

ERM Webinar: Valuing Corporate Impacts on Environment & Society

Part of ERM's 2018 Sustainability Means Business Webinar Series

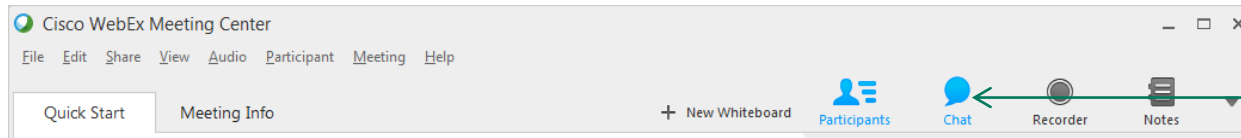
© Copyright 2018 by ERM Worldwide Group Limited and/or its affiliates ('ERM'). All Rights Reserved. No part of this work may be reproduced or transmitted in any form or by any means, without prior written permission of ERM.

The business of sustainability



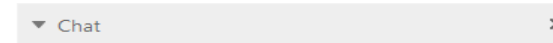
Welcome

- This presentation will be recorded and all who registered will receive a follow-up email containing a link to the presentation within a week.
- Participants can ask questions throughout the presentation using the WebEx chat function and they will be answered during the last 15 minutes of the webinar in the order that they were received.

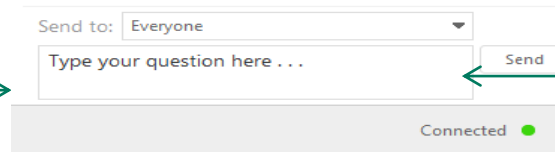


*Click on
chat*

- Send your question to “Everyone” so that those answering the questions will be able to see them.



WebEx Chat box



*Select
“Everyone”*

*Type your question
and send*

SUSTAINABILITY

MEANS

BUSINESS

Megatrends



2018 ERM Webinar Series

Climate-related
Financial
Disclosures
(March)

Valuing
Corporate
Impacts on the
Environment
and Society
(today)

Maximizing
the Value of
Assurance
(July)

Emerging
Disclosure
Trends (Sept)

Supply Chain
Engagement
(Nov)

Today's Speakers



Doug MacNair
ERM
Technical Director
Doug.MacNair@erm.com
+1 (919) 855-2297



Christian Heller
BASF
*Senior Manager Corporate
Sustainability Strategy*
christian.heller@basf.com
+49 (621) 604-9551



Mike Wallace
BrownFlynn/ERM
*Executive Director, Social Capital
Coalition*
mikew@brownflynn.com
+1 (917) 520-5527



Clemence McNulty
ERM
Principal Consultant
Clemence.McNulty@erm.com
+2 (721) 681-5400

Presentation Overview

01

Value-to-Society Approach

02

Evolution of the Social and Human Capital Protocol

03

Measuring Shared Value & Social Return on Investment

04

Natural Capital Contribution of Oceans

05

Q&A

Value-to-Society Approach



Value-to-Society

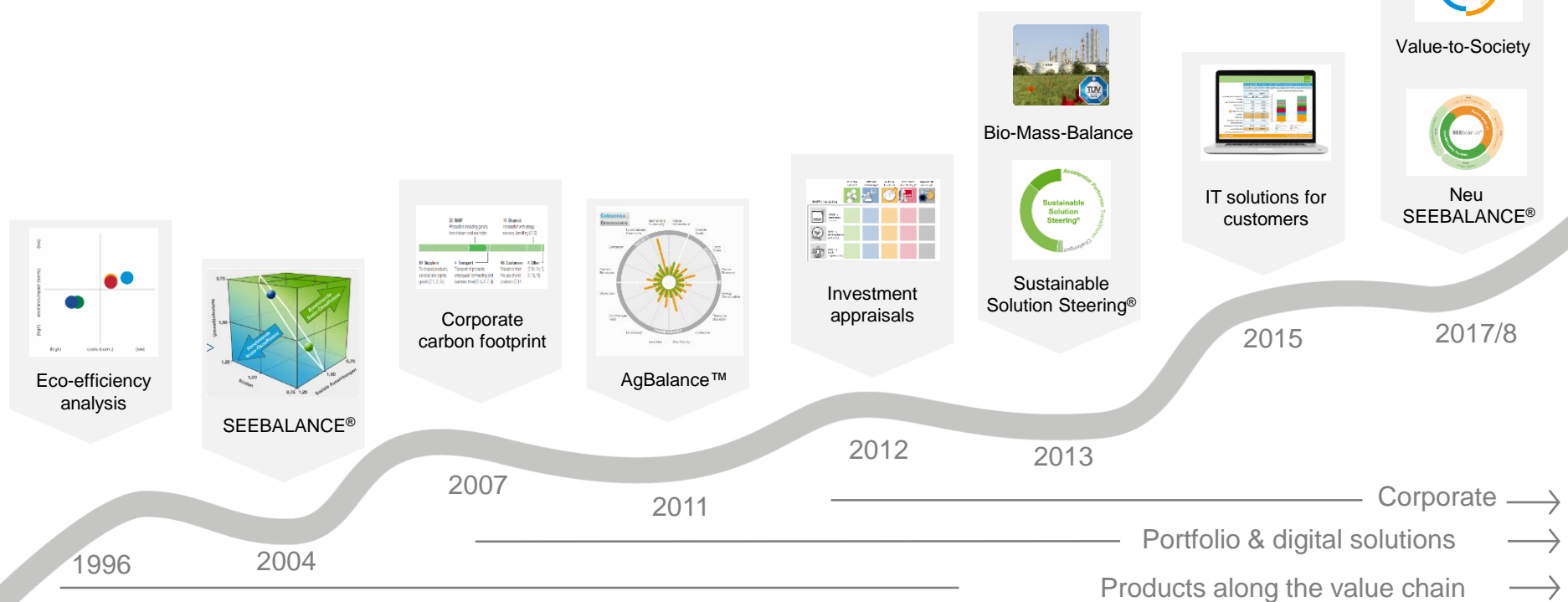
A new metrics to assess multi-dimensional value creation

May 3rd, 2018

Christian Heller, Corporate Strategy

Value-to-Society

Embedding the Natural & Social Capital Protocols in a monetized metric



The innovations

Assessing financial & pre-financial impacts along the value chain in a monetary unit

Traditional reporting

Quantified output (€, CO₂e, LTI...)



Input – Raw materials

Output – tCO₂e

Outcome – Climate change

Impact – Costs of floods

Input – Human resources

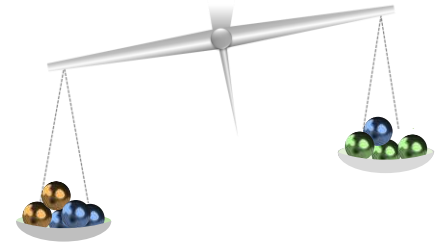
Output – Employment

Outcome – Wages

Impact – Purchase power

Impact valuation

Valued financial & pre-financial impacts (€)



Benefits to society

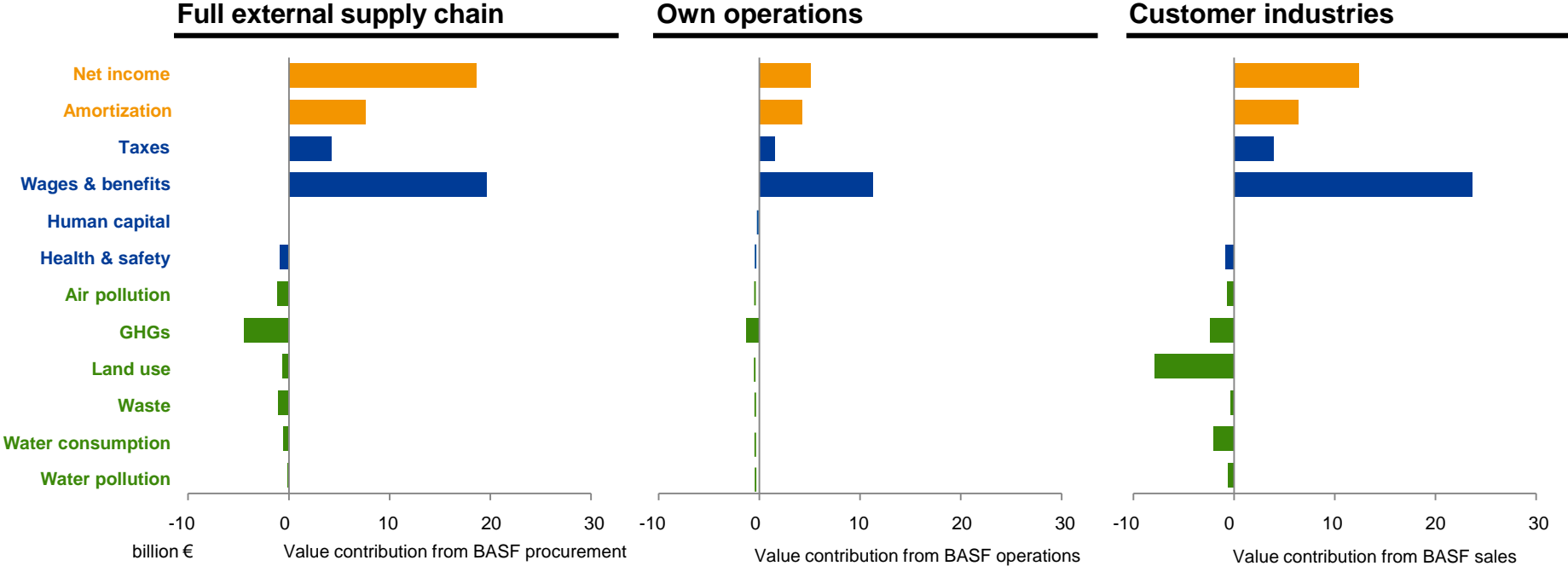
Costs to society

Delivering a net positive contribution
to ensure license to operate

How our business activities are affecting the well-being of people.

Our contribution to sustainable growth: Results 2016

Since 2013 net positive contribution in each step of the value chain



BASF model delivers results, which are directionally correct

Piloted application areas

Stronger embedment of sustainability on the strength of business language

Corporate level

The Corporate level dashboards include:

- Full external supply chain, Own operations, Customer industries:** Three bar charts showing value chain contributions.
- Additional supply chain, Own operations, Customer industries:** Three bar charts showing progress monitoring.
- Benefits to society (CO2e avoided) and Costs to society (Scope 1 & 2 emissions):** Two world maps showing global impact.
- Drivers:** Lists 'Wages, profits' and 'Lowest cost (GHG)'.

Annual contribution

Progress monitoring

Relevance along the value chain

Project level

The Project level dashboards include:

- Site development:** A bar chart showing development progress.
- Acquisitions / divestments:** A bar chart showing financial and operational metrics.
- Technology shifts:** A bar chart showing technology adoption.

Site development

Acquisitions / divestments

Technology shifts

Product level

The Product level dashboards include:

- Contribution of product portfolio:** A dashboard with KPIs like 'Benefits per car, km', 'Total passenger km', and 'CO2e per car, km'.
- Contribution of single products:** A bar chart showing individual product contributions.
- Product performance:** A heatmap showing performance across different dimensions.

Contribution of product portfolio

Contribution of single products

Product performance

Positioning ✓ **Materiality** ✓ **Decision making** ✓ **Goal setting** ✗

Improved transparency & integrated thinking, better understanding of risks & opportunities

Path forward

Further embedment & engagement

Implementation

- Corporate & project assessment
- Extend scope, improve robustness & reliability
(e.g. KPMG process assurance)
- Exploring further applications
(e.g. decision making, strategy development R&D)
- Communication
(e.g. web, Report, Factbook)

Assess benefits & limitations

Engagement

- Best practice sharing & learning
(e.g. Impact Valuation Roundtable)
- Standardization & alignment
(e.g. ISO, Chemical Sector Guidance, Natural & Social Capital)
- Outreach & multipliers
(e.g. Embankment Project, conferences)



Seek for convergence to compete on performance

Summary

Value-to-Society is

- Assessing our 'real' contribution to a sustainable future
- Pragmatic, scalable, transferable, auditable
- Improving our integrated thinking





We create chemistry

Evolution of the Social and Human Capital Protocol





Social & Human
Capital Protocol:
Public
Consultation
Period

The Interest



The Social & Human Capital Protocol

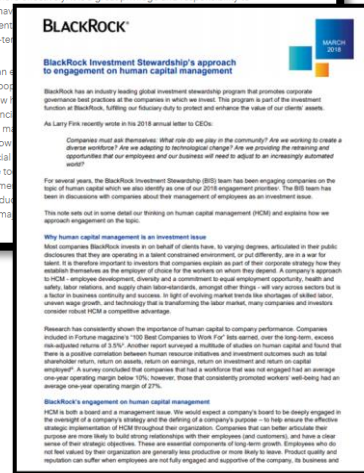
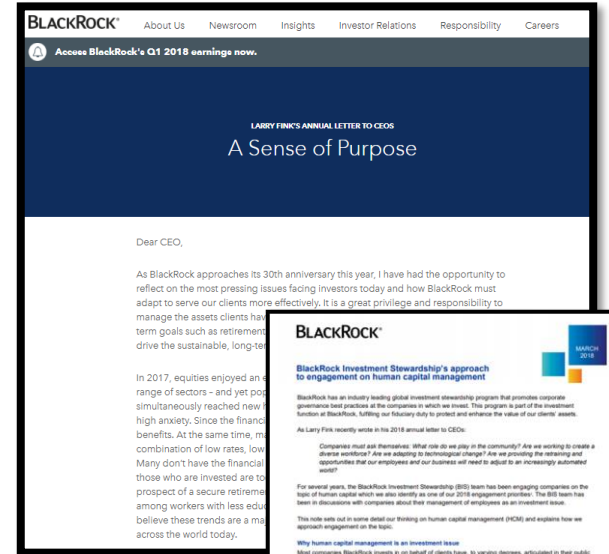
People are at the core of business. They are companies' employees, customers, suppliers, distributors, retailers and neighbors. Their growth and well-being matter to the bottom line. But...

- Lack of consensus and alignment
- Different approaches and methods
- Under-investment in social and human capital

Recent Market Developments

Investor Activity

- BlackRock
 - January 2018 – Larry Fink’s Letter to CEOs
 - **“Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce?”**
 - March 2018 – Investor Stewardship on Human Capital
 - **“Research has consistently shown the importance of human capital to company performance. Companies included in Fortune magazine’s “100 Best Companies to Work For” lists earned, over the long-term, excess risk-adjusted returns of 3.5%.”**



Recent Market Developments

Corporate Activity

- Salesforce
 - April 2018
 - ***“One of the reasons we’re considered such a great place to work (Fortune rated them #1 this year) is that from the time we founded the company, we emphasized philanthropy and social responsibility. We pay employees to give their time to local schools and charities, and we have donated more than \$180 million to non-profits.”***

Source: <https://www.cbsnews.com/news/salesforce-ceo-marc-benioff-leading-by-example-to-close-the-gender-pay-gap/>



LEADING BY EXAMPLE TO CLOSE THE GENDER PAY GAP

Unequal pay between men and women is a persistent problem in the United States. Salesforce, a tech company with 30,000 employees, is doing its part to change that

Recent Market Developments

Corporate Activity

- Salesforce
 - April 2018
 - ***“The World Economic Forum says that it’ll take more than 100 years for us to pay men and women equally.”***
 - ***“We said we’re going pay men and women equally at this company, and we’re going to go through and level set every job, every division, and every department. We’re going make sure that we have gender equality.”***
 - ***“It cost us about \$3 million for us to do those adjustments the first year.”***

Source: <https://www.cbsnews.com/news/salesforce-ceo-marc-benioff-leading-by-example-to-close-the-gender-pay-gap/>



LEADING BY EXAMPLE TO CLOSE THE GENDER PAY GAP

Unequal pay between men and women is a persistent problem in the United States. Salesforce, a tech company with 30,000 employees, is doing its part to change that

The Need



Human Capital Activity

Harvard Law School – Pensions & Capital Stewardship Project

- 2014 – CalPERS - fair labor practices, health and safety, responsible contracting and diversity.
- 2014 – Human Capital Management Coalition - workforce demographics; workforce stability; workforce composition; workforce skills and capabilities; workforce culture and empowerment; workforce health and safety; workforce productivity; human rights; and workforce compensation and incentives
- 2015 – Investment Association - total headcount, “broken down by the division between full-time and part-time employees, gender, and diversity; Annual turnover—including both planned and regrettable turnover; Investment in training, skills, and professional development—including the rate of progression and promotion within the business; and Employee engagement score.
- 2016 – Pensions & Lifetimes Savings Association - gender diversity; employment type, such as full-time, part-time or agency workers; staff turnover; accidents, injuries and workplace illnesses; investment in training and development; pay ratios between the highest paid and median and lowest quartile workers across the company; and employee engagement scores.
- 2017 – Committee on Workers Capital - workforce composition, unionization, worker participation in decision-making, OHS practices, training and development and employee compensation policies.
- 2017 – Share Action (Workforce Disclosure Project (WDI)) - workforce composition, worker welfare, investment in skills and worker representation.

Source: https://lwp.law.harvard.edu/files/lwp/files/pension_paper_corporate_disclosure_of_human_capital_metrics_102317.pdf

Human Capital Management Coalition

The Coalition views Human Capital Management (HCM) as encompassing a broad range of corporate practices related to the management of employees, including, but not limited to,

- hiring and retention,
- employee engagement,
- training,
- compensation,
- fair labor practices,
- health and safety,
- responsible contracting,
- ethics,
- desired company culture, and
- diversity, both with respect to a company's direct employees and to the employees of vendors throughout the company's supply chain.



Members:

UAW Retiree Medical Benefits Trust
AFL-CIO Office of Investment
Amalgamated Bank LongView Funds
California Public Employees' Retirement System
California State Teachers' Retirement System
Calvert Research and Management
Connecticut Retirement Plans and Trust Funds
CtW Investment Group
Domini Impact Investments LLC
Hermes Equity Ownership Services
Illinois State Board of Investment
Office of Illinois State Treasurer Michael W. Frerichs
International Brotherhood of Teamsters
Legal and General Investment Management
LiUNA
The Nathan Cummings Foundation
Office of the New York City Comptroller Scott Stringer
Office of the New York State Comptroller Thomas P. DiNapoli
Ohio Public Employees Retirement System
Pennsylvania Treasury
Segal Marco Advisors
Sycamore AM
Trillium Asset Management
UAW Employees Pension and Severance Plan
UFCW Pension Plan for Employees
Zevin Asset Management

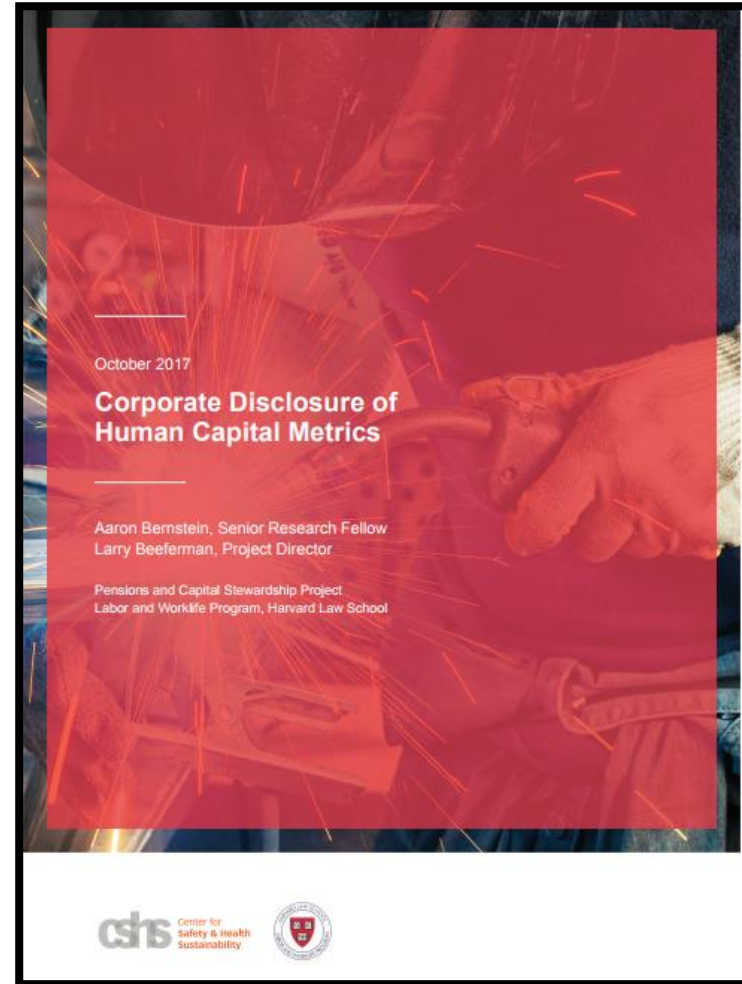
Human Capital/OSH Topics

- Training Hours
- Training Cost
- Return on Training
- Employee Development
- Employee Development Business Benefits
- Employee Development Qualitative
- Operating Profit per Employee
- OHS Framework
- OHS Oversight
- OHS Work Environment
- Lost-Time Injuries
- Fatalities

Source:

https://lwp.law.harvard.edu/files/lwp/files/pension_paper_corporate_disclosure_of_human_capital_metrics_102317.pdf

25



The Reality



O&G – Bloomberg ESG Data

Employment Metrics

	Number of Employees	Number of Temporary Employees	Employee Turnover Percent	Percent Employees Unionized	Number of Part-Time Employees	Number of Contractors	Training per Employee	Cost of Employee Training	Training Policy
BP	74000		16						Y
Cenovus Energy	2882								
Chevron	51900								
China Petroleum and Chemical Corp	446225			100					Y
Eni SpA	33536	586	6.1		583		649.7813	26600000	Y
Exxon Mobil	69600								
Husky Energy	5152								Y
Imperial Oil	5400			7					
PetroChina Co	494297								Y
Petroleo Brasileiro SA									
Petrobras	62703		10.83	100		99423	237.5442	76200000	Y
PJSC Lukoil									Y
Ptt PLC									
Rosneft Oil Co		22728	10.9		1150				Y
Royal Dutch Shell PLC	86000								Y
Statoil ASA	20245		4	73	607	30000			Y
Suncor Energy	12381								
Total SA	98277		13.3	73.1			1319.815	167000000	Y

O&G – Bloomberg ESG Data

Health & Safety Metrics

	Employee Accidents	Lost Time Accidents	Employee Fatalities	Contractor Fatalities	Total Fatalities	Lost Time Incident Rate	Total Recordable Incident Rate	Contractor Total Recordable Incident Rate	Health & Safety Policy
BP		752			3	0.05	0.19		Y
Cenovus Energy									Y
Chevron									
China Petroleum and Chemical Corp			3						Y
Eni SpA			0	1	2	0.06	0.072	0.068	Y
Exxon Mobil									
Husky Energy									Y
Imperial Oil									Y
PetroChina Co							0.0132		Y
Petroleo Brasileiro SA									
Petrobras					3	0.11	0.32		Y
PJSC Lukoil	2				2		0.021		Y
Ptt PLC									
Rosneft Oil Co	101		11	43	54		0.035		Y
Royal Dutch Shell PLC			0	3	3	0.05	0.2		Y
Statoil ASA			0	0	0	0.24	0.52	0.58	Y
Suncor Energy									
Total SA					1	0.116	0.178	0.176	1

O&G – Bloomberg ESG Data

Diversity Metrics

	Employee Average Age	% of Women in Management	% Women in Workforce	% Minorities in Management	% Minorities in Workforce	% Disabled in Workforce	Equal Opportunity Policy	Fair Remuneration Policy	Employee Average Age
BP		22	33	7			Y	N	
Conovus Energy							Y	N	
Chevron									
China Petroleum and Chemical Corp			35.9				Y		
Eni SpA	44.8	14	22.96				Y	N	44.8
Exxon Mobil								N	
Husky Energy							Y		
Imperial Oil							Y	N	
PetroChina Co			30.71		6.5		Y		
Petroleo Brasileiro SA									
Petrobras			16				Y		
PJSC Lukoil	37.5		41				N	N	37.5
Ptt PLC								N	
Rosneft Oil Co	39.9	14	33.5				Y		39.9
Royal Dutch Shell PLC		20	30				Y	N	
Statoil ASA			30				Y	N	
Suncor Energy							Y	N	
Total SA	40.63	21.1	33.3				Y		40.63

O&G – Bloomberg ESG Data

Community Metrics

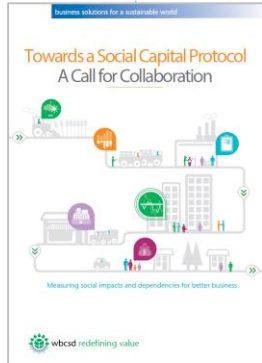
	Number of Customer Complaints	Community Spending	Community Spending as a % of EBITDA	Human Rights Policy	Anti-Child Labor Policy	Social Supply Chain Management Measures	Number of Suppliers Audited
BP		45258495		Y			
Cenovus Energy				Y			
Chevron							
China Petroleum and Chemical Corp		17467674	0.07	Y	Y	Y	
Eni SpA		54887273	0.51	Y	Y	Y	
Exxon Mobil							
Husky Energy				N	N	N	
Imperial Oil				Y			
PetroChina Co		27485019	0.08	Y	Y	Y	
Petroleo Brasileiro SA							
Petrobras	9853	51710405	0.28	Y	Y	Y	
PJSC Lukoil		43481237	0.53	Y	N	N	
Ptt PLC							
Rosneft Oil Co		20949038	0.17	Y	N	N	
Royal Dutch Shell PLC		75554280	0.36	Y	Y	Y	
Statoil ASA		3961125	0.02	Y	Y	Y	
Suncor Energy				Y		Y	
Total SA		188735962.6	0.99	Y	Y	Y	

The Opportunity



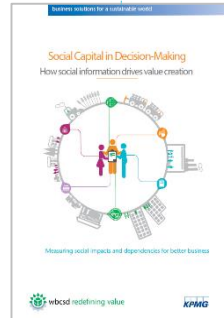
Developing the Social & Human Capital Protocol

Call for collaboration



- RV Board Statement
- Input from **22 companies**
- Commitment from 10 partners

Design and build



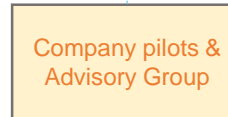
- Insights from **20 companies + 2 Global Network Partners**



- Deep-dive into Employment, Skills and Safety with **15 companies**

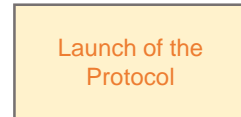


Review and test



- **25 companies** tested the Protocol in their organizations
- **20 Expert Partners** joined the Social Capital Protocol Advisory Board

V1.0 Launch



- The first version of the Protocol was **launched in March 2017**

32 2015

2016

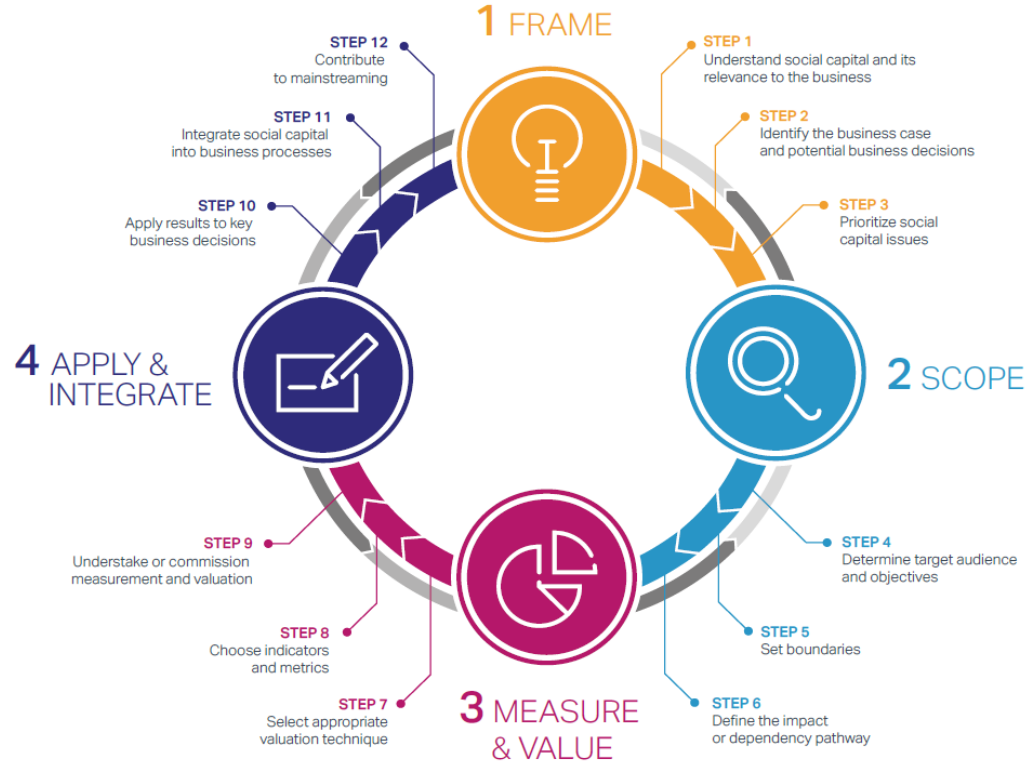
2017

Social Capital Protocol Engagement & Support (Contributing Companies)

- Accenture
- Alliance
- APRIL
- Arcadis
- ArcelorMittal
- Argos
- AkzoNobel
- BASF
- BMW Group
- BT
- CEMEX
- Chanel
- Deloitte
- Dow
- DSM
- ENI
- ERM
- Evonik
- EY
- Fujitsu
- Godrej
- Honda
- JP Morgan
- Kering
- KPMG
- LafargeHolcim
- Masisa
- Mitsubishi
- Mondi
- PWC
- Nestlé
- Roche
- SABMiller
- SABIC
- Santander
- SCA
- Schneider Electric
- Shell
- Siemens
- Skanska
- Smurfit Kappa
- Solvay
- Sampo Japan Nipponkoa Insurance Inc.
- Tata
- The Navigator Company
- Vale
- Veolia
- Veracel

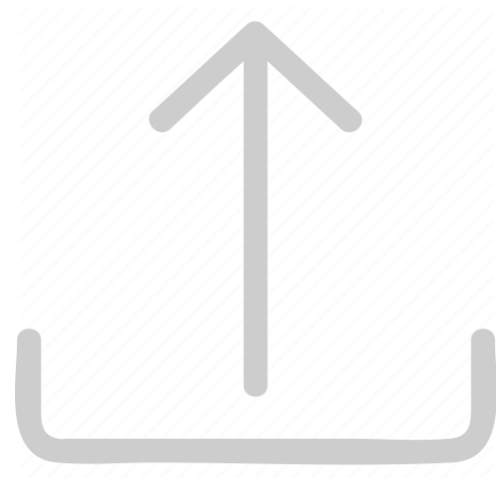
The Social and Human Capital Protocol

1. It provides a **consistent process** to guide companies through the journey of measuring, valuing and better managing social & human capital.
2. It provides a **framework for collaborative action** towards harmonized and standardized approaches.



Where we are now: Uptake

- **1,400** Downloads
- **2,000** Online users
- **3%** of WBCSD members reporting



The Social & Human Capital Coalition

- **Launched April 17, 2018**
- **A multi-stakeholder network**
- **Open & inclusive**
- **Take a lead in setting the agenda**
- **Be recognized as a contributor**
- **Learning through sharing**



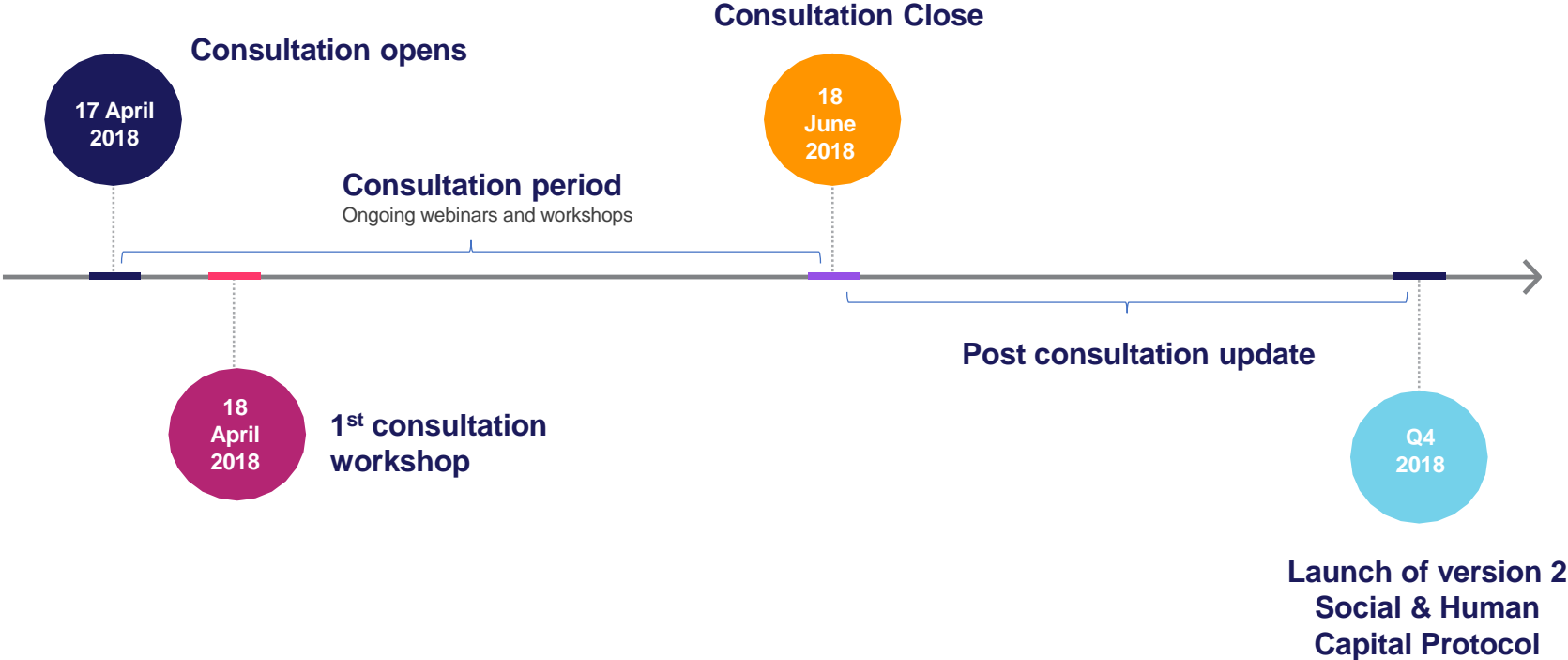
The Structure



The Social & Human Capital Coalition



Timeline



The Social & Human Capital Protocol Consultation

- The consultation will run for 60 days, **concluding on June 18, 2018**
- Comments from this and further **workshops**, as well as the **online platform** and **webinars** will be reviewed and integrated into the updated Social & Human Capital Protocol
- The updated Protocol will be **launched in Q4 2018**



Benefits of the consultation

For contributors:

- Help shape the Protocol
- Be recognized as a contributor
- Collaborate with experts
- Deepen your knowledge of current best practice

For the Coalition:

- Engagement opportunity
- Incorporate wider perspectives
- Confer ownership
- Increase rigor and acceptance
- (Widen awareness and uptake)



How to participate

- Join the Coalition at: www.social-capital.org
- Participate in the consultation by:
 - Registering for the Collaborase online platform at: [https://collaborase.com/social human capital](https://collaborase.com/social_human_capital)
 - Attend future **workshops** (details to follow)
 - Participate in consultation **webinars** (details to follow)
- Contact any of today's presenters
- General enquiries at: info@social-capital.org



Mike Wallace:
Executive Director,
Social & Human
Capital Coalition



Mark Graham:
Technical Director,
Social & Human
Capital Coalition

Mike Wallace's time is kindly provided on secondment from BrownFlynn, an ERM Group company



Our contacts

Mike Wallace

Executive Director, The Social & Human Capital Coalition
wallace@social-capital.org

Mark Graham

Technical Director, The Social & Human Capital Coalition
graham@social-capital.org

Eva Zabey

Director, WBCSD, Redefining Value
Zabey@wbcسد.org
Maison de la Paix | Chemin Eugène-Rigot 2B
CP 2075 1211 Geneva 1
Main: +41 (0)22 839 31 64

Matthew Watkins

Associate, WBCSD, Redefining Value
Watkins@wbcسد.org
Maison de la Paix | Chemin Eugène-Rigot 2B
CP 2075 1211 Geneva 1
Main: +41 (0)22 839 31 64



Measuring Shared Value & Social Return on Investment

Social Impact and Shared Value?

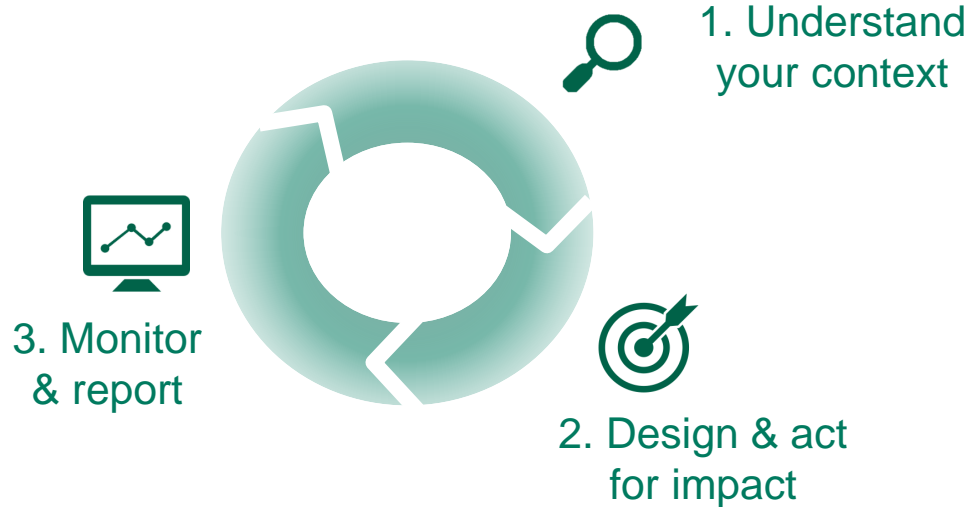
Social impact - *the effect an organization's actions/ activities have on the well being of the community/ society*

Shared value - *a management strategy in which companies find business opportunities in social problems/ challenges*

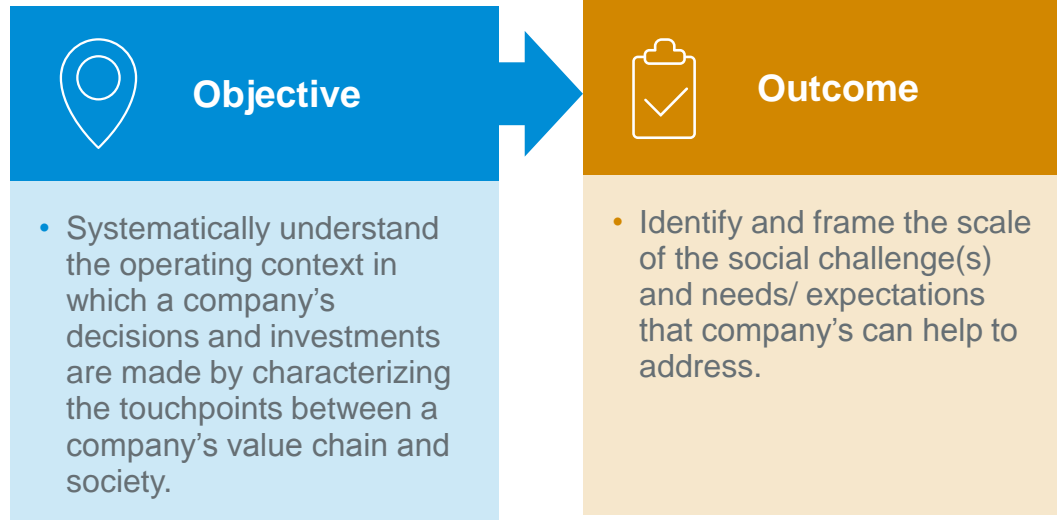
About change, outcomes and trends (not just inputs/ outputs/ point in time)

ERM Approach

Focuses on **systematic use of data** and **varied measurement approaches** including **Social Return on Investment (SROI)** to identify, define and manage a company's social and sustainability programs for social impact and shared value....



Understand Context



Understand Context



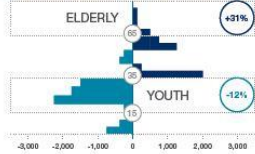
SOUTH DEEP'S SOCIO-ECONOMIC IMPACT

COMMUNITY PROFILE: 2016 DATA

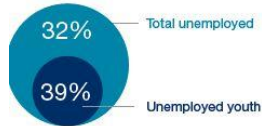
MUNICIPAL POPULATION



CHANGE IN RESIDENTS' AGE (2011 - 2016)



MUNICIPAL UNEMPLOYMENT



CRIME STATISTICS



Rate per capita (per 100 000 people)

The information on host communities contained in this circle comprise data from the community database from 2011 - 2016 (Stats SA) and the Gold Fields employee database of 2017

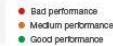
WESTONARIA: SOUTH DEEP'S



HOUSING

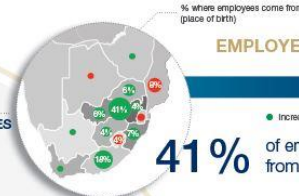


HOST COMMUNITIES



EMPLOYEE PROFILE: 2017 DATA

EMPLOYEE DEMOGRAPHICS

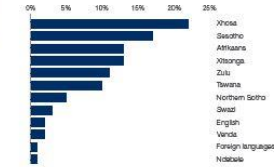


● Increase (since 2011) ● Decrease (since 2011)

EMPLOYEE RACE AND GENDER



EMPLOYEE LANGUAGE



EMPLOYEE EDUCATIONAL LEVELS



Design & Act for Impact



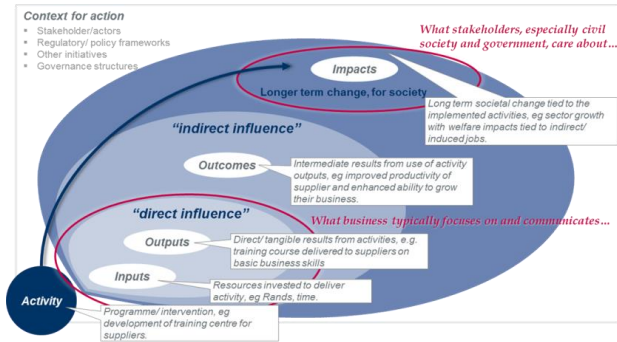
Objective

- To design and implement programmes to maximise social change and create shared value

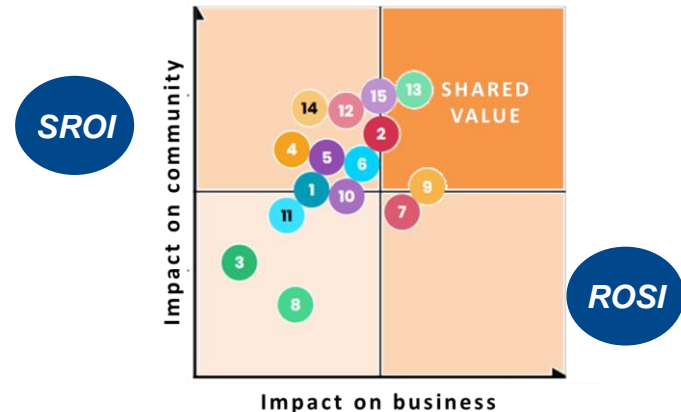
Outcome

- A clear understanding of the “theory of change” and internal business case enables prioritization and access to capital.

Grounded in “theory of change”



Focus on “shared value” balancing internal/ external



Nb. - SROI vs. ROSI



**Impact on
community**

SROI = Sum of the benefits to stakeholders/ community/ society that are valued for project ÷ total investment in the project

SROI - principles-based method for measuring extra-financial value (i.e. social and environmental value not reflected in conventional financial accounts) relative to resources invested

The **SROI Network** ^{Intl.}

**Impact on
business**

ROSI = Sum of the benefits to a company resulting from project ÷ total investment in the project

ROSI – typical financial accounting tools considering impact on P&L, balance sheet, share price etc. with Total Return to Shareholders (TRS) measure based on a range of value drivers that are impacted by sustainability initiatives

Monitor & Report



Objective

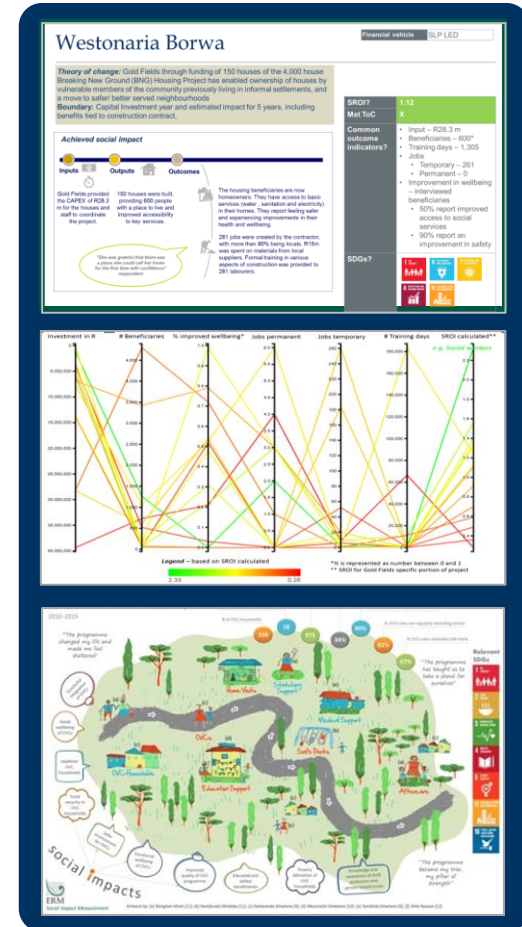
- To continuously and systematically monitor the impact achieved



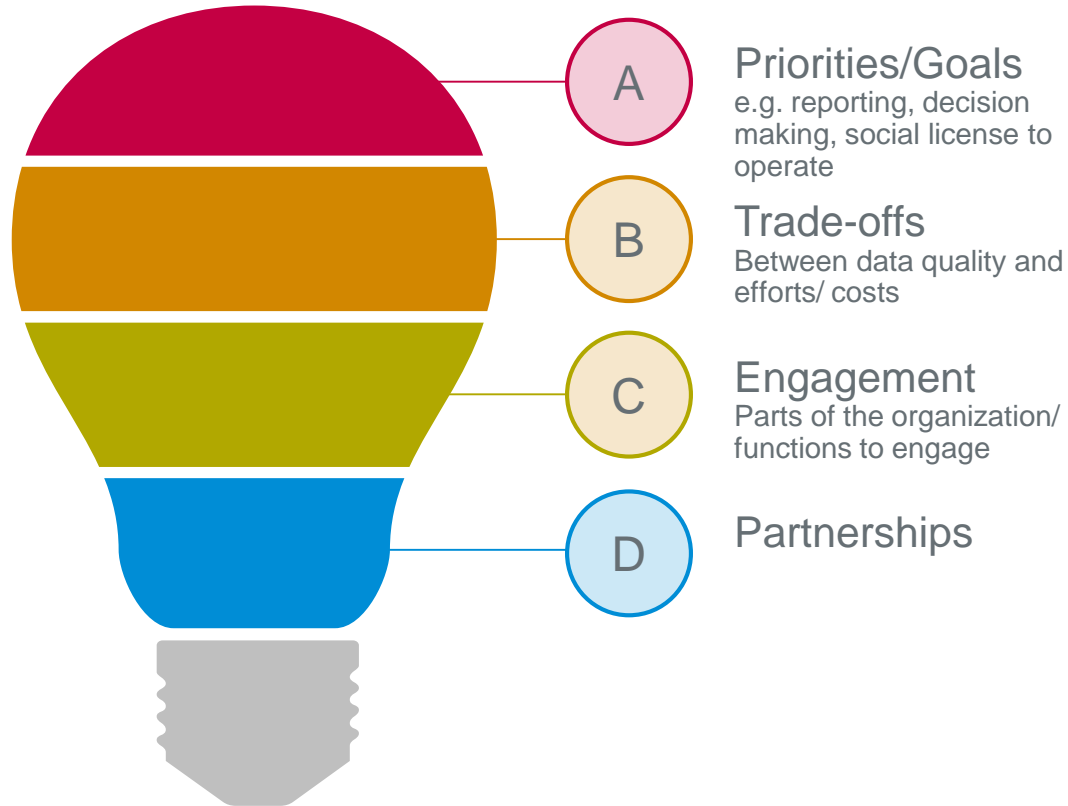
Outcome

- Maximized shared value through dynamic adjustment of programs/ strategies, whilst being able to demonstrate contribution to social change and facilitate dialogue with stakeholders

We use a wide range of methods to assess impacts achieved. This includes considering both qualitative and quantitative measures of change to enable a meaningful understanding of stakeholder experienced change >>>



Considerations



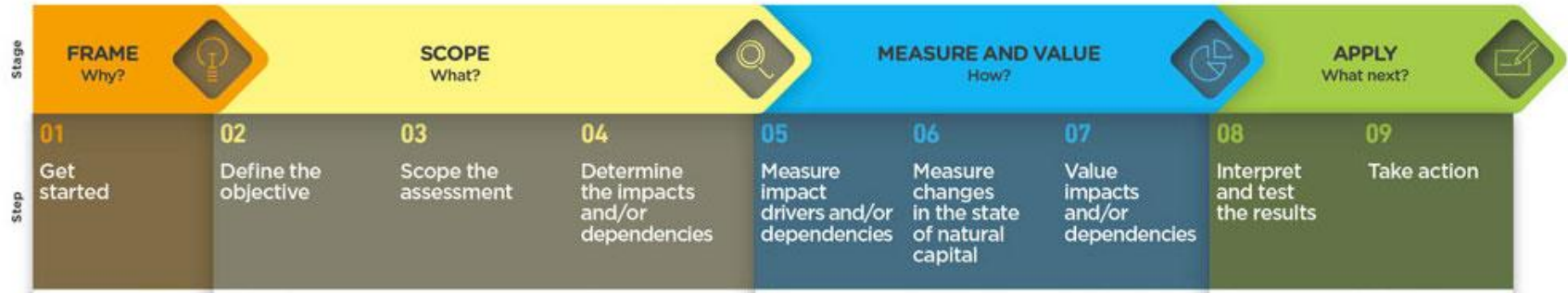
Benefits of Impact Thinking



Natural Capital Contribution of Oceans

THE NATURAL CAPITAL PROTOCOL FOR THE OCEAN

WHAT IS THE OCEAN SUPPLEMENT TO THE NATURAL CAPITAL PROTOCOL?



The Natural Capital Protocol for the Ocean provides businesses with a standardized framework to **identify, measure, and value impacts and dependencies on marine natural capital**, focusing on the unique value-chains of ocean goods and services, and the special characteristics of ocean resources.

OVERVIEW OF RESEARCH PROJECT

WHO IS THE PROTOCOL FOR?



Living Resources



Shipping & Transportation



Cultural Services & Tourism



Energy & Extraction



Marine Engineering

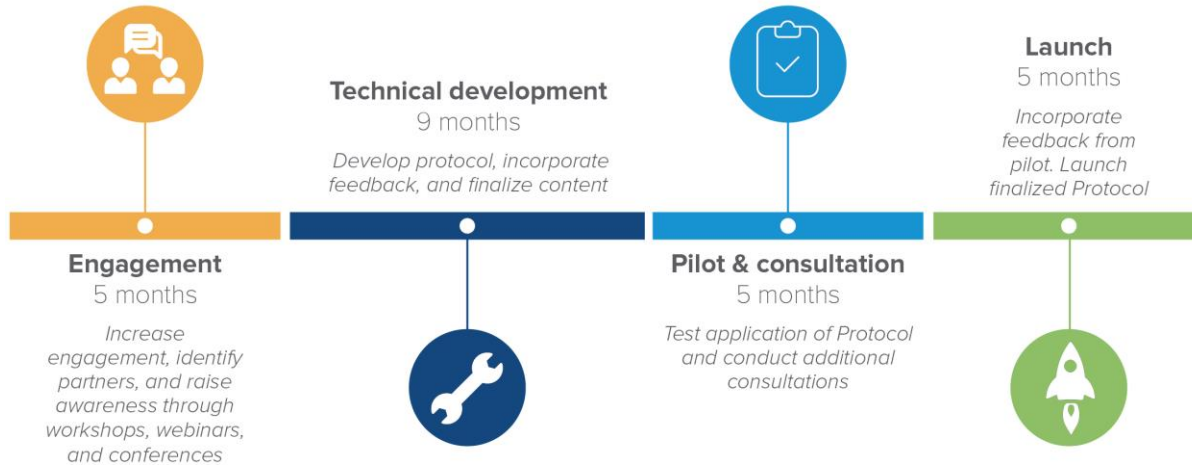
HOW WILL IT HELP BUSINESSES?

- Identify, measure, and value material impacts and dependencies
- Identify business model risks and opportunities
- Consolidate approaches into a standardized framework
- Address underlying drivers (e.g. climate change, plastics)
- 59 • Highlight practical examples and case studies

WHAT ARE THE BENEFITS?

- Better decision-making and sustainable management of marine natural capital, long-term sustainable operations, improved monitoring and reporting
- Cost reductions, improved financing
- Business models/revenue streams
- Anticipating of regulatory changes and better alignment (e.g. UN SDGs)
- Climate mitigation and adaptation strategies

LOOKING FORWARD – NEXT STEPS





Coalition Sponsored Activities
Workshops
Natural Capital Protocol
Oceans Supplement

Townhall
Combining Forces

Sessions
Public and Private Approaches
to Natural Capital
Connecting Natural Capital and
Finance

SUSTAINABILITY

MEANS

BUSINESS

Megatrends



2018 ERM Webinar Series



ERM's Next Webinar in this Series

Maximizing the Value of Assurance

July 18, 2018 at 1pm (EDT)



In a changing landscape, assuring what matters: from investor grade data to performance against long-term goals. Presented by ERM CVS.

Speakers include:



Beth Wyke
ERM CVS
Corporate Assurance
Lead – North
America



**Jennifer
Iansen-Rogers**
ERM CVS
Head of Report
Assurance

Questions

