

Report on the Consultation of the draft Social & Human Capital Protocol

27 February 2019

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The Consultation process

In June 2015, the World Business Council for Sustainable Development (WBCSD) launched A Call for Collaboration, initiating the development of a Protocol for social and human capital – a harmonized approach for businesses to measure and value their interactions with people and society.

WBCSD then compiled the experience and insights of its member companies to develop the first draft of the Protocol. This was based on leading practices in the measurement and valuation of three subjects core to business – employment, skills and safety – illustrated with tools, insights and company examples in these three areas.

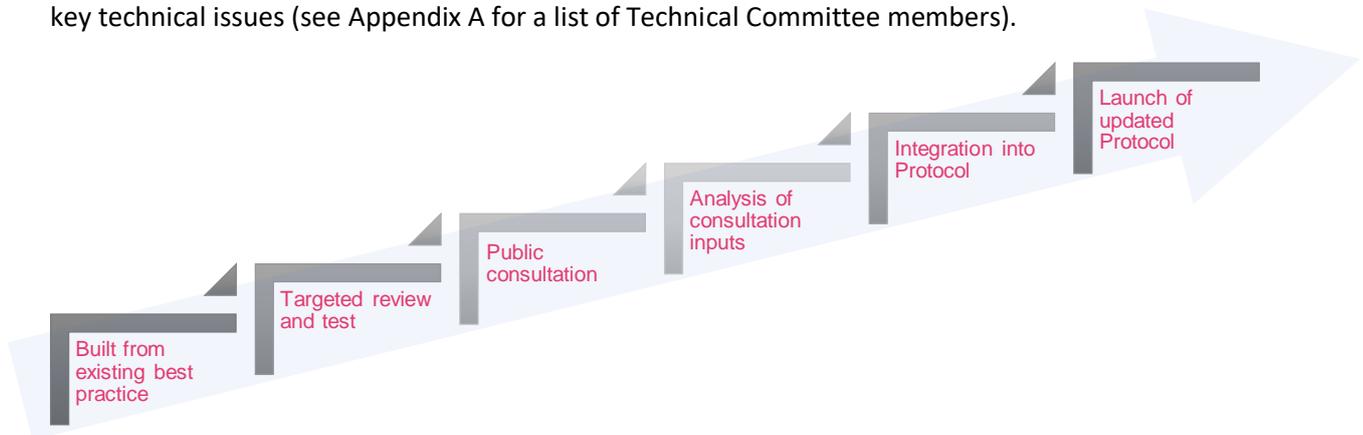
The publication “[Building the Social Capital Protocol: Insights into Employment Skills and Safety](#)” was released to provide an insight into the development of the Protocol. It illustrated the results of a collaborative process between 15 WBCSD member companies: Accenture, AkzoNobel, BASF, BMW Group, DSM, Deloitte, EY, Evonik, KPMG, Lafarge Holcim, Nestlé, PwC, SCA, Siemens and Solvay.

These insights were used as a basis for building the first draft of the Protocol, which was released at the WBCSD Liaison Delegate Meeting in March 2017. This draft identified the significant independencies between business and other stakeholders in securing sustainable social and human capital outcomes.

It became clear that the process of building a globally accepted Protocol - recognized by all relevant parties - required a multi-stakeholder collaboration. Consequently, alongside the establishment of the [Social & Human Capital Coalition](#), the draft Social & Human Capital Protocol went out for public consultation from 16 April to 16 June 2018 (extended to 30 June 2018) to allow all individuals and organizations to contribute.

The consultation process used the online Collaborase platform, supplemented by a number of in-person workshops to collect input on the first draft of the Protocol as well as relevant case studies and anecdotal information and ad-hoc commentary.

The consultation was supported by a Technical Committee of experts to assist in the resolution of key technical issues (see Appendix A for a list of Technical Committee members).



Consultation response summary

Headline figures on the consultation response:

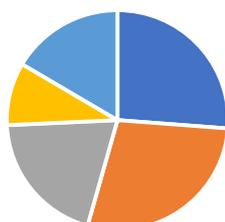
- >220 individuals registered on the Collaborase platform
- >300 comments on the Collaborase platform
- >70 individuals reached through in-person workshops

Categorizing responses

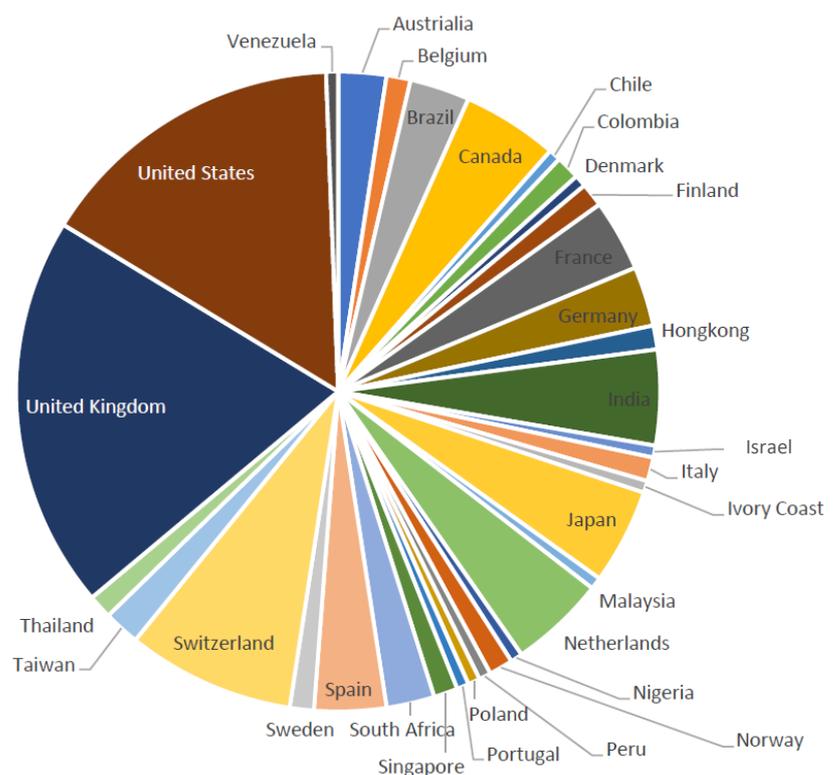
In-person workshops were held in:

- Switzerland
- Spain
- USA
- Brazil
- Taiwan

The Collaborase platform received responses from >30 different countries, and achieved a good split of responses from industry, NGOs, service providers and academia.



- Industry
- Service Provider
- NGO
- Academia
- Other



Main areas of feedback

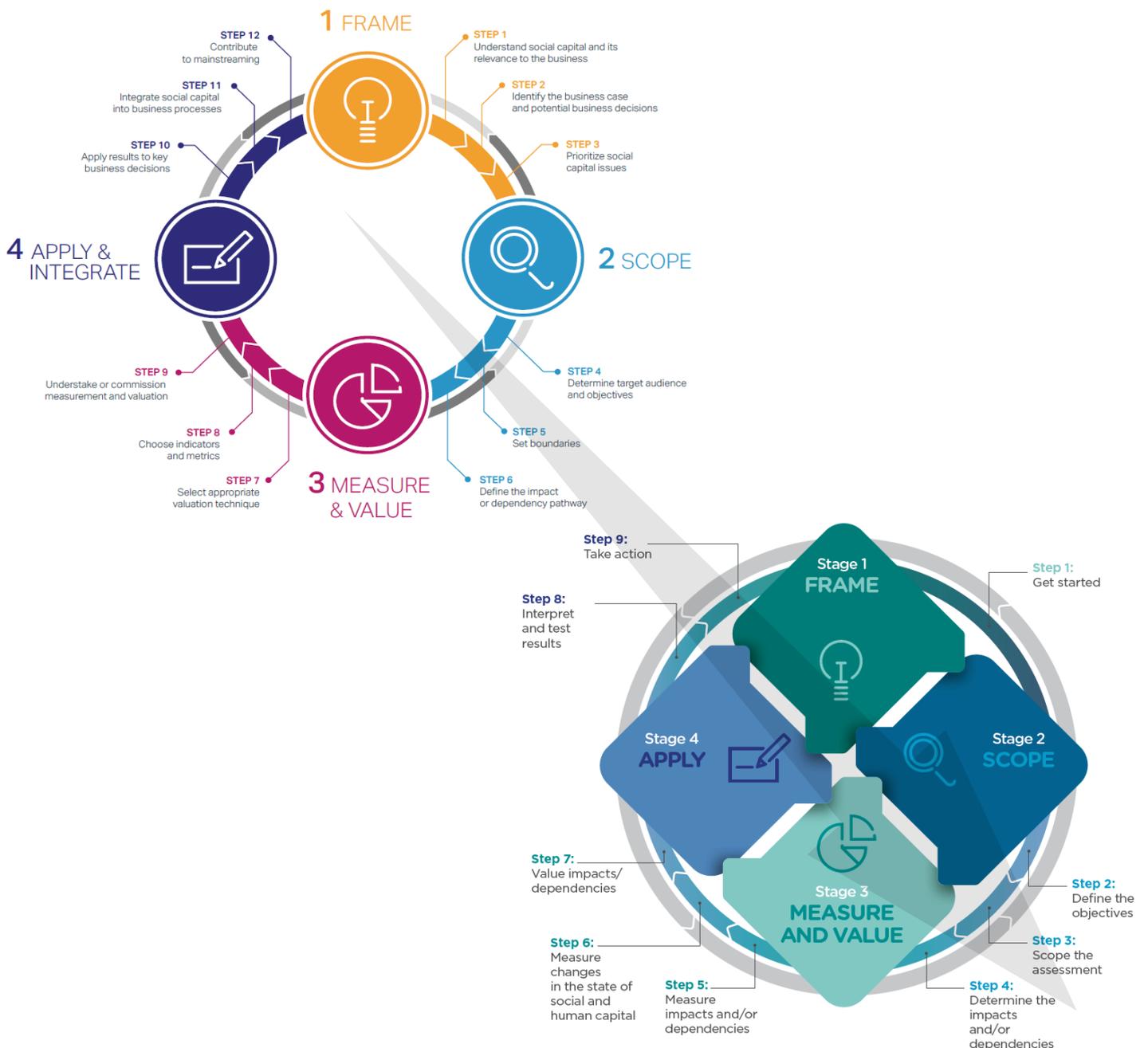
The five main areas of enhancement focused on:

1. Alignment with the Natural Capital Protocol
2. Definitions, in particular the definition of “impact”
3. Categories of Social and Human Capital issues
4. Inclusion of “social capital” in addition to “human capital”
5. Dependency pathways

Description and responses

1. Alignment with the Natural Capital Protocol

Based on significant feedback since the launch of the first version of the draft Protocol and during the public consultation, a decision was taken to improve the alignment with the Natural Capital Protocol. This involved major updates, moving and condensing a number of steps as shown below.



2. Definitions, in particular the definition of “impact”

Measuring social and human capital is a new topic to all business. In such an experimental phase of implementation, it is key to ensure clear definitions that ensure that there is little room for mis-interpretation of meaning. We followed the suggestions provided in the feedback to more explicitly build on existing definitions, in particular from the Natural Capital Coalition and OECD.

Sample feedback received on definitions from the consultation that was used to update the Protocol included:

- *“Unfortunately, there is still quite a confusion between outcome and impact. People are using the word “impact” commonly for outcome and sometime even for output. Examples are good to report, but maybe the difference between outcome and impact could be emphasized in the text also by for example including a more explicit time prospective?”*
- *“It almost seems that Outcome could be described as a behavior change and Impact is the ‘wellbeing’ change to be measured”*
- *“To measure social impact, it is important to make a difference between outputs and outcomes. Also, we need to use official metrics and trace the goal to move this metrics in order to achieve better quality of life in our communities.”*
- *“It should be clearly stated here that monetary (Valuation) is based on assessment of impacts on welfare. This is key to understand.”*
- *“Welfare and wellbeing are not defined and should be defined”*

The topic of “impact pathways” also proved particularly contentious among different responders to the public consultation. A sub-group of the Technical Committee was convened in order to explore this topic further. The resolution of this issue in the Protocol involved relating to guidance from two different but overlapping methodologies from the fields of natural capital and project evaluation (especially in the field of international development), that converge in the of social and human capital measurement and valuation space.

3. Categories of Social and Human Capital issues

In order to help users, the draft Protocol included an illustrative list of potentially material impacts and dependencies, which were distilled from three key resources:

- UN Universal Declaration of Human Rights (UN 1948) – proclaimed by the United Nations General Assembly in 1948 and forming the basis for international human rights law, these 30 articles lay out a common standard of achievement for all people and nations. The UN Guiding Principles for Business and Human Rights (UN 2011), launched in 2011, further explain how these rights are applicable to business and can be put into practice. The UN Guiding Principles Reporting Framework (UN 2015), launched by the Human Rights Reporting and Assurance Frameworks Initiative in 2015, uses the UNGPs along with the International Labour Organization (ILO)’s Declaration on Fundamental Principles and Rights at Work to summarize 32 internationally recognized human rights.
- ILO Tripartite Declaration of Principles Concerning Multinational Enterprises (the MNE Declaration) (ILO 2017) – developed and adopted by governments, employers and workers from around the world, the MNE Declaration provides direct guidance to enterprises on social policy and inclusive, responsible and sustainable workplace practices. The MNE

Declaration is complimented and expanded upon by the OECD Guidelines for Multinational Enterprises (OECD 2011).

- The Sustainable Development Goals (UN 2015) – ratified by all 193 UN Member States in September 2015, these 17 global goals and associated 169 targets, provide an aspirational model for international development to which business can align and contribute.

The feedback from the consultation included improvements on the issues themselves, as well as additional current concerns for business. It also revealed that the consultation draft of the Protocol did not provide adequate background on the origin of these issues or the fact they were not exhaustive. Therefore, supplemental text was included for clarity, and many of the suggestions to the categorization of issues have been incorporated into the current Protocol.

4. *Inclusion of “social capital” in addition to “human capital”*

Being built on the topics of health and safety, skills and employment, the first version of the Protocol was focused on issues generally described as human rather than social capital. During the public consultation, feedback highlighted the lack of topics traditionally considered as “social capital”, and the need to clarify these two terms with better definitions.

Sample feedback received on both terms from the consultation that was used to update the Protocol included:

- *“The protocol would benefit from a brief definition from social and human capital in early stages (social focusing on society, links between individuals; human focusing on individual development)”*
- *“We need to define social capital (networks, linkages, relationships, etc. - intangible assets, which lead to measurable value creation across other forms of wealth, i.e., produced, natural and human capitals) and human capital (skills, knowledge, health, etc. - attributes which enable individuals to be productive and generate incomes) upfront, before getting in to the framework.”*
- *“The Protocol is mainly focused in human capital issues and this should be balanced to expand on Societal.”*
- *“The distinction between human, social, and natural capital could be clarified. It is not clear whether human and social are to be considered distinct and separable, but interrelated, or that they are so inherently intertwined they cannot be considered separately. And the distinction between these two capitals and natural capital could be made clearer, or the problem of confounding made more explicit (e.g., a plant’s emissions affect workers health through the impacts as residents of the local community). Perhaps a table listing examples of company activities and whether it affects social, human, or natural capital could help.”*

These issues were resolved in the current version of the Protocol through updated definitions, inclusion of social capital focused cases, and the addition of social capital-based examples throughout e.g. use of a dependency pathway based on customer networks and trust.

Note: Prior to the public consultation, we took the decision to rename the Protocol to “Social & Human Capital Protocol” in better alignment with approaches of IIRC, GIST Advisory and other key stakeholders (the Protocol was previously referred to as the “Social Capital Protocol” or “SCP”). The decision was based on feedback from several key stakeholder groups and with the approval of the Technical Committee.

5. *Dependency pathways*

The original copy of the Protocol did not include a dependency pathway, focusing instead on impacts. Comments during the public consultation reflected the need to connect with the business case for measurement and valuation through the inclusion of a dependency pathway:

- *“The working Group suggests the inclusion of employee engagement as an example business dependency. Also acknowledge the role employee engagement has in the contribution to well-being and therefore mental and physical health.”*
- *“would be nice to have also a fully elaborated example on dependencies (as a table).”*
- *“Generally, the business case for action is not well reflected. The business case should be more of a guiding principle, backed up with strong and effective examples, instead of assertions. The general concept of Shared Value would be a helpful addition (training increases productivity, which increases wages and profits. It also improves employee retention, which reduces costs).”*
- *“In order for businesses to adopt the Protocol, they will need to see some of the business-relevant impacts and measures they are used to seeing around human capital - productivity, employee satisfaction, employee (dis) engagement, cost of turnover, etc. The value of the Protocol to businesses will increase dramatically, if some guidance is provided on how to consistently measure and report on these impacts. Until businesses can report on these with consistency, they will have a hard time adopting more obscure methods of valuation.”*

After much discussion and technical debate, a dependency pathway was added to the current version of the Protocol in order to address these concerns.

Concluding remarks and thanks

The public consultation of the Social & Human Capital Protocol clearly demonstrated the level of positivity around the production of business-focused guidance for the measurement and valuation of interactions with people and society.

The consultation proved an effective engagement tool for highlighting issues of concern or uncertainty surrounding the Protocol, that we are pleased to have incorporated into the updated draft of the document.

We now invite you to join us in implementing the updated version of the Protocol within your organization, contact us with any questions, or produce a case study to share your work.

Thanks to all of you that made this Protocol possible by actively contributing to its development and special thanks go to all of those involved in our Technical Committee and the Board of the Social & Human Capital Coalition.

Annex

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