Net Positive
Social capital
SROI
Social contract
Social dividend
Social licence to operate
Social value
Social impact

The Social Lexicon

Sorting out the muddle

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In association with Jonathon Porritt &
Forum for the Future

forum for the future

Contents

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Executive Summary

In recent years, much of the literature dedicated to discussing topics within the 'social sustainability' space has been more than a little confusing, predominantly due to a myriad of loosely defined terms being used interchangeably. This paper seeks to tease out the origins and the meaning of these words and phrases, and to clarify the relationships between them.

Social Capital

Social capital is a longstanding concept relating to the 'Five Capitals' or, more recently, 'Six Capitals' frameworks. These frameworks describe things in terms of 'stocks of capital', with any change which take place altering the amount of these stocks expressed as 'a flow'.

Following the release of the Natural Capital Protocol in July 2016, there has been an emerging demand for businesses to develop a similar protocol for social capital – a challenge which has been taken up by the World Business Council for Sustainable Development (WBCSD). Thus far, the Council has focused on comparing the measurement techniques used within social impact frameworks, in an attempt to 'streamline' the approaches into one commonly used method for measuring social capital. It is hoped that this Social Capital Protocol will help establish best practice use of the term, although the systemic nature of the capitals frameworks must be recognised. By separating out social capital from all the other capitals, there is a risk of trade-offs, which would hinder progress towards a more sustainable future.

Social Impact / Social Value

Social Impact and Social Value are terms which are very similar in nature; they are often used as synonyms within corporate reporting.

Both terms can be measured relatively or absolutely, quantitatively or qualitatively, depending on the framework and indicators used. None of the methods for measurement are wrong, but nor are any of them perfect for every single scenario. It is also important that organisations are honest about their negative social impacts as well as the positive ones.

It must be recognised that societies and communities are complex structures, influenced by an untold number of factors at any one time. Whilst companies can play a big part in creating positive change for society, they must recognise that any change will not be solely attributable to their actions, and if possible, companies should evaluate the counterfactual argument to assess whether their involvement has made a truly significant contribution to the impact created.

Social Return on Investment (SROI)

Social Return on Investment is a specific way to measure social impact or social value by creating a common denominator for comparison: financial value. Many organisations have successfully begun to use SROI techniques to demonstrate how they can create more value for society than the money which is spent on their products or services. It is, however, important to recognise that some things cannot be quantified or measured, and that many relationships and interconnections are very complex. Therefore it is dangerous to assume that all indicators and impacts can be reduced into a term as simple and linear as SROI.

Social Licence to Operate (SLO)

Whilst the retention of a social licence to operate is integral to any company's success, this basic level of compliance denotes the minimum standard of behaviour expected of a company by society. Following significant levels of public scepticism about the role and integrity of companies during recent years, the Social Licence to Operate is no longer being taken for granted by the corporate world, and it has prompted many organisations to take an active interest in developing a 'new Social Contract for sustainability'.

Social Contract

This idea has been given new impetus by the suggestion from the Business and Sustainable Development Commission that a new Social Contract is needed between the business community and civil society. Given that most Social Contract theory, on an historical basis, revolves around relationships between government and the state on the one hand, and citizens and voters on the other, this is a challenging proposal, implying the need for significant innovation in the conventional 'triangle of governance' regarding responsibilities and obligations on the part of government, business and civil society.

If the Social Contract is seen as an agreement to exceed the minimum standard expected (as captured with the Social Licence to Operate), then there is a requirement for companies to be measuring their impacts and committing to improving their performance. With this in mind, the Future-Fit benchmarking standard has been established – a set of performance criteria which could be viewed as the basis for a new Social Contract to be built upon.

But what would the legal status of any Social Contract be? Promulgating an actual legally-binding contract seems improbable. But if a Social Contract is just another voluntary commitment or agreement, why would it command any greater attention or respect from individual citizens or society at large?

It can be argued that the legal status of the B Corp (with unambiguous commitments to ensuring positive impacts on people, communities and the planet) already constitutes a de facto Social Contract. They are required to meet rigorous performance standards in social, environmental, accountability and transparency criteria. Registration as a B Corp could therefore be considered a form of Social Contract, as these businesses are legally bound and fully committed to exceeding the minimum expectations of society.

Social Dividend

In certain circles, the phrase social dividend has been introduced to the lexicon. In an historical context, the idea of a social dividend was originally applied to what is now called the Universal Basic Income.

In a more contemporary setting, the term 'dividend' is assigned a financial meaning, and has been adopted by some organisations such as The Co-op to represent a regular monetary donation to key stakeholders involved in the Co-op. Another scheme which could be assumed to represent a 'social dividend' under these terms is the '1% for the Planet' initiative.

Social dividend is therefore a potentially confusion addition to the social lexicon. If it comprises a purely financial contribution, it is essentially ‘rebranding philanthropy’, and cannot therefore be considered as revolutionary or leading in its application. But giving the term another meaning to encompass more than just monetary values, would lead to further confusion of the social lexicon, and potential misuse of the term.

All these terms are of immediate interest to Forum for the Future, both within the context of its original Five Capitals Framework, and through the work it is doing now around the concept of Net Positive.

Unfortunately, however, there are no ‘hard and fast’ demarcation lines between all the different concepts, with the inevitable consequence that the whole area of social sustainability comes across as a bit of a muddle.

This is not helpful, and organisations like the World Business Council for Sustainable Development (with its advocacy of a Social Capital Protocol), the Business and Sustainable Development Commission (which is currently testing out the idea of a new Social Contract), and Forum for the Future (with its wide range of partners already using a variety of different terms and frameworks) have a real opportunity to help dispel some of this confusion.

October 2016

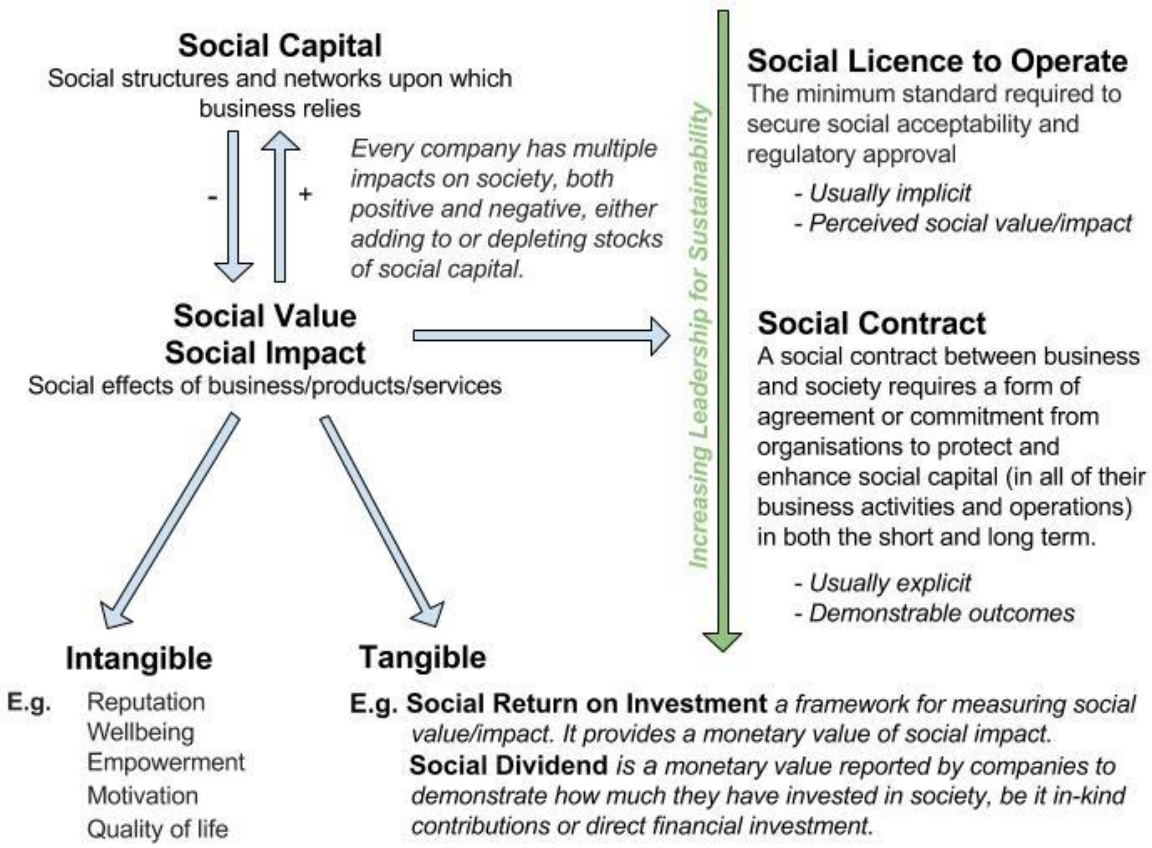
Introduction

In the world of social sustainability, the terms ‘social capital’, ‘social impact’, ‘social value’, ‘social return on investment’ and ‘social licence to operate’ are all used regularly and, sometimes, interchangeably. There is often no clarification as to what these terms mean, what context they are being used in, or even how they relate to each other. To add to this already confusing lexicon, there have recently been calls for leading businesses around the world to create a ‘new Social Contract’ for sustainability, and other organisations are seeking to add to the list, by adopting phrases such as ‘social dividend’.

Within this summary document, we briefly explore the history of these terms and find examples of how they are being used. We then attempt to determine the definition of each one and to clarify the relationships between them.

In conclusion, we outline some outstanding questions which surround the concept of a ‘new Social Contract’, voice our recommendations (and reservations) for use of the term ‘social dividend’, and finally, we explain how the findings of this research could be further developed by Forum for the Future.

Relationships between Terms



1. Social Capital

First developed in the academic discipline of sociology, 'social capital' is a commonly used concept across business, government and civil society. Recent work[1] by the International Integrated Reporting Council (IIRC) has emphasised the importance of social capital. It encourages use of the six capitals (natural, social & relationship, human, intellectual, manufactured and financial capital) in integrated reporting, understanding how the business preserves or enhances each of the capitals. This helps business understand the relationship between social factors and financial performance, both in the short and long-term.

Definitions

Definitions of 'social capital' vary widely, and in practice many businesses use other terms (e.g. social impact or social value) to refer to the social aspect of sustainability.

1) Forum for the Future[2] has one of the most specific definitions of social capital:
"Social Capital concerns the institutions and networks that help us maintain and develop human capital in partnership with others; e.g. families, communities, businesses, trade unions, schools, and voluntary organisations."

2) The IIRC[3] definition has been expanded slightly to include relationship capital, and is distinguished from both human and intellectual capital:

"Aspects of social and relationship capital in a business context relevant to include: the strength/ efficacy of supply chain relationships (e.g., establishing quality expectations, just-in-time delivery systems, and recycling programmes), community acceptance, government relations, relationships with competitors (e.g., coming together to develop industry standards), and customer loyalty. It is only by building relationships that an organization can retain its social licence to operate."

3) WBCSD[4] has adopted a broad definition of social capital:
"The WBCSD is using 'social capital', to refer to a company's positive and negative impact and dependence on people and society. This encompasses human capital (people's skills, experience and knowledge), social capital (societies' shared values, norms and institutions), relationship capital (connections and networks) and wellbeing, as well as the concept of socio-economic impact."

Using Social Capital

Forum for the Future's Five Capitals Model[2] creates a useful framework for businesses to assess their reliance on the stocks and flows of the different capitals (natural, human, social, manufactured and financial). When considering the capitals in this holistic and integrated way, it encourages the optimisation of capital value, whilst also highlighting any potential 'trade-offs' that may occur.

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[1] IIRC (2016) *Integrated Reporting Examples Database.* Available at: http://bit.ly/2cmoekV (Accessed: 31/08/16)
[2] Forum for the Future (2008) *The Five Capitals Model*. Available at: http://bit.ly/2cpkose (Accessed: 07/07/16)
[3] IIRC (2013) *CAPITALS: Background Paper for IR.* Available at: http://bit.ly/1rpXi8s (Accessed: 10/08/16)
[4] WBCSD (2016) *Social Capital*. Available at: http://bit.ly/2cxCydc (Accessed: 09/08/16)

Social Capital Protocol

To help address the confusion created by the broad range of definitions, the World Business Council for Sustainable Development is currently working towards creating a new Social Capital Protocol. In June 2015, it published 'Towards Social Capital Protocol: A Call for Collaboration[5]', acknowledging the social impact measurement efforts being made by multiple individual businesses. The report highlights the dangers of these organisations working separately: replicated efforts and a fragmented landscape.

> *"Developing a credible and broadly accepted approach is essential, not only to demonstrate our performance to stakeholders and shareholders, but also to ensure the effort of measuring and reporting informs a continuous movement towards more socially sustainable practices" (p.4)*

In April 2016, a draft protocol[6] was released on the subjects of employment, skills and safety, and companies were invited to trial its application. Feedback will inform the continued development of the protocol throughout the rest of 2016.

[5] WBCSD (2015) *Towards Social Capital: A Call for Collaboration.* Available at: http://bit.ly/2cDLGd8 (Accessed: 09/08/16)

[6] WBCSD (2015) *Life Cycle Metrics for Chemical Products.* Available at: http://bit.ly/2cTQrlk (Accessed: 09/08/16)

2. Social Impact

Definition

'The effect a company has on the social fabric of the community, the well-being of individuals and families, and on the relationships with its stakeholders.' An impact can be either positive or negative, and includes factors such as:

- How fairly and reliably suppliers and workers are paid;
- How shareholders (including small ones) are treated;
- How the company's activities, products and outputs affect the lives and health of local communities;
- How much tax the company pays.

Social impact can be defined and communicated through Key Performance Indicators (KPIs). These are specific, measurable factors which are capable of being used practically, either absolutely or relatively, and can indicate to an organisation and its stakeholders whether they are having a positive or negative impact. The usefulness of any collection of KPIs is dependent on the ability of a company to collect reliable and informative data. For instance, tax is an easily measurable indicator, but one which many companies fail to be transparent about, and fail to relate to wider social impacts.

Product Social Impact Assessment (PSIA)

Building on the use of Life Cycle Analyses (LCA), manufacturing companies are now trying to better understand the social impacts of their products through PSIA. For instance, The Roundtable for Product Social Metrics[7] published a handbook in 2015 to advise on indicators. At the same time, the World Business Council for Sustainable Development is working with chemical companies to develop consistent metrics.

> **Case Study 1: Philips and DSM**
>
> A study was carried out on a new hair care product, to measure the 'experienced' wellbeing of customers (relative, as opposed to absolute). A 'scales-based' approach was used to assess these products, and it demonstrated that 'hotspots' (negative scores) and 'differentiators' (positive scores) can quickly be identified with this method of data collection. By using the right metrics and indicators by which to measure future products, Philips and DSM are both able to increase the amount of positive social impact that they create for their customers.

8 9

[7] Fontes, J. (2016) *Handbook for Product Social Impact Assessment Version 3.0.* Available at: http://bit.ly/2c9d5UW (Accessed: 10/08/16)

[8] Roundtable for Product Social Impact Assessment (2015b) *Hair care product.* Available at: http://bit.ly/2cC6bZt (Accessed: 21/08/16)

[9] Roundtable for Product Social Impact Assessment (2015) *1kwh of windpower.* Available at: http://bit.ly/2cu0sBr (Accessed: 21/08/16)

Case Study 2: Vattenfall wind farms

Vattenfall Nordic wind farms wanted to measure the social impact created from their clean electricity wind turbines in Denmark and Sweden. They conducted a qualitative study, focusing on the core processes of the value chain (development, construction and operation), to measure any impacts created for local communities, society and workers, as a result of this new electricity generation. The study encountered multiple difficulties in gathering useful data. Vattenfall did however conclude that the results could be used to enhance future collaboration with key suppliers on sustainability issues.

Social Impact for Investment

The G8's Social Impact Investment Taskforce 2014[10] report encouraged investors to consider 3 dimensions when investing in a company: Risk, Return and Impact. Subsequently, The Global Social Impact Investment Steering Group (GSG) was established to increase pressure on companies to provide information on their social and environmental impacts. One of the primary ways to do this is by releasing a 'social impact statement', which can include factors such as: job creation, employee benefits, energy usage/reduction, volunteering/community outreach, and philanthropic activities.

Challenges with measuring impact

There are a number of challenges involved in measuring 'impact-based' metrics:

Time: Impacts (both positive and negative) often take time to materialise. The longer that time period is, the less easy it is to reconcile with reporting systems based on typical short-term business cycles.

Scale: The communities and environments in which companies operate are not self-contained entities. There are many other external variables which can cause impacts, most of which are outside of the company's control. These can include public policy, social and cultural trends, environmental conditions, and the activities of other players. In the absence of the counterfactual, it is difficult for any single organization to claim responsibility for 'impact-based' change. The best thing an organisation can do is to talk about its own, more measurable contributions.

Lack of baseline data. 'Impact-based' metrics capture change over time. Many organisations do not have the opportunity and foresight to begin capturing data before they intervene – therefore there is no baseline data with which to compare subsequent impacts.

Examples of measuring Social Impact

Social Return on Investment is one of the most popular frameworks used for measuring social impact.

[10] Social Impact Investment Taskforce (2014) *Impact Investment: The Invisible Heart of Markets.* Available at: http://bit.ly/1uzOo6q (Accessed: 20/08/16)

Social Accounting - The Co-operative Development Scotland introduced the concept of social accounting[11] to a number of co-operative and employee-owned businesses in 2008 as part of an initiative with the Social Audit Network. This helps companies prepare social accounts and have them independently audited.

Impact Trackers - There are a number of tools and programmes that are used by companies to measure and report on their outputs, outcomes and impact, such as the Evide Impact Tracker.

Case Study 3: B Corps

B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency, alongside their financial performance.

In order to become a Certified B Corporation, a company must have a verified score in the B Impact Assessment (BIA). The BIA not only assesses the impact of a company's operational practices - typically covered by standard sustainability and CSR tools - but also attempts to capture intentional business models designed to create social and/or environmental impact through a company's products or services, target customers, value chain, ownership or operations. These **Impact Business Models** are determined by a company's mission/intention, particular stakeholder groups and populations targeted, measurable and measured outcomes, and relevant third party certifications.

[12]

[11] Social Impact Scotland (2016) *Case Studies.* Available at: http://bit.ly/2cpmDf7 (Accessed: 31/08/16)

[12] BCorp (2016) *Performance Requirement for Pending B Corps.* Available at: http://bit.ly/2cyEcda (Accessed: 20/08/16)

3. Social Value

Context

Since the UK Public Services (Social Value) Act was enacted in 2012, a growing number of organisations have been seeking to communicate the benefits that they provide to society in terms of both tangible and intangible value. There are now a large number of frameworks[13] and guidelines addressing social value, as well as tools and methods for measuring and reporting. However, many of these approaches fail to report on negative outcomes in addition to the positives, and the majority of frameworks are only able to capture certain elements of social value, without providing a comprehensive picture.

Social value is closely linked to social impact, but there are subtle differences. The term 'impact' implies that a person or entity is being impacted upon, and that they have no agency or control over the situation. By contrast, the term 'value' implies that all agents are active, in one way or another, in shaping the social activity[14].

Many of the factors and impacts most regularly cited are unquantifiable, or, at least, not measurable on the same scale. Therefore, the 'value' that an organisation creates in a social dimension can be very subjective, as interpreted by the stakeholder. This has consequently resulted in many different definitions of 'social value'.

Definitions

"'Social value' refers to wider non-financial impacts of programmes and organisations, including the wellbeing of individuals and communities, social capital and the environment. These are typically described as 'soft' outcomes, mainly because they are difficult to quantify and measure." DEMOS, 2016[15]

"For Business in the Community, Social Value means the long term difference that a business creates for the communities in which it operates, through its existing commercial activity, social programmes and through its supply/value chain." Stephanie Hagan, BITC[16]

Social value can be assessed either from a stakeholder perspective, or a value perspective:

Stakeholder perspective: the value associated with an organisation by any person or entity which has a 'stake' in it.

"Social value is the relative importance of changes that occur to stakeholders as a result of an activity." SROI, 2012[17]

Value perspective: the relative value of an activity or organisation as determined by what people value within society.

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[13] Maddocks, J. (2015) *Measuring and reporting on social value.* Available at: http://bit.ly/2ck3edO (Accessed: 27/08/16)

[14] Morrison, J. (2016) Conversation with Bex Dawkes. 31/08/16

[15] Leighton, D (2010) *Measuring Social Value.* Available at: http://bit.ly/2c9gTpk (Accessed: 27/08/16)

[16] Hagan, S. BITC (2014) 'Reflections on the 2014 Building Stronger Communities Award' 3rd July. Available at: http://bit.ly/2cfuVsx (Accessed: 12/09/16)

[17] Social Value UK (2012) *A Guide to Social Return on Investment.* Available at: http://bit.ly/2coF40f (Accessed: 09/08/16)

"Social value is about what is of value to people in society; the importance, worth or usefulness of something." Social Value Business, 2016[18]

Case Study 4: Willmott Dixon

In its recent report on Social Value, Willmott Dixon recognises that a company's effectiveness in adding social value is not just through community investment activities but also through the way it operates, treats people and the core activities it's involved in. Willmott Dixon recommends that companies must find the right mix of ways to articulate their social value. For example, in the Willmott Dixon Foundation's Annual Review, a large number of qualitative and quantitative metrics are provided to demonstrate the full social value being created, such as measuring the improvement in confidence and skills gained by people taking part in their work programmes, as well as written feedback from people in the communities they are working with.

[19] [20]

Creating Shared Value

In 2011, Harvard Business School Professor Michael Porter launched a paper in conjunction with Mark Kramer, promoting the concept of 'creating shared value'[21]. This was an idea that they thought could move businesses on from measuring philanthropic donations, as per the norm in Corporate Social Responsibility, and towards measuring the value that they were actually responsible for creating within society. Porter believed that by concentrating on creating value, and by sharing growth within the local community and wider society, then for-profit companies would stand to benefit even further themselves as overall prosperity and wellbeing would increase.

Measuring and Reporting

Happiness, wellbeing, health, inclusion and empowerment are some of the indicators used to measure social value. All of these factors have a multitude of potential metrics, and many of them cannot be judged on absolute scales. Measuring and reporting social value is thus quite challenging. NEF's 2005 report[22] concluded that there are so many tools available to measure social value that it is a challenge even to select the most appropriate one. In the UK, two approaches have emerged as the favourites: social auditing/accounting, and Social Return on Investment (SROI).

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[18] Social Value Business (2012) *Social Value.* Available at: http://bit.ly/2cSDPe6 (Accessed: 09/08/16)

[19] Willmott Dixon (2015) *Social Value: Taking full account of a company's true impact.* Available at: http://bit.ly/2coO1qh (Accessed: 02/09/16)

[20] Willmott Dixon (2016) *Annual Review.* Available at: http://bit.ly/2cxNgiE (Accessed: 01/09/16)

[21] Porter & Kramer (2011) 'How to Fix Capitalism and Unleash a new wave of Growth' *Harvard Business Review* 11(2) pp.1-20

[22] New Economics Foundation (2005) *Measuring Real Value: Social Return on Investment.* Available at: http://bit.ly/2cQ2YTK (Accessed: 03/08/16)

The Global Reporting Initiative (GRI) and Connected Reporting Framework[23] are both frameworks which have been developed in order to enable corporations to measure their social value. Shell, ING, Marks & Spencer and BT have all begun using these structures in recent years.

The Social Stock Exchange was launched in 2013 to recognize and differentiate the businesses that are defining their impacts on society and working to ensure that they are increasing the positive value that they provide.

Case Study 5: The Crown Estate

The Crown Estate began reporting on its 'Total Contribution' to UK society in 2011/12. By measuring against specific 'indicators' across economic, environmental and social areas, they have tried to demonstrate the total value that they deliver as an organisation – value which isn't necessarily defined in monetary terms. Unlike many other organisations, The Crown Estate aims to capture both positive and negative outcomes from their business activities in an attempt to calculate the net contribution of value that the company is creating. They do however recognise that a lack of baseline data to measure against has proven difficult in terms of demonstrating any additional value created.

[24]

[23] Accounting for Sustainability (2009) *Connected Reporting.* Available at: http://bit.ly/2ci8Tl9 (Accessed: 02/09/16)

[24] The Crown Estate (2012) *Total Contribution Report.* Available at: https://issuu.com/nef-consulting/docs/crown_estate_-_total_contribution_r (Accessed: 13/09/16

4. Social Return on Investment

Definition

SROI is an analytical tool for measuring and accounting for 'value', taking into account social, economic and environmental factors. SROI methodologies are able to capture in monetised form the value of a wide range of outcomes, whether or not they have a priori financial value.

Background

The concept of SROI was initially developed by the Roberts Enterprise Development Fund (REDF), a San Francisco-based philanthropic fund in the 1990s and early 2000s. In the UK, NEF first adopted the concept in a 2004 report about Measuring Social Impact[25], and they now champion the tool as a way to measure value in its broadest sense.

In 2007, the UK and Scottish Governments commissioned a project intended to help third sector organisations measure their impact. This resulted in the founding of the SROI Network (now the 300-strong Social Value UK Network) and the production of a "Guide to SROI" in 2009, which was subsequently updated in 2012[16].

In 2012, the UK Government passed the Public Services (Social Value) Act[26], which requires public bodies to consider social value at the pre-procurement phase of projects. This has resulted in SROI practices being adopted by businesses working with the public sector such as Veolia (see Case Study 6).

Case Study 6: Veolia

Veolia has used SROI analysis since 2012 to demonstrate to local governments that their services provide social value, as well as a vital service to the community. The initial study conducted with Southwark Borough Council, showed £2.09 of social value was provided for every £1 spent. These results have helped to differentiate Veolia from other service providers and to improve its chances in bidding for contracts.

[27]

SROI can either be **measured as an evaluation** of actual outcomes already created, or can be **predicted as a forecast** of how much social value could be created if the proposed activities meet the intended outcomes.

Although initially developed for the third sector, SROI can also be used by business. PWC[28] and KPMG[29] have both developed methodologies for this purpose.

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[25] New Economics Foundation (2004) *Measuring Social Impact.* Available at: http://bit.ly/2c3oBxQ (Accessed: 03/08/16

[26] *Public Services (Social Value) Act 2012, c. 3.* Available at: http://bit.ly/1EfZyni (Accessed: 09/08/16)

[27] Veolia (2013) *Creating Social Value.* Available at: http://bit.ly/2coPLjl (Accessed: 14/08/16)

[28] PWC (2013) *Measuring & Managing Total Impact.* Available at: http://pwc.to/1NRaLe8 (Accessed: 18/08/16)

[29] KPMG (2015) *Introducing KPMG True Value.* Available at: http://bit.ly/1JihniH (Accessed: 18/08/16)

Methodology and principles

Sinzer[30] argues that the application of SROI is based on seven principles.

1. Involve stakeholders – involve stakeholders by informing them about what it is that gets measured, and how.
2. Understand what changes – articulate how change is created and evaluate this.
3. Value the things that matter – use financial proxies in order that the value of the outcomes can be recognized.
4. **Only include what is material** – determine what information and evidence must be included.
5. **Do not over-claim** – only claim the value that you are responsible for creating.
6. **Be transparent** – demonstrate the basis on which the analysis is considered.
7. **Verify the result** – ensure appropriate independent assurance to show decisions made are reasonable.

Case Study 7: BT

In 2014, BT & Just Economics used the SROI methodology to measure the value of 'digital inclusion', concluding that every £1 spent through the BT Get IT Together programme generated £3.70 in social value.

31

[30] Sinzer (2012) *The Beginners Guide to Social Return on Investment.* Available at: http://bit.ly/2c3pLcD (Accessed: 18/08/16)
[31] BT (2014) *Digital Inclusion.* Available at: http://bit.ly/2cQCd5P (Accessed: 14/08/16)

5. Social Licence to Operate

Definition

The idea of companies earning their Social Licence to Operate is more rhetorical than practical. It alludes to the 'virtual permission' granted by the public, society or specific stakeholders to allow a company or organisation to conduct its business activities unimpeded.

A SLO can only be gained and maintained through good reputation, trust and transparency - all of which are somewhat subjective. However, if an organisation fails to measure up to society's norms or perceived minimum standards, there is a potential for public outcry, boycotts or legal action, all of which can seriously affect the commercial viability of the business. In this regard, companies cannot operate sustainably without the implicit support of society.

Examples

1. Tesco took a 1% fall[32] in sales during the 'horsemeat scandal', with customers avoiding frozen and chilled convenience food. Burger King also received negative press[33] through social media channels, and both companies resorted to apologising in national newspapers. By contrast, M&S was unscathed, having taken additional precautions to ensure that this kind of contamination could not occur in its supply chain.

2. The 2008 financial crisis resulted in huge collapse of the banking sector in Iceland[34], with senior executives and Government Ministers criticised in the harshest terms for betraying the interests of both individuals and societies.

3. After the 2015 Volkswagen emissions scandal[35] and the resulting public outcry, the company was ordered to pay compensation to customers affected by the widespread fraud involved in 'cheating' in emissions tests. However, no heads have as yet rolled, and many commentators believe that the worst is yet to come for VW.

4. A Greenpeace campaign video[36] in 2014 went viral on YouTube (attracting nearly six million views), leading to Lego ending its multi-million-dollar partnership deal with Shell which dated back to the 1960s. Lego had assumed its licence to operate was solid, on the basis of its <u>own</u> good social and environmental performance. But that was not sufficient to protect it from the taint of association with Shell.

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[32] BBC News (2013) 'Horsemeat in Tesco burgers prompts apology in UK papers' *BBC News* 17th January. Available at: http://bbc.in/19MQEtG (Accessed: 31/08/16)

[33] Meikle, J. (2013) 'Burger King reveals its burgers were contaminated in horsemeat scandal' *The Guardian* 31st January. Available at: http://bit.ly/2czpIec (Accessed: 31/08/16)

[34] Erlingsson et al. (2015) 'Distrust in Utopia? Public perceptions of corruption and political support in Iceland before and after the financial crisis of 2008' *Government and Opposition.* March 2015. pp. 1-27

[35] Financial Times (2016) *VW Emissions Scandal.* Available at: http://on.ft.com/2caeOJL (Accessed: 12/09/16)

[36] Greenpeace (2014) *LEGO: Everything is NOT awesome.* Available at: http://bit.ly/VDzRsW (Accessed: 12/08/16)

Background and History

'Social Licence to Operate', as a term, was first coined in the late 1980s[37] within the mining industry, after communities and activists began pressuring extracting companies to begin operating more sustainably. These businesses realised that to implement new projects, they not only required a formal permit from the local authority, but also needed to gain the permission[38] and acceptance of local people, primarily by negotiating and discussing the potential benefits and impacts that such projects would have on the local area. The term has since been adopted into the 'CSR lexicon', and is now used more broadly by companies in other industries to mean the minimum socially acceptable standard[39].

Companies will sometimes go to great lengths to sustain their Social Licence to Operate: PR, CSR, stakeholder engagement, community engagement and capacity building are all different ways of companies protecting their SLO.

SLO is about legitimacy, and can be described in rational terms. Reputation is about perceived favourability and is often more connected to emotional responses. [40] [41] [42]

Case Study 8: BP

After the Deepwater Horizon disaster in 2010, BP concentrated on creating an environment in which the company and its extraction activities might be viewed as valuable within wider society. It has increased funding for school and community engagement projects, with the 'BP Ultimate STEM Challenge' launched in 2013, and the 'BITC arc programme' launched in 2011. The company has also upped sports and culture sponsorship.

"I believe the social licence to operate broadly equates to trust. A company such as BP needs to be trusted in several ways – trusted to deliver the energy to drive economic growth and lift billions out of poverty; trusted to be safe; trusted on the environment; and trusted with regard to its impact on society. We have come through a major crisis of trust and we are regaining our social licence to operate. But we will never take it for granted."
Dev Sanyal, BP Global Executive Vice President. 22nd November 2012

This kind of add-on strategy leaves the majority of NGOs and activists even more sceptical than they were before – however many benefits may be generated through such engagement activities. Indeed, it is seen by some as the equivalent of corporate hand-outs, or even bribery which just happens to be on the right side of the law.

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[37] Prno (2013) 'An analysis of factors leading to the establishment of a social licence to operate in the mining industry' *Resources Policy* , 38 (4), pp. 577-590

[38] Dare et al. (2014) 'Community engagement and social licence to operate' *Impact Assessment and Project Appraisal,* 32(3), pp. 188-197. DOI: 10.1080/14615517.2014.927108

[39] Black & Bice, ACCSR (2016) *Defining the Elusive and Essential Social Licence to Operate.* Available at: http://bit.ly/2aN70us (Accessed: 17/08/16)

[40] BP (2016) *Ultimate Stem Challenge.* Available at: http://on.bp.com/1gjFmH5 (Accessed: 09/08/16)

[41] Business in the Community (2014) *arc: Building Better Business.* Available at: http://bit.ly/2cQeFtz (Accessed: 27/08/16)

[42] Sanyal,D. BP (2012) *Obtaining a social licence to operate – a challenge for the industry* [Speech] 22nd November (Accessed: 09/08/16)

6. A New Social Contract?

Background and Context

Following the establishment of the Sustainable Development Goals in September 2015, a new business collaboration was formed: The Business and Sustainable Development Commission. This coalition of leading companies is calling[43] for a new 'Social Contract' to be formed between business and civil society.

There has been increased interest in the term 'Social Contract' in recent years, specifically in relation to business. This may well be because trust in business is at an all-time low[44]. The general public has little belief that business exists for any other reason than making money for shareholders. Many businesses are now seeking to change this opinion and demonstrate the good they are doing.

At the same time, the expectations that society has for business appear to be growing. In recent years there have been a number of scandals which have caused boycotts, protests and legal action, such as the horsemeat scandal, Volkswagen emissions investigation and the 2008 financial crisis (see page 17). Furthermore, social media platforms are allowing consumers and citizens to use their voices and engage with big business and irresponsible companies via the likes of Facebook and Twitter[45].

Recent research[46,47,48,49] outlines the importance of good narratives to guide corporate activities in society. Narratives help to reduce complexity, create collective perspectives, build an agreed basis for current and future-oriented action plans, and help to form co-operation between actors[50].What is needed now is a new narrative, or story, to bring us to a sustainable future – and some believe that a new Social Contract needs to be part of that narrative.

Social Contract Theory

The concept of a Social Contract originates in various schools of philosophy, and provides the basis for our political governance system. A Social Contract is an agreement between the state and all members of society, aiming to create order and peaceful co-habitation for citizens[29]. Within this contract, individuals agree to uphold common rules and accept

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[43] Business Commission (2016) *Making the Business Case for Sustainable Development.* Available at: http://bit.ly/2cRjTJB (Accessed: 14/08/16)

[44] Confino, J. (2015) 'Public trust in business hits five-year low' *The Guardian.* 21st January. Available at: http://bit.ly/2cRjsuM (Accessed: 23/08/16)

[45] Mainwairing, S. (2011) 'The Corporate Social Contract' *Corporate Responsibility Magazine.* 1st July. Available at: http://bit.ly/2ca6mdA (Accessed: 12/08/16)

[46] Akerlof & Shiller (2009) *Animal Spirits: How Human Psychology Drives the Economy and Why it Matters for Global Capitalism.* Princeton: Princeton University Press

[47] Tomasello, M. (2014) *A Natural History of Human Thinking.* Harvard: Harvard University Press

[48] Dunbar, R. (2010) *How Many Friends does One Person Need?* London: Faber

[49] Ostrom & Walker (2003) *Trust and Reciprocity: Interdisciplinary lessons from experimental research.* New York: Russell Sage Foundation

[50] Messner, D. (2015) 'A social contract for low carbon and sustainable development' *Technical Forecasting & Social Change.* 98(2015). pp. 260-270

duties in order to create mutual benefit. The classical view of a Social Contract views individuals as autonomous, with an active interest in shaping society[51].

Famous advocates of classical Social Contract theory are Thomas Hobbes (1588–1679), John Locke (1632–1704), Jean-Jacques Rousseau (1712–1778) and Immanuel Kant (1724–1804). These authors, however, have differing beliefs as to the construction and basis of a Social Contract. Locke and Kant believed that people were reasonable, and therefore capable of peacefully coexisting with each other if they created a mutual order for themselves (the Social Contract)[29]. Hobbes, however, believed that people are inherently selfish, and would always act self-destructively unless ruled over by an authority (as set out in a law-based Social Contract).

All Social Contract theory advocates agree on one thing: individuals have absolute rights, but are bounded only by the need to recognise the rights of others. In order to live amongst other individuals, and to create a functioning society, citizens must relinquish some of these rights, and agree to do so. They must obey the laws, act responsibly, and abandon certain self-interested values which conflict with the mutual benefit to society. In exchange for giving up these rights, these citizens will benefit from mutual peace and prosperity as individuals within society.

There is a lively debate as to the degree to which companies should be treated as citizens. The term 'corporate citizenship' has been increasingly used in recent years by various groups of stakeholders, keen to persuade companies to accept the responsibilities and obligations of other citizens. However, many argue that the assumptions of citizenship cannot be applied to corporations, in that they cannot possibly lay claim to the same rights and entitlements as individual citizens. Others suggest that although corporations are not technically citizens, in status, they could claim to act 'as if' they were metaphorically citizens if their engagement in society resembles that of citizens[52].

Can we form a new Social Contract involving business?

There are three main theories of business ethics[53]:

1. Stockholder theory: a company has no ethical obligations to society other than to earn the largest possible profit for its stockholders or owners.

2. Stakeholder theory: a company is morally obligated to all parties with a stake in the outcomes of its activities.

3. Social Contract theory: a company only operates when under a contract with society, in which society allows the company to do business under the condition that its actions benefit society.

Business decisions are often underpinned by these different theories of ethics, even if those assumptions remain largely invisible. Beyond this, there are a number of other

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[51] WBGU (2011) *A Social Contract for Sustainability.* Available at: http://bit.ly/2cmk38J (Accessed: 12/08/16)

[52] Moon, Crane & Matten. (2005) 'Can corporations be citizens? Corporate Citizenship as a metaphor for business participation in society' *Business Ethics Quarterly.* 15(3)

[53] Hasnas (1998) 'The Normative Theories of Business Ethics: A Guide for the Perplexed' *Business Ethics Quarterly.* 19(2)

important questions which must be answered when considering what a Social Contract with business would look like.

1. What role does government play?
It seems important when considering any Social Contract between civil society and business that the government must still act as the ultimate authority to uphold rules and frame markets for the mutual benefit of all.

2. What does it mean to act in the best interests of society?
Assuming a Social Contract means that businesses have to act in the best interests of society, how should they uphold their side of the Social Contract? How can companies establish what the most beneficial actions are? And how should they record and report this?

3. How much are businesses responsible for?
Defining a company's field of responsibility (narrowly or broadly) will obviously result in very different versions of a Social Contract. Concentrating on its direct activities, impacts and operations, must provide the foundation for any Social Contract, but a company's much wider sphere of influence must also be taken into account.

4. Who do you define as society?
Society can be considered on both global and local levels. It is important to distinguish where boundaries are drawn, and how attention is split between the different 'levels'.

5. What is the timescale?
Decisions have different impacts across different timescales. A decision made with positive impacts for the current business cycle in mind could still produce negative impacts on future generations. The frame of reference must therefore be clearly considered within any contract made with society, and it should be clearly stated as to how far into the future any measurements or projections will go.

The German Advisory Council on Global Change (WBGU) proposes that any new Social Contract for sustainability must be one where individuals and civil society groups, governments, the international community, business and science all pledge to take on a **shared responsibility for protecting natural life-support systems**. This would primarily be achieved through binding agreements involving conservation of the global commons (i.e. publicly-owned assets and earth systems such as the oceans and atmosphere).

A key element of this new Social Contract is that the state is proactive, and citizens have opportunities for much more proactive participation. The concept therefore aligns with Locke & Kant's views that people are rational and capable of making personal decisions in the best interest of wider society.[50]

Businesses can show that they are concerned with society and recognise their dependence on it (Figure 1) by aligning their activities to protect and enhance social and natural capital, maintaining the relationships and systems necessary for their long-term success as a business. This activity illustrates that a business is serious about its Social Contract, and that it recognises the value of healthy social, human and natural capital stocks and flows.

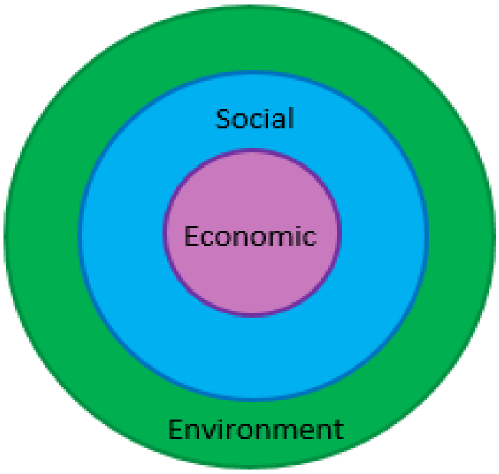

Figure 1: The Natural Limits Paradigm

Social Contract theory can be a controversial concept because it is tied into broader political issues. Fierce advocates of free-market capitalism argue that companies benefit society by creating wealth, providing services and employing people. In this view, corporations achieve the most good by concentrating on profits, as opposed to discussing complex and subjective ethical concerns.

Those who believe that there has to be a lot more to capitalism in the 21st century than the tired old refrain of 'the business of business is business' argue that companies receive substantial benefits from society, and should therefore reciprocate by acting in the common interest as well as in the narrow interest of their shareholders[54].

These opposing ethical positions highlight the discrepancies between perceptions of fiduciary duty – and of a company's ultimately accountability.[55] What would it mean to make a Social Contract part of a company's fiduciary duty?

How does this relate to Social License to Operate (SLO)?

Historically, the SLO alludes to 'virtual permission' granted by the public, society or specific stakeholders to allow a company or organisation to conduct its business activities unimpeded. An SLO is theoretically gained through good reputation, trust and transparency - all of which are somewhat subjective. For the vast majority of firms, this social licence is implicit and inactive.

It is argued that business leaders today must recognise that being compliant is not enough. Until leaders of a firm can say they are engaged in a process of continuous sustainability improvement — akin to continuous improvement and investments in other parts of their business – they are out of step with our changing world[56].

A new Social Contract would be a way of demonstrating this continuous improvement. It can be viewed as a progressive step forward in sustainability, beyond having a Social Licence to Operate which should be considered as the minimum standard acceptable by society, and comprise the basic idea of 'doing no harm'.

[54] Thompson, S. (2016) *Social Contract Theories in Business.* Available at: http://bit.ly/2cRmQpE (Accessed: 12/08/16)

[55] Eccles, R. (2016) Conversation with Bex Dawkes. 30/08/16

[56] Lurie (2009) 'The New Social Contract with Green Business' *Harvard Business Review.* 11th May. Available at: http://bit.ly/2cj2Uen (Accessed: 14/08/16)

The Future-Fit Business Benchmark

One framework that has been developed to help businesses take on this challenge is the Future-Fit Business Benchmark[57]. This provides companies with 21 Future-Fit goals to achieve, which were developed using leading environmental, social and systems science. The goals were derived by identifying how a 'typical' company must interact with other actors to ensure that it in no way hinders progress toward a prosperous future for all. Once all 21 goals are achieved, a company can work toward creating positive value in society. One company which has successfully applied the Benchmark is the Body Shop, which subsequently developed its Enrich not Exploit™ commitment[58]**.** Through this commitment, the Body Shop has pledged to protect and nurture its people, its products and the planet through 14 specific targets by 2020.

In order for a new Social Contract to work, it is likely that it will have to take the shape of an agreement or commitment by involved organisations. This 'contract' will ensure that businesses are not only not causing any depletion of social capital, but are continuously improving their positive social impacts and value creation.

B Corporations as a form of Social Contract

Without having an extremely pro-active and involved society, it seems almost impossible to truly create a social 'contract' between business and society. With the majority of society remaining passive in the debate over business ethics, if a new Social Contract were just a voluntary statement or commitment from a company, it becomes no different from an SLO or classic CSR activities. Therefore, in order for a Social Contract to mean something **more**, a much more concrete agreement or commitment is needed. One way this could be achieved may be through the legal entity of B Corporations.

A B Corp is a company that views success as having a positive impact on people and on the planet, as well as by making profit. A B Corp is a for-profit business that has social and/or environmental outcomes as part of its mission. They are certified to meet rigorous standards of social and environmental performance, accountability, and transparency. In order to certify as a B Corp, a business needs to undertake a B Impact Assessment and pass a legal test. Companies wishing to become a B Corp will need to adopt governing documents and practices that involve a commitment to a 'triple bottom line' approach to business. Governing documents will also need to state that the Board Members of the company need to consider a range of 'stakeholder interests' when making decisions – including shareholders, employees, suppliers, society and the environment - **and** that shareholder value is only one factor amongst the many stakeholder interests which Board Members need to take into account; it is not the principal consideration.

Conclusions

The idea of a Social Contract is an interesting addition to the debate about the responsibilities of business towards society. In the wake of increasing demand from the public about accountability and good practice in business, some companies are seeking a new way to demonstrate leadership in 'social sustainability'.

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[57] Future-Fit Business Benchmark (2016) *Introduction to the Benchmark*. Available at: http://bit.ly/2cqpULd (Accessed: 20/08/16)

[58] The Body Shop (2016) *Enrich Not Exploit.* Available at: http://bit.ly/2c9Z3Ct (Accessed: 22/08/16)

However, the term ‘Social Contract’ traditionally refers to a relationship between government and society, so a number of factors need to be clarified before it can be successfully applied in the business context. These include establishing the role of government, the extent of responsibility of business through their value chains, whether ‘society’ refers to a local or global community, how to determine and measure what actions will benefit society, and the timescale of measurement.

7. The 'Social Dividend'

Introduction & Context

Historically, the word 'dividend' has always been associated with finance. A dividend in its typical context is a share of the profit, or portion of the profit, generated by a company, and distributed to a set of shareholders in the company.

The idea of a social dividend first arose in 1795 as the original concept of social security within Thomas Paine's book, Agrarian Justice[59]. Paine believed that any income generated from publicly-owned land, or 'the commons', should be equally distributed between the people. Over the last 220 years, the 'social dividend' as an idea has been altered and redeveloped for various different economic systems, and championed by a number of people across the political spectrum. The Green Party adopted the idea of a Universal Basic Income in the mid-1970s, and in 1986, the social libertarian Philippe Van Parijs[60] championed the idea of a 'basic income' as the way to 'Real Freedom' within a capitalist society. In 1987, the right-wing economist Milton Friedman[61] suggested an alternative on the social dividend, in the form of a 'negative income tax'.

The state of Alaska[62] has been issuing a 'social dividend' to its citizens since 1976 in the form of the Alaska Permanent Fund. The dividend is received annually, rather than weekly, and is determined by the financial return generated by Alaska's oil and gas assets. Therefore the amount received each year can vary widely.

A large number of small-scale 'pilot projects' and 'social experiments' have been conducted on the idea of a basic income[63], in many different countries, nearly all of which have had positive results in reducing health inequalities, improving education and literacy levels, and increasing employment rates.

Corporate use of the 'Social Dividend'

The term social dividend can be an attractive concept to corporations, due to the weight and power of the word 'dividend' in the financial markets. The annual dividend, on a very basic level, stands as a proxy for the company's overall performance, and is often used as the basis for determining executive remuneration. Adopting the word 'dividend', but within a very different context, captures the attention of those who are financially-minded, and has the potential to resonate with an audience outside of the traditional CSR sphere.

An example of corporate social dividend in use can be seen with The Co-operative supermarket. The Co-op has long been issuing a traditional financial dividend to its members, in various forms (Case Study 9), but has also used the phrase 'Community Dividend' to provide financial support to local charities and projects.

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[59] Paine, T. (1795) *Agrarian Justice.* Lanham: Start Publishing LLC

[60] Van Parijs, P. (1997) *Real Freedom for All: What (if Anything) Can Justify Capitalism?* Oxford: Oxford University Press

[61] Investopedia (2016) *Negative Income Tax.* Available at: http://bit.ly/2cpVgyk (Accessed: 13/09/16)

[62] Alaska Permanent Fund Corporation (2014) *What is the Alaska Permanent Fund?* Available at: http://bit.ly/1YRQltQ (Accessed: 01/09/16)

[63] Universal Basic Income Conference (2016) *Pilots and Policies.* Available at: http://bit.ly/2cDG7vC (Accessed: 04/09/16)

Case Study 9: The Co-operative Dividend

1844: The Rochdale Pioneers Society was established as a co-operative. One of their '8 Rochdale rules' was an annual distribution of the profits of the society, based on purchases. This soon became known as 'the divi'.
1965: The traditional 'divi' was replaced with dividend stamps, to reflect shopping practices of the time.
1996: Dividend stamps were replaced with a loyalty card scheme which was available to all cooperative customers, and not just limited to the coop membership.
2006: The 'true dividend' was relaunched under the name of *The Co-operative Membership* to differentiate from the loyalty card scheme. Members were granted with an annual share of the profits, based on the points they collected from buying coop products or using coop services.
2012: Following a period of significant economic instability for the company, the amount of money which members received in dividend was halved.
2014: No dividend was paid to any members following economic issues and reputation scandals. A reformed dividend structure was proposed via a membership consultation, whereby the profit share would be given to community projects, rather than to members, in the form of a 'community dividend'.
2016: Following a further consultation, a 'new membership' plan was launched, whereby any money spent on coop products or services will earn members a 5% reward payback,

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If taken literally, there are obvious difficulties about a company seeking to use the idea of the social dividend to capture its commitment to creating social value. This is due to a number of factors:

1. Since the 1970s, 'social dividend' has traditionally been associated with the idea of a Universal Basic Income – a concept which a private company is obviously not able to deliver.

2. The idea traditionally relates to publicly-owned assets, rather than those which are privately owned.

3. It would be impossible for a company to distribute this dividend to every member of society equally.

Historically, the idea of giving a share of a company's profits to 'deserving causes' has a long and honourable lineage. Corporate philanthropy is often seen as the forerunner to today's much broader corporate sustainability agenda, and some companies are content to stick with that now very old-fashioned model. Others have turned it into something much more ambitious.

For instance, the '1% for the Planet' scheme was established by Yvon Chouinard of Patagonia in 2006, and asks organisations to commit to give 1% of their annual turnover to environmental causes and non-profits. Arguably, this example could be referred to as

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[64] The Co-operative (2016) *Our History*. Available at: http://bit.ly/1xakTrV (Accessed: 10/09/16)

results-based philanthropy rather than being a social dividend as such. This '1%' is not to be distributed to society as a **whole**, but rather to a specific set of 'worthwhile' causes, as determined by the company.

Further limitations of the term 'Social Dividend'

1. As the term is associated with the world of finance, it is only directly relevant to a company's economic contribution to society (either directly or in kind), which potentially excludes any other involvement a company may wish to have in building other forms of capital.

2. When social benefits are framed as a 'social dividend', they are viewed through an economic lens - meaning that all impacts and metrics should be measured in terms of their monetary value. Social impacts and benefits which are more qualitative (eg community resilience, wellbeing and happiness) may therefore be downgraded in importance or even excluded.

3. If applied in its most basic form (examples given above), companies could be accused by external parties of 'remarketing philanthropy' in an attempt to generate increased PR benefits.

Potential uses of Social Dividend for business

Notwithstanding those difficulties, identifying a specific percentage dividend given over to projects (as in 1% for the Planet) demonstrates a strong commitment to building value in areas outside a company's direct control.

Social dividend could also be re-invented as a term so as to include more than just financial commitments. A dividend could be seen to represent a proportional commitment of many different things, including time, effort, resources, infrastructure, education, and training, as well as cash. However, if the meaning of the phrase is 'reinvented' in such a way, the confusion and ambiguity of the social lexicon will be further exacerbated! Using the term 'social value' would perhaps be a better option, as it is much more established and already has specific guidelines and frameworks for indicators.

If the term is used in a way close to its original meaning, and forms the basis of a social sustainability plan, the impacts of this plan would be limited by that which can be measured economically, or restricted by assigning financial proxies to apparently immeasurable things such as well-being. The term 'Social Return on Investment' already captures this approach quite well by monetising a variety of factors.

The best way in which the term social dividend could be used to simultaneously retain its terminological integrity, whilst also displaying leadership within sustainability, would be to ensure that all 'social dividends' committed were used to **build social capital** within local communities.

This idea denotes that a steady **flow** of financial capital from private corporations, towards carefully selected partners in the form of charities, social enterprises, local projects and other stakeholders, could help to build **stocks** of social capital for the betterment of society. The idea hinges on the Five Capitals model, and recognises that financial capital is just one part of a capitalist system, which can be used to facilitate the creation of capital in other areas.

8. Implications for Forum for the Future

Having considered a range of terminology used by business when describing 'social sustainability', this section will briefly consider how Forum for the Future can use these insights. The section will focus on the Five Capitals Framework and Net Positive.

Five Capitals Framework

As discussed above, the concept of 'social capital' has a range of definitions. The World Business Council for Sustainable Development, which is currently working to create a Social Capital Protocol, includes human capital, social capital, relationship capital and wellbeing, as well as the concept of socio-economic impact. In addition, the IIRC has recently emphasised the importance of capitals in integrated reporting.

These initiatives reinforce the leadership shown by Forum for the Future in developing its Five Capitals Framework back in the mid-1990s, but also suggest that its Framework may now need to be updated.

Whilst the concept of social capital is useful for business, it is not often used in reporting. Business prefers more easily measurable concepts, such as social impact. Measuring social capital, which involves stocks and flows, is relatively difficult to grasp. By contrast, a 'social impact statement' includes easily quantifiable factors such as job creation, employee benefits and philanthropic activities.

A major strength of the Five Capitals Framework is its holistic approach, allowing businesses to understand the relationship of social capital to all the other capitals. Some of the other frameworks around social sustainability do not have this integrated approach, and therefore risk trade-offs with other capitals. Recent interest in the idea of a Social Contract could present an opportunity for the Five Capitals Framework to be used in helping establish the links to natural and human capital, thus allowing business to demonstrate that it is serious about its overall contribution to sustainability.

Net Positive[65]

Forum for the Future is now actively involved, through the Net Positive Group (NPG), in coordinating the initiatives of 16 different companies plus other organisations intent on developing some kind of Net Positive framing.

The social aspect of Net Positive has not yet been fully defined, meaning current interest in and attempts towards a consensus on some aspects of 'social sustainability' could help the NPG in its work. There is a significant opportunity for Forum and the NPG to engage with these discussions, and in so doing, ensure wider recognition of the concept of Net Positive in the corporate world.

Forum and the NPG should keenly follow the Social Contract debate to understand the relationship between the emerging concept and Net Positive in order to maximise their impact.

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[65] Forum for the Future (2016) *Measuring your way to Net Positive.* Available at: http://bit.ly/2cyElrF (Accessed: 07/07/16)

This paper has suggested that companies should be encouraged to assess all of their impacts to ascertain that they are doing no harm before signing up to a Social Contract. Should this interpretation of a Social Contract be taken forward, the Net Positive approach in encouraging companies to consider their most material impacts first could be a step towards establishing some kind of Social Contract. The Future-Fit Benchmarking Framework can also be used as a tool to demonstrate to companies what is meant by Net Positive. Providing easy to understand goals could help companies to reach a level where they are 'causing no harm', which can then be used as the baseline from which they begin their 'Net Positive journey'.

However, regardless of the final formulation of any Social Contract, there remain a number of outstanding issues regarding its basic idea. One of the main questions relates to the role of government. Do companies need support from policymakers to become Net Positive? Or when they succeed in becoming Net Positive, how resilient are they to policy changes? Could there be an opportunity for government to support the concept from an early stage?

In summary, recent interest in the whole area of social sustainability presents a substantial opportunity for raising the profile of Net Positive. Forum and NPG should simultaneously remain active in these discussions, and seek to clarify their own understanding of what best practice means as the concepts around social sustainability are developed and clarified.

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