

ESSENTIAL GUIDE TO SOCIAL AND HUMAN CAPITAL ACCOUNTING

EXECUTIVE SUMMARY

How leading companies account for social and human capital

INTRODUCTION

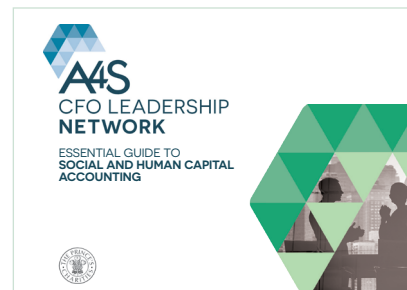
The guide aims to help organizations integrate social and human capital accounting into business decision making, to enhance business performance and increase social outcomes. It will help you answer the following questions:

- What is social and human capital accounting, and what is the role of finance?
- Why is social and human capital accounting important to business?
- How do I identify the relevant social and human capital topics, measure and value them, and be transparent about calculations used?
- How do I integrate social and human capital considerations into decision making?
- How have A4S CFO Leadership Network members integrated social and human capital accounting into decision making?

The guide has been developed 'by finance teams for finance teams', but will also be of interest to anyone seeking to understand the key challenges faced by organizations when undertaking social and human capital accounting. A range of current practices for addressing the challenges are included, alongside some suggested tools and guidance.

We have found five key business benefits from accounting for social and human capital:

1. Strengthening your licence to operate.
2. Proactively managing and addressing emerging risks.
3. Enhancing and maintaining your reputation.
4. Reducing the cost base.
5. Identifying and exploring new markets and emerging opportunities.



[Download the full guide here](#)

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WHAT IS SOCIAL AND HUMAN CAPITAL?

The guide focuses on practical examples and suggested tools and guidance for integrating social and human capital into decision making in ways that develop resilient and sustainable business models.

DEFINITIONS USED IN THE GUIDE

Human Capital: The knowledge, skills and attributes of the workforce and others across the value chain.

Social Capital: Value added to society by the organization's products, services and activities, as well as the relationships within and between communities, groups of stakeholders and other networks.

Organizations can encounter both impacts and dependencies of human and social capital. For example, a business can impact the employability of its staff through its approach to training and be dependent on a good supply of appropriately skilled and educated recruits. For more complex examples it can be useful to plot out the impact and dependency pathways involved.

EXAMPLES OF SOCIAL AND HUMAN CAPITAL FACTORS

Licence to operate

- Trust and reputation
- Response to societal expectations
- Responsible tax policy
- Community relations

Economic fairness

- Access to basic products and services
- Affordability

Social trends

- Ageing populations
- Obesity and nutrition
- Urbanization
- Citizenship
- Inclusion

Strength and resilience of workforce

- Attraction, selection and retention
- Training and education
- Job creation
- Apprentices

Human rights

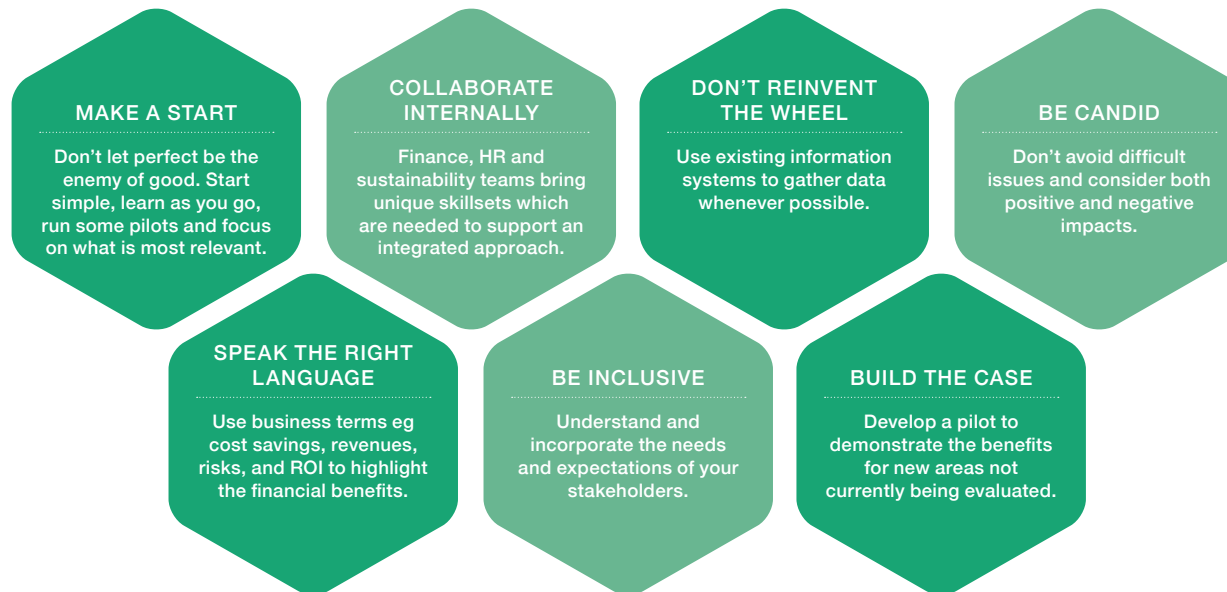
- Privacy
- Security
- Freedom of expression

Working conditions

- Reward, recognition and fair pay
- Forced and child labour
- Health, safety and well-being
- Employment rights and working hours
- Freedom of association and right to collective bargaining

TOP TIPS

The starting point for any organization should be understanding its current decision-making processes, and determining the type of social and human capital information that will be useful within these processes to enhance business and societal outcomes. The aim should be to integrate social and human capital information into existing processes and systems. The guide includes some top tips.



The core skills of finance teams are essential for the integration of social and human capital information into decision making. In particular: experience of prioritizing information needs; analysing data and information; designing, preparing and communicating management information; and oversight/ownership of information systems, can be applied equally to monetary and non-monetary information.

The aim of the guide is to support the integration of social and human capital accounting into existing business decision-making processes. It provides some key considerations for integrating it into core finance processes, covered in other A4S Essential Guides in the series, such as integration into:

- Risk-management processes
- Strategic planning, budgeting and forecasting processes
- Capex process
- Investor relations activities.

TOOLS AND GUIDANCE

Tools and guidance available to organizations wishing to account for their social and human capital are explored in more detail in the guide across three key stages.

1. **Scope:** This stage will determine which social and human capital factors are most relevant for inclusion in your assessment, depending on the business decision being made.
2. **Measure and Value:** This stage will help you to select the most appropriate measures to support the business decision you are making.
3. **Evaluate and Apply:** This stage will set out how to evaluate the results of your assessment and apply the findings to business decision making.

SCOPE

How do I select my appraisal scope to focus on the most important areas, and the relevant parts of my value chain whilst maintaining balance?

BOUNDARIES

Set the business, value chain and geographic boundaries, attributing accountability, control and influence.

MATERIALITY

Focus on the issues that have the most significant influence on the organization and its stakeholders.

COMPLETENESS

Incorporate both positive and negative impacts and dependencies. Make sure key decision makers and stakeholder groups are consulted and nothing important is left out.

MEASURE AND VALUE

How do I determine the basis of information, the method of collecting it, and the values developed?

MEASUREMENT

Consider the most appropriate measurement timescale and data collection methods, consistent with other evaluations and reporting undertaken across the organization, that meets the needs of users.

VALUATION

Measure your impact and / or dependencies, and understand the value to your organization and to society.

EVALUATE AND APPLY

How do I evaluate social and human capital and apply the findings?

CONFIDENCE

Assess underlying data to ensure it is robust, comparable and reliable, and can be trusted by decision makers.
Demonstrate transparency and recognize uncertainty.

APPLICATION

Work across the organization to apply the findings, and further integrate within business decision making.



“By including social and human capital into the heart of our strategy, we are building a stronger platform for a long-term sustainable value creation.”

Sabina Nealon, Global Finance Director, Sustainability, Unilever



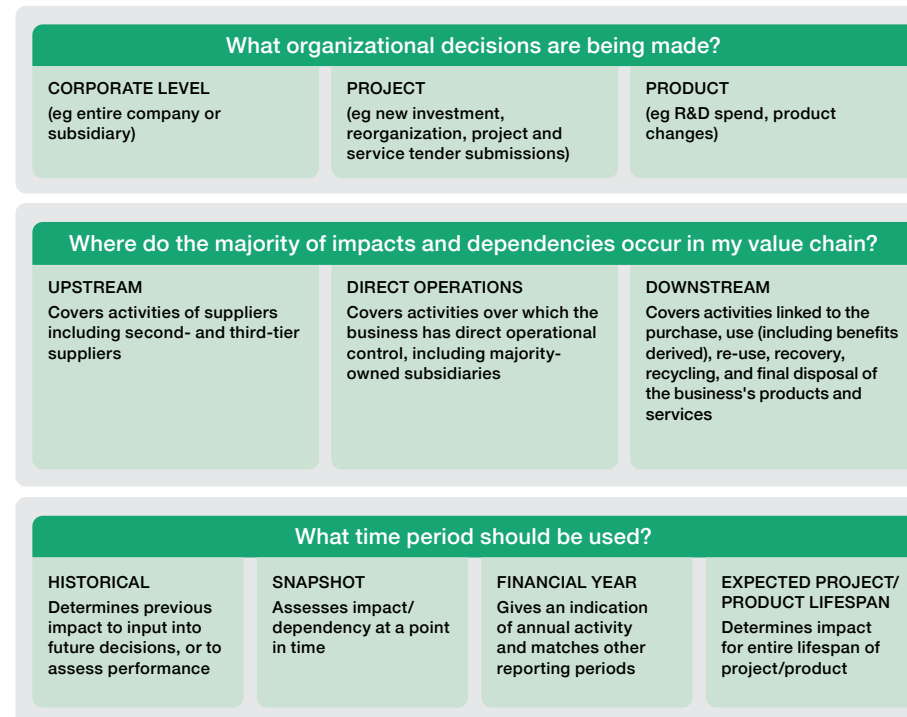
TOOLS AND GUIDANCE

SCOPE

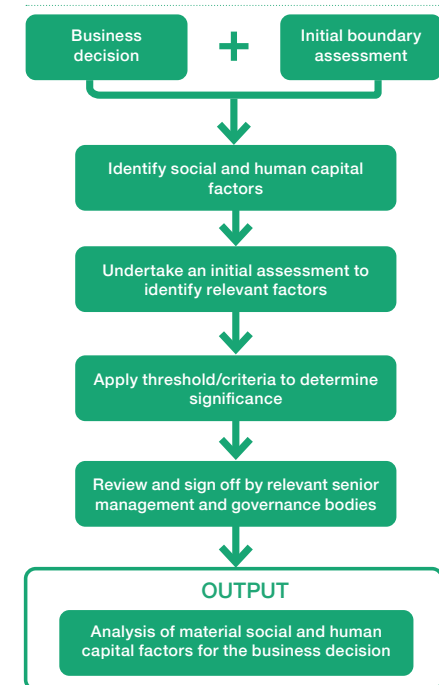
Boundaries: It is important to be clear about what is included and what is excluded, and how these factors link to the needs of decision makers. The Guide provides three steps for determining the assessment boundaries.

Materiality: It is not practical to measure all social and human capital issues in detail, so focus on those that are most material and upon which you have the greatest impact. The Guide provides detailed steps for a materiality assessment, which typically incorporates social and human capital impacts and dependencies now and in the near future, reflecting the commercial implications and the level of stakeholder concern.

Completeness: To be credible and useful the scope needs to be balanced – include both the positive and negative implications and consequences. Do not exclude a topic because it is controversial, or because you believe it is outside your control or influence. Understand the views of stakeholders along the value chain, identify key internal decision makers and understand their information requirements.



STEPS



TOOLS AND GUIDANCE

MEASURE & VALUE

Measure: Choose the timescales appropriate to the assessment being made and make data collection as efficient as possible.

Value: Determine value to allow for easier integration into business decision making and better communication with stakeholders.

EVALUATE AND APPLY

Confidence: Ensure the data is adequate for use in decision making, and may ultimately be subject to internal or external quality checks and verification. Credibility is enhanced by being transparent about gaps and uncertainties, and ensuring that both negative and positive impacts and dependencies are captured.

Application: Use the results to help drive business success and maximize social contribution. Apply at multiple levels: corporate, operating division, project and product development.

CASE STUDIES

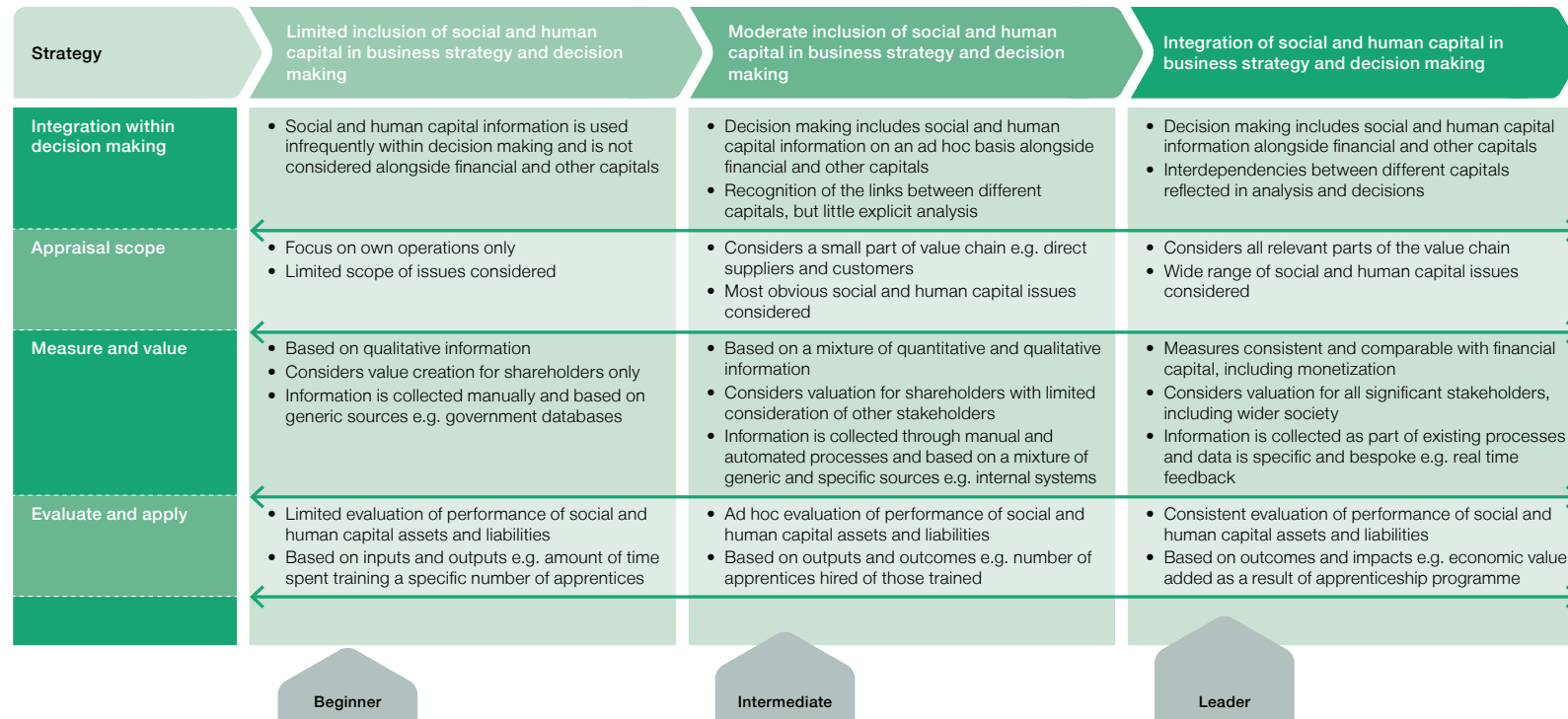
Social and human capital case studies are provided by leading companies throughout the guide, including the following:

Anglian Water	Acknowledging our dependency on customers and developing a behaviour change programme
British Land	Measuring and valuing well-being and productivity in offices
Sainsbury's	The role of human capital in Sainsbury's Greenest Grocer Programme
South West Water	Developing measures to capture our benefits to the community
SSE	Understanding the value of our human capital and the impact it has on business performance
The Crown Estate	Implementing a skills and recruitment programme to add value to our business
Unilever	Assessing the financial impact of the Unilever Sustainable Living Plan through product categorization
Yorkshire Water	Engaging customers to help develop our business plan



MATURITY MAP

The Essential Guide to Social and Human Capital Accounting includes a maturity map to help you assess your overall level of integration. It is designed to enable you to assess what you are currently doing and understand how you can develop your processes further.



In assessing your maturity consider the following questions:

1. Do you understand how your social and human capital supports the success of your organization?
2. Do you have the information you need to understand the value of these assets and the factors affecting them?

The maturity map has been developed as a way of capturing the different dimensions within social and human capital accounting.

THE A4S ESSENTIAL GUIDE SERIES

Organizations today must navigate an increasingly complex, interconnected, and constantly evolving world. Sustainability factors affecting society, the environment, and the wider economy are generating bigger opportunities and risks.

Our CFO Leadership Network has produced a set of Essential Guides to help organizations embed social and environmental considerations into their strategy, culture and processes. They are developed by finance teams for finance teams, but will also be of interest to others seeking to understand current approaches to integrating sustainability into financial practices and decision making.

LEAD THE WAY

Developing a strategic response to macro-sustainability trends

- Managing Future Uncertainty
- Engaging the Board and Senior Management*
- Finance Culture
- Incentivizing Action*

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting
- Valuations and Climate Change

TRANSFORM YOUR DECISIONS

Integrating material sustainability factors into decision making

- Strategic Planning, Budgeting and Forecasting
- Management Information
- Capex

ACCESS FINANCE

Engaging with finance providers on the drivers of sustainable value

- Enhancing Investor Engagement
- Debt Finance
- Implementing the TCFD recommendations
- Implementing a Sustainable Finance Framework

GET IN TOUCH OR FIND OUT MORE



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The Prince's Accounting for Sustainability Project (A4S)



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* Coming soon