CORP 2020

Transforming Business for Tomorrow's World

Course Correction

Measuring Progress as if Nature Mattered

Pavan Sukhdev

Founder-CEO, GIST Advisory

& UNEP Goodwill Ambassador

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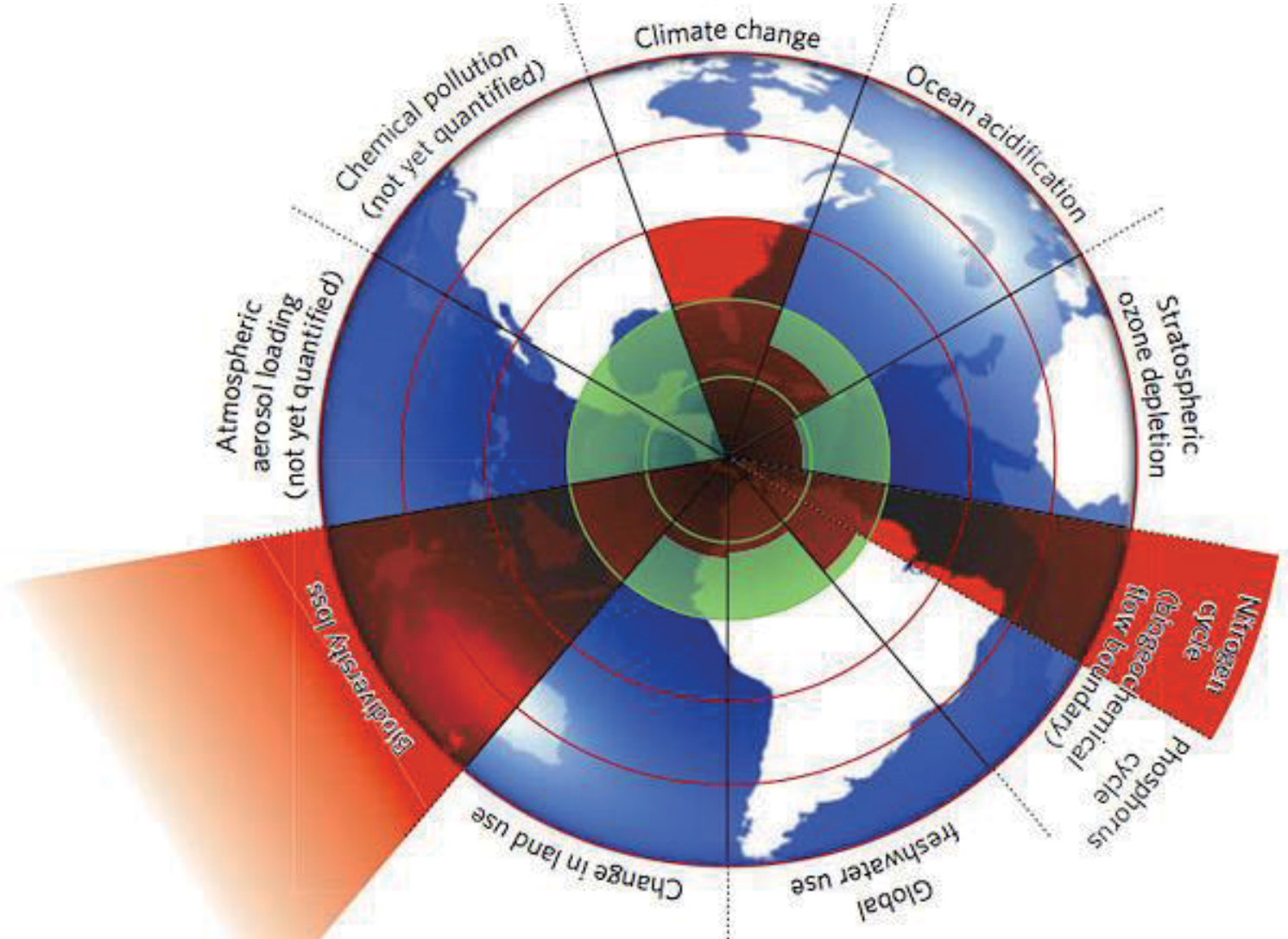
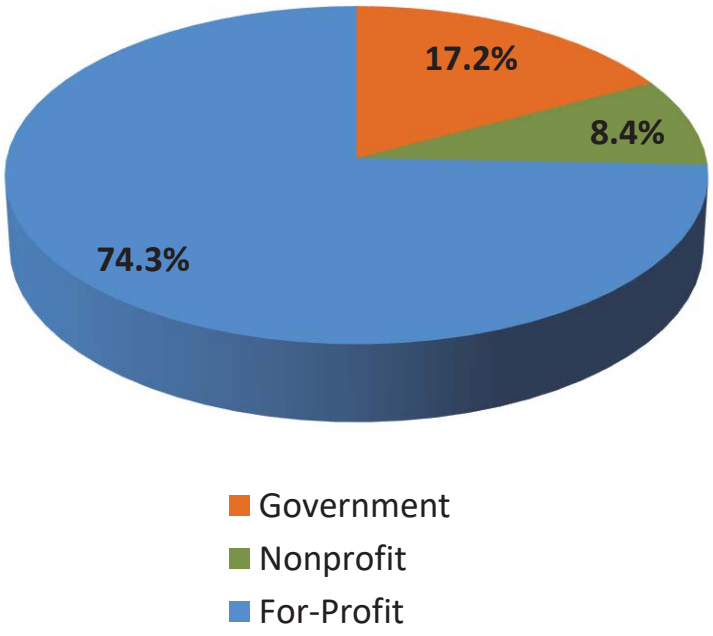
What's Driving us on Collision Course?



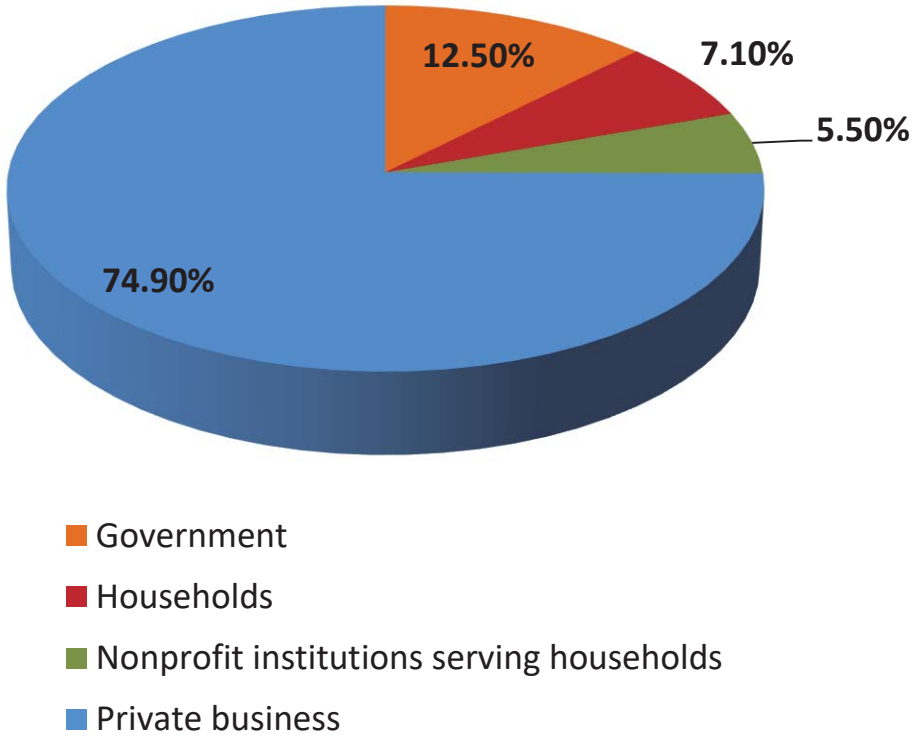
Whose Economy is it Anyway?

U.S. Employment



2010 data. Source: Bureau of Labor Statistics (Occupational Employment Statistics), and Johns Hopkins Nonprofit Economic Data Project

U.S. Gross Value Added



2010 data. Source: U.S. Bureau of Economic Analysis

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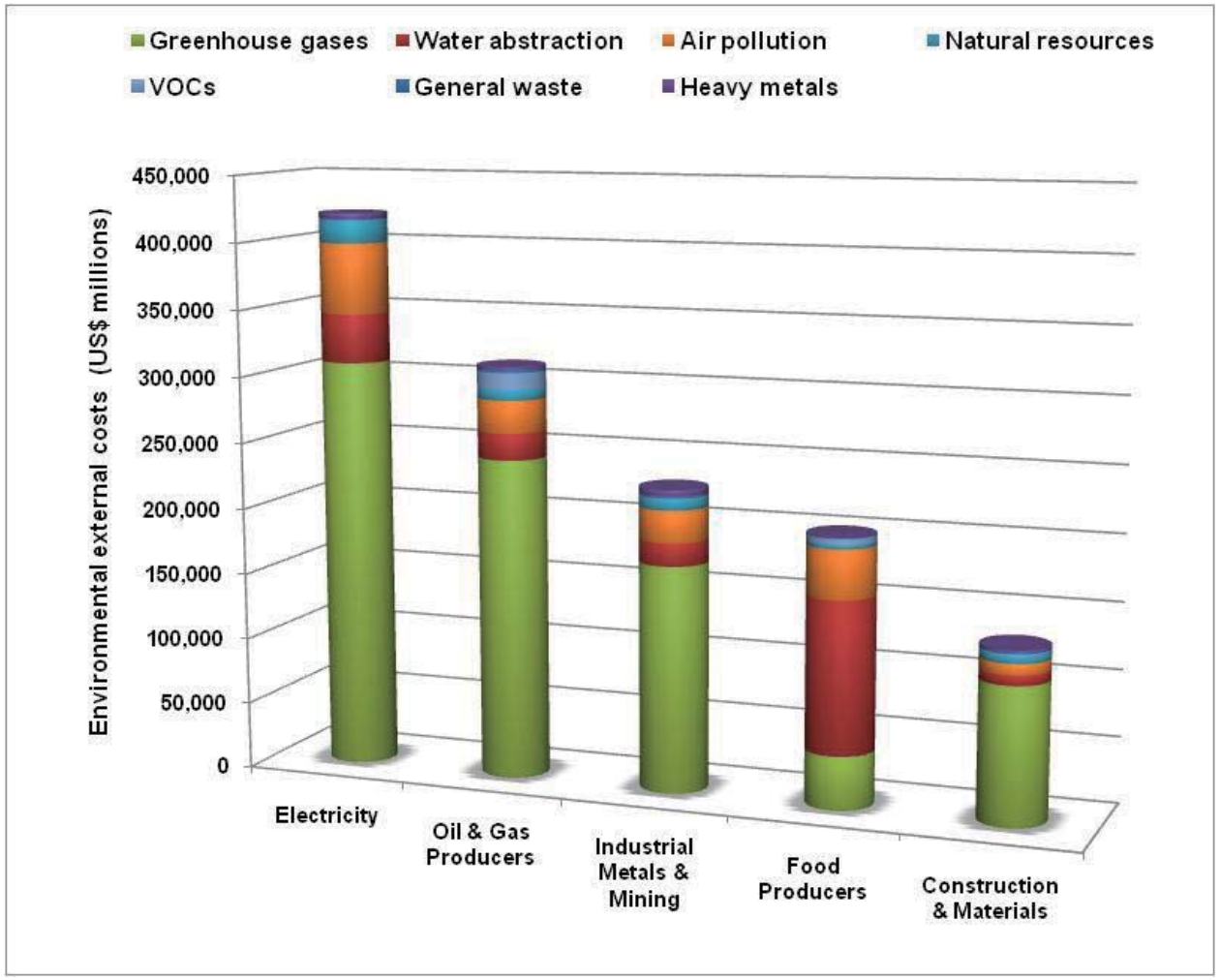
How 'Green' is the Private Sector?



Negative environmental externalities of top 3,000 listed companies estimated at US$ 2.15 trillion p.a.

Source: Trucost for UNPRI, 2010.

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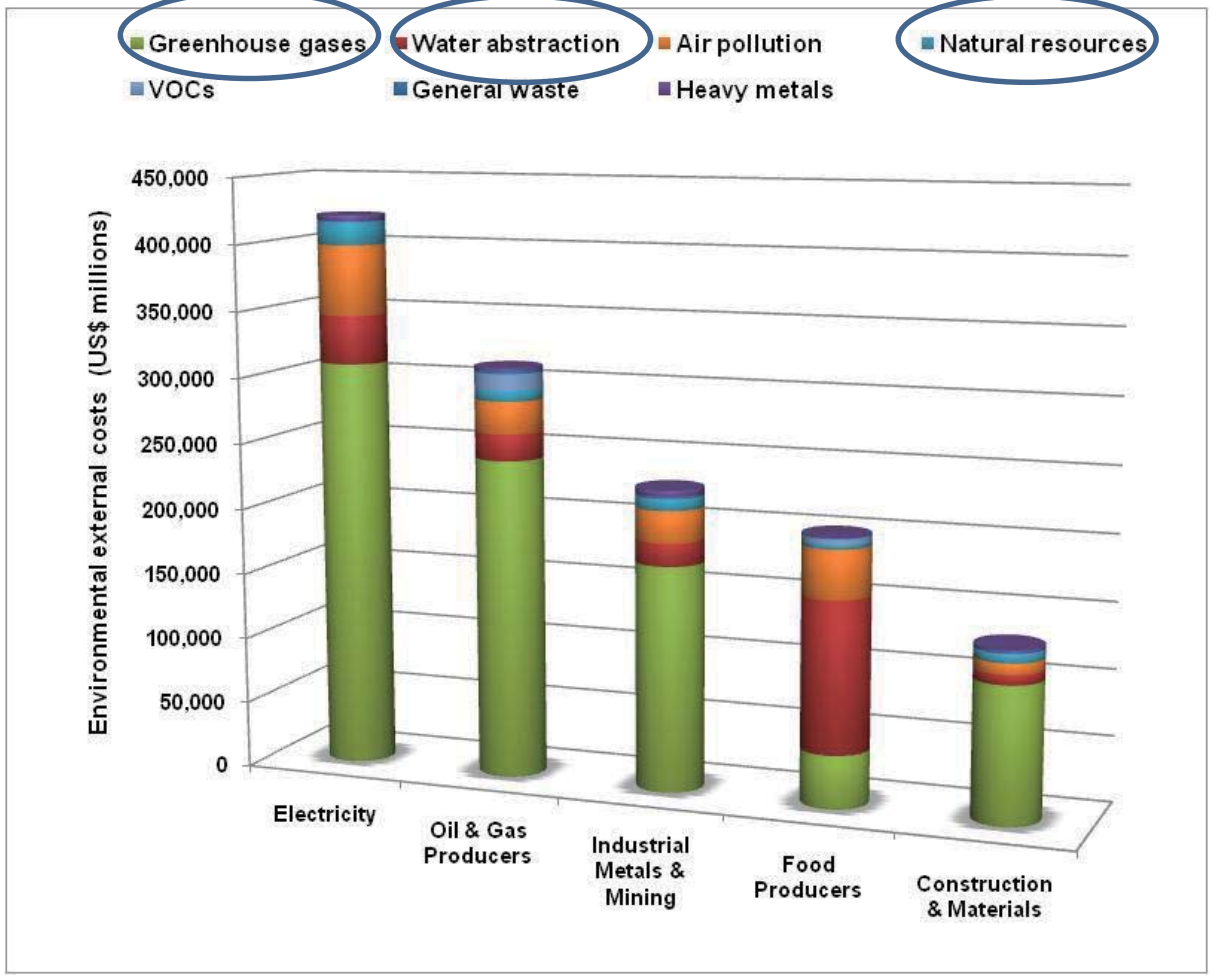
Corporate Externalities …..



Top 3,000 Listed Companies

Source: Trucost for UNPRI, 2010.

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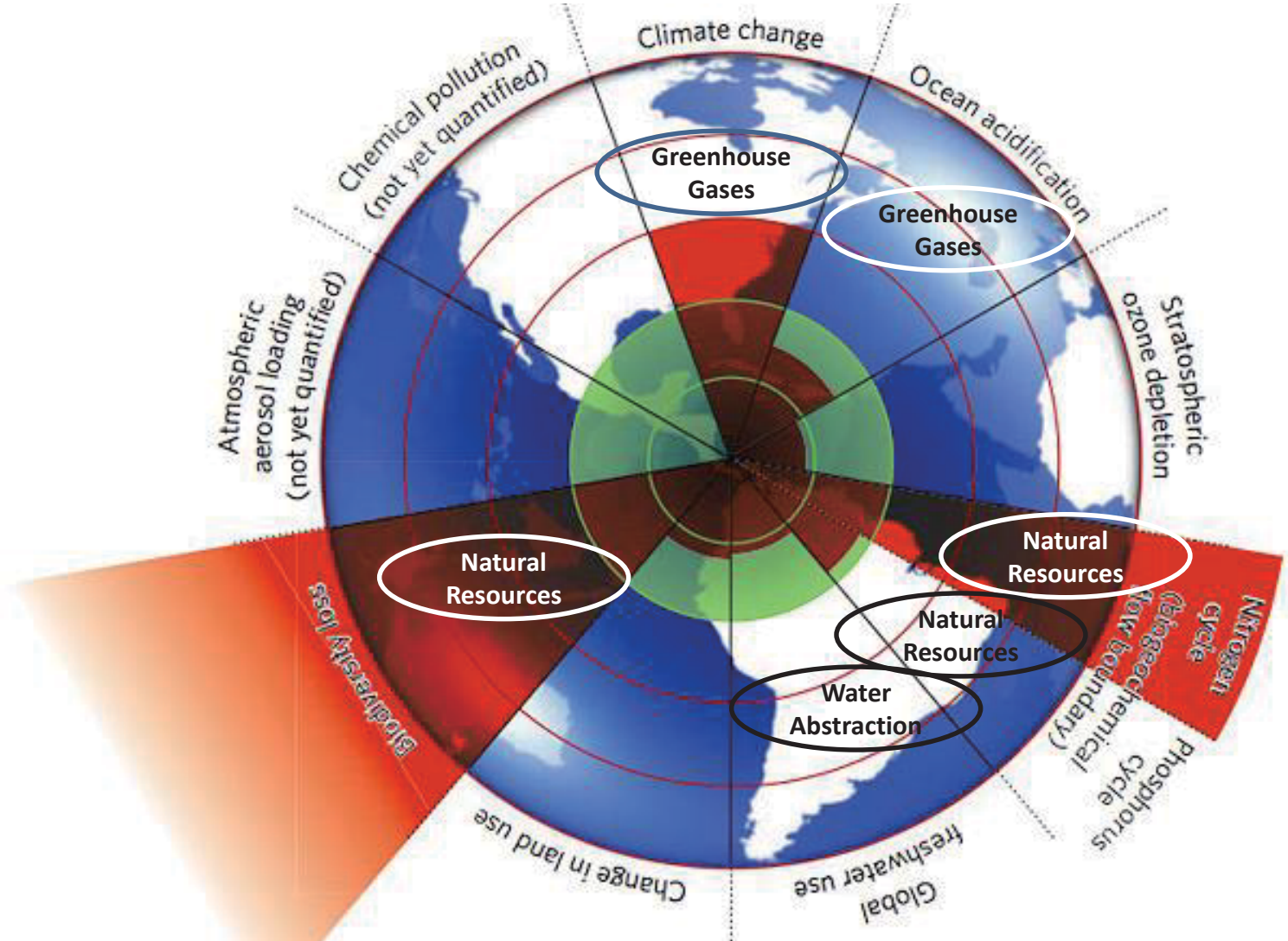
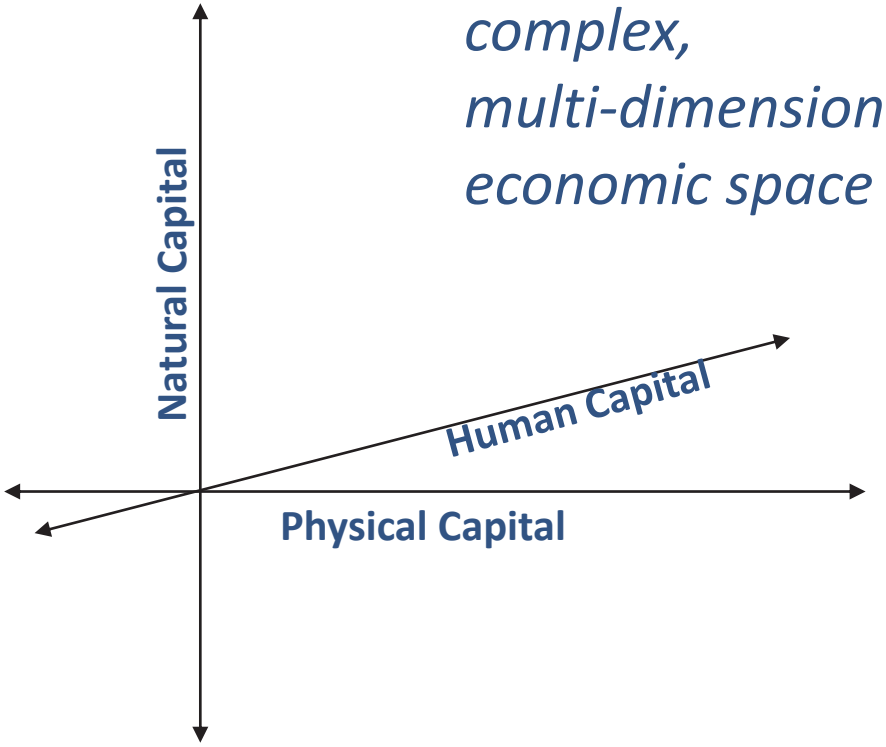
….. Are Pushing Planetary Boundaries



Navigation Challenge Ahead…

Can we navigate a complex, multi-dimensional, economic space …



… with a simple economic compass ?

Eg.1: SNA for nations?
Eg.2: IFRS for companies?

"Inclusive Wealth" is a True Balance Sheet of Nations

The balance-sheet of wealth

The Economist

Inclusive wealth

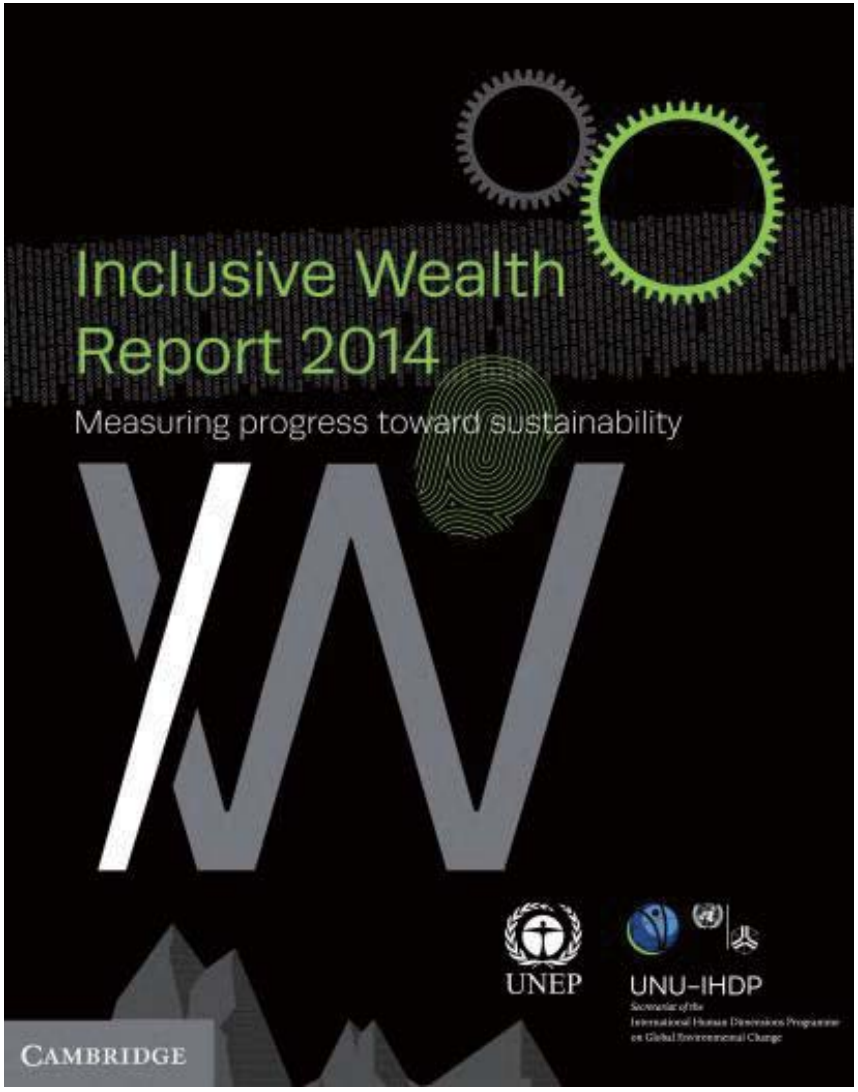
Country	2008, $trn*	1990-2008 growth†, %
United States	117.8	0.7
Japan	55.1	0.9
China	20.0	2.1
Germany	19.5	1.8
Britain	13.4	0.9
France	13.0	1.4
Canada	11.1	0.4
Brazil	7.4	0.9
India	6.2	0.9
Australia	6.1	0.1

Source: UN

The UN ("Inclusive Wealth Report, 2014") calculates human capital based on average years of schooling, workers wages, and the number of years they can expect to work before they retire (or die)[1].

Source: [1] Inclusive Wealth Report 2014 URL: http://www.ihdp.unu.edu/docs/Publications/Secretariat/Reports/SDMs/IWR_SDM_2014.pdf
Chart Source: http://www.economist.com/node/21557732

"Inclusive Wealth" is a True Balance Sheet of Nations

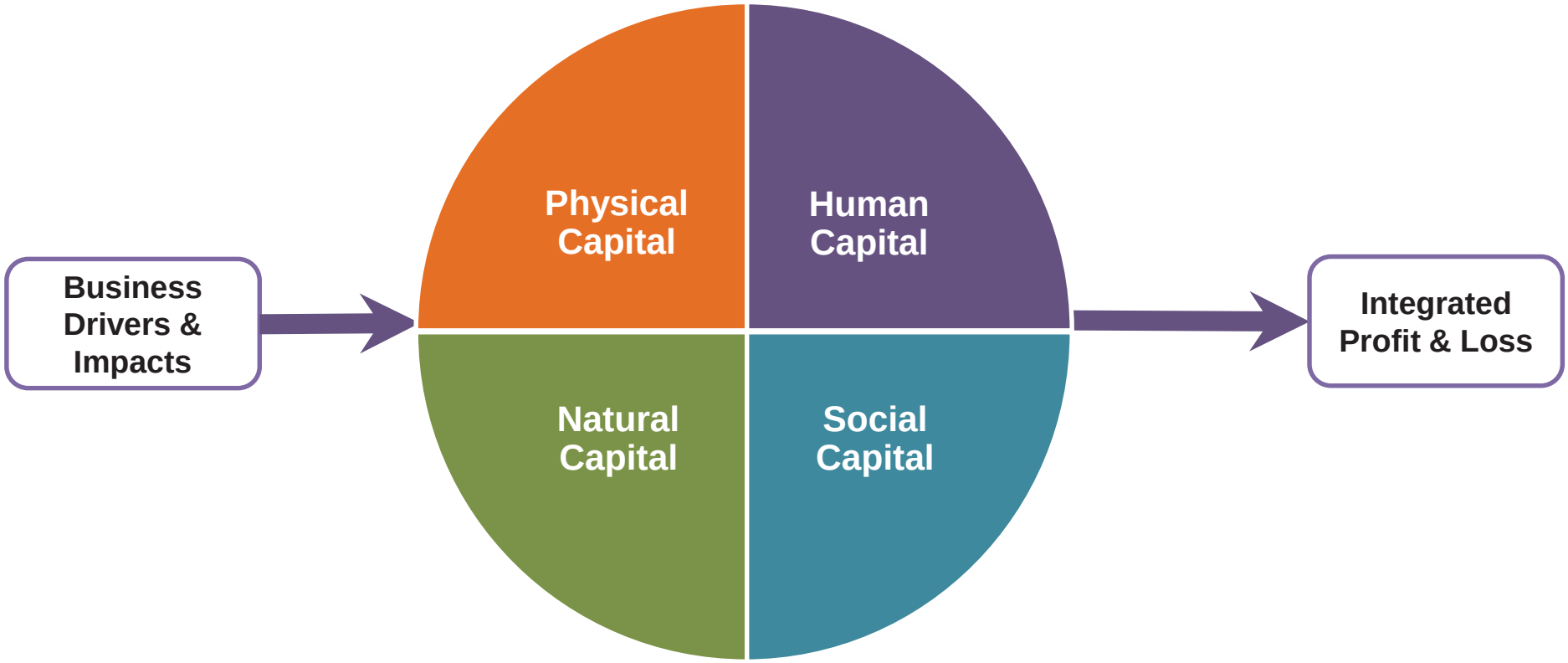


From: *Foreword, Prof. Partha Dasgupta,*

***"Inclusive wealth is the social value of an economy's capital assets**. The assets comprise **(i) manufactured capital** (roads, buildings, machines, and equipment), **(ii) human capital** (skills, education, health), and **(iii) natural capital** (sub-soil resources, ecosystems, the atmosphere).*

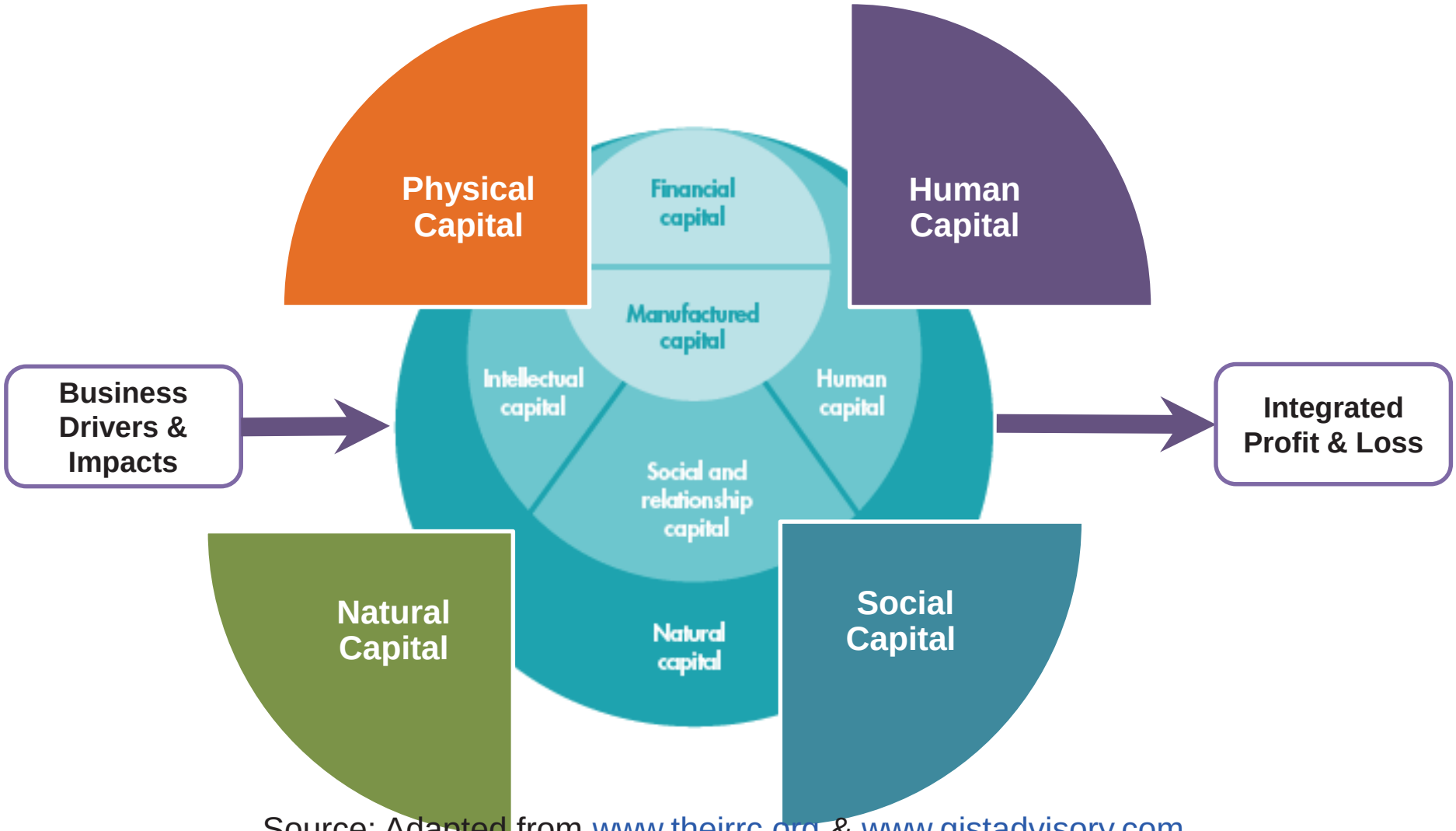
*Such other durable assets as knowledge, institutions, culture, religion – more broadly, **social capital** – were taken to **be enabling assets**; that is, assets that enable the production and allocation of assets in categories (i)-(iii). The effectiveness of enabling assets in a country gets reflected in the shadow prices of assets in categories (i)-(iii)"*

From "National" to "Corporate" Performance Measurement



Source: Adapted from www.theirrc.org & www.gistadvisory.com, "Towards a Valuation Framework for Business Externalities"

From "National" to "Corporate" Performance Measurement



Source: Adapted from www.theirrc.org & www.gistadvisory.com, "Towards a Valuation Framework for Business Externalities"

Four ‘Macro’ Capitals and Examples at ‘Micro’ Level

	Physical Capital	Human Capital	Natural Capital	
Private Ownership: (‘Private Goods’)	• Factories • Securities • Licences • Patents	• Health • Education • Job Skills	• Mines • Fields • Private Forests	
	• Market design, regulations, rules, etiquette • Civil & Criminal Laws; Judicial systems			**Social Capital**
Community Ownership: (‘Club Goods’)	• Community Centres • Community Schools	• Traditional Community Knowledge	• Community Forests • Grazing Commons	
	• Community rules, norms, customs, culture			**Social Capital**
Public Ownership: (‘Public Goods’)	• Roads • Bridges • Public Hospitals	• Public Databases • Non-patent Knowledge	• High Seas Fisheries • National Parks/ Forests	
	• Constitutions; Judicial systems; Law & order; Taxation • Social equity; Communal harmony; Cultural diversity			**Social Capital**

Integrated Profit and Loss History since 2013

- Enables companies to measure performance from a 'stakeholder' perspective across *all capital classes*
- Looks beyond company revenues, profits, market cap to impacts to broader dimensions of public wealth critical for a sustainable economy, i.e. **natural capital, human capital & social capital**.
- <IP&L> enables companies to
  - **Quantify environmental costs** of business model choices & strategies
  - **Quantify social benefits & costs for local communities** from business model choices, policies, CSR programs, etc
  - **Quantify positive impacts on employees** from HR & EHS investments
  - **Compute & communicate wider business "performance"** to all stakeholder groups.

Some <IP&L> Pioneers…

2013 … 2014 …2015 … 2016

AkzoNobel
Tomorrow's Answers Today

Sonova

BASF
The Chemical Company

AMATA

TATA

Yarra Valley Water

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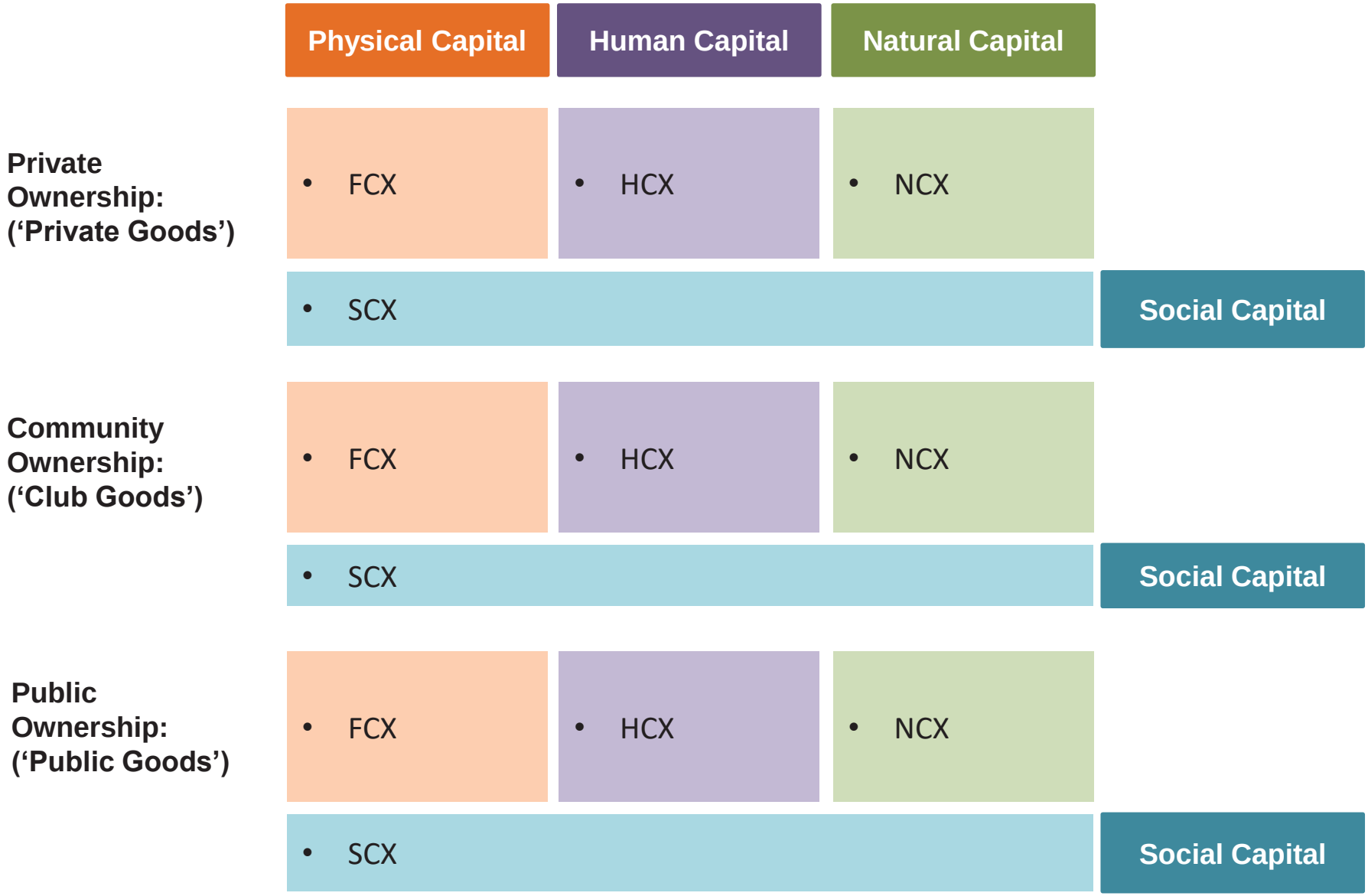
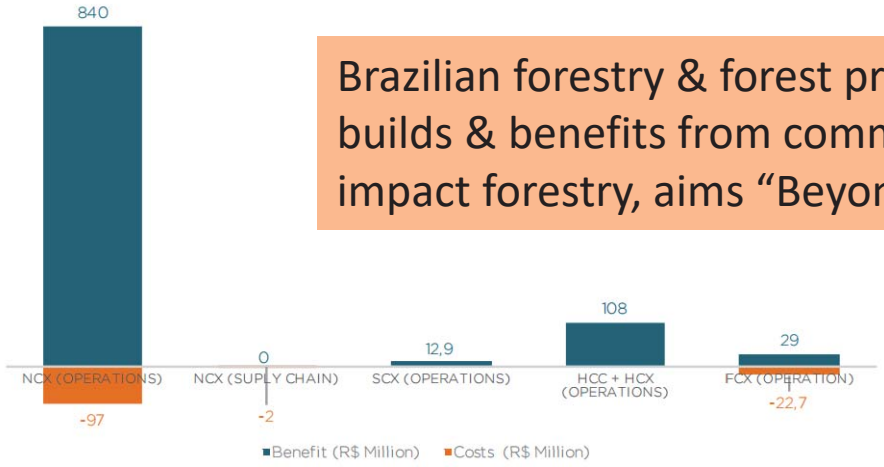
From "National" to "Corporate" Performance Measurement: Incorporating Externalities



<IP&L> 2015
AMATA



Brazilian forestry & forest products company that builds & benefits from community links, uses low-impact forestry, aims “Beyond FSC”..

Approach used to evaluate each capital was:

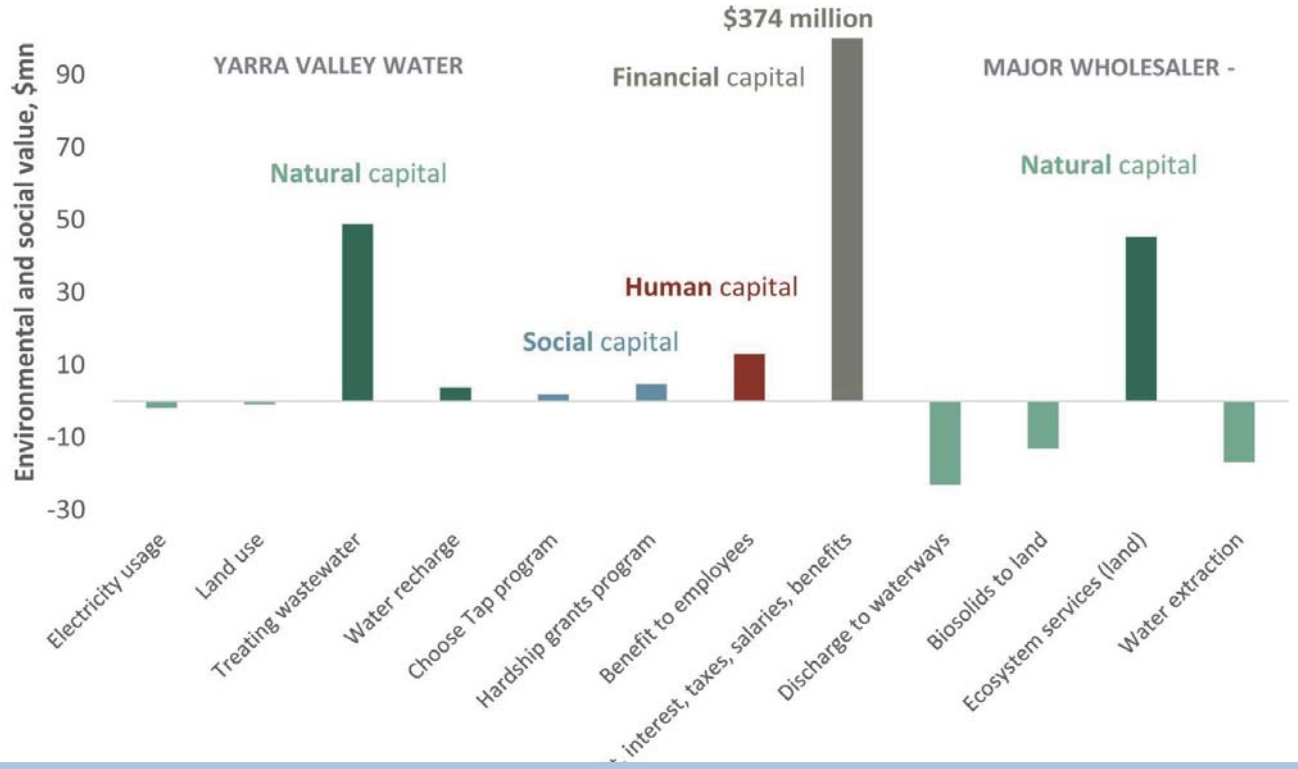
I-P&L

Natural Capital (NCX™)	Human Capital (HCX™)	Social Capital (SCX™)	Financial Capital (FCX™)
• GHG emissions • Water usage • Air pollution • Land pollution • Waste production • Water pollution • Ecosystem services	• Hiring and training of employees • Health and safety of employees	• Business model centered on stakeholder	• Profit after tax • Fees paid • Remuneration • Net interest rate • Net rental fee • Depreciation

<IP&L> 2016
Yarra Valley Water

YVW, Melbourne's leading Water Utility, with 1.8 million customers, faces drought, migration, health issues. Victoria State officially targets *"liveability"*… Melbourne has been voted "most liveable city" six times (by *The Economist* Intelligence Unit)

<IP&L>
2015/16
A$ millions



YVW is using 2015/16 base year results (above) and prioritizing amongst proposed social schemes in order to target *doubling social value creation by 2020*

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Thank You!

Pavan Sukhdev

Founder-Author, Corporation 2020

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www.corp2020.com

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