

# Measuring and Reporting Social Value

## Economics

KPMG in the UK

**With the growing focus on the Environmental, Social and Governance (ESG) agenda and increasing reporting requirements, businesses need to be able to robustly demonstrate their role and value in the economy and society. Our specialist expertise in undertaking economic and social contribution analysis can help you achieve this.**

There is increasing scrutiny from the media, Government, investors and regulators on how businesses are delivering sustainable outcomes and their economic, social and environmental impacts.

With increasing reporting requirements businesses need to be able to demonstrate how they are delivering against their commitments and evidence the progress they are making towards their goals.

— **The UK Government's Social Value model:** The Government now explicitly evaluates social value when awarding most major contracts, in order to enhance society by considering ESG factors.

— **The EU's Corporate Sustainability Reporting Directive (CSRD):** Large and listed EU companies and many global organisations with subsidiaries in the EU are now subject to mandatory sustainability reporting, with small and medium enterprises coming into scope in the next few years. The CSRD adopts a double materiality approach requiring disclosure of sustainability matters from a impact materiality (e.g. on the environment) and financial materiality (i.e. financial effects on the business) perspective.

— **The FCA's Sustainability Disclosure Requirements:** Sets out the FCA's rules and guidance to improve trust and transparency to the market for sustainable investment products.

We can help businesses meet reporting requirements, as well as go beyond these to demonstrate wider social impact and value generated. By identifying the relevant impact metrics, developing methodologies and building reporting dashboards, we are able to help our clients produce an evidence-based estimate of the social value of their organisation, investments and/ or products and services.

We offer a range of services tailored to cover the economic, social and environmental impacts most relevant to your organisation's activities. To achieve the most value we support your organisation's specific requirements, including:

- ✓ **Review your current impact reporting** and provide recommendations for improvement to reflect latest methodological approaches and to extend it to cover additional impacts measures.
- ✓ **Conduct a detailed assessment of your economic, social and environmental contribution** using an established Theory of Change framework, through documentation review and stakeholder workshops.
- ✓ **Identify appropriate methodologies to estimate your impacts (including valuing these in monetary terms)**, following recognised methodologies, including HM Treasury guidance, and where relevant use established techniques to derive non-market valuations where there is no market price.
- ✓ **Tailored deliverables such as written reports and dashboards for presenting impacts to stakeholders**, to provide an easily accessible visualisation of social value in key areas and show progress against any commitments.

Our focus is to go beyond straightforward output measures often used in contribution and ESG reporting. We seek to provide evidence of the impact of business activities, assessing "additionality", and making sure impacts can be credibly attributed back to your activities.

It also makes good business sense to understand the business' social value, to help develop strategies to maximise value, particularly given evidence of a positive relationship between ESG scores and financial returns.

Following the identification of key impacts to value, we use established methodologies to quantify these impacts, including in monetary terms, where possible. For example, we use the UK Government's appraisal guidance which provides values for measuring a wide range of impact areas, including environmental impacts, wellbeing and health impacts and employment and productivity impacts. The diagram below shows some key areas which may be applicable to your business and may be included in an assessment of your social value.



We tailor the reporting of social impacts to your business needs and categorise impacts to comply with specific reporting requirements. We are, for example, experienced in the Government's Social Value Model which covers 5 themes (COVID-19 recovery, tackling economic inequality, fighting climate change, equal opportunity, and wellbeing) linked to priority policy outcomes, and with the 17 UN Sustainable Development Goals which aim to address global challenges.

### Why KPMG?

Standard toolkits for reporting social value may seem like an attractive solution but they have a number of limitations. In particular, they often have limited coverage of bespoke ESG initiatives, use generic impact values, and lack monetisation of some indicators. Taken together, this can undermine the credibility, accuracy and robustness of reporting.

KPMG Economics has a dedicated practice area that brings specialist experience in undertaking economic and social contribution analysis in line with recognised methodologies and reporting standards, such as those of UK and international governments, regulators and wider public bodies. We have a tried and tested approach to measuring social value that has been deployed with large and small businesses, and we have the capability to work with complex data to develop pragmatic solutions.

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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