

# Business Value and Social Performance Approach

A practical guide on how to increase your social and business performance hand in hand through better data insights and decision-making



**BCTI**

Enhancing social performance presents untapped opportunities for greater business value, but many companies lack the vision and necessary insights to align social impact with business performance.

## Why social performance is **your next business advantage**

Societal challenges affect communities, companies, economies, and entire societies. The [BCTI Flagship Report](#) highlights stark inequalities in income, wealth and well-being: the richest 10% of the world's population holds over 75% of all wealth, while the poorest 50% owns just 2%. Economic inequality is compounded by disparities in health, education, and other areas. The climate crisis further strains economies and well-being, while rapid technological advances present both risks and opportunities, adding complexity for business. **Addressing these challenges requires fresh perspectives and proactive measures from companies.**

Many companies miss out on opportunities to create greater business value through stronger social performance because they lack the vision and insights. At the same time, there is ongoing pressure from society and regulators for companies to be transparent about their impact on people and society. This creates a pressing need for businesses to understand their social impacts, risks and opportunities and leverage this data to improve decision making and performance.

Understanding the **dual nature of impacts and risks** & opportunities within social performance is crucial for businesses



**Risk mitigation:** Proactively managing social performance helps avoid reputational damage, financial penalties from social washing, supply chain disruptions, and loss of market share.



**Competitive advantage:** Strong social performance enhances resilience, brand loyalty, and innovation, supporting long-term success.



**Stakeholder value:** Demonstrating commitment to social accountability and measuring progress through auditable, sustainable practices builds trust with customers, investors, and regulators, and drives growth.



**Financial and social impact:** Aligning financial returns with broader socio-economic benefits fosters long-term behavioral and strategic change.

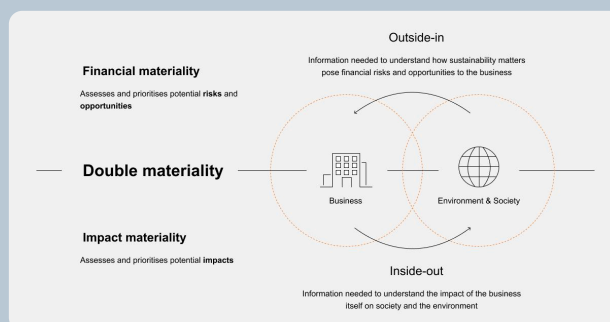
## How this approach leverages social performance to drive business value

This approach defines the cause-and-effect relationships between business activities and their impacts, risks, and opportunities (IROs) and how they could lead to monetized effects, both in terms of social impact and business performance. It incorporates the concept of double materiality, which allows for a thorough understanding of a company's social impact in relation to its strategic business objectives. This approach enables companies to set better priorities and make decisions that drive higher social and business value, with the advantage of leveraging impacts, risks, and opportunities (IROs) data already available to them.

### Double materiality

The inside-out perspective looks at how a company's operations influence society, for example through its labor practices, and diversity, equity and inclusion efforts. The outside-in perspective examines how external factors affect the financial position, performance or growth. By double materiality – considering both internal impacts and external risks and opportunities – businesses can identify strengths and vulnerabilities, enabling a more balanced, sustainable, and performance-driven social strategy.

**Note:** The information and approaches outlined in this practical guidance are intended for informational and educational purposes only and are designed from a social sustainability strategy perspective. While we have incorporated elements of recognized reporting standards like the double materiality concept that the reader may be familiar with, these are **not necessarily aligned** with and do not represent mandatory reporting requirements or legal obligations under any applicable laws or regulations. Users are encouraged to consult with legal or regulatory professionals to ensure compliance with relevant reporting standards and practices.



### Impacts, risks, and opportunities (IROs)

IROs are essential for assessing double materiality and form the basis of the Business Value and Social Performance Approach. They are defined as follows:



#### Impacts:

Effects on the economy, environment, and people, including human rights. Impacts can be actual or potential, positive or negative, short-term or long-term, intended or unintended, and either reversible or irreversible.



#### Risks:

Uncertain environmental, social, economic or governance events that could negatively affect the business model, strategy, sustainability targets, and overall value creation.



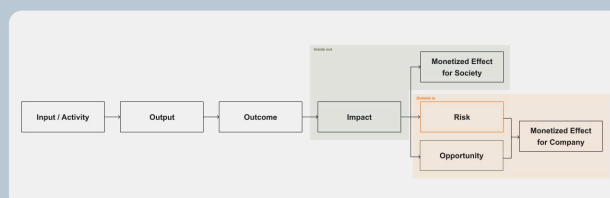
#### Opportunities:

Uncertain environmental, social, economic or governance factors that could positively affect the business model, strategy, sustainability targets, and overall value creation.

### Business Value and Social Performance Approach

The Business Value and Social Performance Pathway Approach builds on the existing Impact Pathway method used for impact measurement. While the Impact Pathway evaluates how corporate activities affect society by focusing on measuring inside-out impacts, the Business Value and Social Performance Approach also considers the business risks and opportunities arising from those actions (or inaction) and captures it in a pathway. It helps businesses measure the monetized effects of IROs.

By incorporating outside-in risks and opportunities, the Business Value and Social Performance Approach builds a pathway that provides an in-depth view of the impacts, risks, and opportunities that businesses face. It supports companies in identifying the drivers behind the IROs and promotes social sustainability while enhancing business value through the integration and measurement of social performance and accountability.



# Five steps to leverage social metrics for enhanced decision-making and business results

This section provides a detailed breakdown of each step in the Business Value and Social Performance Approach. This approach helps businesses enhance their social sustainability performance data, supporting more informed decision-making. It builds on existing concepts like social impact measurement, double materiality, risk assessment, and due diligence, enabling companies to leverage data they already collect. Steps 1 to 3 are designed to be accessible for improving social and business performance, while Steps 4 and 5 introduce financial impact modeling, requiring more advanced data management. See the appendix for a data-driven example demonstrating how businesses can build the Living Wage business case.

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Establish strategy and prioritize action areas

2

Identify IROs for defined action areas

3

Define the scope of the pathway

4

Build out the pathway

5

Set targets and take action

## STEP 1

### Establish a baseline social strategy and prioritize action areas

The first step in integrating and measuring social accountability and performance is to establish a baseline social strategy and prioritize key action areas. This will enable your business to identify its strategic position in social sustainability. By using questions provided in the figure to the right, you can identify the sweet spot where your initiatives, operations, and strategic priorities intersect.



#### Key actions

- Conduct a maturity assessment of social topics/action areas
- Take stock of current initiatives in relevant areas
- Benchmark maturity levels against peers
- Prioritize strategic topics/action areas based on assessments



#### Involved stakeholders

- Company/organization leadership
  - Board of directors
  - Supervisory board
- Other departments
  - Sustainability
  - Human resources
  - Risk
  - Legal and compliance
  - Business operations
  - Customer leads



#### Expected outcomes

- Gain an understanding of social topics that hold strategic significance for your organization
- Prioritize social topics/action areas for your sustainability strategy
- Enable your social sustainability ambitions and priorities to be clearly defined and aligned with your business values and goals



#### Recommendations & lessons

- **Clarify your social sustainability ambition level:** Define your company's social sustainability ambitions, supported by business targets and in line with your values, to guide future initiatives. Misalignment can lead to insufficient budget and lack of organizational support to achieve your social sustainability targets.
- **Establish a clear social performance strategy:** Develop a clear social performance strategy to identify specific social topics/action areas where your business aims to lead and create positive impact. This clarity is essential for making informed decisions as you build your pathway, in line with your company's social performance strategy and ambitions.
- **Embrace the journey:** Every business, regardless of its social sustainability level, can establish a social strategy. This initial step enables companies to assess their current social sustainability position and lays the foundation for meaningful action.

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## STEP 2

### Identify impacts, risks, and opportunities for defined action areas

The second step focuses on identifying the IROs for the sustainability topics you selected in Step 1. This IRO exercise may also provide additional insights into topics you have missed in Step 1. You should assess the materiality of each impact, risk, and opportunity from both a social and financial perspective.



#### Key actions

Identify IROs by:

- Identifying business activities across the value chain
- Identifying relevant sustainability matters
- Identifying IROs through research, prior assessments, and/or existing pathways for these sustainability matters



#### Involved stakeholders

- Sustainability teams engaging with key affected stakeholders, identified throughout the double materiality assessment
- Key internal affected stakeholders could be departments, such as:
  - Human resources
  - Risk
  - Legal and compliance
  - Internal audit
  - Finance
  - Tax
  - Business operations
  - Customer leads



#### Expected outcomes

- Understand the social sustainability issues being addressed, who benefits, and the social and business outcomes that will be created
- Gain a detailed view of the IROs in prioritized action areas, including how business activities impact workers, value chains, society, and consumers, as well as the risks and opportunities social topics carry on the company's financial performance
- Establish a solid foundation for the pathway



#### Recommendations & lessons

- **Use existing double materiality assessments:** Build on existing assessments required for reporting; apply a strategic perspective to the identified IROs and present the overview in a table format
- **Drill down into relevant sustainability matters:** Identify sustainability issues at the most granular level possible, down to sub-sub-topics; this will help establish more precise IROs and support the development of in-depth pathways
- **Be specific:** The more detailed and specific you are in identifying IROs, the easier it will be to develop a thorough and actionable pathway

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### STEP 3

## Define the scope of the pathway

The third step helps determine the scope of the pathway. Decide how extensively to address the selected social issues and whether to include related social sustainability impacts. A broader scope offers greater social impact and stronger alignment with sustainability goals, but requires more resources and coordination. A narrower scope is easier to implement and monitor, but may limit strategic value and overall impact.



#### Key action

Define the scope of the pathway by selecting the social issues, stakeholder groups, and geographic areas to include or exclude



#### Involved stakeholders

- Owners of the pathway can include representatives from the Sustainability team with support from the Data team.
- Owners of the pathway may include members from the following teams:
  - Sustainability
  - Business operations
  - Finance
  - Data
  - Legal and compliance



#### Expected outcomes

A clear scope for the pathway, which helps to focus efforts and resources effectively



#### Recommendations & lessons

- **Start with a narrow scope:** Begin with a focused scope to develop the pathway. Use this initial scope as a foundation to gradually expand into more areas of the value chain or broader social sustainability topics.
- **Prioritize justification and transparency:** Clearly explain why the chosen scope was selected and be transparent throughout the process. This will enhance understanding and enable alignment with the overall social strategy.

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## STEP 4

# Build the pathway by mapping cause-and-effect relationships based on IROs

In the previous three steps, you identified the social topics to focus on, analyzed their impacts, risks, and opportunities (from both a social and financial perspective) from business activities, and defined their scope. In this step, you will define cause-and-effect relationships based on identified IROs that lead to monetized effects – both in terms of social impact and financial performance.



### Key actions

- Research academic studies, industry reports, and frameworks to understand established cause-and-effect relationships related to the IROs you identified
- Conduct workshops with key stakeholders to explore potential cause-and-effect relationships
- Build a pathway that maps the identified cause-and-effect relationships, showing how IROs lead to monetized effects



### Involved stakeholders

- Owners of the pathway may include members from the following teams:
- Sustainability
  - Business operations
  - Finance
  - Data
  - Legal and compliance



### Expected outcomes

A pathway for the defined action areas that provides an end-to-end overview of monetized effects from identified IROs, including both business activities and the external operating environment



### Recommendations & lessons

- **Build on existing research and frameworks:** Use academic and industry research or established frameworks to identify cause-and-effect relationships, but adapt these resources to fit your specific business needs
- **Broaden your understanding of monetized effects:** View this step as an opportunity to gain deeper insights into how identified IROs can translate into monetized effects on the environment, society, and your business; use these insights to inform strategic decision making
- **Combine internal and external data sources:** Integrate data from both internal and external sources to enrich the pathway and enable close alignment with your business context
- **Update the pathway:** Regularly refine the pathway and monetized effects as new data emerges to maintain accuracy and relevance
- **Document assumptions and limitations:** Document all assumptions and limitations made during the mapping process to promote clarity, transparency, and reliability

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## STEP 5

### Put the pathway into action

The fifth and final step is about turning the Business Value and Social Performance Approach into a practical tool **for strategic steering and decision making**. This involves setting clear, measurable targets for both inputs and outputs. By tracking these targets, businesses can assess the financial impact of their social initiatives and enable alignment with the social strategy established in Step 1. Integrating social impact metrics into everyday decision-making helps drive continuous improvement and empowers the organization to make informed choices that enhance both social impact and business performance.



#### Key actions

- Set quantifiable metrics for IROs and their monetized effects from the pathway; use these metrics to establish targets and track performance, enabling strategic steering and decision making
- Integrate the defined metrics into business processes such as strategic planning and performance reviews
- Implement a system to regularly monitor and evaluate performance against the defined metrics and targets



#### Involved stakeholders

- Company/organization leadership
  - Board of directors
  - Supervisory board
- Owners of the pathway may include members from the following teams:
  - Sustainability
  - Business operations
  - Finance
  - Data
  - Legal and compliance



#### Expected outcome

A set of metrics derived from the pathway to inform and steer the business in line with its social strategy



#### Recommendations & lessons

- **Leverage available data:** Prioritize data that is already accessible within your business to set targets and measure performance in the pathway – even basic input/output data can provide a valuable starting point, especially for companies in the early stages of their social sustainability journey; over time, you can build on this foundation with more detailed impact measurements
- **Enable impact reporting:** Use the pathway as a structured framework to demonstrate and measure both the social and financial impact of your social sustainability efforts

# A blueprint for better business

In today's evolving business landscape, integrating double materiality and measuring both impact and financial effects is a strategic imperative. Adopting structured frameworks such as the Business Value and Social Performance Approach can help businesses effectively map and manage social impacts, mitigate risks, and unlock new opportunities for innovation, growth and business value. Aligning these strategies with broader sustainability goals not only enhances operational effectiveness, but also builds trust with stakeholders and drives long-term value creation and competitiveness.

Now is the time for decisive action. We invite you to explore our tools and resources, designed to guide your organization through every step of this journey.



## BCTI flagship report

Explore our [BCTI flagship](#) report to learn more about the business case for addressing inequality and advancing the social agenda for private sector action. The report features best practices from industry peers and offers valuable insights to inform executive decision making and strengthen the business case for enhanced social performance.



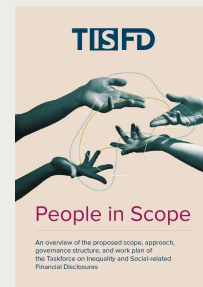
## Unilever case study

Read our [case study](#) showcasing how Unilever builds and delivers its social performance strategy. The case provides insights into effective strategies for addressing inequality in the private sector.



## Fair Recruitment in Practice E-Learning

Explore our [interactive e-learning course](#) designed to help businesses strengthen recruitment practices for migrant workers. This tool offers insights into stakeholder engagement across the supply chain and helps identify strategies and actions that align with your organization's needs and objectives.



## Taskforce for Inequality and Social-related Financial Disclosures (TISFD)

Learn how the [TISFD](#) can help your business address impacts, dependencies, risks, and opportunities related to people. Review TISFD's publications on [Proposed Technical Scope](#) and [People in Scope](#) to gain valuable insights.

Engage with the [TISFD](#) to promote transparency, learn and adopt best practices, and collaborate with peers to amplify social impact and boost business performance.

## Contact us!

Reach out to the WBCSD Equity Action team to explore how we can work with you on your broader social agenda including Just Transition, Living Wage and Human Rights.

Reach out to [PwC's Social Sustainability services](#) team to get in touch about how businesses can utilize this approach to drive social and business performance by leveraging insights from their social sustainability performance data

## Acknowledgments



**Iris van der Velden**  
WBCSD, Director  
Equity Action



**Wendy van Tol**  
PwC NL, Partner  
Sustainability Transformation



**Mila Harmelink**  
PwC NL, Director  
ESG impact & data

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# Appendix

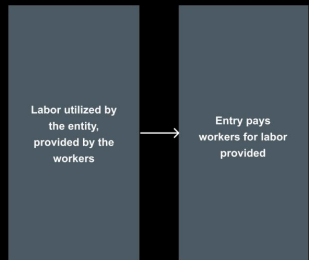
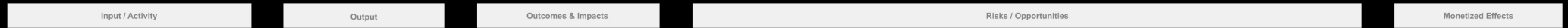
This section provides a detailed breakdown of each step in the Business Value and Social Performance Approach, using a practical example supported by a large database of IROs identified through double materiality exercises.

It illustrates how businesses can apply these steps on the topic of Living Wage, offering a concrete look at the approach in action. While the example demonstrates an advanced application, the framework is flexible, allowing businesses at any stage of their social sustainability journey to tailor it to their needs.

## STEP 1

# Establish a baseline social strategy and prioritize action areas



In this step, select one or several action areas to prioritize. This information will serve as the foundation for developing your pathway.



STEP 2

## Identify impacts, risks, and opportunities for defined action areas

In this step, start by visualizing the information in a table format. This creates a foundation for building out the higher levels of the framework (next page).

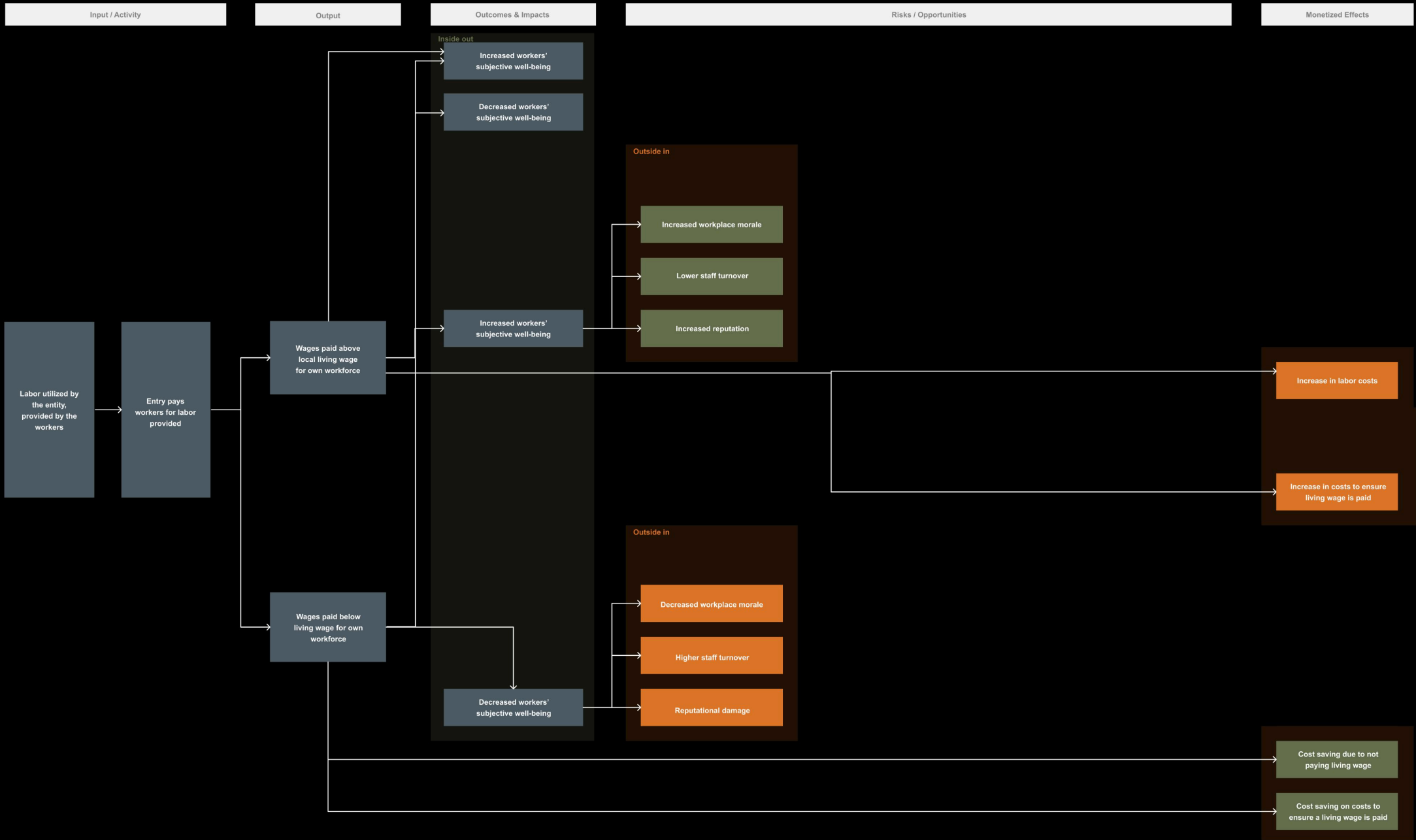
Description of the Impact	Direction of Impact	Direction of Risk	Direction of Opportunity
Increased well-being for employees	 Positive	Increased labor costs	Increased workplace morale
		Increased costs to ensure a living wage is paid to employees (e.g., audit, procurement, policies & plans)	Decreased staff turnover
			Increased brand image and reputation
Decreased well-being for employees	 Negative	Decreased workplace morale	Cost savings on labor
		Increased staff turnover	
		Decreased brand image and reputation	Savings on costs to ensure a living wage is paid to employees (e.g., audit, procurement, policies & plans)

 Positive outcome	 Negative outcome	 Uncertain outcome <small>Dependant on pricing methodology and demand elasticity</small>
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STEP 2

# Identify impacts, risks, and opportunities for defined action areas

In this step, start by visualizing the information in a table format. This creates a foundation for building out the higher levels of the framework.



## STEP 3

### Define the scope of the pathway

In the Living Wage example, this process has been simplified to present three potential scopes. The narrowest scope is limited to paying a living wage to the organization's direct employees, while the broadest scope extends living wages to all employees across the entire value chain, both upstream and downstream.






STEP 4

# Build the pathway by mapping cause-and-effect relationships based on IROs

In this step, we expanded the initial table and used it to complete the pathway framework

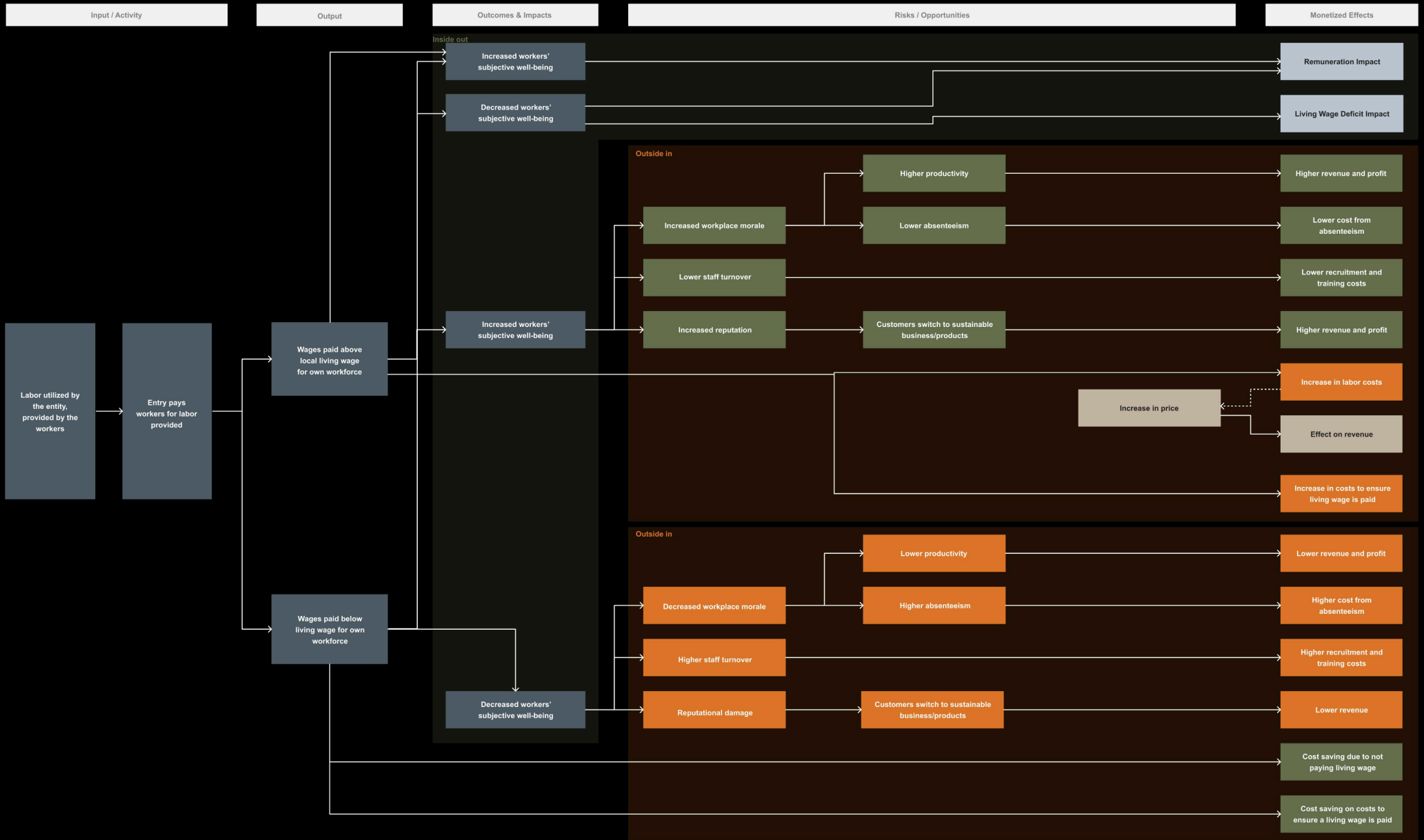
Description of the Impact	Direction of Impact	Direction of Risk	Direction of Opportunity	Description of Potential Financial Effect <small>Arrows used to indicate comparison of potential financial effects when wages are paid at or above the living wage against when wages are paid below the living wage</small>
Increased well-being for employees	⊕ Positive	Increased labor costs	Increased workplace morale	Workplace morale ↑ → Productivity ↑ → Revenue and profit ↑
				Workplace morale ↑ → Costs from absenteeism ↓
				Workplace morale ↑ → Costs from H&S issues ↓
		Decreased staff turnover	Staff turnover ↓ → Recruitment & training costs ↓	
			Brand image and reputation ↑ → Revenue ↑	
		Increased costs to ensure a living wage is paid to employees (e.g., audit, procurement, policies & plans)	Increased brand image and reputation	Labor costs ↑
				Labor costs ↑ → Price ↑ → Revenue ↑
Costs from ensuring a living wage is paid ↑				
Decreased well-being for employees	⊖ Negative	Decreased workplace morale	Cost savings on labor	Workplace morale ↓ → Productivity ↓ → Revenue and profit ↓
				Workplace morale ↓ → Costs from absenteeism ↑
				Workplace morale ↓ → Costs from H&S issues ↑
		Increased staff turnover	Staff turnover ↑ → Recruitment & training costs ↑	
			Brand image and reputation ↓ → Revenue ↓	
		Decreased brand image and reputation	Savings on costs to ensure a living wage is paid to employees (e.g., audit, procurement, policies & plans)	Labor costs ↓
				Costs from ensuring a living wage is paid ↓

 Positive outcome	 Negative outcome	 Uncertain outcome <small>Dependent on pricing methodology and demand elasticity</small>
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STEP 4

# Build the pathway by mapping cause-and-effect relationships based on IROs

In this step, we expanded the initial table and used it to complete the pathway framework



# Put the pathway into action

Goal-setting can focus on specific parts of the pathway, allowing businesses to set targets and measure performance through linked monetized effects.

Goal setting / targets	Measure performance - impacts, risks & opportunities	Example IRO metrics	Example monetized effects metrics
Pay all employees in own operations a living wage	Worker's subjective well-being	<ul style="list-style-type: none"><li>• Subjective well-being survey scores</li></ul>	<ul style="list-style-type: none"><li>• Remuneration impact</li></ul>
	Lower staff turnover	<ul style="list-style-type: none"><li>• Overall staff turnover rate</li><li>• Average length of employment</li></ul>	<ul style="list-style-type: none"><li>• Lower recruitment and training costs</li></ul>



STEP 5

# Put the pathway into action

Goal-setting can focus on specific parts of the pathway, allowing businesses to set targets and measure performance through linked monetized effects.

