

SOCIAL IMPACT' MEASUREMENT

by

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Step 1: Issue identification

Step 2: Issue prioritisation

Step 3: Setting goals

Step 4: Integrating

Step 5: Reporting and communicating

The SDGs are a common language and shared purpose...

Business needs a common disclosure set and practical guidance to report on the SDGs incl. social issues



Issue Identification

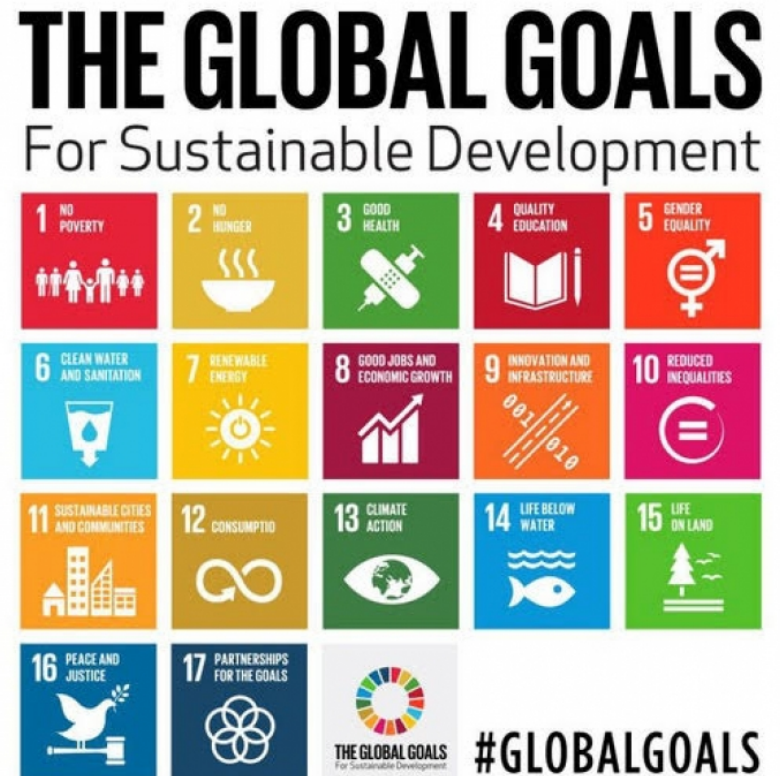
Understand the SDGs and their targets

- Consider targets you had not foreseen under SDGs
- Identify other unanticipated targets
- Consider the interconnected nature of a SDG and its targets with other SDGs



SDGs Targets – Examples

- **Target 8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- **Target 16.3:** Promote the rule of law at the national and international levels and ensure equal access to justice for all
- **Target 16.5:** Develop effective, accountable and transparent institutions at all levels



Organizational Setup for SDGs

The Sustainability Organization

- Build the business case for sustainability (initiatives).
- Engage stakeholders within and outside the company.
- Embed sustainability into the core business.
- Withstand short-term business pressure and perceived conflicts.
- Stay lean and evolve over time



Organizational Setup for SDGs

Most Common Mistakes

Lack of management support

- CEO committed, management engaged?

Not placed at the core of value creation

- Into which organization do you report?

Unclear objectives

- Targets for your team?
- Targets for other lines of business?

Unclear competencies

- Which decisions and policies do you own?

Missing budgets

- You'll need to increase investment to capture the full returns over time





Step 1: Issue identification

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Crafting a SDG Strategy

It's a Journey, Not an Event

Materiality and feedback

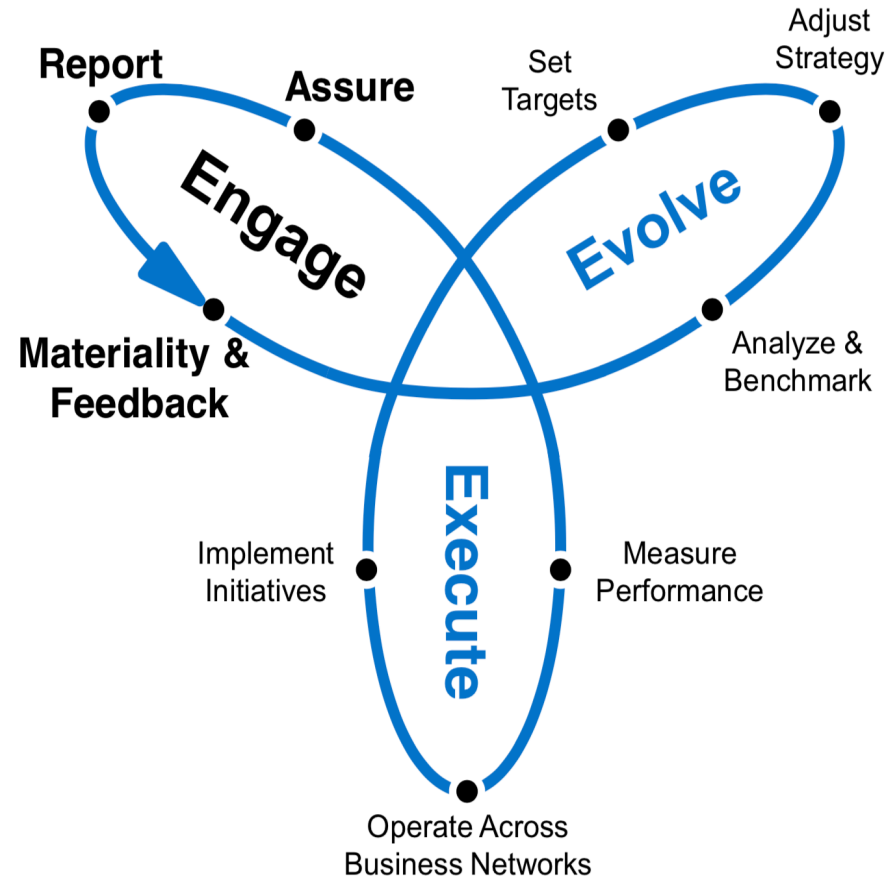
- Identify and recruit stakeholders
- Assess materiality
- Maintain ongoing dialogue

Assure

- Aggregate data, author report
- Verify results with 3rd party
- Assurance statement

Report

- Publish report
- Localize reporting
- Conduct outreach



Stakeholders and Materiality

Materiality

History in financial reporting

Can't leave material information out or misstate if it w/o influencing "user" decisions

Applied to sustainability

Who is "the user"?

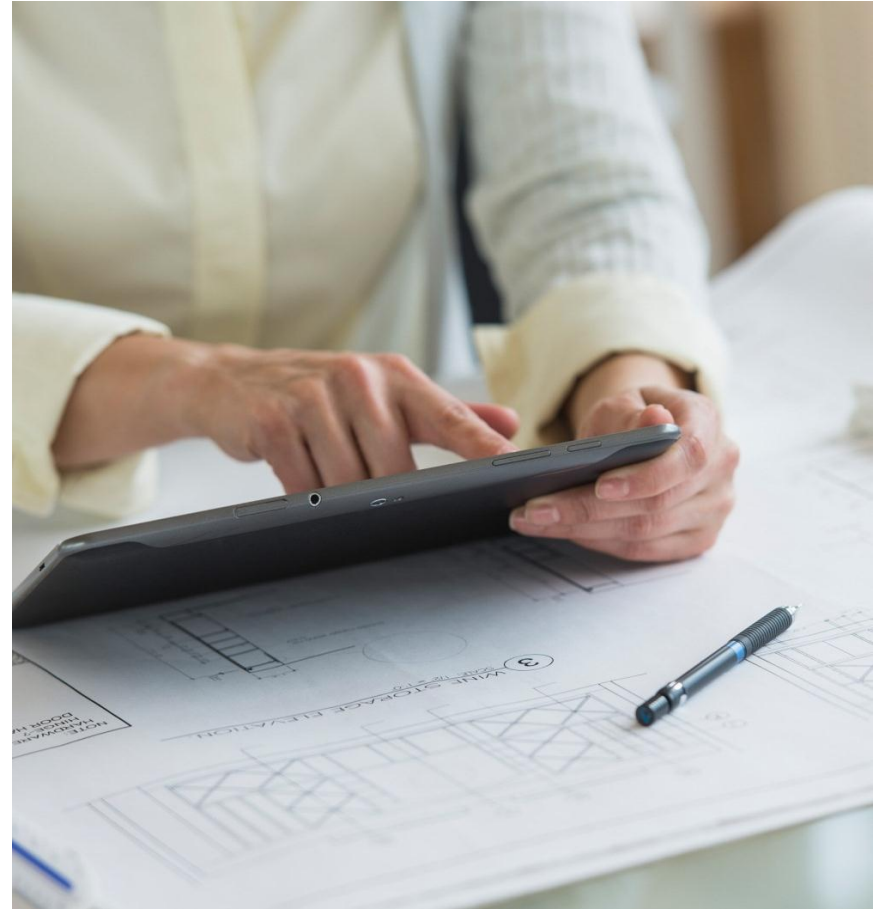
- Investors who broaden their scope
- Regulators who broaden their view on what's material
- All stakeholders



Principled Prioritization

Risks to people and the environment

Beneficial SDG-related products, services and investments



Stakeholders and Materiality

Materiality Assessment

Understand the relative importance of specific economic, environmental, social and governance issues.

Step 1

Workshop with board of directors to develop **inventory of material issues**

Step 2

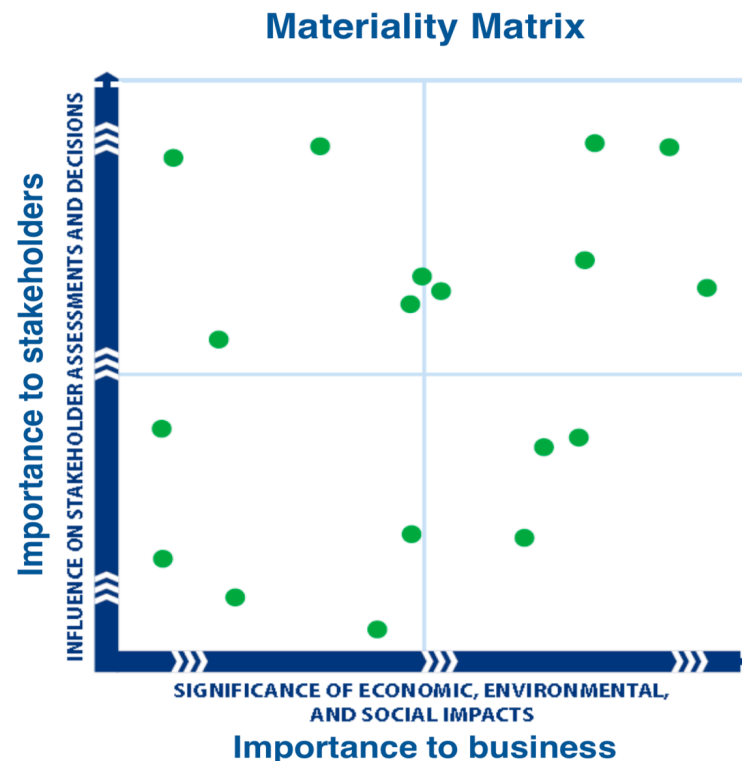
Use inventory to formulate a set of questions survey external and internal stakeholders

Step 3

Analyze the data. Summarize in a matrix that contrasts the stakeholders perspectives.

Step 4

Link reporting (SDG/ESG and financials) to strategy and operations.



SDGs Material Issues - Examples

Target 8.5: Achieve full and productive employment and decent work for all women and men, including for young people ...

- **Employment and workforce**
- **Remuneration and benefit**
- **Parental leave**
- **Training and education**
- **No discrimination**
- **Working hour**
- **Indirect economic impact**
- **Corporate governance body**
- **Employment in the supply chain**

Target 16.3: Promote the rule of law at the national and international levels and ensure equal access to justice for all

- **Ethical and lawful behavior**
- **Compliance with laws and regulations**
- **Grievance mechanisms**
- **Effective, accountable and transparent governance**

Exercise 1 – Your Material Issues

- List your material issues – choose up to 10 material issues
- Formulate one measurable question per each material issue (optional)



Step 1: Issue identification

Step 2: Issue prioritisation

Step 3: Setting goals

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Crafting a SDG Strategy

Evolve, no Revolution

Analyze and benchmark

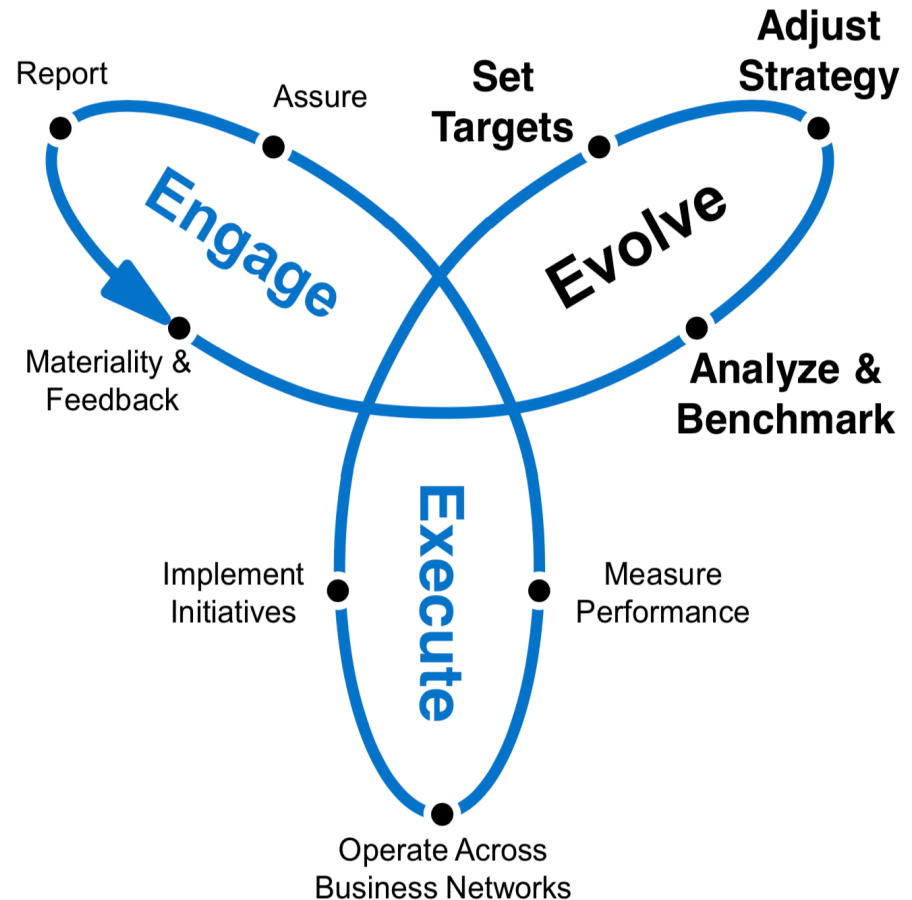
- Analyze performance
- Benchmark against peers
- Determine risks and opportunities

Adjust strategy

- Set strategic priorities
- Build the business case
- When approved, plan execution

Set targets

- Set KPIs
- Assign responsibilities
- Cascade objectives



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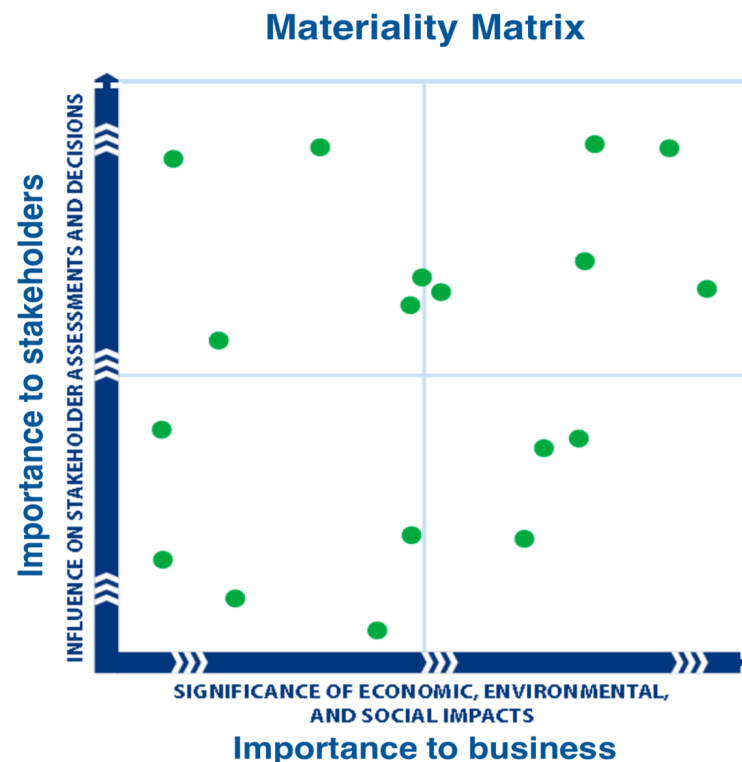
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Analysis and Target Setting

Achieving an Objective Requires SMART Target Setting

Specific

What exactly?

Measurable

How to measure?

Attainable

Can it be done?

Relevant

Does it matter?

Time-bound

By when?

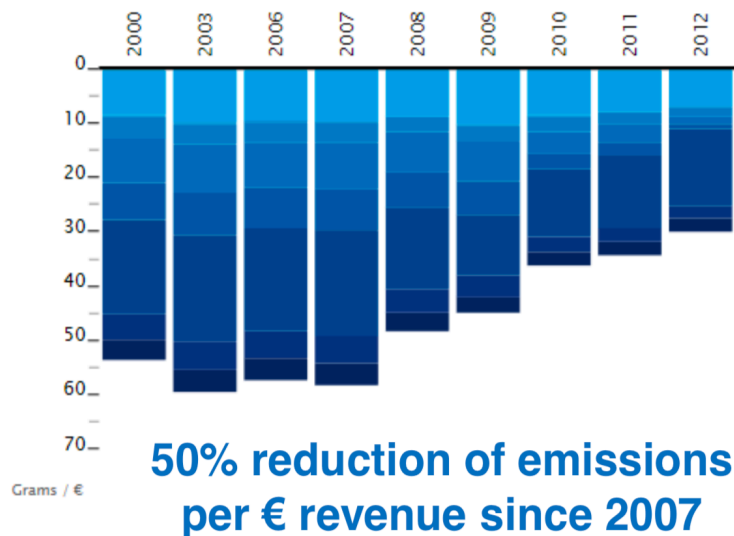


Analysis and Target Setting

Specific Targets: Which Type of Targets

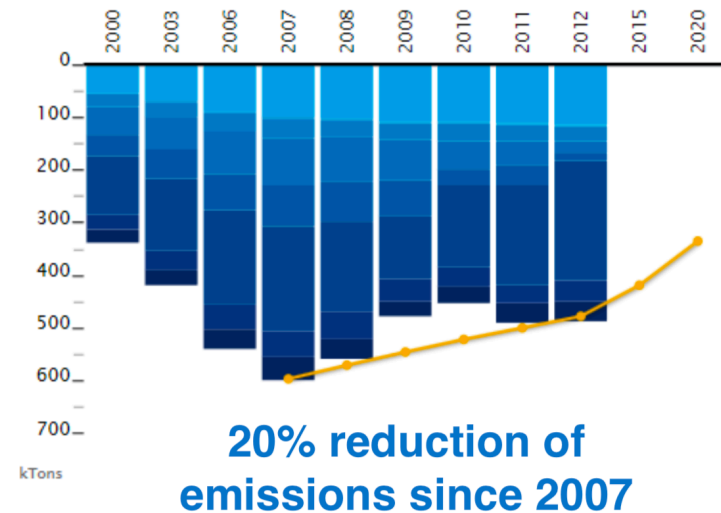
Relative target

- The “low risk” way to go
- May trend positively even if business growth impacts environment or society negatively



Absolute target

- The credible way to go
- Decouple business growth from negative environmental or social impact



Analysis and Target Setting

Measurable Targets: SDGs Performance Management

Link SDGs to value

- Define key performance indicators
- Identify disclosures
- Identify risks and opportunities

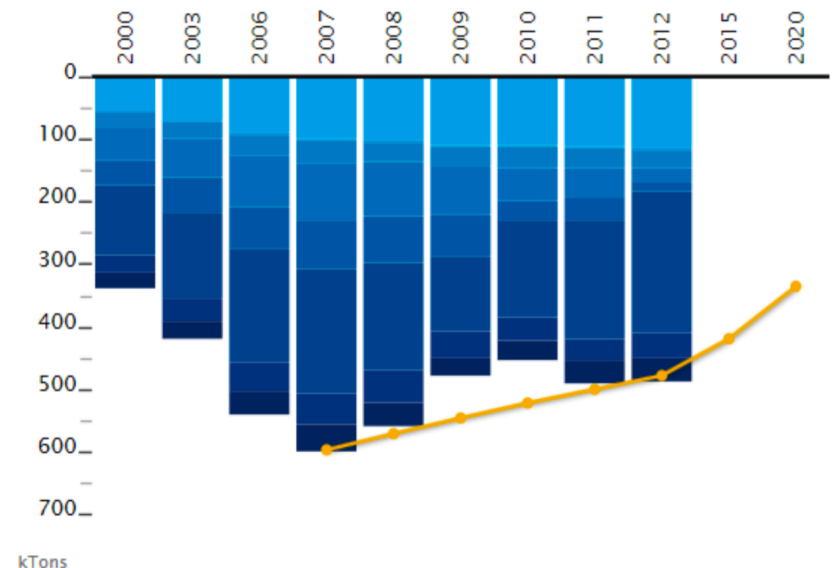
Data collection

- Manual or automated
- Compliance, transparency, connectivity and traceability

Report publicly

- Economic, environmental, social, and governance performance
- Authentic and balanced
- Past, present, future

Greenhouse Gas Emission



Analysis and Target Setting

Relevant Targets: Focus on the Past or the Future?

Relevant targets focus on material issues. You need both:

1. Backward-looking indicators

- Revenue
- Margin
- Incidents

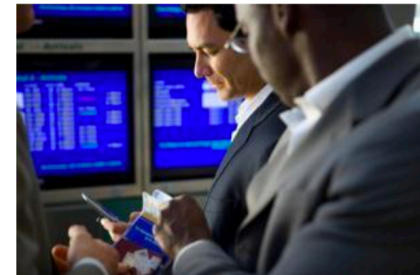
2. Forward-looking indicators

- Customer success
- Employee engagement
- Diversity rates, e.g., women in management
- Brand value

Revenue Growth



Margin Expansion



Customer Success



Employee Engagement



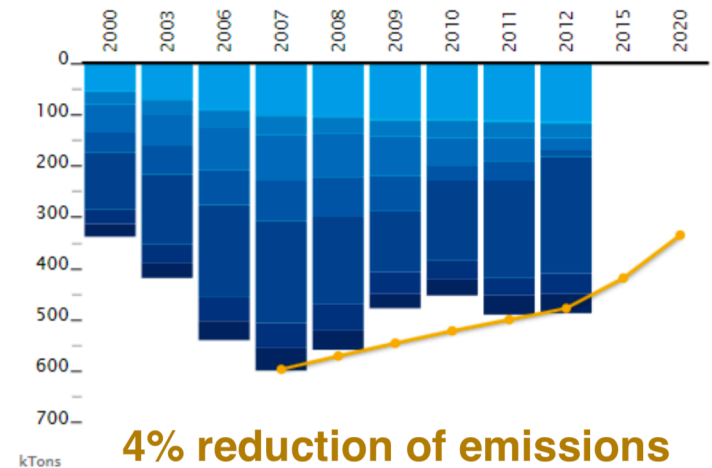
Analysis and Target Setting

Time-Bound Targets

“Most people overestimate what they can do in one year and underestimate what they can do in ten years.”

Bill Gates

Sustainability leaders set both short- and long-term goals



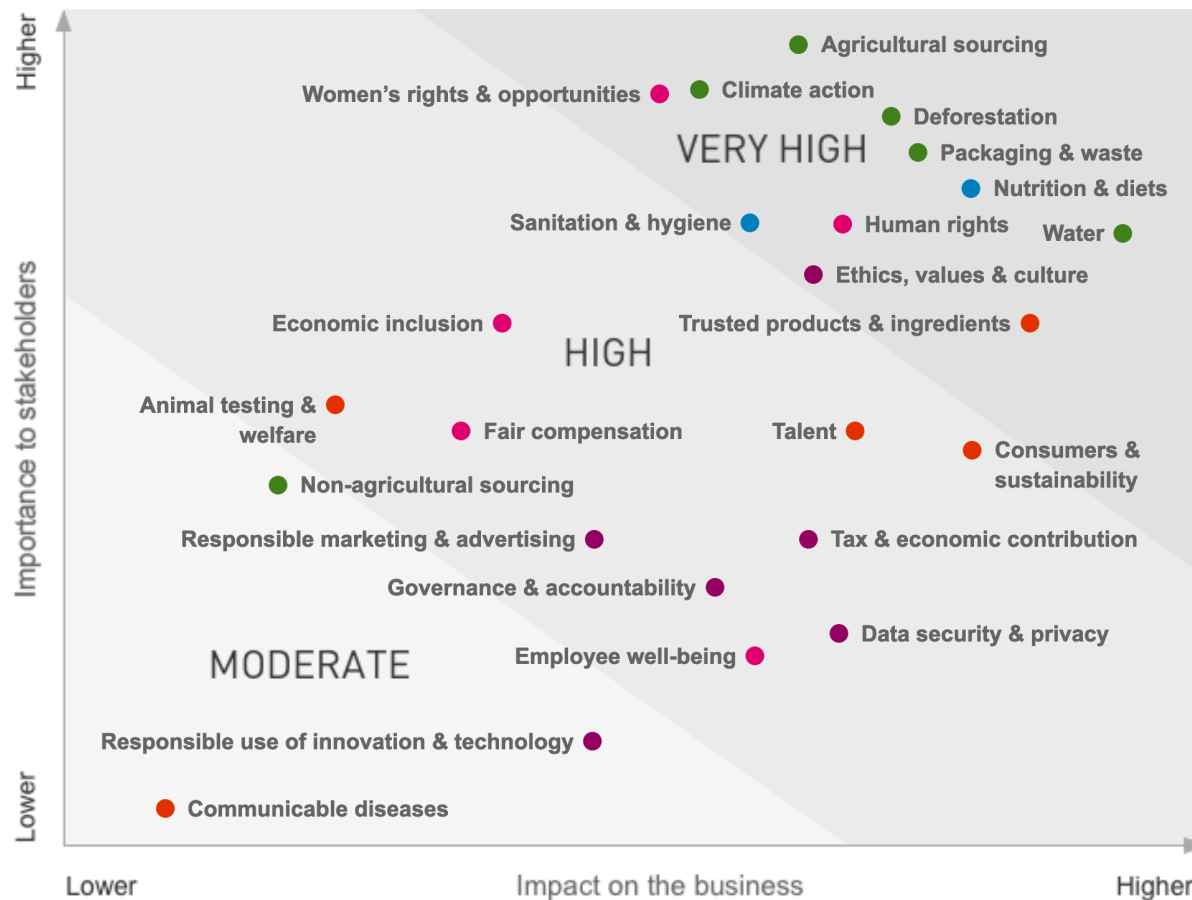
**4% reduction of emissions
year over year.**

**Reduce emissions to the
level of 2000 by 2020.**

Exercise 2 – Your Materiality Assessment

- Assessing each material issue's impact on the business and importance to our stakeholders. In doing so, 100 points distributed over identified material issues (5-10) per axis
- Sketch materiality matrix by categorizing your material issues within 3 categories: moderate, high, and very high.

Exercise 2 – Materiality Assessment



Resource: Unilever



Step 1: Issue identification

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Crafting a SDG Strategy

Execute Processes

Implement initiatives

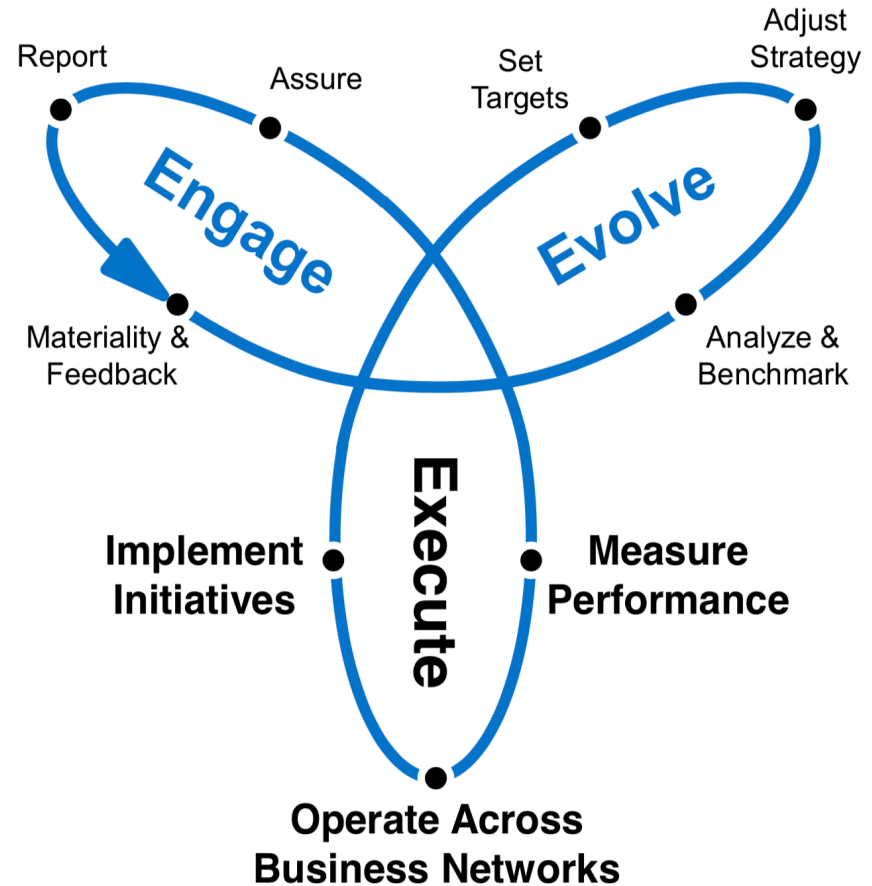
- Align resources
- Manage change
- Set controls

Operate across business networks

- Share information with partners
- Collaborate for better solutions

Measure performance

- Collect data (quantitative, qualitative)
- Identify plan deviations
- Create remediation activities



SDGs Disclosures - Examples

Target 8.5: Achieve full and productive employment and decent work for all women and men, including for young people ...

- Remuneration and benefit: **Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation**
- Training and education: **Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period**
- Employment in the supply chain: **Require suppliers to provide healthy working conditions and accommodation**

Target 16.3: Promote the rule of law at the national and international levels and ensure equal access to justice for all

- Ethical and lawful behavior: **A description of the organization's values, principles, standards, and norms of behavior**
- Compliance with laws and regulations: **Total number of substantiated complaints received concerning breaches of customer privacy**
- Grievance mechanisms: **Reporting concerns about unethical or unlawful behavior, and organizational integrity**
- Effective, accountable and transparent governance: **Existence of audit committee, number of meetings and attendance rate**

Stakeholders and Materiality

Materiality Assessment

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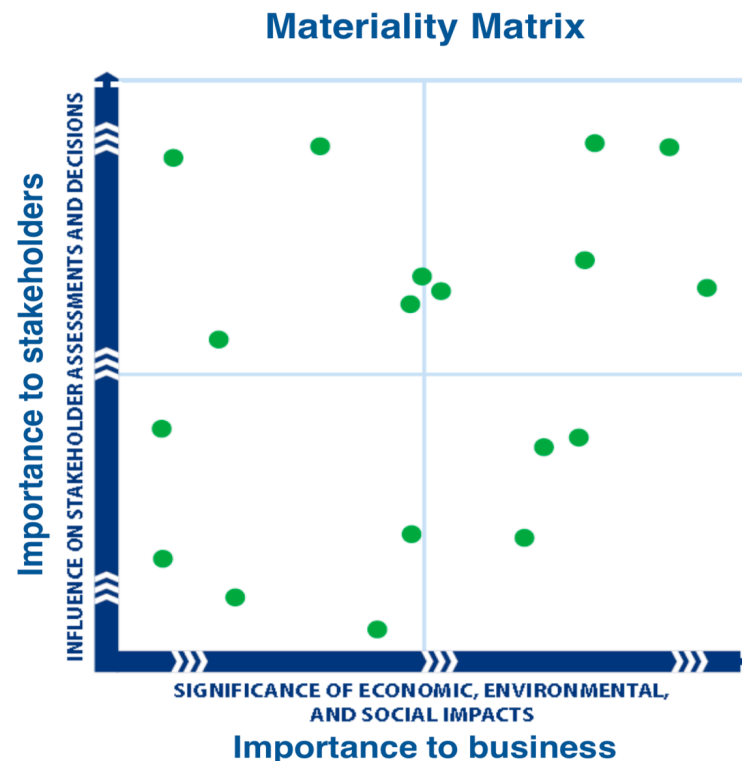
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Internal Validation & Strategic Alignment

Embedding SDGs into Business Processes

Sustainable Design

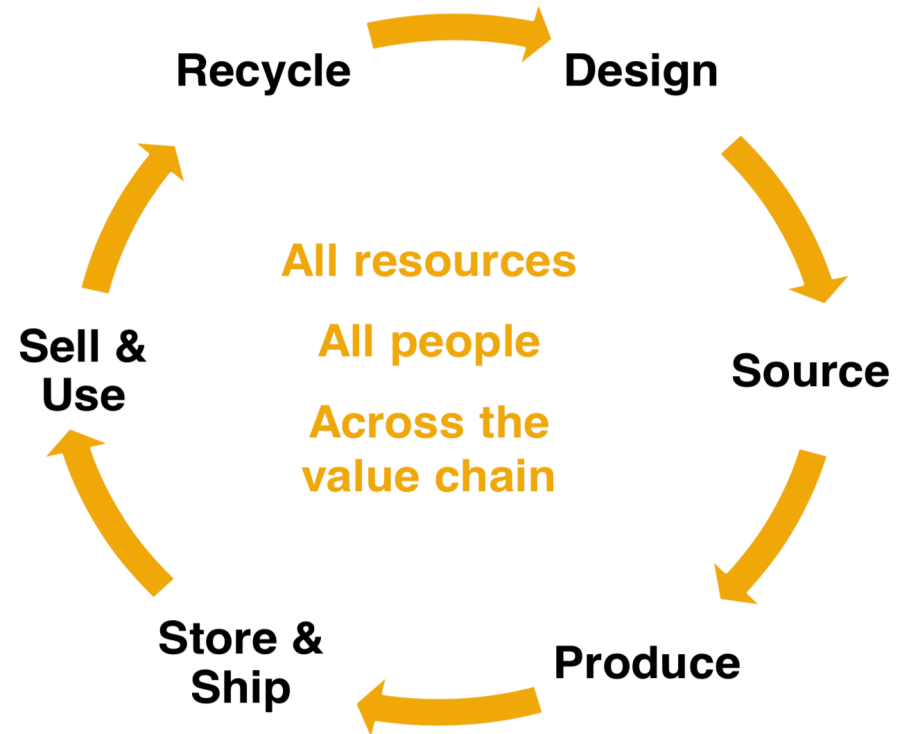
Sustainable Sourcing and Procurement

Sustainable Production

Sustainable Logistics

Sustainable Consumption

Sustainable End-of-Life Processes (Circular economy)



Exercise 3 – Your Material Issues Mapped to Value Chain

- A graphic showing the relevance of your material issues across different stages of your value chain – Please change the value chain if needed

Material Issues Mapped to Value Chain

Material Issue/Value Chain	Design	Sourcing	Manufacturing & Services	Logistic	Marketing & Sales	Consumer Use & Consumer Insight	Recycle
Ethical and lawful behavior							
Compliance with laws and regulations							
Grievance mechanisms							
Effective, accountable and transparent governance							

SDGs Possible Business Actions – Examples

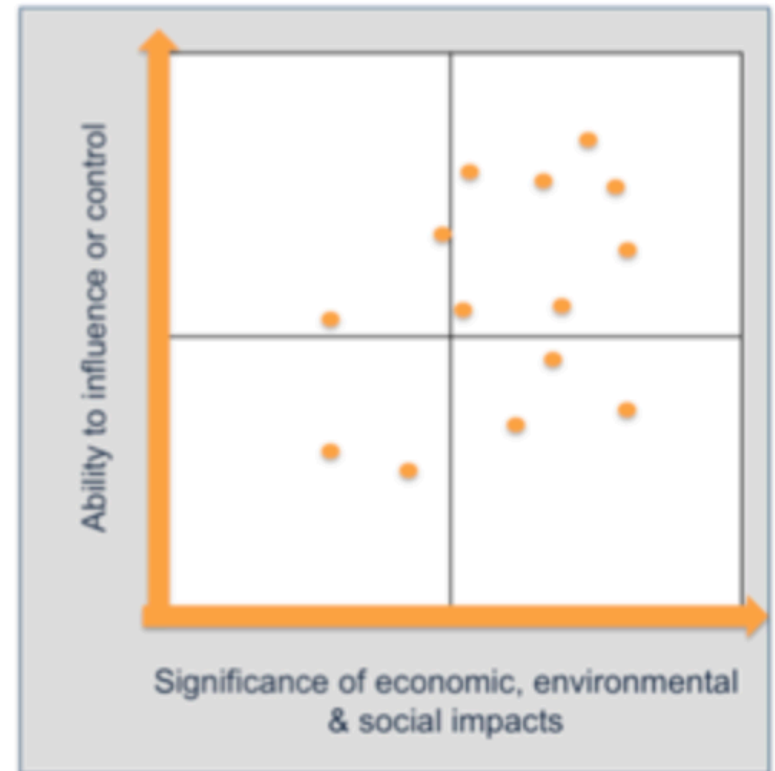
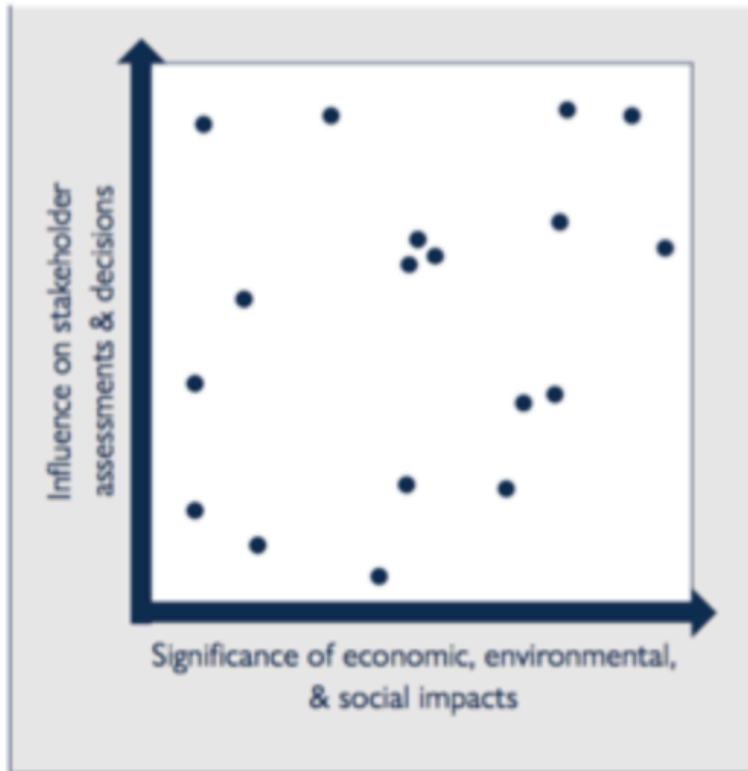
Target 8.5: Achieve full and productive employment and decent work for all women and men, including for young people ...

- **Embedding the principle of equality in policies and processes for both employees and governing bodies throughout own operations and supply chains, including recruitment, remuneration/benefits, training, promotion, and development reviews.**
- **Providing benefits and social protection. Supporting government efforts to protect worker's rights, for example extending social protection in government schemes to employees, and providing private schemes where there are gaps in coverage by government schemes.**

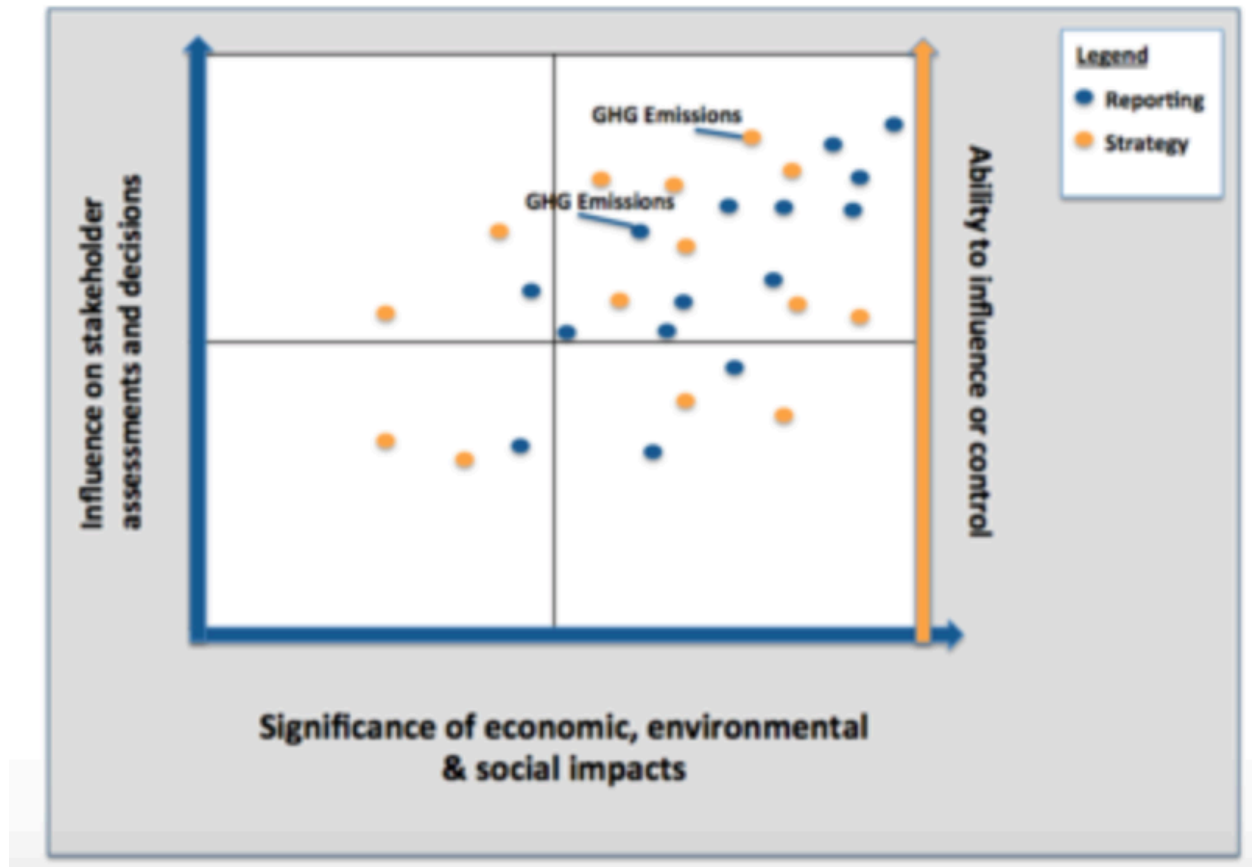
Target 16.3: Promote the rule of law at the national and international levels and ensure equal access to justice for all

- **“Respecting” the rule of law by respecting human rights and universal principles, not engaging in corruption, and not fueling conflict. Modelling responsible conduct in the business’ corporate values, policies and processes and throughout the business’ value chain, “doing no harm” and implementing robust management procedures.**
- **“Supporting” the rule of law as a complement, not substitute for, “respecting” the rule of law: taking action that goes beyond the responsibility to respect by making a positive contribution to help strengthen legal frameworks and promote more accountable institutions.**

Materiality Matrix vs. Strategic Matrix



Materiality Matrix vs. Strategic Matrix



Next Step:

Integrated Reporting

**You can not improve what
you can not measure**



Reporting Frameworks

- International Integrated Reporting Council: IIRC
- Sustainability Accounting Standards Board: SASB
- Global Reporting Initiative: GRI
- UN Guiding Principles on Business and Human Rights
- UN Global Compact
- ISO 26000
- OECD Guidelines for Multinational Companies
- FAO-OECD Guidance for Responsible Agricultural Supply Chains
- Eco-Management and Audit Scheme (EMAS)

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Back-up Slides

Stakeholders and Materiality

Stakeholder Groups and Their Relevance to Companies (1/2)

Management

Short & long term company success

Investors & risk assessors

Stock price

Consumers and customers

Secure revenue and growth

Suppliers and partners

Risk and cost reduction

Employees

Engagement, change management

Legislators

License to operate



Stakeholders and Materiality

Stakeholder Groups and Their Relevance to Companies (2/2)

Communities

Social license to operate

Opinion leaders, NGOs

Reputation

Academics, thought leaders

Innovation



Stakeholders and Materiality

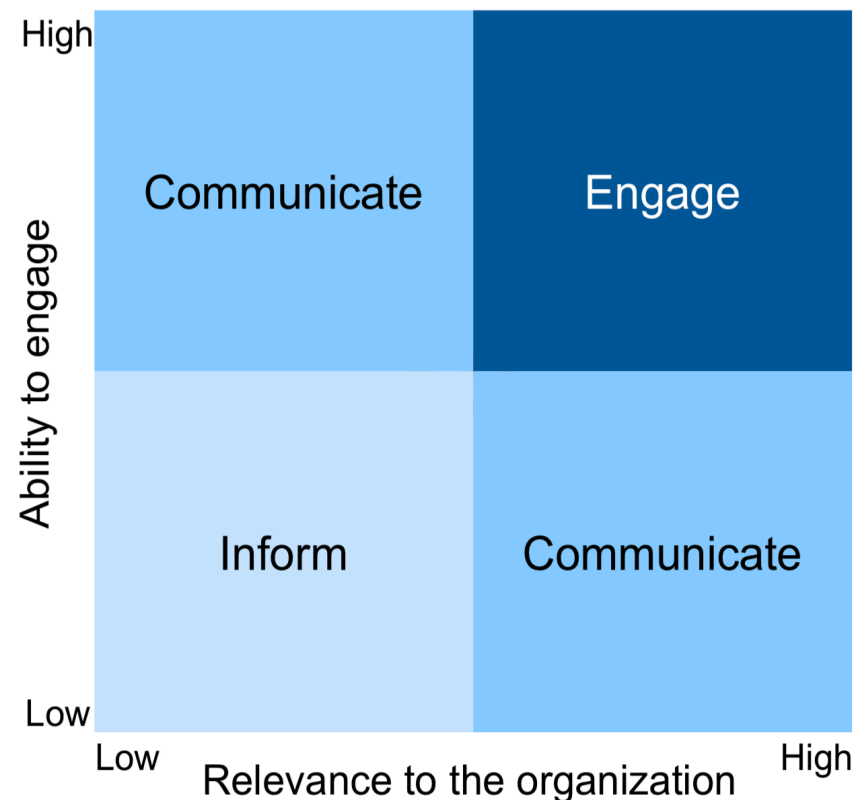
Stakeholder Prioritization

Relevance to the organization

- Level of influence
- Knowledge associated with the purpose and scope
- Necessity of involvement
- Geographical scale
- Legitimacy

Ability to engage

- Willingness to engage
- Existing relationship
- Cultural context and perspectives
- Capacity to engage



Analysis and Target Setting

Specific Targets: Types of Targets

Relative target

- Reduce emissions per (unit of value added)
 - €, \$ revenue
 - m², sq ft production space
 - employee
 - kWh electricity or kg product produced by 5% per year.

Absolute target

- Cut emissions to the level of 2000 by 2020.
- Cut emissions to 336 kt of CO₂e by 2020.
- Re-baseline

The Sustainability Challenge Inspires Innovation

Sustainability can help organizations:

- Reduce risk
- Enhance brand value
- Reduce cost
- Attract the best talent
- Create competitive advantage
- Tap into new markets
- Remain relevant to investors
- Launch new business models

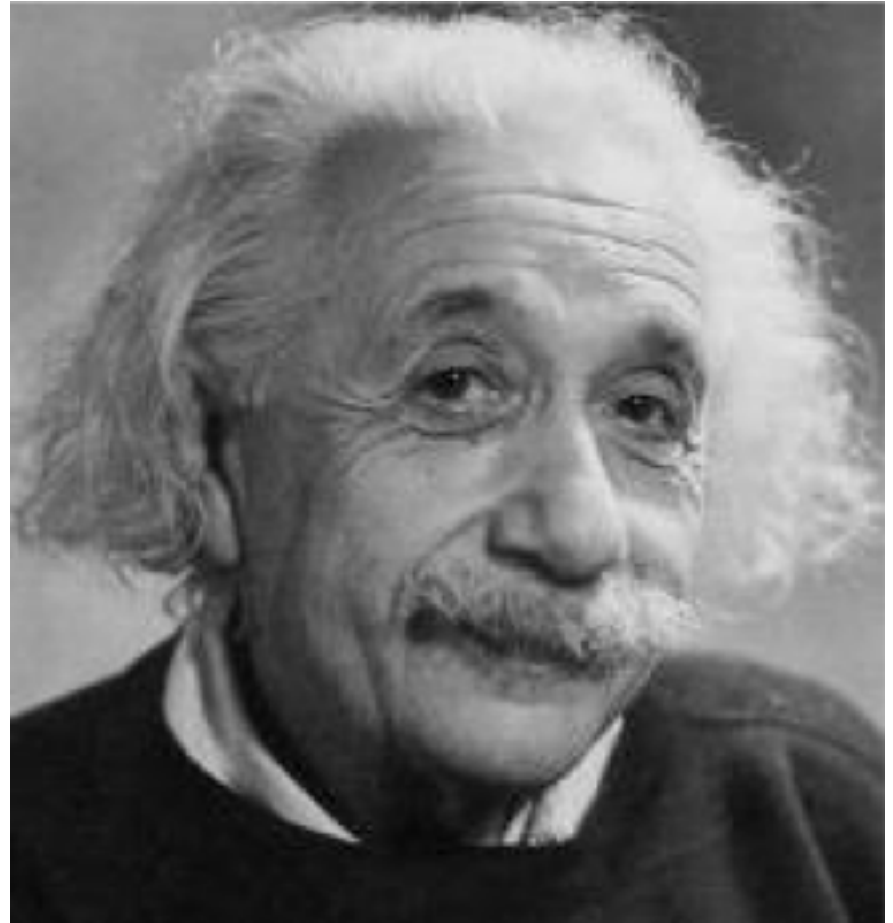
Design Thinking



Why SDGs and innovation are connected

"We can't solve problems by using the same kind of thinking we used when we created them."

Albert Einstein



Signs of Successful SDG Engagement

Strategy

- SDG is seen as a strategic priority.
- SDG is analyzed and broken into specific actions for the team.

Execution

- SDG goals are set and cascaded.
- Progress is inspected frequently.

Compensation

- SDG performance impacts employee compensation.

Communication

- The line of business leader and her direct reports explain and promote SDG without being externally triggered.



Engagement map

Executive Management	Purpose, Vision, Mission, Values	Strategy & Target Setting	Thought Leadership & Business Innovation	Stakeholder Engagement	Guidelines & Policies
Finance & Administration	Integrated Accounting & Reporting	Compliance And Risk Management	Facilities (Offices, Data Centers)	Sustainable Sourcing (Green Electrons, Offsets)	Cash & Tech Donations
Sales & Consulting	Sustainability as a Sales Differentiator	Portfolio Case Sustainability	Sales Efficiency & Effectiveness	Remote Selling & Consulting	Business Transformation Services
Development	Solutions for Managing Sustainability	Development Standards (Privacy/Security, Energy, Quality)	Lean Development Processes	Design Thinking	
Human Resources	Workforce Planning & Talent Development	Employee Engagement & Volunteering	Health & Work/Life Balance	Sustainability-Aligned Employee Incentives	Diversity & Inclusion (Gender, Age)
IT	Energy Efficiency (Data Centers, IT Client Infrastructure)		Dematerialization (Virtual Meeting Infrastructure, Printing)		Electronic Waste Reduction (Recycling, Reuse)
Communication & Marketing	Internal & External Communication of Plans and Results			Sustainable Events	

Developing Stakeholder Engagement Plan

Engagement Objectives

List your key engagement objectives

WHO	1. Stakeholders	Who are the stakeholders?
HOW	2. Level of Engagement	What level of engagement is required? e.g. consult, collaborate, empower?
	3. Proposed method of engagement	What method of engagement will you use? e.g. workshops, forums?
	4. Timing	What are the timing issues or requirements?
	5. Resources	What resources will you need to conduct the engagement process?
	6. Responsibility	Who is responsible for engagement?
	7. Key messages to communicate	What are the key messages?
Other Considerations	8. Managing Risk	What are the risks associated with the engagement?

Stakeholder Analysis Tool

level of engagement within company

	Inform	Consult	Involve	Collaborate	Empower
Goal	To provide balanced, objective, accurate and consistent information to assist stakeholders to understand the problem, alternatives, opportunities and/or solutions.	To obtain feedback from stakeholders on analysis, alternatives and/ or outcomes.	To work directly with stakeholders throughout the process to ensure that their concerns and needs are consistently understood and considered.	To partner with the stakeholder including the development of alternatives, making decisions and the identification of preferred solutions.	To place final decision-making in the hands of the stakeholder.
Methods	Example: Websites	Example: Focus groups	Example: Workshops	Example: Experimental projects	Example: Joint planning

Stakeholder Analysis Tool

