

Exploring Multiple Capitals



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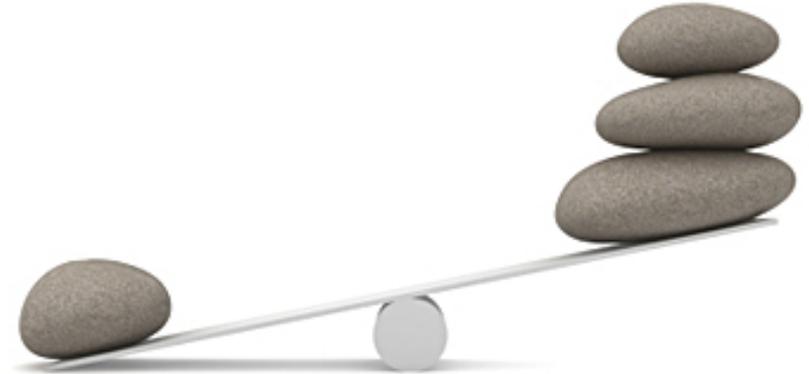






- What are multiple capitals?
- Capitals in management and reporting
- A focus upon value
- What are the challenges?
- Connecting purpose, utility and capitals?

- A range of sources of value (capitals) that give rise to economic and social benefits.
- Conventional accounting and economic approaches principally recognise only one – financial capital.



What are multiple capitals?



Societies (and organisations) depend upon different stocks and flows from these capitals:

- ecosystem functions - biological productivity, raw materials and resources, water management and natural flood defence
- social infrastructure - the generally accepted rule of law, 'social security', health care, communications & technology)
- educated and economically capable workers & consumers
- manufactured capital, such tools, technology and built infrastructure





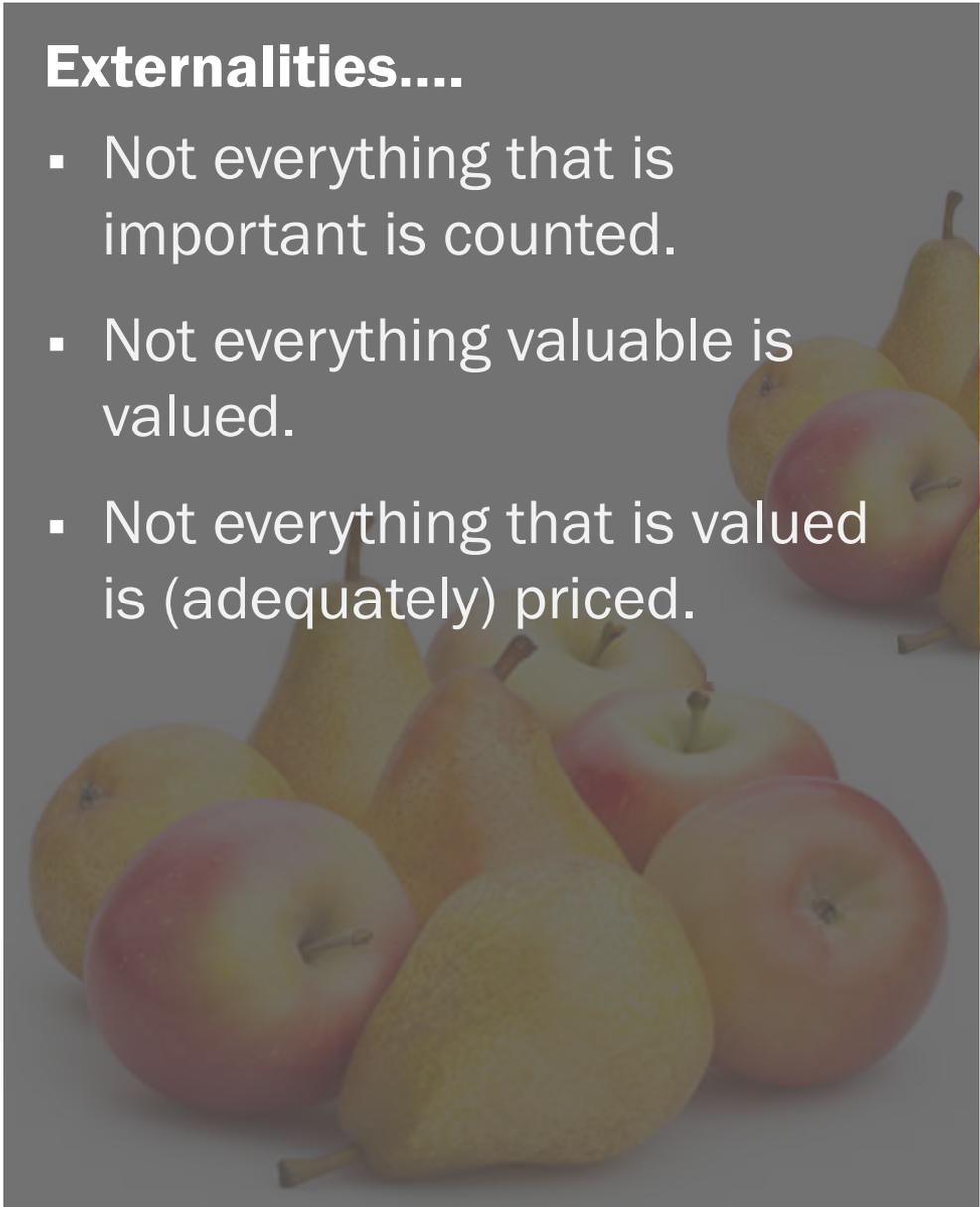
Multiple capitals tools:

- International Integrated Reporting Council's (IIRC) Capitals Framework
- Sustainability Standards Accounting Board (SASB) Conceptual Framework
- Natural Capital Coalition - Natural Capital Protocol
- WBCSD Draft Social & Human Capital Protocol



Externalities....

- Not everything that is important is counted.
- Not everything valuable is valued.
- Not everything that is valued is (adequately) priced.



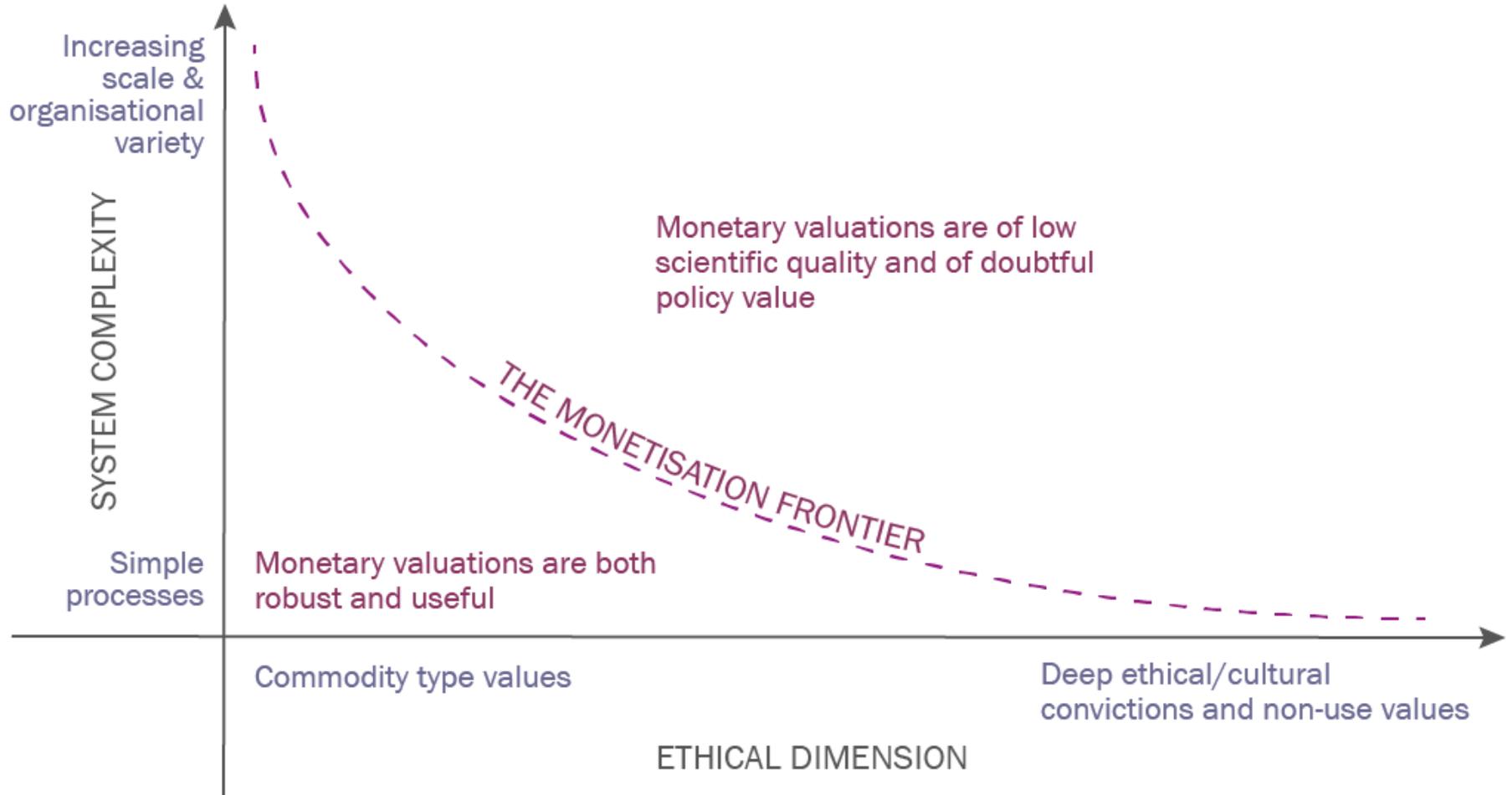


Are they..

- A metaphor?
- A mechanism for pricing?
- A set of accounting procedures seeking inclusion in GAAP?
- A value revolution?



A mechanism for pricing?





Dealing with dependencies?

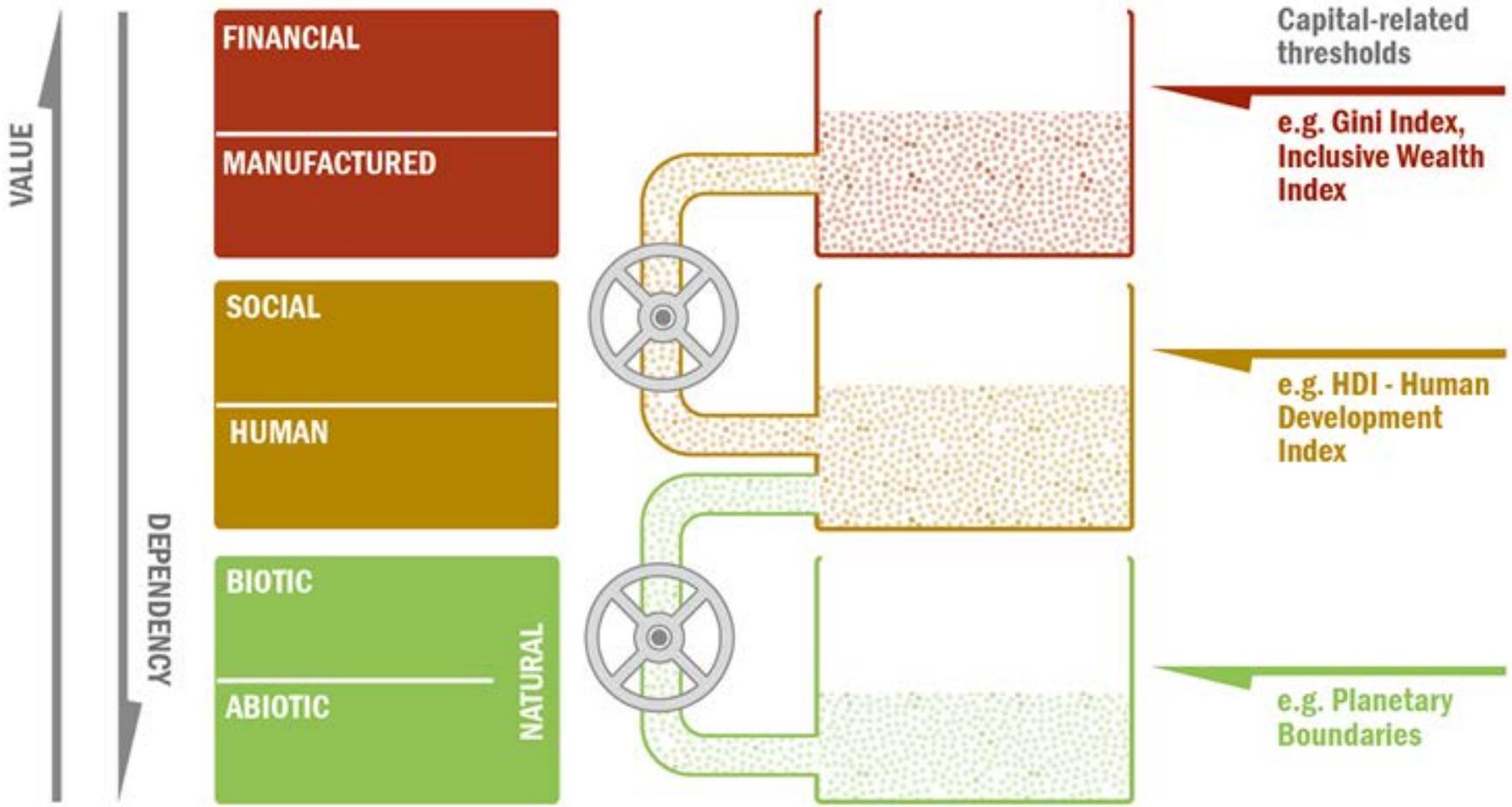
- When one capital depends upon another they cannot be traded off against each other.
- Fundamental dependencies indicate a value hierarchy.
- Money doesn't deal well with dependencies.



Multiple capitals dependencies



MULTI-CAPITAL RELATIONSHIPS AND DEPENDENCIES





Natural Capital

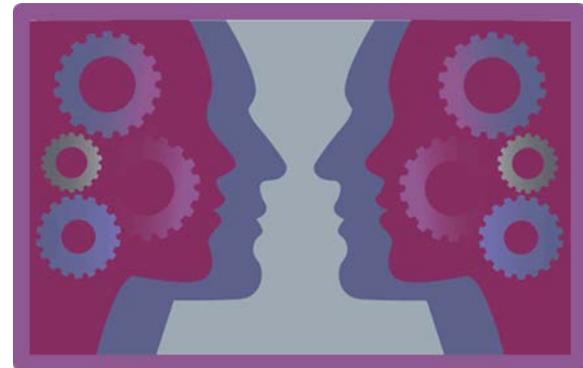
- Do you gain value from a natural resource without investing in its continuing health and existence?
- Do you measure critical health indicators for the natural environments you depend upon/ operate in (bio-diversity, water scarcity, soil health and formation etc)?





Social Capital

- **Interdependency** – how reliant are you upon others to conduct your business?
- **Inter-subsidy** – how is your quality of life subsidised by other people's quality of life?
- **Freedom of choice and opportunity** – does your freedom of choice & opportunity depend upon others lacking their own?
- **Diversity and resilience** – do your activities contribute to the capacity & strength of the societies you operate in & depend on?



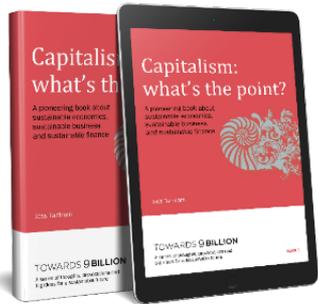


Value beyond price

- To deliver maximum *utility* over the maximum time, not maximum *return* over minimum time.



Resources and inspiration



Available at
amazon

Pricing capitals – the challenges:
<https://www.terrafiniti.com/to-boldly-go-exploring-the-monetisation-frontier/>

Context and capitals: <https://www.terrafiniti.com/context-and-capitals-the-next-big-things-in-corporate-sustainability/>

Measures beyond profit: <https://www.terrafiniti.com/the-sustainability-of-profit/>

Utility – the fundamental metric of social impact:
<https://www.terrafiniti.com/utility-the-fundamental-metric-of-social-impact/>

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