

UNDERSTANDING THE EXTENT OF OUR IMPACT ON SOCIETY AND THE ENVIRONMENT

Traditional non-financial KPIs are evolving towards new mechanisms to assess the positive and negative value contribution of business activities to society in monetary terms. With the increasing focus on integrated reporting, our IP&L provides a holistic picture on how our company's resources and activities are impacting society and environment.

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The Impact Valuation discipline

Whether a company should or should not report with regards to sustainability is an outdated discussion: The new question is how to do so.

What companies are increasingly required to demonstrate is that sustainability is integrated/embedded in their everyday management. Traditional non-financial KPIs are evolving towards new mechanisms to assess the positive and negative value contribution of business activities to society in monetary terms, what we refer to as Impact Valuation.

Impact Valuation has recently gained momentum, and today, many of the biggest names in the business world are actively working towards the quantification of non-financial value drivers in financial terms. Frameworks and standards are being developed such as the Natural and Social Capital Protocols from the WBCSD and ISO 14007 and 14008, and there is increasing interest from stakeholders such as the financial sector, rating agencies, reporting bodies, civil society, and public authorities.

LafargeHolcim pioneered this journey in the Construction Materials sector back in 2014, through the publication of an Integrated Profit and Loss Statement that measures the impacts of our operations through the triple bottom line of people, planet and profit.

Evolving theme, standardization needed

The companies that currently apply Impact Valuation techniques, do so based on a variety of assumptions and reporting methodologies, which are constantly evolving, and therefore, make meaningful benchmarking quite difficult.

That is the reason why, in 2015, LafargeHolcim co-founded together an informal group of over a dozen international companies who wish to develop and operationalize the emerging field of Impact Valuation the Impact Valuation Roundtable (IVR) – where participants are at different stages of piloting, implementing, and communicating their efforts on Impact Valuation and are using the techniques at different levels within their organizations such as at corporate, country, project or product levels.

The IP&L story

The IP&L was developed in conjunction with KPMG back in 2013/2014 with the aim of estimating the positive and negative impacts of our operations in the most material areas (such as water use and rainwater harvesting, carbon and other emissions, the use of alternative fuels and raw materials and the estimated economic value added to society), from a sustainability point of view.

The tool was piloted in three Group companies, Costa Rica, Indonesia and Aggregate Industries to establish how we could translate its results in actions, and explored some applications such as stakeholder engagement and a project prioritization tool.

2017 has been the third consecutive year that LafargeHolcim has published the IP&L (fourth, if we include the 2014 publication done by Legacy Holcim) and it has become a key element of our sustainability reporting tools and transparent disclosure.

The LafargeHolcim IP&L Business Case

The study showed that our triple bottom-line calculation – taking into account the monetized social and environmental impacts – is higher than the financial retained earnings of the company. But it also provides a compass pointing us in the direction of increasing sustainable value creation for shareholders, society and the environment.

It is important to note: the IP&L is not intended to be a definitive statement of financial account, it has to be considered as a tool to allow us to understand – and most importantly – share with stakeholders the extent of our impacts as it translates into complex environmental and social KPIs in a common language – financial terms.

We are currently exploring different options for the tool to enhance decision-making processes and therefore sustain value creation in the long term, by raising awareness of the risks and opportunities posed by externalities (through quantification), and analysis on what the impact could be on the triple bottom-line.

With the increasing focus on integrated reporting, the IP&L provides a holistic picture on how our company's resources and activities are impacting value on society and environment.

TOP 4 TAKEAWAYS

If we would need to pick 4 key points to be taken into account, these would be:

- Top management support & cross-functional collaboration – it is paramount as it is a discipline that requires the involvement of a variety of functions.
- Focus on your most material topics.
- Not everything can be reduced to monetary value – there are also moral imperatives and this is not meant to be a substitute for compliance.
- Discipline is evolving quickly – need to have time (and resources) to do the research necessary to stay ahead of the curve.

WHERE CAN I FIND MORE DETAILS

A document containing all the assumptions and the calculation values used, together with a short animation explaining the IP&L statement, can be found on our website at:
<https://www.lafargeholcim.com/Sustainability-reports>



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