Title of article:	**How to assess social value: Guidance from Hatch**
Standfirst	Asset managers of many different hues claim they are thinking harder about their social role: the 'S' in ESG. But evaluating social value generated from investment decisions is not straightforward, as consultant Dr. Kelly Watson from Hatch explains.
Main copy:	Claims that COVID-19 has fine-tuned awareness of social (S) issues and their importance in investment decision-making are everywhere in the asset management community. But there is no meaningful evidence yet to show managers are doing a better job channelling finance to achieve social goals (i.e. to uphold human rights and health and safety laws and address equality and opportunity) than in the past. So, how are managers measuring the social value they might be generating, and is it possible for investors to compare and contrast? We asked Dr Kelly Watson, a social value consultant at Hatch, to explain the complexities. **Can we start with a definition of social value? What is it? It's a term that seems to be hijacked by all sorts of camps.** That's such a good question; for me it comes down to understanding who your audience is and who you are speaking to, because it does mean different things to different people. As a consultant, you are always thinking about who your client is or who their audiences are and making sure that your observations are appropriate for them. 'Social value' does mean something specific in the UK context. It relates to the legislation in the Social Value Act; it's about economic, social and environmental wellbeing within a defined area, or particular context. The concept is localised; there is an important place element to understand. So, we are trying to maximise the positives that happen in a defined area, which can be defined tightly or defined more broadly at regional or sub-regional level. It depends what is relevant to the intervention. The concept is tightly bound up with sustainability, but with more of a socio-economic lens than environmental sustainability alone. In the built environment, the concept has often been focused on thinking about procurement and supply chains and the benefits that might be delivered during the construction period of projects. The focus can be quite narrow, but this is not specified in the Social Value Act. It suggests something much wider, with opportunities to think about social value right across the development lifecycle. But there are challenges: it can be more straightforward for people to get their heads around metrics in the construction phase as a starting point. Ultimately, what you perceive as value depends on your lens, and the place you are coming from.

So, the assessment of 'social value' to an asset manager or a member of Occupy or Extinction Rebellion could look very different? As a consultant, could you potentially carry out analyses for both, and they might look quite different?

Absolutely. A lot of the fundamental principles that sit underneath the concepts are focused on stakeholders, and their perspectives and their opinions. If you are carrying out an assessment of an investment or intervention, your first step is to map and understand who those different groups are, then you would seek to engage with them to find out what is material from their point of view.

Then you would look to establish what benefits they recognise, and whether they have experienced or might experience a change as a result of planned actions. In theory, only then can you start to set-up a measurement framework and assess what is going on. Because the approach is stakeholder led, it is going to look different for different people.

In reality, there is not always the space and scope to carry out a comprehensive resource-intensive stakeholder engagement, so that is why you see more standardised frameworks that give a structure to work with and the opportunity to fast-track.

Could this leave commercial operators exposed to accusations that they are not engaging properly with communities on the ground?

Assessing social value well is ambitious. Assessing priorities is inherently challenging and complex, and the features are dynamic. So, it is inevitably difficult to get under the lid and understand what is going on. It is very different to dealing with more technical environmental priorities.

There are things that you can do and processes you can put in place to make sure that a corporate is taking a consistent approach. You need a business strategy in place, a key set of processes or gateways to work through that are evidence based and ensure that what you do is rooted locally. You need to engage with stakeholders in a meaningful way and respond to things that are clearly required in the area. Of course, you also need to ensure the whole process is transparent and it is clear what you are doing.

These things are costly, and they require a lot of different people in different disciplines to work together. Because social value is to do with people, there is often an assumption that anyone can carry out the analysis. It is not seen as a technical discipline but there are specific skillsets needed to carry it out effectively.

How do you assess what value might accrue to which stakeholder group, and how do you prioritise those needs?

	For me, the analysis needs to go beyond assessment. You need a strategic approach, an 'Aviva way', for example, that sets out your core values. Then if you have your assessment running alongside that, you ultimately have a better view to determine whether what you did ultimately delivered or not, and which bits were most worthwhile. There are a variety of methodologies that can be used, which range from descriptive frameworks to those that quantify and aim to monetize benefits. These range from more prescriptive frameworks that offer a consistent method to report and measure social value, making it possible to link 'strategy' to 'delivery'. This can be an accessible way of thinking about social value and is widely accepted by local authorities and public sector groups, but it is prescriptive. There are other less prescriptive approaches that you can also consider, like social return on investment (SROI). There is Cabinet Office-endorsed guidance on how to design and undertake that kind of exercise as well, but the approach is more principles-based. It also results in a broad range of evidence and data in different formats from qualitative to quantitative and monetised metrics. You can use that that information in different ways depending on who you are speaking to and who you are trying to engage. Quantifying and monetizing isn't always necessarily the right way to go; sometimes case studies or narratives can be just as powerful or even more powerful. It really depends on what you are trying to achieve. **Can you clarify where Aviva Investors is on that pathway?** As a first step, we are working with the Real Assets business to develop a social framework which will establish core metrics to start tracking impact across all assets, regardless of class, type or context. Those core metrics need to be able to sit across everything. Alongside that, we are also creating a more strategic approach to social issues, a set of additional metrics that are bespoke to different asset types and contexts and finding a way to address social value across the development lifecycle. To do that we are looking at a live scheme in development at Bermondsey Yards. There is lots of change in the local community, and it is a good testbed for the new social strategy and to work bottom-up. **Within this framework, is there consideration of public good?** It is implicit, although it is not the terminology we are using in this framework. Because the focus is ESG, we are using those terms - social impact, social value and so on. In my view, they are part and parcel of the same broader agenda. Because we have the Social Value Act in the UK, it is a lever to use to explore some of the public

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good arguments. You could argue that social value is one way of delivering it, although there are other ways as well. You have probably come across the term shared value too. In some ways, social value represents the UK approach to shared value, as our legislation has pushed the terminology down one route while including that localised factor as well.

How much consensus is there around the delivery and measurement of social value?

There is no real consensus on how you go about either delivering social value or assessing whether your intervention has worked. This is still a young sector, and that sort of consensus just doesn't exist. The UK Green Building Council recently convened a working group on this point, which I was involved in, and the output was a framework report which is a useful and accessible resource for the built environment sector.

One issue that gets brought up a lot is how to compare oneself to competitors to understand how you are performing relative to them. It's still difficult to do that and I don't necessarily think we will ever get to that point.

Rather than comparing yourself to others, you can compare what you have done relative to your own social and economic baseline and assess how much additional value you have generated, which could then be used as a comparative performance metric. This feeds into the point around materiality and how you think about attribution.

How much of the value you might claim to have delivered is genuinely the outcome of your actions, as opposed to actions from partners or any other factors? As the industry develops and matures, those sorts of questions will be raised more and more.

Could you touch on social attribution briefly, and the methodology you use to make some of those assessments?

There are different ways of approaching it. At one end is a more desk-based approach, similar to the typical additionality approaches you might use in an economic appraisal. This involves applying standard government compliant benchmarks and using them in a way that is transparent, making sensible assumptions about additionality and then applying the relevant factors.

There are also additionality, or counterfactual, considerations within the SROI approach as well, but this tends to be based around a stakeholder-led approach. They are different ways of thinking about the additionality issue. The first is more top-down; the SROI approach is more bottom-up. But there is no single formula to work it out.

If you look across real assets, do you see any particular opportunities to create social value for an asset manager like Aviva Investors?

There are two aspects to consider. One approach would be finding an asset class to invest in that in and of itself would deliver social value.
The other is to consider whether you can deliver any type of asset in a certain way to add positive social value. It is not necessarily the case that a magic asset class exists, a silver bullet, that's going to deliver social value every time. Any intervention or large investment is an opportunity to deliver positive benefit; you just need to ensure the selection process is set right and that the relevant issues are addressed early on.

You mentioned how important engagement is. Do you find it hard to engage with stakeholders? Do you find that members of the public do not wish to engage because they do not believe their concerns will be taken into account?

Engagement involves a whole skillset of its own. It not necessarily a role that we lead on, although we might get involved to ensure there's certain information included within the process that feeds into work that we do.

Engagement is underestimated, particularly as we move from something consultative to something more participative and empowering. There are lots of engagement specialists using interesting, innovative methods to engage different groups, and they develop a good understanding of local contexts.

There are challenges to doing it well and doing it right, and you do occasionally encounter engagement fatigue or situations where there is an element of distrust. It is important not to see engagement as an immediate exercise, but part of longer-term trust building.

Do you feel that government should be more active in encouraging the private sector to create social value?

One important point for the built environment is that there's no requirement to go back to a development or a building after completion and make sure it's working. There is no real driver to find out from people whether they believe a project has been worthwhile and allow them to express their issues with it.

I see it rather like a set of bookends. You need to gather people’s opinions and perspectives at the beginning and make sure projects are delivered and are working at the end. It is surprising that there's still not more checking to make sure the investment has achieved what was hoped.

Has the pandemic changed anything? More companies are saying they are looking at the world differently and their social role differently. Is it really the case?

	The pandemic has been a catalyst that has brought issues to the surface and changed public mood. It has exposed problems, but it is too early to know whether it's really going to initiate change. Having said that, it does feel like there has been a gradual turning point in the last 5 years or so in the UK. You just cannot ignore social issues anymore. Over time, that drive towards impact is likely to keep moving, and it could be the case that the pandemic pushes the debate along a little further. I can't see it is ever going to disappear. It is only going to become a stronger corporate driver, and there are very clear commercial business benefits to approaching it well.

This article was originally published by Aviva Investors (link to the article: https://www.avivainvestors.com/en-ca/views/aiq-investment-thinking/2021/06/kelly-watson-hatch/

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