilets and sinks. We spend £13m a year unblocking them. 'Keep It Clear' is a programme to educate and inform customers so they can play their part in keeping sewers clear and ultimately keeping their bills lower.

WHY?

Despite a range of measures being used previously to address the blockages, we had seen limited success. A business case developed with finance showed that we could save four to five times expected programme costs by implementing an initiative focused on customer behaviour. The programme has also been scalable and we have campaigns running in 23 locations with an average

blockage reduction of 37%, and an average of 52% in those areas where campaigns have been running for more than a year. This is compared to a 14% reduction in locations without 'Keep it Clear' programmes.

HOW?

We implemented a pilot to prove the business case which showed a two third reduction in blockages. We now have a well established process for setting up a programme:

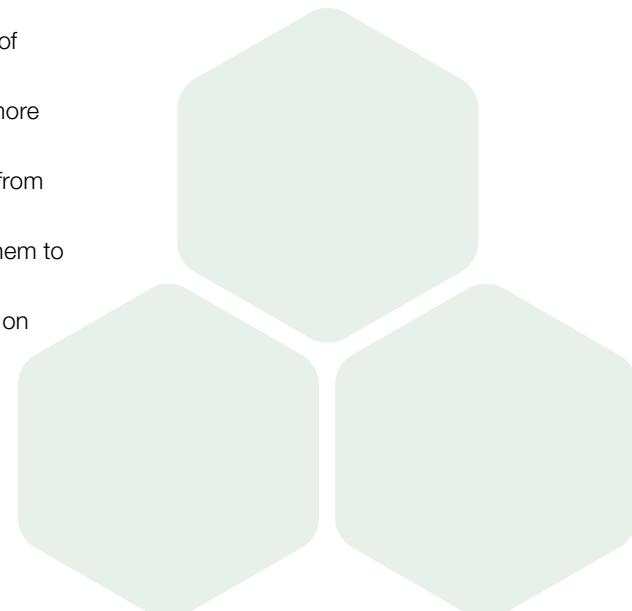
- Conduct primary research:** identify root cause and hot spots
- Form focus groups:** explore current patterns of behaviour
- Conduct before and after surveys:** gather more evidence and track changes
- Tailor messages to specific users:** distilled from focus groups and surveys
- Identify and fund a local group:** work with them to implement the project
- Conduct targeted face to face visits:** focus on biggest impact areas

**KEY THEMES**

- Citizenship
- Responsible consumption

KEY BUSINESS BENEFIT

- Reducing the cost base



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PRACTICAL EXAMPLES

Anglian Water: Acknowledging our dependency on customers and developing a behaviour change programme

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Reduced blockages and associated reduction in operating costs • Ability to scale the programme • Helping us to meet our regulatory objectives • Improved collaboration and increased internal knowledge 	<ul style="list-style-type: none"> • Number of campaigns <i>Source: local teams</i> • Number and percentage reduction in blockages <i>Source: internal work scheduling system</i> • Programme costs <i>Source: internal finance system</i> 	<p>IMPACT Licence to operate and influence other customer behaviour (e.g. water efficiency)</p> <p>DEPENDENCY Customer behaviour</p>	<p>FINANCIAL CAPITAL Cost savings Investment in programme</p> <p>NATURAL CAPITAL Reduction in pollution incidents</p> <p>INTELLECTUAL CAPITAL Increased institutional knowledge of behaviour change programmes</p>



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PRACTICAL EXAMPLES

Anglian Water: Acknowledging our dependency on customers and developing a behaviour change programme

Challenges

Limited experience of behavioural change programmes

Identifying local trusted voices to work with

Behavioural change does not happen overnight

How did we overcome them?

We conducted a pilot to demonstrate the potential of the programme and prove the business case

We modified the way we disseminated the messages as needed, depending upon the local situation and the community groups operating there

As the programme was initiated at Board Level, we were able to give each local campaign enough time for implementation before performance was assessed



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PRACTICAL EXAMPLES

Yorkshire Water: Engaging customers to help develop our business plan

WHAT?

Within our business planning process for 2015 we increased the scale and range of customer engagement activities from initial studies through to direct customer input to shape and challenge our short term priorities and long term outcomes. The engagement demonstrates how we work with our customers to raise awareness of proposals, secure feedback, and ultimately to confirm acceptance of the final plan. This is a fundamental dependency for us and a regulatory requirement. Our ongoing customer engagement measures allow us to monitor our social impact in terms of customer perception, services and value for money.

WHY?

Our business plan has to be acceptable to our customers, delivering their wants and needs at a price they can afford and are willing to pay. Through the extensive research undertaken we now have greater knowledge of our customers' motivations and behaviours which is used when making relevant business decisions. Our customer engagement has significantly altered our investment plans and our targets.

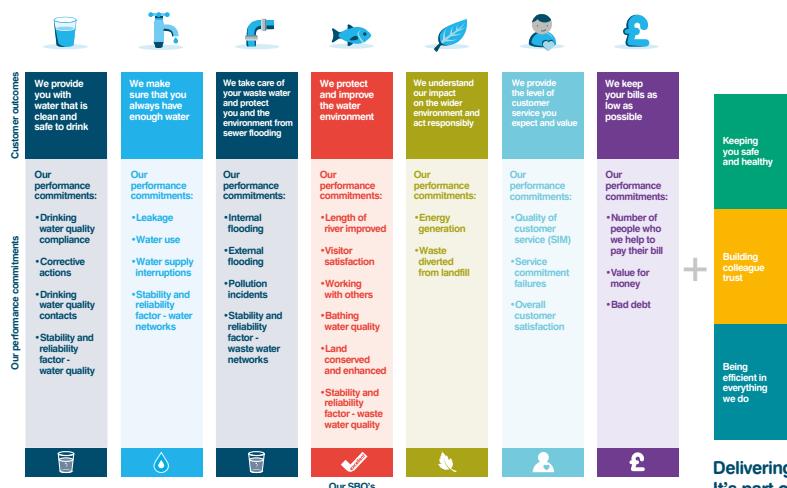


YorkshireWater

HOW?

The initial research with customers focused on understanding their views and opinions on the water and waste water services they receive and the financial pressures they face. As the planning progressed, we also developed a set of long term outcomes with our customers and stakeholders. These outcomes reflect our customers' longer term needs and priority areas of investment for water, waste water and environmental services. This list of draft outcomes essentially became the backbone of our Performance Commitments to customers and the regulator, with around a fifth of them relating to social issues.

Blueprint 2020: Our plan for the next 5 years



KEY THEMES

- Licence to operate
- Response to societal expectations

KEY BUSINESS BENEFITS

- Licence to operate
- Enhancing and maintaining reputation

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PRACTICAL EXAMPLES

Yorkshire Water: Engaging customers to help develop our business plan

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Greater knowledge of customer priorities and expectations to use in decision making • Greater customer buy in and improved awareness from customers • Improved reputation • Helps secure regulator support for business plan • Improved understanding of customer motivations and behaviour 	<ul style="list-style-type: none"> • Customer Tracker (measures and tracks customer perception of our brand, the services we provide and value for money) • Reputation monitoring 	<p>IMPACT Customer satisfaction Customer value for money perception</p> <p>DEPENDENCY Reputation Customer acceptance</p>	<p>INTELLECTUAL CAPITAL Increased knowledge within business</p> <p>FINANCIAL CAPITAL Used within decision making to shape the entire business plan and determine level of investment that is acceptable to customers</p>



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PRACTICAL EXAMPLES

Yorkshire Water: Engaging customers to help develop our business plan

HOW?

INITIAL RESEARCH

Focused on understanding customer views and opinions on services they receive and the financial pressures they faced. A sample were segmented by demographics and geography to match the overall profile of our customers. The research highlighted that the economic climate at the time had a significant impact on the disposable income of our customers and we needed to develop a plan which they could afford and would ultimately support.

We were challenged by an independent Customer Forum to ensure our research with customers was fair, robust and legitimate.



PLACING A VALUE ON OUR SERVICES

Following on from this initial research, we wanted to understand the value which customers place on our services (Willingness to Pay). This research provided us with the 'value' both domestic and business customers place on different aspects of service. The values from this study were used as part of our programme optimization process which sets out the key investment areas of the five year business plan.

Today we carry out ongoing Customer Satisfaction Tracking with a representative sample of customers across the region on a monthly basis to assess our performance and determine whether our customers are happy with the service we provide. For example, we track customer perception, whether they have contacted us recently and, if so, whether they had a positive experience from the contact alongside their overall opinion of our services.



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PRACTICAL EXAMPLES

Yorkshire Water: Engaging customers to help develop our business plan

Challenges

We had limited understanding of the world of customer market research, including the processes, methodologies and sampling approaches to ensure the research is representative of the region and statistically robust.

Customer understanding of complex and detailed service levels within the Willingness to Pay and Severity surveys was lacking.

How did we overcome them?

We recruited a strategic market research team who had experience of customer market research to undertake the activity for our business plan.

We conducted qualitative research with customers prior to undertaking the large scale quantitative studies. The qualitative research allowed us to explore different scenarios, service levels and the language used. All of this informed a more intuitive and understandable quantitative study.



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PRACTICAL EXAMPLES

Sainsbury's: The role of human capital in Sainsbury's Greenest Grocer Programme

WHAT?

Sainsbury's Greenest Grocer initiative is a behaviour change programme focused on reducing energy use in stores. This shows the human capital dependency to deliver environmental improvements. The programme covered all 1,300 stores and their colleagues and encouraged them to take responsibility for tackling the company's environmental impact through simple changes to their daily actions.

WHY?

At Sainsbury's 'Respect for the Environment' is one of our five core values that underpin our business. For us it combines doing the right thing whilst enhancing operational efficiency. We recognized that simple energy savings in stores can be achieved through behaviour change, highlighting the interdependencies between human and natural capital.

HOW?

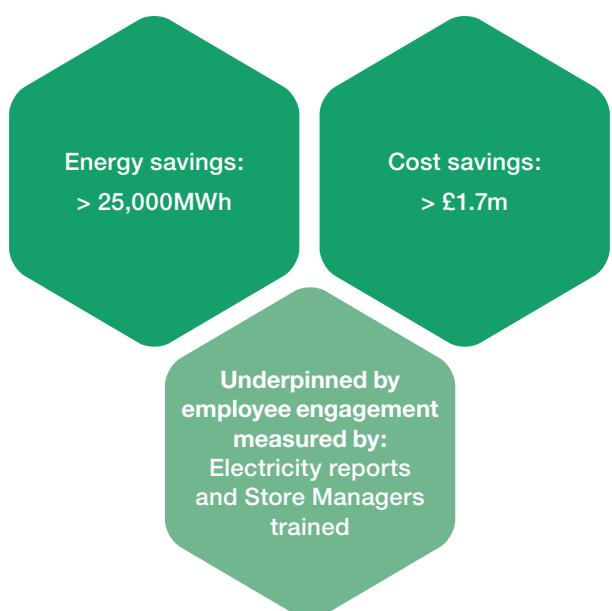
Having proven the business case for energy saving in stores through a series of small scale pilots, the Greenest Grocer programme was rolled out to all Store Managers nationwide in May to September 2016. Each Store Manager was taken through a six week energy engagement plan with a series of interactive training and sharing sessions to gain understanding of the opportunity for saving and ways to engage colleagues. Store Managers were given a Greenest Grocer Guide and a set of store materials (posters, stickers and activities) to help engage colleagues and make energy saving interactive. The programme led to a £1.7 million reduction in electricity use in under a year, and has further enhanced colleague ownership of one of our core business objectives.

**KEY THEME**

Employee engagement

KEY BUSINESS BENEFIT

Reducing the cost base



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PRACTICAL EXAMPLES

Sainsbury's: The role of human capital in Sainsbury's Greenest Grocer Programme

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Cost savings • Increased employee engagement • Greater colleague awareness of sustainability issues 	<ul style="list-style-type: none"> • Energy savings <i>Source: internal energy system</i> • Cost savings <i>Source: internal finance system</i> • Employee engagement <i>Source: store system</i> 	<p>IMPACT Reduced energy consumption</p> <p>DEPENDENCY Employee engagement</p>	<p>NATURAL CAPITAL Reduced energy consumption and thus emissions</p> <p>FINANCIAL CAPITAL Reduced energy costs, programme costs</p>



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PRACTICAL EXAMPLES

Sainsbury's: The role of human capital in Sainsbury's Greenest Grocer Programme

HOW?

Our approach was to equip Store Managers with the knowledge and tools to engage their colleagues on saving energy instore through a six week engagement plan. This meant running interactive best practice workshops and sharing a series of guidance materials (posters, stickers and activities) to support Store Managers with embedding behaviours in stores. Throughout the six week engagement, Store Managers were supported through weekly regional calls, electricity reports and peer to peer knowledge sharing.

We knew that using existing structures and channels to encourage colleagues to take ownership of the Greenest Grocer Programme would be key to creating a motivating employee engagement campaign. To help us with the delivery of training, five Store Managers, passionate about energy, were seconded to co deliver the sessions drawing on their store experience and enthusiasm for energy saving. Having a credible messenger to deliver training meant that messages resonated with Store Managers who were more receptive to putting behaviours into practice.



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PRACTICAL EXAMPLES

Sainsbury's: The role of human capital in Sainsbury's Greenest Grocer Programme

Challenges

Competing business priorities

Scale of engagement

Maintaining engagement

How did we overcome them?

Energy has not always been high on the business agenda so we used graphics and adapted the language used to make it visible, tangible and meaningful to colleagues. For example, describing loaves of bread baked rather than talking of kilowatts saved makes the savings more relevant.

Training 2,344 Store Managers and engaging colleagues in stores across the UK is a demanding task. To tackle this challenge we organized regional training sessions and enlisted a volunteer network of Greenest Grocer Leads to be our champions on the ground.

Since launch, the Greenest Grocer Programme has been a new and exciting campaign and the challenge now is to maintain the momentum so that the behaviours it promotes become embedded habits. Through celebrating the success achieved we aim to inspire action and keep the programme fresh. For 2017/18, we are developing a plan for further engagement providing deeper detail on energy usage and extending the programme to depots, offices and expanding into new areas such as water and waste.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

WHAT?

In 2015, we started a programme to promote wellbeing and productivity across our portfolio. Our Head Office refurbishment provided us an opportunity to test features designed to enhance wellbeing and productivity. We commissioned a series of studies before and after the refurbishment, to explore changes in metrics linked to health, wellbeing and productivity. These included a perception study of worker attitudes, a physical assessment of the building and a review of relevant organizational data. Early findings show that the Head Office refurbishment has had a significant impact on people's sense of wellbeing and productivity increasing from 56% to 88%, and from 67% to 88% respectively.

WHY?

Within the property sector there is increasing evidence that the built environment significantly influences people's health and wellbeing, and that initiatives to enhance wellbeing can deliver social and commercial results. By promoting wellbeing, we can increase appeal for a range of stakeholders, including the people who live, work or shop in the buildings, and the firms that are based in the space with the aim of helping them improve worker productivity, attract talent and increase custom. We believe all of these factors, over the long term, can drive rental income and grow asset value for investors.

HOW?

Our Head Office review was informed by the World Green Building Council's report, 'Health, Wellbeing and Productivity in Offices'.

We measured three data sets, before and after the refurbishment:

1. **Perception:** surveying staff on their perceptions of the office environment
2. **Physical:** collecting data on environmental conditions that affect people's personal comfort levels
3. **Financial:** analysing organizational data to explore the potential financial impact of the office environment



KEY THEME

Working conditions – wellbeing

KEY BUSINESS BENEFIT

Enhancing and maintaining reputation

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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none">• Increase appeal of our offices for a range of stakeholders• Increase productivity in our offices and reduce absenteeism	<ul style="list-style-type: none">• Perception: surveying staff on their perceptions of the office environment• Physical: collecting data on environmental conditions that affect people's personal comfort levels• Financial: analysing organizational data to explore the potential financial impact of the office environment	<p>IMPACT Reduced absenteeism Increased productivity</p> <p>DEPENDENCY Employee engagement</p>	<p>NATURAL CAPITAL Indoor environmental benefits e.g. air quality</p> <p>FINANCIAL CAPITAL Increased productivity and programme costs</p>



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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

WHY?

THE BIGGER PICTURE

Organizations such as the United Nations and the Organization for Economic Co-operation and Development (OECD) have started efforts to integrate wellbeing concepts into their policies. The UK Government has been using a broad set of indices to gauge wellbeing since 2010.

THE PROPERTY SECTOR

There is an increasing body of evidence that the built environment significantly influences people's health and wellbeing, and that initiatives to enhance wellbeing can deliver social and commercial results. There are emerging frameworks for the measurement of health, wellbeing and productivity in the built environment. There are also strong indications that this area will continue to rise up the agenda for the sector, as technology continues to transform how we work, shop and live, and as understanding of wellbeing improves.

STRATEGY

The company's strategic focus is on creating "Places People Prefer". By promoting wellbeing, we can increase appeal for a range of stakeholders, including the people who live, work or shop in the buildings, and the firms that are based in the space with the aim of helping them improve worker productivity, attract talent and increase custom. We believe all of these factors, over the long term, can drive rental income and grow asset value for investors.

HEAD OFFICE

The refurbishment of our Head Office, provided an opportunity for the company to introduce a series of measures designed to enhance wellbeing, and evaluate whether these did indeed foster a happier, more productive workforce.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

HOW?

1. PERCEPTION STUDY

Over 190 staff members completed the perception survey, which is around 80% of all British Land staff based at our Head Office. Their feedback provides evidence for the significant impact of the refurbishment on people's sense of wellbeing and productivity.

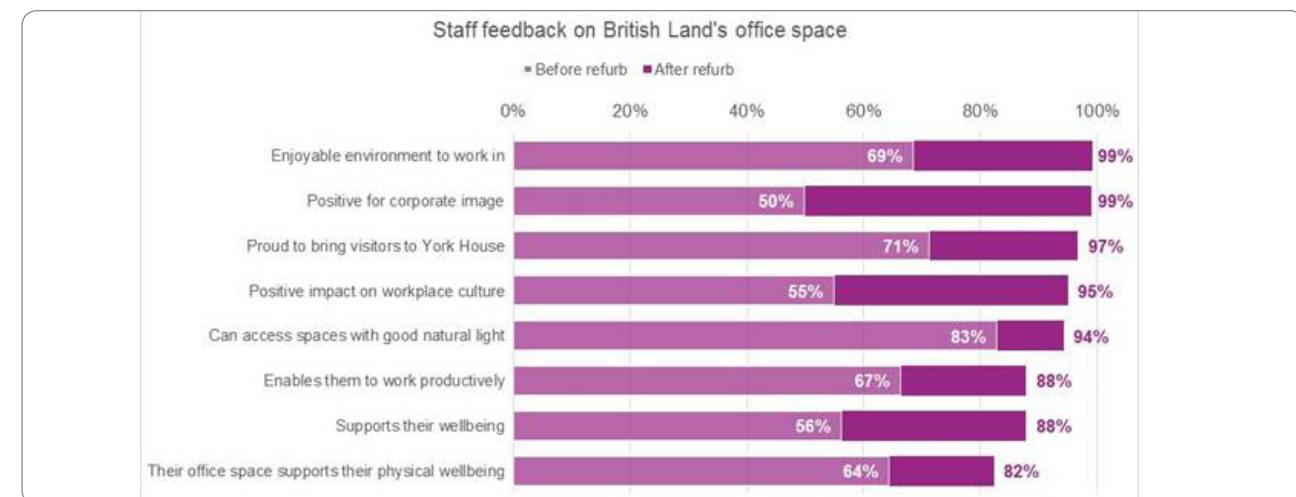
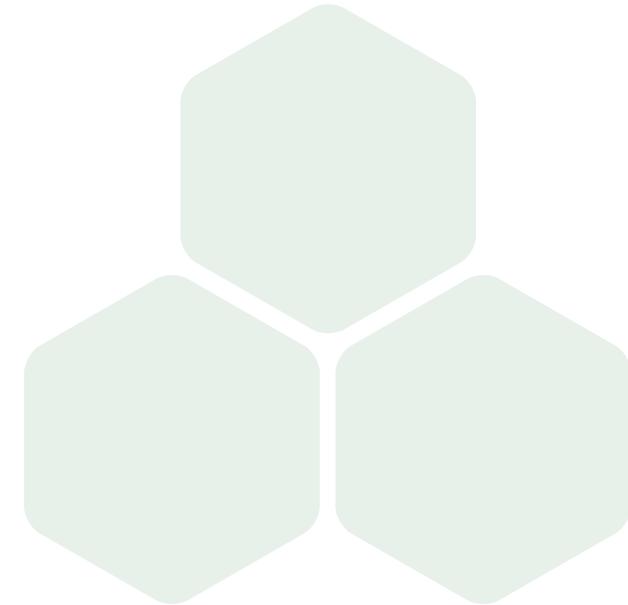
The study also informed the design process, increasing focus on a range of areas, such as lighting, facilities and air quality, and provided valuable information for the facilities management team.

2. PHYSICAL STUDY

Before the refurbishment works started, 18 sensors were positioned around the British Land offices to monitor environmental conditions including humidity, lighting, noise, pressure, temperature and volatile organic compounds. This data was relayed to a central database every 15 minutes. Weekly meetings were held to review results and address issues with the monitors.

3. FINANCIAL REVIEW

We collected a range of organizational data from the Human Resources team to explore the potential financial impact of the office environment, including staff turnover, medical costs and days lost due to sickness. We also collected staff complaints to the facilities management team in the previous year relating to building aspects such as temperature and lighting. We plan to carry out a further review of organizational metrics later in the year, to explore whether there have been any significant changes since the refurbishment.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

HOW?

INFLUENCING DECISION MAKING AND STRATEGY

We ensured that the plans for the space were based on wellbeing principles and were informed by the findings of the pre-refurbishment studies:

- **Daylight:** More natural light flows across the new offices, without any change to the external glazing.
- **Active design:** The new central stairwell links all three floors and opens up new routes, as well as offering a focal point for social interaction. Refreshment points and printing facilities are also carefully positioned to encourage all staff to leave their desks.
- **Sensory stimulation:** Varied visual and textural elements include different fabrics, colours, shapes and heights, and a display of artworks that is regularly rotated around the offices. Also, flooring is designed to create different sounds as people move across it, with timber, carpet, porcelain and natural lino.

- **Social connections:** New social spaces encourage people to collaborate and interact, including informal seating on the fourth floor, an enhanced reception area and a mix of meeting rooms, as well as 'The Landing' for all staff events.
- **Personal choice:** New task based spaces give people greater flexibility and choice over how and where they work – from shared tables, coffee points and comfortable sofas, to hot desks, standing desks and small rooms for ad hoc meetings.
- **Green infrastructure:** 800 plants were introduced in British Land's offices, not only because studies show that plants in offices make people feel better, but also because they clean and purify air, contributing to air quality in the offices alongside the air conditioning system.
- **Better facilities:** Improved showers, changing rooms and bike storage facilities support active lifestyles.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

Challenges

Definitions and scope

How did we overcome them?

There are many definitions of wellbeing. For us, the focus is on emotional and physiological factors that can be directly influenced by the physical environment. Our study helped us improve our understanding of our role in influencing health, wellbeing and productivity.

Technology

Low cost, portable monitors for real time environmental data related to health and wellbeing are an emerging technology. Whilst the sensors we used yielded important information, they also presented some issues. For instance, sensors that were plugged in recorded high temperatures, freestanding sensors required regular recharging and sensors that were too far from the base station failed to record data. There was also no platform to compare data across time and location. We are monitoring emerging technologies to address these issues.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing wellbeing and productivity in offices

TOP TIPS

Define what you mean by wellbeing, understand why it is important socially and commercially, and ensure that there is understanding across the company of the impact that the business can have on health, wellbeing and productivity – recognizing that the business can influence wellbeing.

Start collecting the data now, today. British Land has gained valuable insights from our Head Office refurbishment because it has data from before the works started – health, wellbeing and productivity data was built into the process from the beginning.

Be prepared to do something with the data. If you are going to survey building users, feed findings back to them. **Ensure that the data informs something and share the information.**

Whilst gathering the data is not a big financial investment, there needs to be allocation of resource in terms of time. Implementing measures to enhance health, wellbeing and productivity may also require investment.



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PRACTICAL EXAMPLES

The Crown Estate: Implementing a skills and recruitment programme to add value to our business

KEY THEME

Inclusion: economically disadvantaged

KEY BUSINESS BENEFITS

Licence to operate
Enhancing and maintaining reputation

WHAT?

We worked in partnership with Westminster City Council and Cross River Partnership to develop the Recruit London scheme, initially as part of our planning obligations. This community employment and training initiative helps London jobseekers into sustainable employment and supports West End businesses with free recruitment services. We developed an approach to measure the economic and societal value of helping jobseekers into sustainable employment.

WHY?

The project addresses a particular local issue of unemployment. We measure the outputs and outcomes of the project as part of our Total Contribution approach which values the economic, social and environmental contribution that our business delivers to the UK. Ultimately the initiative was expected to help fulfil our 20 year vision for Regent Street as an international office and shopping destination. This initiative is one way to increase our recognition as a trusted landlord and business partner, not only with tenants and partners, but also by the communities in which we work.

HOW?

Going above and beyond the requirements under our planning obligations, we provided workspace for a Workplace Co-ordinator (WPC), now a team of WPCs, and, using our relationships with customers, have facilitated and encouraged the placement of unemployed local residents into employment, initially on the Regent Street portfolio. We defined and tracked metrics to monitor the project e.g. number of jobseekers supported into work and estimated value based on an established methodology.

ADDRESS LOCAL
ISSUE



MEET PLANNING
OBLIGATIONS



ESTIMATED £40M OF ECONOMIC
AND SOCIETAL VALUE



REPUTATIONAL
BENEFITS

THE CROWN
ESTATE

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PRACTICAL EXAMPLES

The Crown Estate: Implementing a skills and recruitment programme to add value to our business

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Enhanced reputation with planning authorities, tenants, partners and communities • Improved stakeholder relationships 	<ul style="list-style-type: none"> • Number of previously unemployed supported into work <i>Source: Recruit London</i> • Estimated societal value (see next page for further information) 	<p>IMPACT Providing employment for the registered unemployed and increasing local skills Delivery of good quality candidates</p> <p>DEPENDENCY Existing skill base of local candidates</p>	<p>HUMAN CAPITAL Skills pool</p> <p>FINANCIAL CAPITAL Programme costs</p>



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PRACTICAL EXAMPLES

The Crown Estate: Implementing a skills and recruitment programme to add value to our business

PROJECT RESULTS

To monitor the project we have tracked the following output and outcome metrics:

OUTPUTS

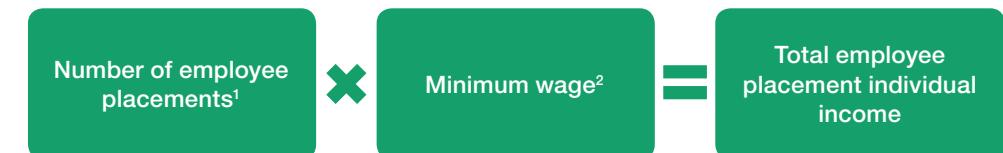
Over 1,300 jobseekers supported into work between 2009 and 2016.

OUTCOMES

Estimated £40m of societal value through savings on welfare and tax credits, increased tax and national insurance contributions, and boosts to local economies through the spending power of new workers.

OVERVIEW OF CALCULATION FOR PROJECT RESULTS

Step one: Calculate the total employee placement individual income



Step two: Calculate the wider benefits of total placements



Step three: Calculate the societal value of employee placements



1. Data relayed to The Crown Estate by Recruit London

2. Data on minimum wage published by **UK Office of National Statistics**

3. Fiscal gain equal to £ [6,900] per placement; published by **Joseph Rowntree Foundation**

4. Economic gain equal to £ [14,000] per placement; published by **Joseph Rowntree Foundation**

See Total Contribution Methodology Report for further information 



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PRACTICAL EXAMPLES

The Crown Estate: Implementing a skills and recruitment programme to add value to our business

Challenges

CANDIDATES

How to identify local candidates for job opportunities

UPSKILLING

How to ensure local candidates have the necessary skills

MEASURING

How to assess the social impact of employment on the individual

How did we overcome them?

We promote the service to existing and new occupiers. West End businesses that have used the service also use it again and recommend it to other firms.

The team meets candidates and delivers workshops on areas such as interview skills, confidence building, selling techniques and body language. They provide one to one support as needed. They have previously worked with others to help develop a tailored two week training programme designed to meet the needs of local retail and hospitality employers. Four of these programmes have been delivered to date, with 70% of participants entering employment soon afterwards.

We have not measured the social impact on the new employee. The outcomes and impacts highlighted are either economic or reputational, and therefore commercial. We can assume that there has been a positive social impact on the person placed into employment. We have not been able to measure this as we do not have access to employees following placement and it is unclear whether the benefits of trying to collect this data would outweigh the costs.



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PRACTICAL EXAMPLES

Unilever: Assessing the financial impact of the Unilever Sustainable Living Plan through product categorization

WHAT?

We created a new valuation methodology, toolkit and Key Performance Indicators (KPIs) to assess the financial impact of the Unilever Sustainable Living Plan (USLP), by using a sustainability lens to categorize products.

WHY?

Following the launch of the USLP, there was growing internal and external pressure to be able to demonstrate and financially quantify the value that sustainability brings to the business. However, we lacked reliable data to convince investors of the commercial benefits of the plan. Internally, teams also wanted the means to produce credible, consistent and externally relevant information about how sustainability affects the business.

HOW?

We developed a methodology for categorizing products based on a ratings system. All products are assessed under the six pillars of the USLP: Health and Hygiene, Nutrition, Greenhouse Gases (GHGs), Water, Waste, and Sustainable Sourcing. A product is then rated as 'standard', 'improved' or 'leading'.

All products categorized as improved or leading are shortlisted as potential 'sustainable living products'.

Following internal approval criteria, the products then feed into our financial KPI reporting – allowing us to identify and externally report on our 'sustainable living brands', and compare the growth of these brands to the rest of the business.

KEY THEME

Access to basic products and services e.g. sanitation, medicines, communications, etc.

KEY BUSINESS BENEFIT

Identifying and exploring new markets and emerging opportunities



"Sustainable living brands now represent half of our growth and are growing twice as fast as our other brands."



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PRACTICAL EXAMPLES

Unilever: Assessing the financial impact of the Unilever Sustainable Living Plan through product categorization

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Building support and momentum for the implementation of the USLP • Ability to communicate credibly the role of the USLP • Expected future benefit lies in using the analysis to drive performance improvement and underpin consumer engagement 	<ul style="list-style-type: none"> • Revenue from sustainable living brands <p><i>Source: internal systems</i></p>	<p>IMPACT Product contribution to local communities</p> <p>DEPENDENCY Reputation and trust</p>	<p>NATURAL CAPITAL The revenue from sustainable living brands covers greenhouse gases, water and waste</p> <p>FINANCIAL CAPITAL Revenue from sustainable living brands Cost savings</p>



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PRACTICAL EXAMPLES

Unilever: Assessing the financial impact of the Unilever Sustainable Living Plan through product categorization

HOW DOES THE CATEGORIZATION APPLY TO OUR HEALTH AND HYGIENE PRODUCTS?

Products within our Health and Hygiene category are determined based on the number of people reached or litres of safe drinking water provided. We have determined this as being relevant to our personal care and home care categories.

STEP 1: quantify reach of each brand and compare to target for the given year.

STEP 2: categorize product as 'standard', 'improved' or 'leading'.

To capture and consolidate the underlying data and the information necessary we developed a new tool to perform this product categorization, with the overall outcome from the tool shown below.



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PRACTICAL EXAMPLES

Unilever: Assessing the financial impact of the Unilever Sustainable Living Plan through product categorization

Challenges

Developing a bespoke methodology for our business

Collecting data from around the world and across multiple business functions and from diverse IT systems

Determining the link between the USLP targets, which are focused on behaviour change, to product performance which is the focus in the health and hygiene pillar

How did we overcome them?

The Finance Team developed and tested criteria and performance thresholds that assessed sustainability. For example, because of the significant churn in our products, our metrics which measure against a 2010 baseline often did not have a comparative product to assess performance. To address this, we introduced a benchmarking methodology to ensure that more products are captured in the analysis.

We established a clear project governance structure with senior level buy in. We also conducted a detailed planning exercise so resource demands on other teams were clearly understood and tightly controlled.

We confirmed and clarified the scope of products to be assessed with the Sustainable Business Team and Brand Teams.



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PRACTICAL EXAMPLES

SSE: Understanding the value of our human capital and the impact it has on business performance

WHAT?

We calculated the economic value of our human capital (£3.4 billion in 2014) to develop our understanding of the primary drivers for either enhancing or eroding it. This was benchmarked against several of our key financial indicators to assess its relative importance to our overall business.

WHY?

- Assess the business and social case for creating sustainable jobs and investing in training and development
- Progress our understanding of what it takes to be a good employer that individuals want to work for over a prolonged period of time
- Help us to explore what impacts our human capital, for example retention rates, incentives, skills development and ability for career development

HOW?

- We used an income based approach to estimate the value of our total 'stock' of human capital
- This assumed that (i) the value of each individual's human capital is equivalent to their expected total lifetime earnings and (ii) the company's human capital is the sum of that embodied within all employees for the duration of their employment in the organization

KEY THEME

Training, education and skills

KEY BUSINESS BENEFITS

Proactively managing and addressing emerging risks

Enhancing and maintaining reputation



“Quantifying our human capital was a challenge, but one that has provided a lot of value. We have developed and grown our understanding in this area, uncovering new insights into our workforce that are leading to real business benefits.”

George Cobb, Group Sustainability Accountant, SSE

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PRACTICAL EXAMPLES

SSE: Understanding the value of our human capital and the impact it has on business performance

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Built evidence of the business and societal case for creating sustainable jobs and investing in training and development • Foundations for thinking about what impacts our human capital, for example retention rates, incentives, skills development and ability for career development 	<ul style="list-style-type: none"> • Company's human capital <p><i>A range of sources, (see next pages for further information)</i></p>	<p>IMPACT Sustainable jobs</p> <p>DEPENDENCY Employee engagement</p>	<p>FINANCIAL CAPITAL Investment costs</p>



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PRACTICAL EXAMPLES

SSE: Understanding the value of our human capital and the impact it has on business performance

WHAT?

The impetus to evaluate our human capital was part of our aim to understand the broader societal impacts and economic contribution of our organization. It fits with our overall approach of being a responsible business – doing the right thing for customers and other stakeholders by taking a longer term approach to growing our business. We have a strong focus on measuring our impacts as we believe you can better manage something if you can quantify the difference you are making.

KEY OUTPUT

The total value of our company's human capital at 1 April 2014, was £3.4bn, which corresponds to an average human capital of £173,000 per employee.

To give context to the data, we benchmarked this against several of our key financial indicators ([see diagram](#)).

WHY?

The energy industry faces two significant employment challenges. The first is a skills shortage: around half of the energy industry's workforce is due to leave or retire by 2023 (Office of National Statistics, 2012). The second challenge is a stark lack of diversity in the sector: just 15% of the jobs in the sector are held by women and 4% are from black, asian and minority ethnic communities (Office of National Statistics, 2012).

Understanding our human capital allows us to target these key areas which provide significant risk for the future of our business and commercial success. For example, to target this first issue and ensure a robust pipeline of skilled and

talented employees, further analysis by SSE on its human capital has shown the significant return on investment from training schemes. SSE has evaluated the return on investment of three programmes for their employees so far – apprentices, Technical Skills Trainees and Barnardo's Works, a youth employability initiative – and found that for every £1 invested, there were social returns of £4.29, £7.65 and £7.67 respectively. These findings demonstrate a compelling business case for ongoing investment and provide evidence for cost effective and strategic human capital investment priorities.

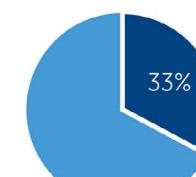
Benchmarking our human capital against key financial indicators



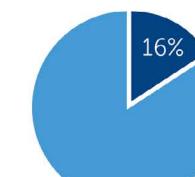
Revenue /
Human capital



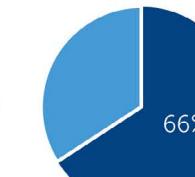
Operating profit /
Human capital



Human capital /
Property, plant
and equipment



Human capital /
Total assets



Human capital /
Net assets



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PRACTICAL EXAMPLES

SSE: Understanding the value of our human capital and the impact it has on business performance

HOW?

THE CALCULATION USED TO DETERMINE THE ECONOMIC VALUE OF OUR HUMAN CAPITAL

$$\text{Sum of expected future labour earnings} \times \text{Adjustments for time spent with SSE} \times \text{Discount factor} = \text{Economic value of human capital}$$

Future labour earnings: estimated for every individual employee, based on assumptions surrounding their job function which determines their projected career progression

Length of service adjustment: takes into account factors such as average employee leaver rates

Discount factor: based on specific company risk profile

See the SSE Valuable People Report for further guidance

ECONOMIC AND SOCIAL RETURN ON INVESTMENT

- Alongside calculating the total human capital asset value of our entire company, we worked out the economic and social return on investment for our key training schemes: our apprenticeship and Technical Staff Trainee (TST) scheme. The results showed the benefits which come from investing in increasing the skillset and qualifications of our employees – shared between the individual through an increase in wages, the company through an increase in profits and wider society too from a greater tax contribution.
- The methodology for calculating the value of this “flow” in human capital was more straightforward, simply attaching a premium to the wages of those with increased skills and higher qualifications gained through training. We found out for every £1 we invest in apprentices there is a return of £4.29 and for TSTs that return is £7.65.



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PRACTICAL EXAMPLES

SSE: Understanding the value of our human capital and the impact it has on business performance

Challenges

Internal buy in: the concept of human capital is not easy to understand and in the early stages of project development we had to convince internal management of the commercial value.

Data: the data we needed for analysis was recorded on three different systems in two different geographies. Working out how to combine them was both manual and labour intensive.

External communication: a key challenge was the ability to communicate a complex subject to an external audience alongside the motivation for undertaking it and the relevance and importance of the results.

How did we overcome them?

We developed a strong business case which included demonstrating leadership in the Human Resources field, enhancing our reputation as a responsible business and employer, better understanding and a tool for how to grow human capital per capita. Through this we were able to break down a complex topic to show how it impacts businesses.

We invested time at the initial stages of the project to understand the type and nature of the data as there was no alternative and this saved us further effort in the future.

We stripped back the content to the basics and built it back up.



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PRACTICAL EXAMPLES

Unilever: Incorporating social measures to rank innovation projects¹

WHAT?

Sustainable innovation lies at the heart of enabling Unilever to achieve its financial and Sustainable Living Plan goals. The business is currently working on formalizing the criteria for social impacts, particularly around the health and hygiene pillar of our Sustainable Living Plan.

WHY?

This process is part of the implementation of our Unilever Sustainable Living Plan (USLP) which was developed to respond to a strategic need around driving growth and managing risk. For us, it is important to establish the criteria, measurement methods and tools to ensure social impacts are being formally considered for key decisions in product launches or other customer engagement activities. This ensures that the USLP is properly incorporated and ultimately contributes to the increase in revenue from our sustainable living brands.

HOW?

Our approach to developing the criteria was based on existing practices and past experience used for implementing the USLP, which includes internal consultation of experts and other relevant internal and external stakeholders. The implementation was delivered through an internal business working group.

Provisional criteria have been developed to assess whether a project is the same, better or worse relative to existing projects. These are used to track the percentage of forecast revenue coming from sustainable innovation projects.

KEY THEME

Access to health and hygiene

KEY BUSINESS BENEFIT

Identifying and exploring new markets and emerging opportunities



¹Innovation projects include either new or updated product launches and other customer engagement activities

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PRACTICAL EXAMPLES

Unilever: Incorporating social measures to rank innovation projects

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Drive growth and manage risk • Make informed decisions on sustainability impacts 	<ul style="list-style-type: none"> • Percentage of forecast revenue coming from sustainable innovation projects <p><i>Source: bespoke product innovation tool</i></p>	<p>IMPACT Product contribution to local communities</p> <p>DEPENDENCY Reputation and trust</p>	<p>FINANCIAL CAPITAL (Forecast) revenue from sustainable innovation, cost saving</p>



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PRACTICAL EXAMPLES

Unilever: Incorporating social measures to rank innovation projects

Challenges

Develop criteria that covered multiple product categories. For example, the testing of products with 'more effective hygiene benefits' will differ across skin cleansing (products that help to kill or reduce germs on skin) and home care (products that kill germs on toilets etc.) categories.

Currently no standard measurement techniques for addressing social impacts of products.

Rollout, training and take up throughout the business is difficult.

How did we overcome them?

We undertook extensive consultation with a wide range of internal stakeholders from our Research and Development, Marketing and Information and Analytics teams to 'test' ideas.

We developed our own methodology that fits our business model to quantify the percentage of forecast revenue coming from sustainable innovation projects.

We plan to overcome this challenge through testing, piloting and the development of a detailed rollout plan and training programme.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing regional contributions at Meadowhall

WHAT?

Meadowhall Shopping Centre in Sheffield is one of the biggest regional shopping centres in the UK. Since opening in 1990 on the site of a former steelworks, the 1.5 million sq ft centre has attracted 560 million visits. It is home to 230 shops, 50 places to eat and drink, and an 11 screen cinema.

In 2015, we commissioned a review to explore the social, economic and environmental contributions Meadowhall has made to the Sheffield City Region and the wider UK since it first opened its doors in 1990.

WHY?

We conducted the study to celebrate Meadowhall's 25th birthday. The aim was to recognize and inspire the Centre's team and retailers, and build Meadowhall's reputation as Yorkshire's premier shopping destination.

We wanted to improve our understanding of Meadowhall's social, economic and environmental contributions to the region and the wider UK, informing discussions with Sheffield City Council, local communities and other stakeholders in the area, as well with local government and community leaders in other locations where we operate.

HOW?

We engaged an external consultant to conduct an assessment of Meadowhall's contribution which considers economic, tax, social and environmental impacts at the Sheffield City Region level and UK level, including direct, indirect (supply chain) and induced (i.e. knock on effect) contributions.

KEY THEME

Licence to operate

KEY BUSINESS BENEFITS

Licence to operate

Enhancing and maintaining reputation



25 YEARS OF BRINGING PEOPLE TOGETHER MEADOWHALL REVIEW 2015



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PRACTICAL EXAMPLES

British Land: Measuring and valuing regional contributions at Meadowhall

BUSINESS BENEFITS	METRICS AND INFORMATION SOURCES	IMPACT / DEPENDENCY	LINKS TO OTHER CAPITALS
<ul style="list-style-type: none"> • Ability to demonstrate contributions to significant stakeholders • Improve reputation • Identify potential development opportunities 	<i>See next page for details</i>	IMPACT Regional contributions DEPENDENCY Community acceptance	<i>See next page for details</i>



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PRACTICAL EXAMPLES

British Land: Measuring and valuing regional contributions at Meadowhall

HOW?

Measures, methodology and data robustness

SOCIAL: Direct reporting (high)

TAXES: Direct reporting (high), estimates for occupiers (medium) and input output modelling (low)

ECONOMIC: Direct reporting (high robustness) and input output modelling (medium)

ENVIRONMENTAL: Direct reporting for public areas (high), estimates for occupiers (low) and input output modelling (low)

Contributions include

- 660 apprentices at Meadowhall over the last five years, supported by The Source Skills Academy
- £1.8 million community programme over the last five years, including cash contributions, time, in kind donations and fundraising

- £303 million tax contribution over the last five years, including £176 million in property taxes

- £7.3 billion economic contribution over the past 25 years, gross value added (GVA), including £4.4 billion to the Sheffield City Region
- Up to 8,500 jobs in the centre and additional jobs supported in the supply chain and local communities, with 1 job in every 100 in the Sheffield City Region supported by Meadowhall

- 92 million litres of non mains water sourced over the last five years
- 42% less energy use in Meadowhall's public areas over the last six years
- 17,700 tonnes of waste recycled over the last ten years

See the Meadowhall Review for further information 



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PRACTICAL EXAMPLES

British Land: Measuring and valuing regional contributions at Meadowhall

HOW?

We engaged an external consultant to conduct an assessment of Meadowhall's contribution which considers economic, tax, social and environmental impacts at the Sheffield City Region level and UK level, including:

DIRECT CONTRIBUTIONS

From Meadowhall's own operations, e.g. people directly employed with Meadowhall retailers and the centre team.

INDIRECT CONTRIBUTIONS

Through Meadowhall's UK supply chain, e.g. people employed by Meadowhall's suppliers where attributable to Meadowhall's purchasing activities.

INDUCED CONTRIBUTIONS

Resulting from the knock on effect of Meadowhall workers and supply chain employees spending their wages on goods and services.



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PRACTICAL EXAMPLES

British Land: Measuring and valuing regional contributions at Meadowhall

Challenges

Data

How did we overcome them?

Whilst there are well established processes in place for financial reporting, socio economic data is still an emerging area. It can be difficult to get reliable data when going back to earlier years, and so there is often a cut-off point to ensure robustness. It can also be challenging to source robust, comparable data from multiple business areas. The Meadowhall review involved; the Centre's Human Resources, Accounts and Marketing Teams; British Land's Finance, Retail and Sustainability Teams; The Source's Management and Work-based Learning Teams; and a number of external agencies and partners.

Leading

There are not many comparable studies to serve as guides, nor internationally recognized standards for all the datasets. To ensure the robustness and credibility of the assumptions and multipliers used, we have partnered with external specialists for each socio economic review to date. As this area of reporting is becoming better established and our expertise is increasing, we are now working to develop an in house framework.



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USEFUL TERMINOLOGY

Definitions and explanations of the key terms used throughout the guide can be found below

KEY DEFINITIONS

UPSTREAM

Covers activities of suppliers including second and third tier suppliers

DIRECT OPERATIONS

Covers activities over which the business has direct operational control, including majority owned subsidiaries and direct contractors

DOWNSTREAM

Covers activities linked to the purchase, use (including benefits derived), reuse, recovery, recycling, and final disposal of the business' products and services¹²

Raw Materials

Suppliers

Inbound logistics

Company operations

Distribution

Product use

Product end of life

CAPITALS DEFINITIONS

The Crown Estate Total Contribution methodology defines the capitals as:

- **Financial resources** – available to us to grow our business
- **Physical resources** – property, plant and equipment we own and use
- **Natural resources** – that we manage and use
- **Our people** – the skills, competencies and experiences of our employees
- **Our know-how** – our collective expertise and processes
- **Our networks** – our relationships with all of our stakeholders including customers, communities and business partners

For further information see the [Total Contribution Methodology Report](#).

The IIRC defines the following capitals:

- **Financial capital**
- **Manufactured capital**
- **Intellectual capital**
- **Human capital**
- **Social and relationship capital**
- **Natural capital**

For full definitions see the [IIRC Capitals Background Paper](#).

**THE CROWN
ESTATE**

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USEFUL LINKS

A list of websites, articles and guides that can be accessed for further guidance on social and human capital accounting

INTERNATIONAL FRAMEWORKS

- *UN Universal Declaration of Human Rights*
- *UN Guiding Principles for Business and Human Rights*
- *UN Guiding Principles Reporting Framework*
- *UN Sustainable Development Goals*
- *ILO Tripartite Declaration of Principles Concerning Multinational Enterprises*

REPORTING FRAMEWORKS

- *International Integrated Reporting Framework*
- *Global Reporting Initiative (GRI), the GRI G4 Sustainability Reporting Guidelines*
- *Sustainability Accounting Standards Board (SASB)*

PROTOCOLS

- *Greenhouse Gas Protocol Standards*
- *Natural Capital Coalition, (2016), Natural Capital Protocol*
- *WBCSD, (2017), Social Capital Protocol*

FURTHER GUIDANCE ON OTHER INITIATIVES

- *Roundtable for Product Social Metrics, (2016), Handbook for Product Social Impact Assessment*
- *Social Impact Investment Taskforce*
- *Tools and Resources for Assessing Social Impact*
- *Valuing your Talent Framework*
- *Social Value International*
- *Global Value Exchange*
- *Statement of Common Principles of Materiality of the Corporate Reporting Dialogue*

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THE A4S CFO LEADERSHIP NETWORK

The Prince's Accounting for Sustainability Project was established by HRH The Prince of Wales in 2004 “*to help ensure that we are not battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems*”.

A4S MISSION STATEMENT

To inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.

The A4S Chief Financial Officer Leadership Network was launched by HRH The Prince of Wales at St James's Palace in December 2013.

The Network brings together a group of leading CFOs from large businesses seeking to embed the management of environmental and social issues into business processes and strategy. The CFO Leadership Network is the first grouping of its kind globally.

The Network is looking at each area of finance function activity to identify how positive business returns can be achieved through integration of environmental, social and economic considerations. The focus is on sharing insights into what works and what does not. The Network aims to create open source guidance, which members of the Network commit to adopt and share. These insights are also discussed with bodies involved in the training and education of the finance and accounting community to scale up action.

Finance professionals from Network members' organizations undertake a range of projects to develop practical guidance on specific areas of financial decision making, including this guide on social and human capital accounting.

NETWORK MEMBERS*



*These organizations were Network members in 2016

See the A4S website for further information



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THE A4S ESSENTIAL GUIDE SERIES

Organizations today must navigate an increasingly complex, interconnected, and constantly evolving world. Sustainability factors affecting society, the environment, and the wider economy are generating bigger opportunities and risks. Our CFO Leadership Network has produced a set of essential guides to help organizations embed social and environmental considerations into their strategy, culture and processes. They are developed by finance teams for finance teams, but will also be of interest to others seeking to understand current approaches for integrating sustainability into financial practices and decision making.

LEAD THE WAY

Developing a strategic response to macro sustainability trends

- Finance Culture*
- Managing Future Uncertainty

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting

TRANSFORM YOUR DECISIONS

Integrating material sustainability factors into decision making

- Strategic Planning, Budgeting and Forecasting*
- Integrated Management Reporting*
- Capex

ACCESS FINANCE

Engaging with finance providers on the drivers of sustainable value

- Enhancing Investor Engagement
- Debt Finance*

See the A4S Essential Guide Series 

* Available in 2018

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