The Road to (from) Multicapitals: Macro Level Multicapitalism in IIRC/Reporting 3.0 Project

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IIRC / r3.0 Monocapitalism to Multicapitalism Project

Richard Howitt announced partnership at 2018 Reporting 3.0 Conference at KPMG in Amsterdam

- White Paper for release in Q4 2019
- Review Board includes Mark Gough (Capitals Coalition), Fiona Reynolds (PRI), Jeremy Nichols (Social Value International), Eva Zabey (WBCSD), and others.

Two Key Points on IIRC / Reporting 3.0
Multicapitalism Project:

- The Carrying Capacities of the Capitals
- Multicapitalism at Nano, Micro, Meso & Macro Levels – Macro Level Example: EY 4th Industrial Revolution Study
Point One:
The Carrying Capacities of the Capitals
Plimsoll Line = Carrying Capacity
Capitals: <IR> Definition (Stocks & Flows)

“The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization.”

“The overall stock of capitals is not fixed over time. There is a constant flow between and within the capitals as they are increased, decreased or transformed.”

Carrying Capacity? Nope

“Significant factors affecting the external environment include aspects of the legal, commercial, social, environmental, and political context that affect the organization’s ability to create value in the short, medium, or long term. They can affect the organization directly or indirectly (e.g., by influencing the availability, quality and affordability of a capital that the organization uses or affects.)”

“These factors occur in the context of the particular organization, in the contract of its industry or region, and in the wider social or planetary context. They may include, for example:

... environmental challenges, such as climate change, the loss of ecosystems, and resources shortages as planetary limits are approached.”
Paragraph 58

Ultimately value is to be interpreted by reference to thresholds and parameters established through stakeholder engagement and evidence about the carrying capacity and limits of resources on which stakeholders and companies rely for wellbeing and profit, as well as evidence about societal expectations. Interconnections between corporate activity, society and the environment and the purpose of the corporation should therefore be understood in terms of what the corporation, society and the environment can tolerate and still survive – that will be the main determinant of value. The challenges will be to reach agreement at corporate, national and international level on what those thresholds and limits are, how the resources within those limits should be allocated, and what action is needed to keep activity within those limits so that value can continue to be created over time.
Planetary Boundaries; Social Foundations

Stockholm Resilience Centre, *Planetary Boundaries*

Kate Raworth, *Doughnut Economics*
Point Two: Multicapitalism at Nano, Micro, Meso & Macro Levels

Macro Level Example: EY 4th Industrial Revolution Study
Four Scales: Nano, Micro, Meso, Macro

Nano (Individual): Multicapital Thinking

Micro (Enterprise): Corporate <IR>

Meso (Portfolio): Asset Owner <IR>

Macro (Systems): National Economy Multicapital Assessment
EY Study on “4th Industrial Revolution” Impacts at Country Level

Employed MultiCapital Scorecard, a tool pioneered by the Center for Sustainable Organizations that applies carrying capacities of the capitals, to assess how four national economies responded to 4th Industrial Revolution developments.
Case Study Application of the MultiCapital Scorecard

Four historical, national-scale case studies were selected to test the Scorecard with real data. The cases were selected to embody large-scale technological innovations/policy initiatives that had the potential to affect wide-spread social and economic change across a country, similar to the impacts the 4IR may have in the future. The four cases spanned countries of different sizes and varying social, economic, environmental and political contexts. These included:

- **United States following the introduction of the internet and World Wide Web**
- **Estonia after declaring internet access a basic human right for its population**
- **Argentina following the widespread uptake of genetically modified crops**
- **Rwanda after committing to becoming a middle income country by 2020 through an emphasis on technology and innovation**
<table>
<thead>
<tr>
<th>AOs</th>
<th>Original emblematic metrics</th>
<th>Final emblematic metrics</th>
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<tbody>
<tr>
<td>Health</td>
<td>Life Expectancy</td>
<td>Life expectancy</td>
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</table>
| Social/Culture | Leisure Time               | 1. % of urban population with access to improved sanitation facilities  
                   | 2. % of individuals using the internet  
                   | 3. % of women in wage employment in the nonagricultural sector                        |
| Business Productivity | Labor Productivity       | GDP per capita                                                                         |
| Jobs        | Unemployment Rate           | Unemployment Rate                                                                      |
| Environment | GHG Emissions              | GHG Emissions                                                                          |
| Equality    | Gini co-efficient           | Gini co-efficient                                                                      |
| Freedom & Transparency | Voice & Accountability | Voice & Accountability                                                                  |
| Governance  | Democratization             | No sufficient proxies available                                                        |
| Privacy     | Privacy Infringement        | No sufficient proxies available                                                        |
| Security/Crime | Data Security              | Intentional homicides                                                                   |
United States of America (U.S.)- Multi-year analysis

- George HW Bush elected President
- Bill Clinton elected President
- George W Bush elected President
- Barrack Obama elected President
- NAFTA begins
- Early 90s recession
- Global economic downturn
- Economic recovery
- Dot com economic crash
- 9/11 attacks
- Hurricanes Katrina & Rita
- Global financial crisis
- Stock market crash
- All AOs dropped with environment dropping significantly
- Environmental performance is still low but economic performance drives increase
- Environmental rebounds but economic performance drops significantly while social performance stays steady
- After sporadic performance all AOs improve before economic and environmental AOs lead another drop

NOTE: This graph is an overlay of the TBL score and key historic events to provide historical context; it does not presume or suggest a causational relationship between events that occurred and the TBL score.

Overall triple bottom line (TBL) performance (%)
Internet users per 100 people
U.S. overall TBL performance and commonly used indices

NOTE: Graph shows standardized data to allow for comparison of trends; actual scales vary for each data set.

Correlations
- Overall TBL to HDI = -0.02
- Overall TBL to GDP = 0.01
- Overall TBL to Happiness = 0.73
- GDP to Happiness = 0.05
Argentina - Multi-year analysis

Argentina posts the second highest level of economic benefits from transgenics during this 20-year period, second only to the U.S.

First commercialization of genetically modified crops (transgenics) permitted in... 
Argentina economy falls into a deep recession 
Argentina rapidly becomes the world's second largest producer of transgenics 
Argentinian economy returns to growth 
Argentina slips to world's third largest producer of transgenics where it remains today

NOTE: This graph is an overlay of the TBL score and key historic events to provide historical context; it does not presume or suggest a causational relationship between events that occurred and the TBL score.
**Argentina Overall TBL performance and commonly used indices**

*NOTE: Graph shows standardized data to allow for comparison of trends; actual scales vary for each data set.*

<table>
<thead>
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<th>Year</th>
<th>Overall TBL Score</th>
<th>GDP</th>
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**Correlations**

- Overall TBL and HDI: 0.13
- Overall TBL and GDP: 0.22
- Overall TBL and Happiness: -0.07
- Happiness and GDP: 0.71

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The Treasury’s Living Standards Framework

To help us achieve our vision of working towards higher living standards for New Zealanders, we developed the Living Standards Framework. Our Living Standards Framework provides us with a shared understanding of what helps achieve higher living standards to support intergenerational wellbeing.

Distribution

Our work is focused on promoting higher living standards and greater intergenerational wellbeing for New Zealanders. These require the country’s Four Capitals – human, social, natural and financial/physical – to each be strong in their own right and to work well together.

The Four Capitals (natural, human, social, and financial and physical) are the assets that generate wellbeing now and into the future

Looking after intergenerational wellbeing means maintaining, nourishing, and growing the capitals

Natural Capital

All aspects of the natural environment that support life and human activity. Includes land, soil, water, plants and animals, minerals and energy resources.

Human Capital

The capabilities and capacities of people to engage in work, study, recreation, and social activities. Includes skills, knowledge, physical and mental health.

Social Capital

The norms, rules and institutions that influence the way in which people live and work together and experience a sense of belonging. Includes trust, reciprocity, the rule of law, cultural and community identity, traditions and customs, common values and interests.

Financial and Physical Capital

Financial and human-made (produced) physical assets, usually closely associated with supporting material living conditions. Includes factories, equipment, houses, roads, buildings, hospitals, financial securities.

The 12 Domains of current wellbeing reflect our current understanding of the things that contribute to how New Zealanders experience wellbeing

- Civic engagement and governance
- Cultural identity
- Environment
- Health
- Housing
- Income and consumption
- Jobs and earnings
- Knowledge and skills
- Safety and security
- Social connections
- Subjective wellbeing

The framework prompts us to consider how resilient the Four Capitals are in the face of change, shocks, and unexpected events

Thank You!

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