

Integrated Value Assessment 2017

Take aways of the event on 23rd May in Berne

Since 2014, the Swiss Post, geelhaarconsulting and engageability are organizing a yearly event on 'Social Return on Investment (SROI) and Integrated Value Assessments. The assessment of the socio-economic value of companies, products, programs and/or social commitments are valuable decision-making instruments for all kind of organisations. It ensures that decisions are based on financial, ecological and social values created by companies or selected project internally and externally. This year's event focused on presenting latest developments at international and national level, sharing best practices as well as discussing challenges and potential solutions.

PART I: Input presentations

Five input presentations provided insights on the Social Capital Protocol, the White Paper 'Operationalizing Impact Valuation, ISO 14007/8 and highlighted best practices from LafargeHolcim, Novartis and Johnson & Johnson. Short summaries of the presentations are provided herewith as well as links to further background material.

Redefining value: The Social Capital Protocol **- Kitrhona Cerry, WBCSD**

Given the business case for social value assessment, reaching from reducing costs/risks and capturing opportunities, and the fact that there are more than 140 tools and frameworks in the field, WBCSD members expressed a strong need for a logical, consistent framework. As a result, WBCSD released the Social Capital Protocol in spring 2017, featuring an interactive website and hub for further collaboration, a toolkit and library of supporting case studies as well as the first Sector Guide, developed by the WBCSD Forest Solutions Group. As next step, WBCSD plans further sector guides and continues discussions on gaps within in the framework. Find out more: www.social-capital.org.

Integrated Profit & Loss Statement & White paper of the Impact Valuation Roundtable **- Antonio Carrillo Doblado, LafargeHolcim**

LafargeHolcim developed the *Integrated Profit & Loss Statement* (IP&L) to better understand the financial impact along the triple bottom line. However, instead of valuing the IP&L like an accredited financial statement with accurate figures, it rather presents an indication of magnitude. Although the scope and assumptions can be debated (own operations vs supply chain, social vs environmental impacts, etc.), an IP&L provides a deeper understanding of the risks, liabilities and value creating activities of a company.

To build on and operationalize existing frameworks like the Natural and Social Capital Protocol, over a dozen companies – including LafargeHolcim – have come together as an informal group called the Impact Valuation Roundtable (IVR). In March 2017, the group released its first *White Paper*, designed to build upon and complement the Natural & Social Capital Protocols and ISO processes, without creating a new framework. As next step, the group aims to further develop the White Paper in terms of the scope of operations to be covered, consistency on the range of valuation coefficients and expand on Social Capital Indicators.

Novartis impact valuation and social return on investment-SROI **- Malcolm Cheetham, Novartis**

The Novartis innovative Financial, Environmental & Social (FES) impact valuation project aims at capturing and measuring positive and negative external economic, environmental and societal impacts created by Novartis' activities. Pilots have been undertaken, and so far, the experience with impact valuation was positive as it provides interesting insights and calls for action in the supply chain. Remaining challenges are the wide range of acceptable coefficients and methodological variants as well as methodological gaps in particular in the social area.

Social Impact Valuation

- Abela Mpobela Agnarson, Johnson & Johnson

Johnson & Johnson just started with impact assessments and aims at delivering “Measurable and Sustainable Impact” in the field of maternal new born & childcare, HIV/AIDS, tuberculosis and mental health, among others. The main focus is on valuing the impact of some 50 projects in global public health and building capacity among team members. Practically, they are using the method Social Return on Investment (SROI). Remaining challenges are steps to undergo with stakeholders, databases and application for internal and external approvals, as well as subjectivity or how to engage with academia.

Integration of financial numbers into ISO standards: ISO 14007, 14008 & 14097

- Franz Knecht, Connexis, SNV-Expert of new ISO standards

Franz Knecht provided insights into latest developments of impact related ISO standards, which are not certifications but guidance-documents:

- **ISO 14008** - Monetary valuation of environmental impacts,
- **ISO 14007** - Determining environmental costs and benefits, and
- **ISO 14097** - Climate Finance – remediation and adaption financing contribution

The standards are currently developed by a neutral stakeholder consortium, with first drafts to be released by the end of 2017 (ISO 14008), by 2018 (ISO 14007) and by 2019 (ISO 14097).

PART II: Deep-dive group discussions

Following the input presentations and a refreshing ice cream break, participants joined deep-dive discussions on different topics:

Mapping and prioritizing social impacts in the value chain

How?	What?
<ul style="list-style-type: none"> • Define the scope and value chain • Identify and engage stakeholders throughout the value chain • Estimate topic areas / clusters and analyse objectively • Don't forget to prioritise 	<ul style="list-style-type: none"> • Start with story telling • Include incidents as they are likely to have big impact • Don't forget examples of positive impacts. Many times the focus remains on negative ones

Measuring and valuing social impact

Participants were asked to select the most appropriate approach for measuring and valuing social impact. They agreed that a qualitative approach might be needed, but that mainly the quantitative approach will bring the topic forward, given that there is already a clear demand for the latter. Monetary valuation should be applied “where it makes sense”. The results of the discussions are summarized in the following table:

	1 st priority	2 nd priority	3 rd priority
• Qualitative approach	-	3	3
• Quantitative approach	5	2	-
• Monetary valuation	2	2	3

Involving stakeholders in social capital valuation

Before engaging stakeholders, the company needs to define the scope and objectives of the engagement. Stakeholders shall be involved in the following steps of social capital valuation:

Steps	Not important	Some-what important	Important	Very important
Perspectives on issues or impacts of greatest concerns			2	1
On the relative importance of issues and impacts		1	2	
Providing data and expertise				3
Validation of the process and results			1	2
Others			1	1

PART III: Conclusions and outlook

Conclusions

With the launch of the Social Capital Protocol – a guiding framework for companies interested in measuring, valuing and managing social capital – and the 'white paper' of the Impact Valuation Roundtable, the different approaches and tools can be grouped under an umbrella ensuring everyone is using the same principles and similar approaches.

Remaining challenges are:

- The use of a wide variety of valuation factors
- Different valuation factors make the interpretation of results difficult
- The approach may lose credibility over time given the range of results or the lack of transparency in the methodology and factors used to generate the results.

The discussions confirmed the importance of the topic and the need to find pragmatic and hands-on approaches. Anne Wolf from the Swiss Post concluded that "we have made a journey since we started the IVA conference in 2014. Yet, it is still complicated. All of us need to work together and find a way to measure the social impact, preferably with a joint toolkit to make it more comparable."

With the quote '*Price is what you pay, value is what you get*', from Warren Buffet all participants were invited to refreshing drinks and apéro.

Outlook

The yearly events as well as the community of practice '*What gets measured gets done*' launched early in 2017 are good platforms to take these discussions further. The next opportunity to continue the exchange and seek for ways to overcome existing hurdles, will be the next meeting of the Community of Practice in October/ November this year. In 2018 we foresee a community of practice meeting in February, which will be followed by the yearly event in May/ June 2018. We look forward to seeing many of you again during one of these events. If you're interested in the community of practice, don't forget to sign up for it.

For questions please contact info@engageability.ch.