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# What Counts: **The S in ESG** *New Conclusions*

A Goal-Centered Path Forward For a  
Corporate Social Investment Metric

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CECP, WITH SUPPORT FROM CISCO





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# Executive Summary

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**The goal:** Companies report Total Social Investment using a shared definition by 2020.

## Context for the goal

**Background:** The May 2015 Summit was the tipping point for a workstream to determine how to measure “good beyond giving.” Hundreds of company examples resulted in a set of draft categorizations and draft definitions published in February 2017.

**Situation:** Corporate reporting on “ESG” issues is on the rise. Social issues abound. Companies are integrating social value into business strategies.

**Scope Acknowledgement:** The “S in ESG” implies a very comprehensive scope, but not all of it is covered by this paper. This paper does not address measuring the social value extracted by the company, nor the outcomes or results produced by efforts.

## Conclusions that support the goal

### What’s included in “The S”

**Summary categories** were determined based on an assessment of Global Reporting Initiative standards, Bloomberg ESG database, Thomson Reuters Eikon ESG database, Sustainability Accounting

Standards Board (SASB), and more. The resulting summary categories are divided between external (the focus of this paper) and internal. External includes: Communities, Diversity and Inclusion, and Human Rights. Internal includes: Diversity and Inclusion, Health and Safety, Labor Relations, and Training.

### What are the gaps to capture Total Social Investment?

#### Broader Partnerships

Companies expand how they collaborate and partner with the social sector (nonprofits and NGOs) in three ways. They often build on a strong foundation in philanthropic relationships. The partnerships expand in terms of what the company offers to go beyond cash or product. The partnerships expand in terms of the type of partner to include social enterprises and government units. The partnerships expand in terms of the type of transaction to include impact investing in the large corporate context.

#### Shared Strategies

Leading companies think of their business strategy through the lens of producing value for business and society for truly sustainable value creation. As of yet, these initiatives

are not captured systematically in “S in ESG” metrics. There is an opportunity to include resources invested in shared value initiatives within Total Social Investment because of a focus on the inputs that have a chance to be compared using a common unit of measure. A lack of a common unit of measure continues to confound the ability to compare value produced, results, or outcomes.

### How can we fill the gaps for Total Social Investment?

#### Broader Partnerships

CECP Valuation Guidance covers multiple categories of corporate activities. It uses the Global Guide criteria to create parameters around qualified recipients or partners. The basis built in this guidance will inform expanded guidance to cover the three growth areas under Broader Partnerships.

#### Shared Strategies

Companies may consider a particular initiative, effort, or strategy as part of Total Social Investment. Would a third party or the industry agree? A decision tree (exclusively available to CECP companies for now) offers a step-by-step evaluation process to support the decision.

**The goal:** Companies report Total Social Investment using a shared definition by 2020.

## The View from the C-Suite: Advance the Movement

CEOs will benefit from just one metric to sum up the resources used to create value for communities and employees. Knowing the Total Social Investment of one's company allows a CEO to compare the company against competitors and to assess what the company receives in return for its investments. CEOs can support this new metric by including it in their companies' Strategic Scorecard and by supporting the operational processes and sign-off needed for staff to sum up resource allocation in Total Social Investment.

## The Opportunity: Advance Your Company

Companies will have one central and socially driven metric that could be included in their CSR or sustainability report, in an ESG data table, or shared in an investor relations meeting. Companies now have a data-driven home to represent how "shared value" strategies contribute to the business and society. Companies can use this metric to drive and lead strategies that lever all parts of their operations to create "a better world through business" in the truest sense.

## The Stakeholders

The shared goal around Total Social Investment will be used by two main categories of stakeholders. The first category is corporate leaders of sustainability and society or community-driven business units. Their ability to create a virtuous cycle of business strategy that integrates social value will be aided by a metric that can be benchmarked across peer companies. The second category is investors that want to ensure their companies can produce long-term returns. Their ability to incorporate an "S" metric into their models will add an indicator that can help predict and manage risks for employees, communities, and customers.

## The Study

CECP engaged nine companies in a deep review of their social investments. The engagement was a pilot use of the categories and draft definitions published in the first *What Counts: The S in ESG* (February 2017). In addition, rigorous secondary research of publicly available cases was used to test the report's new findings. Lastly, a group of measurement experts reviewed and refined the output of the pilot.

# The Goal:

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Companies  
report Total  
Social Investment  
(US\$) using a  
shared definition  
by 2020

# Situation

Social issues, reporting increases, and corporate societal strategies evolution are the three underlying forces that inform a move towards companies reporting their Total Social Investment. Corporate sustainability reporting is on the rise with the act of reporting on sustainability information an agreed-upon standard practice<sup>1</sup>. Data on not just social but also environmental and governance are increasing with over 6,000,000 data points reported by companies across 450+ metrics in 2016.<sup>2</sup> Challenges related to reporting are also on the rise, such as company demands to respond to multiple reporting frameworks and multiple target audiences.<sup>3</sup>

One particular challenge is addressed in this paper. It relates to the problem of companies reporting individually but analysts assessing companies collectively. Companies individually select and report a whole range of metrics to represent their company's work. These choices are driven by the issues critical to the companies' stakeholders. The corporate sector has not achieved consensus on a short list of shared metrics to represent how the sector addresses its most critical issues. An increasing number of people agree that there is a need for a common list of metrics with shared definitions.<sup>4</sup>

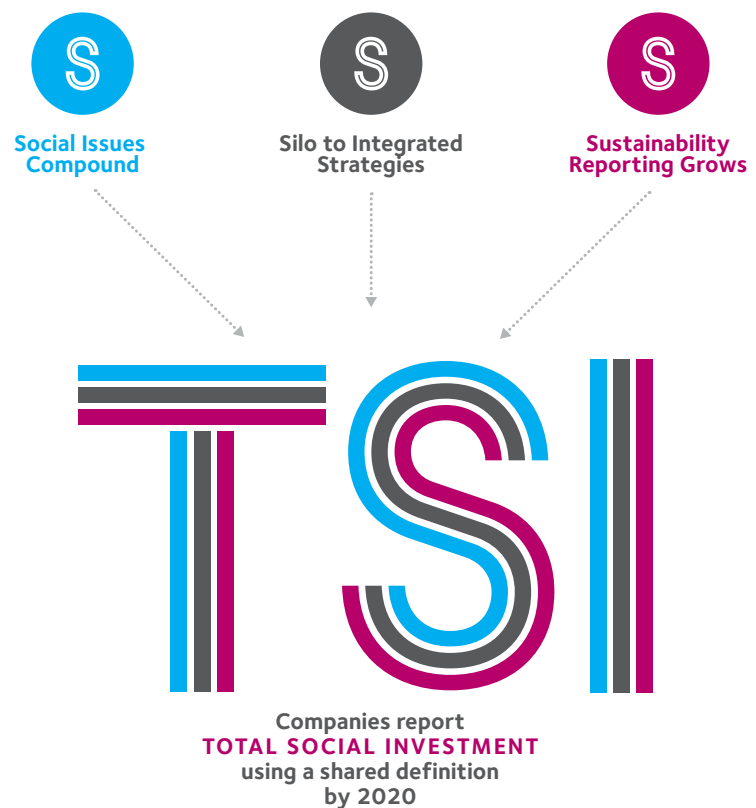
Companies also fold social value creation into their business strategies at their own pace. For more than a decade,

leading companies continually innovate and integrate how they engage with and produce value for society.<sup>5</sup> Some companies treat societal engagement as its own function in a silo. Others fully integrate consideration of social issues into their business strategy. Reporting guidance also increasingly encourages

companies to focus on sharing the information about value created in an integrated way.<sup>6</sup>

Reading articles in any major media outlet will reinforce that societal issues continue to need new approaches and resources to create positive change.

FIGURE 1. TOTAL SOCIAL INVESTMENT BY 2020



1 KPMG (2017). 'The Road Ahead: KPMG Survey of Corporate Responsibility Reporting.' Available at: <https://assets.kpmg.com/content/dam/kpmg/be/pdf/2017/kpmg-survey-of-corporate-responsibility-reporting-2017.pdf>.

2 Bloomberg (2017). 'The PM's Guide to The ESG Revolution: From Article of Faith to Mainstream Investment Tool.' GS Sustain. Available at: [https://www.gsam.com/content/dam/gsam/pdfs/international/en/institutions/articles/2017/GS\\_Sustain\\_The\\_PM's\\_Guide\\_to\\_the\\_ESG\\_Revolution.pdf?sa=n&rd=n](https://www.gsam.com/content/dam/gsam/pdfs/international/en/institutions/articles/2017/GS_Sustain_The_PM's_Guide_to_the_ESG_Revolution.pdf?sa=n&rd=n).

3 BSR (2018). 'A Practitioner's View of Sustainability Reporting: Challenges and Solutions.' Available at: [https://www.bsr.org/reports/BSR\\_A\\_Practitioners\\_View\\_of\\_Sustainability\\_Reporting\\_Challenges\\_and\\_Solutions.pdf](https://www.bsr.org/reports/BSR_A_Practitioners_View_of_Sustainability_Reporting_Challenges_and_Solutions.pdf).

4 BSR (2016). 'Triangles, Numbers, and Narratives.' Available at: [https://www.bsr.org/reports/BSR\\_Future\\_of\\_Reporting\\_2016.pdf](https://www.bsr.org/reports/BSR_Future_of_Reporting_2016.pdf).

5 Porter, M.E., Kramer, M.R. (2006). 'Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility.' Harvard Business Review. Available at: <https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility>.

6 Integrated Reporting (2013). 'The International IR Framework.' Available at: <http://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf>.

# CECP's Role and Methodology

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CECP plays the role of producer, convener, and facilitator to help guide the industry's process of agreeing to a holistic metric and its shared definition—Total Social Investment. Driven by the ever-louder chorus of companies in CECP's coalition asking us to help fill this social investment metrics gap<sup>7</sup>, we took action. The tipping point to begin a focused study on the issue was at the 2015 CECP Summit event. Following that, in February 2017, CECP,

with support from USAA, published a working paper to categorize and define these expanded efforts called *What Counts: The S in ESG*. This paper includes 40 specific company examples and was informed by hundreds more. Nine leading companies then stepped up to test the findings from that working paper including CenterPoint Energy, Chevron, Cisco, Hershey, IBM, Paypal, Salesforce, Target, and USAA. They collected examples of socially

driven efforts at their companies and then applied the working paper's draft definitions and categories to test them and consider how a shared definition could improve. The result of that pilot led to these updated conclusions. Next, CECP engaged a measurement group of experts to review the results and offer critiques and improvements. In this way, we combined the company experience with the review of measurement and reporting expertise.

## Main Stakeholders

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In response to company demand, this project's vision is for companies to report Total Social Investment using a shared definition by 2020. **Corporate executives** can use this metric to holistically capture their company's investment in order to better sum up their efforts in comparison with others. They must continually make the business case both to maintain their work and to drive for more impact. Benchmarking data is a crucial component of making their case. **Investors** can use this metric to understand a company's long-term strategy to create value for societal stakeholders including communities,

employees, and their customers. In these ways, the use of Total Social Investment contributes to a virtuous cycle of how we can create a better world through business.

Some companies treat societal engagement as a side-line function. Others integrate social value creation into the business strategy. Many tools are available to support companies with the integration of sustainable approaches into business strategy.<sup>8</sup> The conclusions in this paper are best suited for companies that are in the process of moving from the silo to an integrated approach.

Right now, when pressed to limit a list of metrics on social efforts, companies report total giving under its many different names.<sup>9</sup> They may strive for a widely understood alternative that is more holistic with respect to their work, but for now it doesn't exist. The definition of total giving<sup>10</sup> would remain the same as one component of Total Social Investment. Total Social Investment could encompass a comprehensive range of social efforts outlined in this paper. The focus of this paper is externally facing Social efforts ("external S").

7 CECP Summit audience poll (May 2015). 200+ attendees.

8 Bertels, S., Schulschenk, J. (2015). Introduction to Framework. Embedding Project. DOI:10.6084/m9.figshare.3899106.

9 CECP team assessment of 50+ sustainability report ESG data tables or scorecards.

10 CECP Valuation Guidance.



# Scope Acknowledgements

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While not within the objectives of this project, it is important to note that corporate reporting and metrics overall should not overlook adequate coverage on negative social impacts by the company. This is important for transparency and to show the full picture. Further, this project does not address the full life cycle of metrics due to its intentional focus on an input metric. For example, this paper doesn't discuss how to show the value produced (outcomes) of social investments. We acknowledge that reporting and measuring the value created for society and the business are important, even

though not addressed here. Inputs in and value produced together help external stakeholders better understand the quality and effectiveness of a company's social investments: are investments of a lower, equal, or higher value than what the company takes away?

There is another set of measurement approaches outside the scope of this paper. These focus on supporting how a company might measure a specific effort or program. For example, FSG provides an approach to measuring shared value efforts that begins

with defining a social issue and ends with measuring results of the effort to unlock new value.<sup>11</sup> Project ROI compiles studies that exhibit the return on investment for various corporate responsibility investments.<sup>12</sup> Evaluation of corporate responsibility efforts is also assessed for the value produced for different stakeholders, including the nonprofit partner, the CEO, or investors.<sup>13</sup> We differentiate these approaches because they evaluate individual efforts in a linear way as opposed to establishing a holistic measure like Total Social Investment.

11 Porter, M.E., Hills, G., Pfitzer, M., Patscheke, S., Hawkins, E. (2012). 'Measuring Shared Value: How to Unlock Value by Linking Business and Social Results.' FSG. Available at: <https://www.fsg.org/publications/measuring-shared-value>.

12 Rochlin, S., Bliss, R., Jordan, S., Kiser, C.K. (2015). 'Defining the Competitive and Financial Advantages of Corporate Responsibility and Sustainability.' Project ROI. Available at: <http://projectroi.com/wp-content/uploads/2015/07/Project-ROI-Report.pdf>.

13 Lim, T. (2010). 'Measuring the Value of Corporate Philanthropy.' CECP. Available at: [http://cecp.co/wp-content/uploads/2016/11/MVCP\\_report\\_singles-1.pdf?redirect=no](http://cecp.co/wp-content/uploads/2016/11/MVCP_report_singles-1.pdf?redirect=no).

# Conclusions to Support the Goal

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As a reminder, the goal is for companies to report Total Social Investment (\$) using a shared definition by 2020.

This measure can be used by multiple stakeholders in multiple ways to create a virtuous cycle to drive additional resources towards creating a better world through business. This paper has described the context and process to continue progress towards this goal. There are three main conclusions. First, seven summary categories within the social

area help stakeholders understand what would be included in Total Social Investment. Second, to report Total Social Investment, there are two key gaps companies need filled so they know what to include and can be confident other companies are meeting the same standard. Third, CECP proposes solutions to fill the two gaps.

1 What's Included in "Social" Efforts?

2 What are the Gaps to Capture Total Social Investment?

3 How Can We Fill the Gaps?

# What's Included in "Social" Efforts?

## What do we mean by social efforts?

We will begin with examples because they are a helpful reference before presenting concepts at a high level. All these examples of social efforts could be explained and included in CSR/sustainability reporting in various ways. They are selected to represent the complexity and inter-connected nature of issues to which companies contribute, individually and together, to make an impact.

Companies form a coalition to ensure sustainable cocoa sourcing for their key materials for the benefit of the producers of these resources.<sup>14</sup>

Companies seek to change policies to help turn the tide on the national crisis of opioid addiction.<sup>15</sup>

Companies stand up against legislation that reverses progress on diversity and inclusion of the LGBT community.<sup>16</sup>

Companies use various strategies to honor veterans and support military family resiliency.<sup>17</sup>

## Individual Company Level: Social Issue Selection

Companies individually consider which social issues are most critical to their stakeholders as they set strategy and focus. Based on those decisions, certain social issues show up in their strategy and reporting and certain issues don't. To illustrate this, RobecoSAM (which produces the Dow Jones Sustainability Index) uses the pharmaceutical industry as an example that would report on general issues like labor practices as well as industry-specific issues like health-outcome distribution.<sup>18</sup>

## Industry Level: Social Issue Coverage

From a collective or industry-wide point of view, several corporate responsibility or Environmental, Social and Governance (ESG) standards and guidelines summarize social areas. They

intend to cover the whole list of social issues that would appear in individual companies' materiality assessments. As such, to summarize social issue areas across the corporate sector, we began by selecting leading ESG standards or ESG reporting tools: Global Reporting Initiative (GRI)<sup>19</sup>, SASB<sup>20</sup>, the Bloomberg database ESG platform<sup>21</sup>, and the Thomson Reuters Eikon ESG platform.<sup>22</sup> Each of these has a social category or section. Within each, there is a list of issues covered in depth including recommended metrics. We compared these lists to identify commonalities and overlap. Seven summary categories emerged: Communities, Human Rights, Diversity (internal and external), Training, Health and Safety, and Labor Relations. The number of related or supporting metrics or issues for any of these seven categories varied widely. For example, GRI had more than one area that connect to Labor Relations, while SASB had one (see page 22).

FIGURE 2. WHAT'S INCLUDED IN "SOCIAL" EFFORTS?



14 Hershey and Others in CocoaLink and CocoaAction: <http://www.worldcocoafoundation.org/about-wcf/cocoaaction/>.

15 DEA and Discovery Education: <https://www.operationprevention.com/>.

16 PayPal Withdraws Plan for Charlotte Expansion: <https://www.paypal.com/stories/us/paypal-withdraws-plan-for-charlotte-expansion>.

17 USAA Corporate Responsibility: <https://www.usaa.com/inet/wc/corporate-responsibility-overview-main?0&akredirect=true>. Veterans on Wall Street <http://veteransonwallstreet.com/>.

18 RobecoSam (2017). 'Measuring Intangibles: RobecoSam's Corporate Sustainability Assessment Methodology.' Available at: [http://www.robecosam.com/images/Measuring\\_Intangibles\\_CSA\\_methodology.pdf](http://www.robecosam.com/images/Measuring_Intangibles_CSA_methodology.pdf).

19 <https://www.globalreporting.org/standards>.

20 SASB Materiality Map: <https://materiality.sasb.org/>.

21 Bloomberg Sustainable Finance ESG platform, accessed through Bloomberg client account.

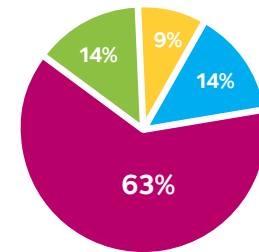
22 Thomson Reuters Eikon ESG platform, accessed through Thomson Reuters client account.

The seven summary categories address different stakeholders. The main stakeholder under “Internal Social” is employees. Then, the categories are ways that the company produces social value for that stakeholder. The main stakeholders under “External Social” are customers and members of local communities. Then, the categories of diversity and human rights are ways that the company produces social value for those stakeholders. The category of “communities” refers to the stakeholder itself because the efforts vary; one

common example is partnerships with nonprofit organizations to achieve social outcomes.

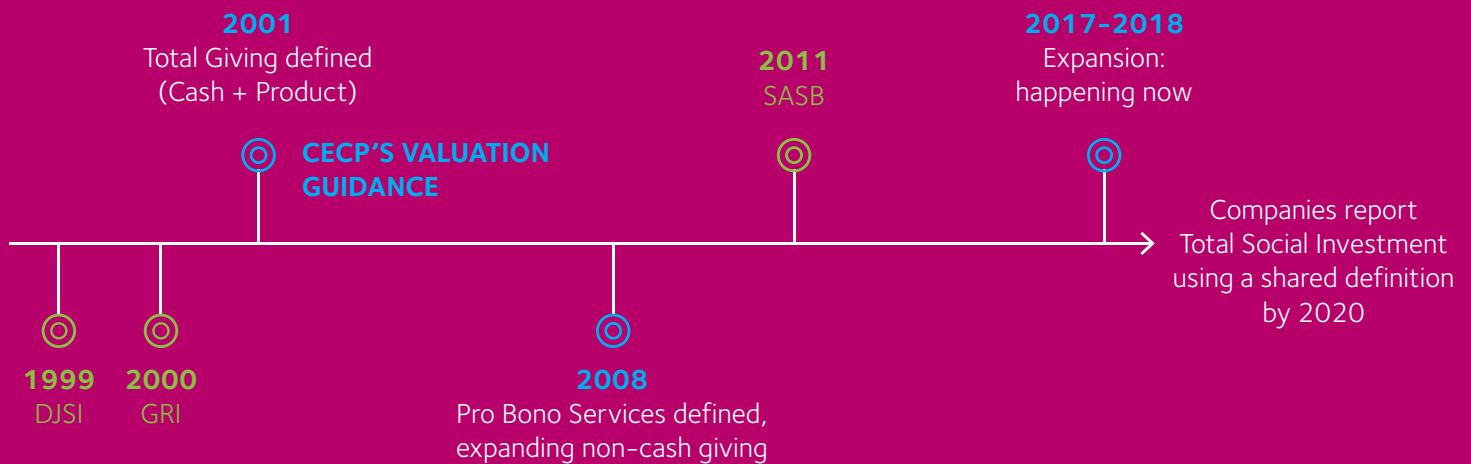
Some standards list supply chain as its own area and some include it under other areas. Supply chain is not specifically identified as a category in this breakdown because methods to improve social value across the supply chain can occur in multiple ways included already in Communities, Human Rights, or Health and Safety.

**Company Opinion:**  
Does the separation of “The S” by External Social and Internal Social resonate with you?



Source: Do More, Count More, CCEP webinar, 2/28/2018, 80 attendees

FIGURE 3. TIMELINE



Within all of these social standards and ESG data platforms, there are multiple social metrics. These include a wide variety of metrics around diversity such as women in the workforce, women on board of directors, and others. There are also many metrics around Internal Social efforts like training hours, the presence of various policies on business ethics, and more.

There are social metrics that relate to customers, like product safety. Certain social metrics are more likely to help investors identify long-term returns (alpha) from companies.<sup>23</sup> The good news is that current social metrics are inputs to Total Social Investment. To say it another way, they are part of what a company would sum up to get to their Total Social Investment.

There are specialist organizations that address issues and related metrics in significant detail.<sup>24</sup> This paper focuses on a metric that holistically sums up social efforts, like a company might for other areas such as research and development. That’s where Total Social Investment comes in, drawing on current inputs and identifying any gaps.

23 Bloomberg (2017). ‘The PM’s Guide to The ESG Revolution: From Article of Faith to Mainstream Investment Tool.’ GS Sustain. Available at: [https://www.gsam.com/content/dam/gsam/pdfs/international/en/institutions/articles/2017/GS\\_Sustain\\_The\\_PM's\\_Guide\\_to\\_the\\_ESG\\_Revolution.pdf?sa=n&rd=n](https://www.gsam.com/content/dam/gsam/pdfs/international/en/institutions/articles/2017/GS_Sustain_The_PM's_Guide_to_the_ESG_Revolution.pdf?sa=n&rd=n).

24 BSR (November 2016). ‘Triangles, Numbers, and Narratives.’ Available at: [https://www.bsr.org/reports/BSR\\_Future\\_of\\_Reporting\\_2016.pdf](https://www.bsr.org/reports/BSR_Future_of_Reporting_2016.pdf).

## 2

# What are the Gaps to Capture Total Social Investment?

First, here is a reminder on some context before discussing the gaps. Reporting standards help companies prepare their CSR or sustainability reporting. Many of these standards have already been discussed in this paper, such as GRI and SASB. As shown in the timeline (Figure 3), some have been in use for nearly two decades. To compliment these comprehensive standards, there are specific standards on various topics. CECP’s current standard (Valuation Guidance<sup>25</sup>) fills a specific role in societal engagement: total (\$) corporate contributions and socially driven employee programs, such as giving matches and volunteering. CECP’s Guidance is specialized, not all-purpose.

Even with these standards and all the metrics therein, CECP heard from our coalition that companies felt much of their most impactful work would not be reported in their metrics if guidelines were followed to the letter.<sup>26</sup> Companies flagged a gap between the work they are doing and what is currently counted in the metrics included in existing standards. They would describe a particular project and ask “Can I count this?” There was not a clear existing standard to answer that question.

The efforts that fell into a gap on the “External S” (the scope of this paper) can be summarized in two categories, described in more detail at right.

FIGURE 4. TOTAL SOCIAL INVESTMENT IS A HOLISTIC METRIC

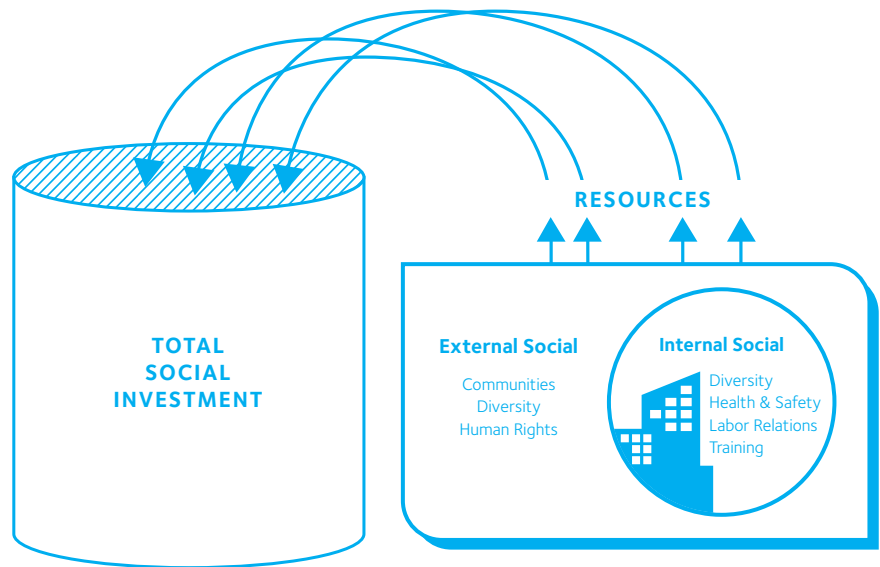


FIGURE 5. GAPS TO CAPTURE TOTAL SOCIAL INVESTMENT?

EFFORT NAME	HOW IS THE WORK DONE	SOLUTIONS (PAGE 17)	WHY A GAP?
Broader Partnerships	External organization is doing the work; company is contributor/partner	Expand Valuation Guidance	Excluded from current total giving definitions
Shared Strategies	Company is doing the work	Decision Tree	Not included in current “S” metrics

25 CECP Valuation Guide.

26 CECP (2017). “What Counts: The S in ESG.” Available at: [http://cecp.co/wp-content/uploads/2017/03/CECP\\_What-Counts\\_-\\_S-in-ESG.pdf?redirect=no](http://cecp.co/wp-content/uploads/2017/03/CECP_What-Counts_-_S-in-ESG.pdf?redirect=no).

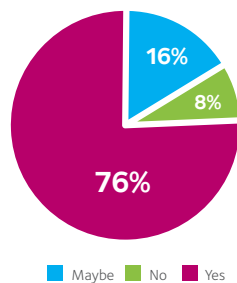
# Broader Partnerships

This is the first part of the gap in the total social investment metric. As companies innovate and integrate social value approaches into their business, both for the benefit of the company and for society, they no longer feel limited just to providing funding. Instead, they think about what the “whole company” can offer. When working with a nonprofit, NGO, or other external partner, companies brought only cash to the table; now they bring much more. Broader Partnerships encompass three types of growth.

## 1 Growing in terms of what is contributed

To address a material social issue for an external stakeholder, a company may engage in “giving,” not only in a monetary context, but also by leveraging non-monetary assets to include products and services sold. The first sign of this many years ago was the donation of a product, then it was employee time (pro bono and volunteering). It now goes even further to other assets like vendor relationships. It can mean creating a product that is purely for donation and never sold to a customer. Some companies have full-time employees whose job it is to provide social services directly. Some companies have donated anonymous data on customer behavior, but they do not sell data. Some companies allow their offices to be used for social events or work but they are not in the business of leasing or pursuing rental income.

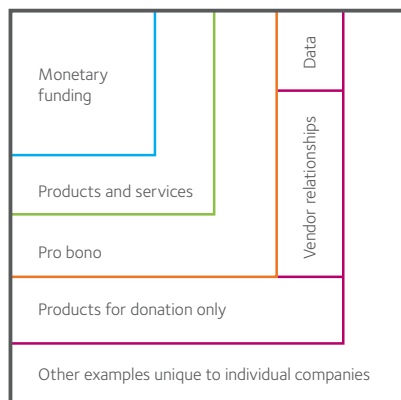
**Company Opinion:**  
Our company does work with external partners that we could include in Total Social Investment (“Broader Partnerships”):



Source: Do More, Count More, CECP webinar, 2/28/2018, 80 attendees.

FIGURE 6. BROADER PARTNERSHIPS, GROWTH AREA 1

Bringing the “whole company” to partnerships



## Case Examples

**IBM** launched Teacher Advisor With Watson, a comprehensive and confidential virtual advisor to help elementary school math teachers improve their skills and educate students more effectively at no cost. IBM collaborated with national education leaders, including the American Federation of Teachers, to develop an online repository of math resources that provides teachers with access to customized lesson plans and teaching strategies. Developed with artificial intelligence, cognitive computing and natural language capabilities, the system provides teachers with vetted education content and personalized guidance whenever they need it at no cost. Teacher Advisor With Watson was launched at the start of the 2017–2018 school year and 94 percent of teachers involved in the piloting of the program have already indicated they will continue to use the tool. This is an example of Broader Partnerships in terms of what the company is contributing and to whom.

As part of its mission to be the world’s most hospitable company, **Hilton** is committed to helping communities around the world through its Corporate Responsibility program, Travel with Purpose. A key component of Travel with Purpose is Hilton’s industry-leading soap recycling program. In partnership with Clean the World and other soap recycling organizations, over 1,800 Hilton hotels around the world have collected partially used soap bars and amenity bottles. These products are then re-processed into new soap bars or toiletry kits and distributed to those in need.

Since the program’s inception, Hilton has distributed over six million bars of recycled soap to communities around the world, and over one million hygiene kits to those in need in local communities. Hygiene-related diseases have decreased by 35 percent since Clean the World launched in 2009. Hilton’s soap recycling program is an example of leveraging non-monetary assets beyond sold products and services to address a social issue, in this case, hygiene.

## 2 Growing in terms of partners

Another change in Broader Partnerships is the targeted selection of a recipient, partner, or entity to most effectively accomplish the goal. Previously, corporate giving focused narrowly on a formally organized social sector organization ([The Global Guide Standard](#)). This evolution has occurred as a result of sectors striving to better collaborate to solve social issues.

## 3 Growing in terms of financial transaction type

Impact investing is defined by many nonprofits and foundations, including the Global Impact Investing Network (GIIN) and the Case Foundation. CECP, supported by Prudential Financial Inc., conducted a study to understand how large companies engage in impact investing. CECP's [Investing with Purpose](#) paper covers various approaches and provides leading cases for each.

Based on the company feedback from the approaches noted in [Investing with Purpose](#), companies could report the assets allocated across four of the approaches. Here are case examples originally published in *Investing with Purpose*:

### Case Examples

**Direct investments:** General Mills acquired Annie's, a B Corp. and organic food business, for US\$820 million, in 2014, in a bet on shoppers' continued demand for natural and organic foods.

**Self-managed funds:** Cisco has one of the most active Corporate Venture Capital (CVC) units in the market and in 2009 made a cleantech sector commitment by investing in Husk Power Systems, a biomass electricity generator for rural households in India.

**Third-party funds:** Since 2014, 3M has invested US\$2 million into the Closed Loop Fund, as a program-related investment (PRI). The Closed Loop Fund is a consortium of major corporations that has created a US\$100 million fund aimed at improving recycling in municipalities.

**Incubators and accelerators:** As part of its Aspire program, AT&T is running a business accelerator that works with organizations that use technology to help students succeed, strengthen schools and communities, or prepare learners for employment. AT&T has launched the AT&T Aspire Accelerator to provide financial, mentoring, and business support for education startups and nonprofits.

Impact investing among large corporations outside of the financial industry is occurring, but not by all companies.<sup>27</sup> There is not yet a shared practice to include impact investing in ESG reporting, but due to its focus on producing social outcomes, it is important to include and consider it for the purpose of holistic total external social investment covered in this paper.

### Case Example

**CenterPoint Energy** coordinates student tours of its Energy Insight Center (EIC), an education and technological demonstration facility designed to educate students and other key stakeholders about how electricity is bought, used, and delivered. Based out of Houston, TX, the center showcases the system of smart energy technologies that provides local consumers with the tools to better understand and manage their electric usage, which is good for consumers and great for the environment. Since the EIC first opened its doors in 2006, more than 750 groups have been hosted. The tours not only help to motivate students towards exploring future careers in science, technology, engineering, and math (STEM), but also drives industry awareness of technological advancements. This is an example of Broader Partnerships in terms of what the company is contributing and to whom.

<sup>27</sup> CECP (2016). 'Investing with Purpose.' Available at: [http://cecp.co/wp-content/uploads/2016/11/cecp\\_iwp\\_interactive\\_Final.pdf?redirect=no](http://cecp.co/wp-content/uploads/2016/11/cecp_iwp_interactive_Final.pdf?redirect=no).

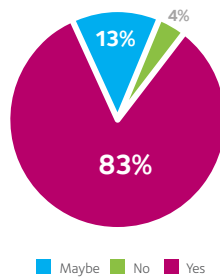
# Shared Strategies

This is the second part of the gap in metrics. In addition to companies moving from traditional philanthropic giving to bringing the whole company to the table of their partnerships, we also found that corporations engage in efforts that simultaneously drive significant social value and help the business by generating revenue and in some cases profit, improving employee well-being, or reducing expenses.

With “blended efforts” like these, some have argued that because the business also receives value, the social value is inauthentic, impure, or not real. While this skepticism has roots in critiques from certain experts<sup>28</sup>, we would decisively argue that the business value of a corporate effort does not negate its social value.<sup>29</sup>

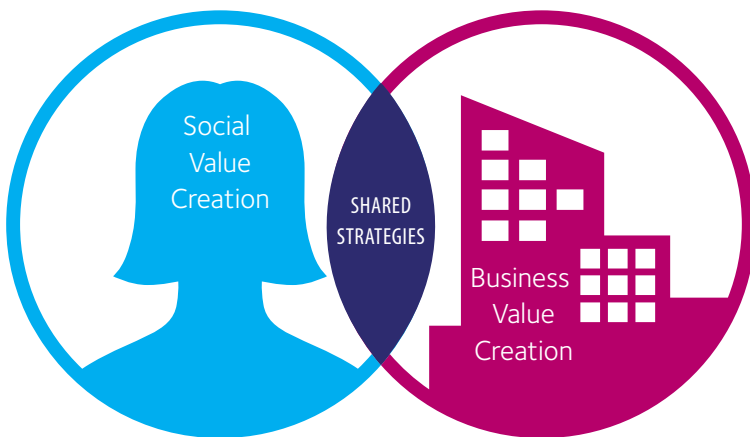
Further, when companies discover opportunities for sustainable value creation<sup>30</sup>, they are often driving the highest value creation possible through both business and social value. Therefore, it is imperative to understand how to drive even more blended efforts.

**Company Opinion:**  
Our company is doing work that blends business value and social value that we could include in Total Social Investment (“shared strategies”):



Source: Do More, Count More, CECP webinar, 2/28/2018, 80 attendees.

FIGURE 7. SHARED STRATEGIES



## Case Examples

**The Hershey Company** will invest half-a-billion dollars in a new long-term sustainable cocoa strategy through 2030. Through the Cocoa for Good strategy, Hershey will address issues facing cocoa-growing communities such as poverty, poor nutrition, at-risk youth, and vulnerable ecosystems. The initiative – which will focus investments on Nourishing Children, Elevating Youth, Prospering Communities, and Preserving Ecosystems – is expected to impact thousands of farmers in cocoa-growing regions with a focus in South Africa where 70% of the world’s cocoa is grown. The Cocoa for Good strategy is deeply connected to Hershey’s supply chain, making it a great example of Shared Strategies.

**Target** has committed to source 100% sustainable and fully traceable palm oil in Target’s owned brand food (Market Pantry, Archer Farms, Simply Balanced), personal care (up & up) and household cleaning products (up & up) by 2018. This effort comes as part of Target’s commitment to make significant progress in key areas of responsible sourcing and sustainable design by 2020. Sustainably and ethically sourcing key raw materials is not only about making improvements to new products but also to sustainable production. This includes responsibly grown and harvested cotton, replacing conventional polyester with polyester made from recycled plastic, and supporting responsible forest practices and palm oil production. This is an example of Shared Strategies because of its effect on the business and society.

28 Crane, A., Palazzo, G., Spence, L., and Matten, D. (December 16, 2013). ‘Contesting the Value of the Shared Value Concept.’ California Management Review, vol 56/2, Winter 2014, Forthcoming. Available at SSRN: <https://ssrn.com/abstract=2368387>.

29 Beal, D., Eccles, R., Hansell, G., Lesser, R., Unnikrishnan, S., Woods, W., Young, D. (2017). ‘Total Societal Impact: A New Lens for Strategy.’ BCG. Available at: <https://www.bcg.com/en-us/publications/2017/total-societal-impact-new-lens-strategy.aspx>.

30 Accenture, CECP (2011). ‘Driving Business at its Best: Driving Sustainable Value Creation.’ Available at: [http://cecp.co/wp-content/uploads/2016/11/Business\\_at\\_its\\_best-1.pdf?redirect=no](http://cecp.co/wp-content/uploads/2016/11/Business_at_its_best-1.pdf?redirect=no).



### 3 How Can We Fill the Gaps?

The goal is for companies to report Total Social Investment (\$) using a shared definition by 2020. This lead time allows companies to incorporate any new operational requirements into their workflow roll-up efforts comprising Total Social Investment.

## Broader Partnerships: Expanded CECP Valuation Guidance

Broader Partnerships are growing in three ways: types of contributions, types of partners, and types of financial transactions (see page 14). CECP can support companies when considering each of these areas through expanded language in CECP's Valuation Guidance. Each of the three has a connection to method of giving and thus they are organic additions to the Guidance. They each present new challenges to defining giving in a standard way, but they more directly build on previous Guidance in comparison to "shared strategy" efforts, which require a new approach. For example, while product donations are reported using fair market value, a product that was designed and distributed exclusively for donation (never sold) does not have a market value and thus must be assigned a reported value in a different way. Informed by companies' examples catalogued throughout this process, these efforts will be covered in new sections in the Valuation Guidance.

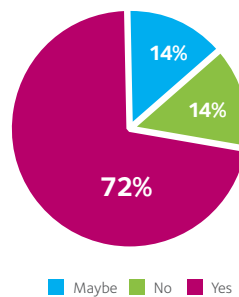
## Shared Strategies: Decision Tree Approach

Shared Strategies are efforts where companies combine social and business value creation. When companies ask whether one of these strategies "counts" in Total Social Investment, they can proceed through a series of criteria to assess if the industry would agree the effort should be included. A decision tree approach gives corporate executives a tool that validates the reporting choices they make. It represents a tested approach to determine whether an effort they consider socially driven internally would meet a shared external definition to be included in Total Social Investment.

The decision tree was developed following a nine-company pilot test of the *What Counts: The S in ESG* original draft definitions (see Appendix C). The group included CenterPoint Energy, Chevron, Cisco, Hershey, IBM, Paypal, Salesforce, Target, and USAA. These nine companies identified more than 100 potential examples of socially driven efforts that were not currently counted. Some of these examples were addressed by other standards (e.g., GRI); some were considered part of a new data capture for Broader Partnerships approaches (see page 14). Those not fitting in these areas were rigorously tested through relevant filters. Then, CECP sourced additional Shared Strategy examples from its past secondary research to further assess the filters. Drawing from multiple sources and multiple rounds of testing produced confidence in the decision tree's filtering effect.

### Company Opinion:

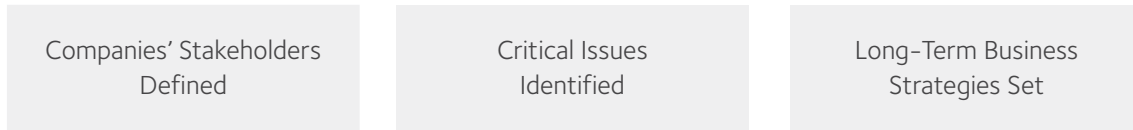
I can think of at least one example from work at my company for which I could use a decision tree on Total Social Investment in some way:



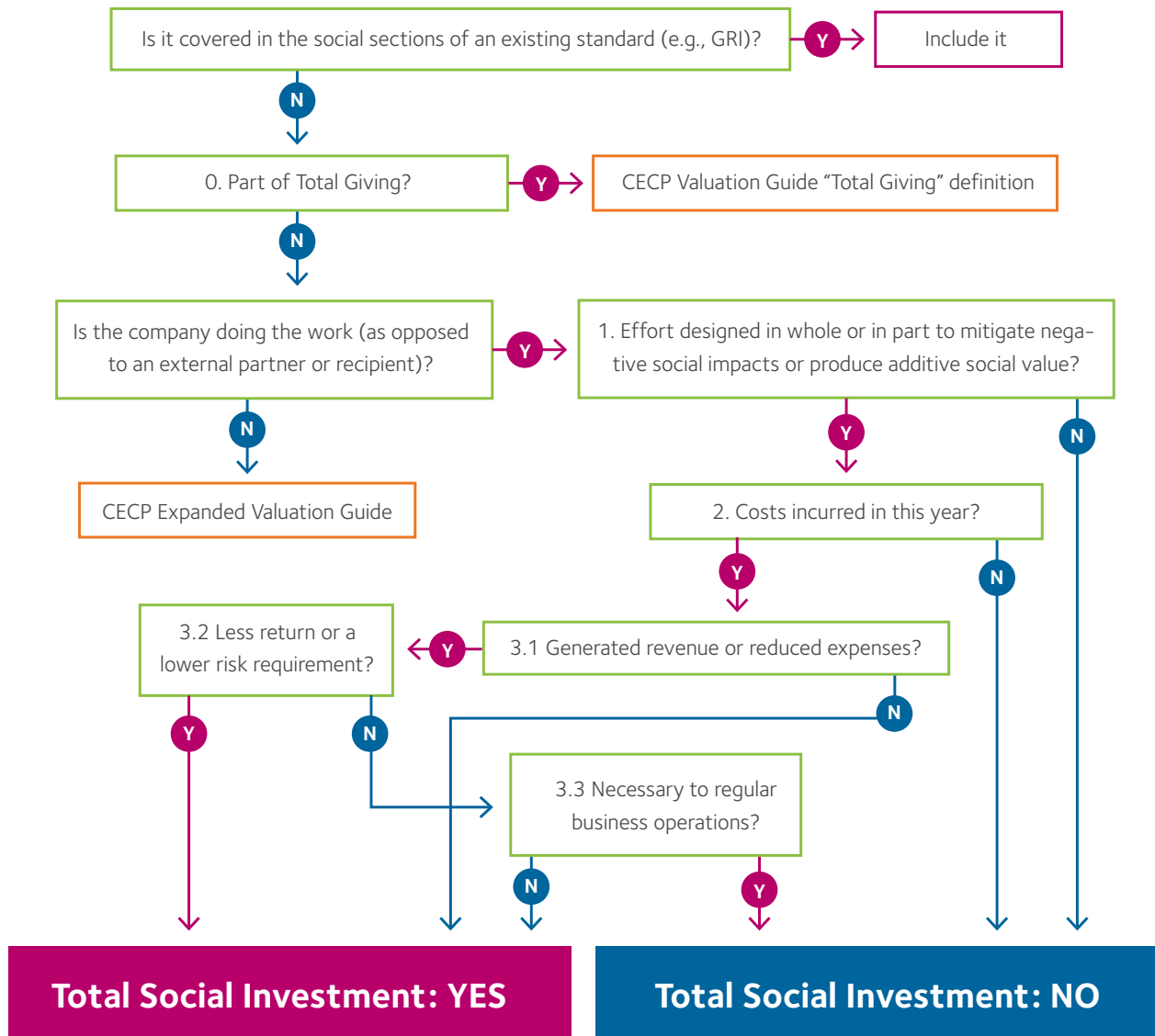
Source: Do More, Count More, CECP webinar, 2/28/2018, 80 attendees.

# Total Social Investment Decision Tree

Baseline Assumptions Completed by the Company



Internally a company would count an effort as a social investment.  
**Would the industry include the effort in Total Social Investment?**



# Total Social Investment Decision Tree

## Shared Strategies

The Decision Tree filters are described in greater detail below:

### 1 Was the effort designed in part or in whole to mitigate a negative social impact of the company or increase the social value produced by the company for a relevant community stakeholder?

- “Community stakeholder” is defined by GRI: Stakeholder: any entity or individual that can reasonably be expected to be significantly affected by the reporting organization’s activities, products, and services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. Local community: persons or groups of persons living and/or working in any areas that are economically, socially, or environmentally impacted (positively or negatively) by an organization’s operations.
- Employees and customers are acceptable stakeholders as well.
- Social issue areas are referenced in the Global Guide Criterion #2, sourced from the International Classification of Non-profit Organizations (ICNPO): Education and Research, Culture and Recreation, Health, Social Services, Development and Housing, Law and Advocacy, Philanthropic Intermediaries and Volunteerism Promotion, and International.

### 2 Did the effort incur costs for the company in the reporting year?

- Establishing the existence of costs ensures the effort could have a value to include in Total Social Investment.
- *Setting a goal or joining an alliance (membership) are likely to fail this criterion, but the efforts conducted to achieve the goal or work for the alliance are likely to pass.*

### 31 Did the effort generate any revenue or reduce any expense?

- “Generating revenue” means that this effort generates or is reasonably expected to generate cash inflows, or is an essential part of a cash-generating activity. For example, veteran hiring is expected to generate cash inflows in the future; product-safety training for contractors and supplier policy are an essential part of cash-generating activities.
  - ▶ If the effort generates revenue or reduces any expenses, then proceed.
  - ▶ If the effort does not generate revenue or reduce any expenses, **include the investment under Total Social Investment.**

### 32 How is the revenue generated or expenses saved different because of the social value?

- ▶ If returns and risks are comparable, then proceed.
- ▶ If the effort requires less returns or profit margin (than the other business projects with similar risks), or bears higher risks (than the other business projects with similar returns) when making investment decisions, **include the investment under Total Social Investment.**

### 33 Can the production of social value distinguish the effort as different from efforts necessary to sustain regular business?

- “Necessary to sustain” refers to activities necessary to keep the business running as usual. Consider the likelihood that the company could choose not to do this effort, or if the company would still make the investment if community stakeholders had not been considered. For example, privacy agreement, information security system, compliance, company culture development, regular new hiring, and regular internships will fail this criterion because they are necessary to sustaining the regular business operation.
- “Regular business” refers to the core products and services that a company provides to produce revenue. Generally, CECP recommends that while an effort may have counted at inception, after it has been active for three to five years it becomes regular business.
  - ▶ If the effort is necessary to sustain regular business, don’t include it.
  - ▶ If the effort is neither part of NOR necessary to sustain the regular business, then **include the investment under Total Social Investment.**

# Opportunities and Challenges

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The challenges to Total Social Investment are clear: a prolific and sometimes chaotic corporate reporting environment where companies seek to share information about their work in response to the changing intonation of voices from their stakeholders. As the reporting ecosystem has become a rainforest overflowing with life, the desire to narrow and focus is ripe—but incredibly complex.

The opportunity of Total Social Investment begins with CECP's coalition of companies to test and assess its feasibility and value. Driven by this result, the work of industry-wide cohesion can move to existing standards, guidelines, tools, and data platforms (many mentioned in this paper) to create space for Total Social Investment. This input measure is an important first step to understanding sustainable value created by the company. Stakeholders from investors to customers can use Total Social Investment to better understand a company's long-term social strategy in terms of how much it invests to create a better world through business.

## Acknowledgements

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CECP thanks the teams at the nine pilot companies for their time and insights into understanding how their companies are on their own journeys to ultimately better capture the social value each creates: CenterPoint Energy, Chevron, Cisco, Hershey, IBM, Paypal, Salesforce, Target, and USAA. Special thanks to Cisco for their support of this paper and to the USAA team for their support on the flagship working paper released in February 2017 and their tireless commitment to military family resiliency. CECP also thanks Elisabeth Lea Rutledge (Lecturer, Sustainability, Boston University) for her contributions to convening a Measurement Group of Experts. We also deeply appreciate the review and assessment of this Group: Eric Hespenheide, GRI Chair; Mary Winkler, Urban Institute; Ken Pucker, Berkshire Partners, BU Questrom School of Business; Bridget Ferrari, Supply Chain Expert, Shire (Formerly Sustainability Lead, Enel and National Grid); Prof. Stephanie Bertels, Embedding Project and Beedie School of Business, Simon Fraser University; Hideki Suzuki, Bloomberg ESG platform; and Dr. Steve Malinak, TruValue Labs Insight 360. The many contributions across the CECP team made this project possible and are highly appreciated. Carmen Perez, Director of Data Insights, CECP, served as lead author and project lead.



# Appendix A

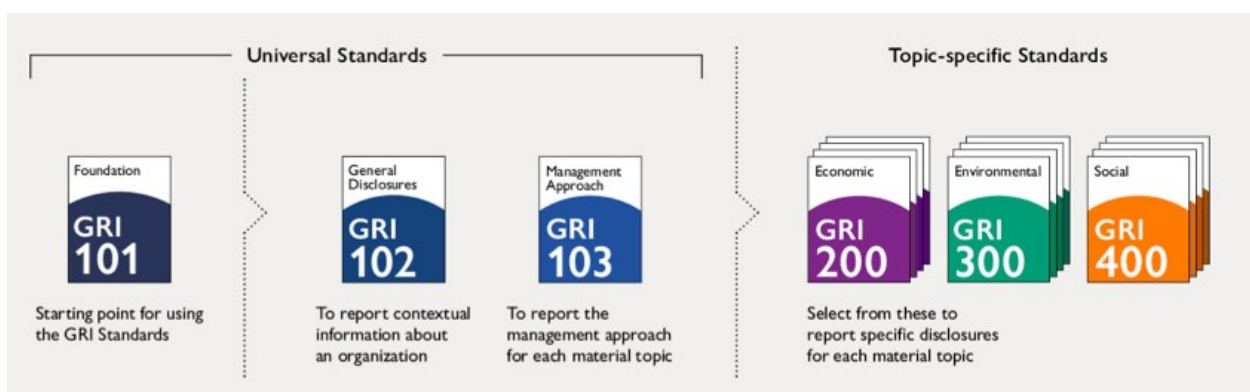
## Global Reporting Initiative (GRI) Social Topics

Source: [www.globalreporting.org](http://www.globalreporting.org)

GRI is organized into four categories: Universal Standards, Economic Standards, Environmental Standards, and Social Standards. Since it is the social aspect we are most concerned with here, a list of the “Social Standards” subcategories appears below.

### Social Standards

- Employment
- Labor/Management Relations
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Child Labor
- Forced or Compulsory Labor
- Security Practices
- Rights of Indigenous People
- Human Rights Assessment
- Local Communities
- Supplier Social Assessment
- Public Policy
- Customer Health and Safety
- Marketing and Labeling
- Customer Privacy
- Socioeconomic Compliance

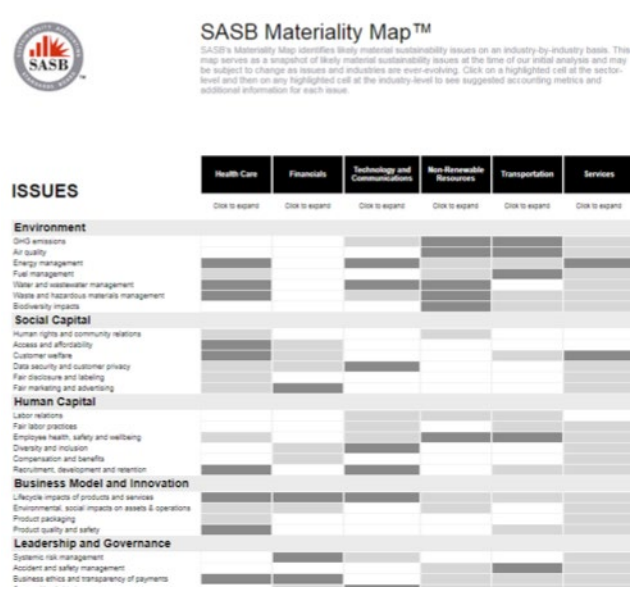


# Appendix B

## SASB Issue Categories

Source: <https://materiality.sasb.org>

SASB organizes issues into five areas: Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance.



### Social Capital

- Human rights and community relations
- Access and affordability
- Customer welfare
- Data security and customer privacy
- Fair disclosure and labeling
- Fair marketing and advertising

### Human Capital

- Labor relations
- Fair labor practices
- Employee health, safety and wellbeing
- Diversity and inclusion
- Compensation and benefits
- Recruitment, development and retention

### Business Model and Innovation

- Lifecycle impacts of products and services
- Environmental, social impacts on assets & operations
- Product packaging
- Product quality and safety

# Appendix C

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## Categories and Draft Definitions from *What Counts: The S in ESG, CECP with support from USAA, February 2017* (pages 13-14 of that report)

### All categories of socially driven efforts will:

- ✓ Require a documented socially driven purpose within their mission and/or goals. Socially driven purposes are clarified using the Global Guide Criterion #2, which recognizes nine charitable categories:
  - Culture and Recreation
  - Education and Research
  - Health
  - Social Services
  - Environment
  - Development and Housing
  - Law and Advocacy
  - Philanthropic Intermediaries and Volunteerism Promotion
  - International

### Multi-Departmental, Socially-Driven Efforts

- Socially driven changes to operations, supply chain, and administration
- Socially driven changes to products and services
- Socially driven changes to workforce

### Multi-Departmental, Socially-Driven Efforts will:

- ✓ Involve one or more major department, group, or unit outside the community, CSR, or related department to execute the business strategy
- ✓ Benefit a community stakeholder of the company (with “community” here referring to stakeholders that do not have a direct vested interest in the company)
  - This includes individuals who may become employees because of the effort
  - This includes families and others in the communities affected by socially driven programs for employees
- ✓ Not be disqualified because of the production of profit or some other direct business benefit
- ✓ Be a material change for the company (if they involve a product or service line shift, or new product development)
- ✓ Have externally shared the effort’s social purpose (if they involve the workforce)

### Expanded Uses and Types of Contributions

- Grant funding to government (besides schools) and to for-profits (e.g., social enterprises)
- Grant funding to individuals (education scholarships or employee relief)
- Investing with socially driven goals
- Donating company data

# Appendix C *continued*

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## **Grant funding to government (besides schools) or for-profits (e.g., social enterprises) will:**

- ✓ Be allocated with no expectation of repayment or services rendered for the direct profit-creating purposes of the firm
- ✓ Not be disqualified because of an indirect connection to creating business value and/or profit

## **Grant funding to individuals (education scholarships or employee relief) will:**

- ✓ Be funds given with no expectation of repayment
- ✓ Be funds sourced from a budget where grant funding for Global Guide criteria recipients is also sourced
- ✓ Education scholarships have the intention for use at a tertiary education institution without financial (shareholder) or management (Board of Directors) ties to the company
- ✓ Education scholarships will not be tied to employment requirements between the recipient and the company (e.g., covering an employee's professional development costs for a course at a university)
- ✓ Employee relief for disasters must be for an event registered as an official state of disaster by a federal or global authority (e.g., Center for Research on the Epidemiology of Disasters)

## **Investing with socially driven goals will:**

- ✓ Have an expectation of repayment and in some cases the expectation of an incremental, at, or below-market financial return on the funding, alongside socially driven returns
- ✓ Include many references of impact investing referenced by CECP, including the Case Foundation and Global Impact Investing Network (GIIN)

## **Donated company data will:**

- ✓ Be original to the company such that it is collected by the company through its operations or processes
- ✓ Be anonymized and provided within adequate governance standards
- ✓ Be provided to a recipient that meets the three Global Guide criteria

*Special note on data donation:* After a company has determined a data donation is qualified, the next step is to determine an amount of value to report. A guide to value data donation is not yet available, although would fall under CECP's current Valuation Guide's overarching recommendation to value contributions at fair market value. That value may or may not exist internally at the company. One next step to this pilot is to create a guide to define this value. Similar to its guidance on defining and valuing pro bono service together with Taproot, CECP will seek to collaborate with an issue-expert partner to recommend a valuation method.

## **Staff providing social service will:**

- ✓ Employ full-time staff members with responsibilities of delivering social services







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#### ABOUT CECP: THE CEO FORCE FOR GOOD

CECP is a CEO-led coalition that believes that a company's social strategy—how it engages with key stakeholders including employees, communities, investors, and customers—determines company success.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders to create a better world through business, CECP has grown to a movement of more than 200 of the world's largest companies that represent \$7 trillion in revenues, \$18.6 billion in societal investment, 13 million employees, and \$15 trillion in assets under management. CECP helps companies transform their social strategy by providing customized connections and networking, counsel and support, benchmarking and trends, and awareness-building and recognition.