Q&A with WBCSD about Improving Non-Financial Reporting

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This webinar is part of an ongoing series “The Power of Poverty Assessment”
Redefining Value

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Kitrhona Cerri
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Overview

About the World Business Council for Sustainable Development (WBCSD)

Measuring Social Impact: the business journey

The next frontier: linking up Measurement, Valuation, and Corporate Reporting
About us:
The World Business Council for Sustainable Development

• CEO-led, global coalition of some 200 companies advocating for progress on sustainable development

• 35 countries, 22 industry sectors

• US$6tn: members’ aggregate market capitalization

• 15m employees in WBCSD member companies
Global Network of national business councils

65+ partners around the world
Companies are increasingly motivated to measuring their socio-economic impacts

Why measure socio-economic impact?

Reduce cost and risk

- Fulfilment of commitments and expectations
- Explanation of contribution to public policy goals
- Indicators on performance, stability, capacity for growth within value chain

Capture opportunity

- Understand needs, aspirations, resources, and incentives of customers
- Fuel product and service innovation
  - Key stakeholders: internal colleagues, customers, value chain partners, and external partners such as NGOs and donors
- Strengthen value chains
  - Key stakeholders: internal colleagues, suppliers, distributors, retailers, customers, and external partners such as NGOs and donors
- Improve the business enabling environment
  - Key stakeholders: policymakers
- Obtain or maintain license to operate
  - Key stakeholders: communities and government authorities

Companies are increasingly motivated to measuring their socio-economic impacts.
The Initial Challenge: **Merging two perspectives**

**Development perspective**
- Economic Growth
- Poverty Alleviation
- Education
- Social Stability
- Public Health
- Human Rights
- Governance
- Capacity Building
- Enterprise Development
- Environmental Sustainability

**Business perspective**
- Infrastructure
- Products and Services
- Jobs
- Skills and Training
- Procurement
- Taxes
- Corporate Governance
- Environmental Management

**Business activity**
- Direct impacts
- Indirect impacts
- Broader development contribution

The business case

Methodology

Online application
The Challenge of Momentum: Navigating a busy landscape

Many resources are now available, however:

- Diversity in tools
- Based on different assumptions
- Offering different functionality
- Focusing on different types of impact
- Suiting different purposes

Ref: [http://trasi.foundationcenter.org/](http://trasi.foundationcenter.org/)

The business case
Outlines business motivations for measuring socio-economic impact

The essentials
Introduces the terminology and basic theory used in this space for a business audience

The tools
Profiles a selection of 10 publicly available tools tailored for business needs

The road ahead
Suggests areas of focus to accelerate business efforts to measure and manage socio-economic impact
Long-term vision

Financial Capital

Traditional management

True cost, True value management

Natural Capital

Social Capital
Transformation Needed

The pathway to Vision 2050

ACTION2020

PRIORITY AREAS

To reach societal must-haves

http://www.wbcsd.org/vision2050.aspx
http://action2020.org/
The UN Global Compact-Accenture CEO study on Sustainability 2013 shows that CEO’s recognize the sustainability challenge, but grapple with measuring and valuing their activities.

Sustainability is perceived to be very important by CEOs:
- 93% believe that sustainability will be important to the future success of their business.
- 80% view sustainability as a route to competitive advantage.

However CEOs find sustainability difficult to implement & quantify:
- 38% believe they can accurately quantify the value of their sustainability efforts.
- 37% see the lack of a link to business value as a barrier to accelerating progress.

“Just one third of CEOs running public companies believe their share price currently includes value directly attributable to sustainability initiatives and performance.”
Reporting as a **driver for integrating sustainability**

http://www.wbcsd.org/reportingmatters.aspx

And more…
Components of a managing and reporting landscape

**Function**

- **External reporting** (for comparability and public accountability)
  - Financial reporting

- **Internal management** (including decision making)
  - Management accounts

- **Measurement tools and methodologies**
  - Double Entry ERP systems Methods

- **Measures and data**
  - Inputs Outputs

**Existing systems**

- GAAP

**Developing systems**

- Integrated reporting

- Social & Environmental Accounting Principles

- e.g. Environmental / Social Profit & Loss Accounts

- e.g. LCA, CEV, GHG protocol, IRIS etc.

- Outcomes Impacts
Redefining Value **Objective**

- Accelerate progress to a world where more sustainable companies are recognized and rewarded, and therefore are more successful.

  ➔ Integrate social and environmental impacts and dependencies into corporate performance management.
  ➔ Improve the effectiveness of non-financial internal and external reporting.
  ➔ Reflect the true value of a company and disclose true profit and true cost.
Redefining Value program structure

- True value, true cost, true profit in corporate decision-making and reporting
- 4 key areas:
  - Education, capacity building & exchange
  - Implementing better reporting
  - Natural Capital: Natural Capital Protocol

Solid foundation to redefine value

Journey towards 2050

Changing the rules of the game
Natural and Social Capital Protocol Components

Harmonized measurement and valuation approaches required by business for integrated performance management and decision-making.

**Purpose > Principles > Scope & boundaries > Overview of Components**

**Top-down Elements**

**Protocol Frameworks**

**Practical Methodologies & Guidelines**

Approaches to measurement & valuation, e.g. S P&L; E P&L; others

**Metrics & Data**

Key Performance Indicators > Units of Measurement, incl. from SASB; GRI

**Bottom-up Elements**

**Measurement & Valuation of Action 2020 Priority Areas**

Minimum standards > best practice > methodologies > KPIs

- Human Rights
- Skills & Employment
- Inclusive Business
- Rural Livelihoods
- Sustainable Lifestyles
- Climate & Energy
- Water
- Ecosystems & Land Use

**Sector Initiatives**

standardized metrics / methodologies by sector e.g.:

- Chemicals
- Forests
- Mobility
- Cement
Thank you!

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Access WBCSD materials on social impact measurement:
www.wbcsd.org/impact.aspx

Access other WBCSD tools:
WBCSD tool box
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Link to Current Webinar Series – The Power of Poverty Assessment: http://wdi.umich.edu/research/bop/ppaseries