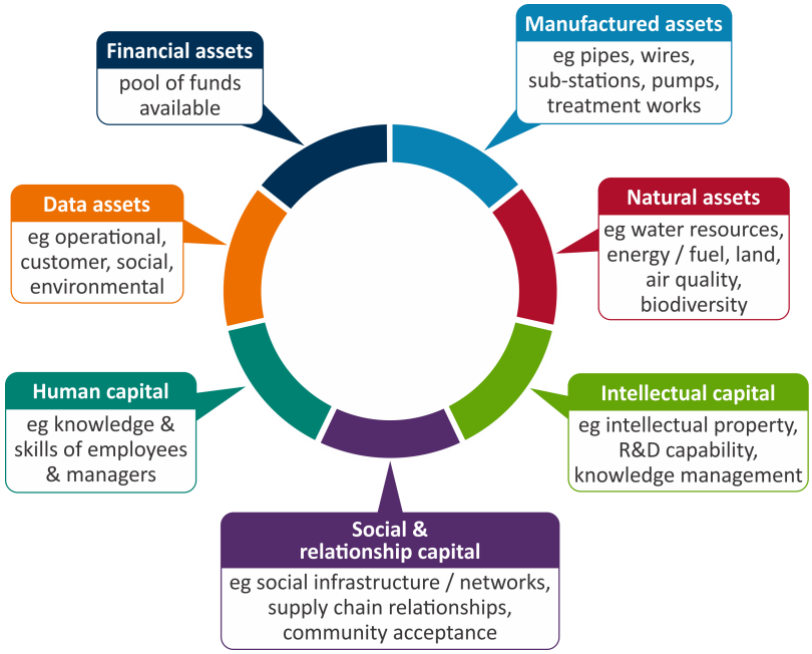
Sustainability First – Fair for the Future Project
Developing a 'Sustainable Licence to Operate' for the energy and water sectors

Talk into action
How your company might make the best use of different types of 'capital' to deliver on its purpose

Overview: There is currently an evolving view of what constitutes the 'capital' an energy or water company needs to deliver its purpose – and how a mixture of competitive and collaborative approaches can make best use of these different types of assets to do so. Decisions in this area can have implications for company business models.

The following diagram outlines the different types of 'capital':



Source: Adapted from IIRC by Sustainability First

Purpose of these 'Talk into action' questions: The topics below came out of a Sustainability First Fair for the Future Project workshop on 26th March. We will hold bilateral interviews with companies this Spring to discuss what they have done in this area in their business.

Topics for discussion in interviews: At the workshop it was clear that companies are at different stages on these topics and have different experiences that they can share. In our bilateral interviews we would like to cover the following two high-level topics to enable us to prepare a paper on good practice and lessons learned – to feed into the evidence base we are creating of what can be done to develop a 'Sustainable Licence to Operate' in the sectors:

1. **Different types of capital:** How does your organisation prioritise the management of the different types of capital set out in the diagram and what challenges have you faced in taking this work forward? Are external stakeholders expressing more interest in this area and, if so, how has this developed? What have you done to

address this? We are interested in how your organisation has approached capital identification and reporting, and what has or has not worked well.

2. **Competition and collaboration:** There is increased discussion about company purpose and how best to fulfill this. When to compete and when to collaborate and how this fits within the regulatory frameworks you operate is a key topic energy and water companies face. We are interested in your views on where your organisation is on these issues and to gather more information on where collaboration has or has not been successful. Getting a better understanding of any benefits of collaboration and the facilitators of and barriers against it will be an important part of the evidence we need to take this topic forward.

We appreciate that these are wide topics and have concluded that to enable a full discussion to take place in the bilateral interviews, it would be helpful for an internal discussion to take place in advance. To facilitate this discussion and assist you to prepare for the interview, the following are a list of questions you could discuss with your CEO and executive colleagues to explore the topics and pull together your views beforehand.

Different types of 'capital'

1. **Prioritising management of different types of 'capital' in your business.** How does your company assure itself that there is appropriate prioritisation of different types of capital for the current and future stage of your company's journey? How do policy and regulatory frameworks influence this prioritisation?

2. **Comprehensive and integrated view on 'capitals**': How does your organisation ensure you have this? How are gaps and dependencies identified – for your company and the wider 'systems' in which you work?

3. **Assets – 'owned' and 'stewarded':** Are there any differences in approach, e.g. between financial / manufactured assets and natural / data assets? If so, how does this impact on your approaches to managing, sharing and reporting on those assets?

4. **'New' information requests – from investors, regulators, customers and environmental stakeholders**: Is there any 'new' interest in the different capital types? Can you give us any examples? How do you ensure **'meaningful'** information is provided?

5. **Measurement of 'capitals'**: How do you measure and report different types of 'capital'? How do these measurements shape business strategies – including changes in operations, long-term planning and reporting?

Competition and Collaboration

6. **Competition and collaboration – can both thrive in your organisation?** How does your **company culture reflect** these approaches? From whom does any pressure come from for change (company, regulator, customers, other)? What next steps are needed and by whom?

7. **Understanding where collaboration is the right course of action**: When thinking about collaboration (1) how widely do you look for **potential partners**, (2) how do you decide on which partner **leads** on what, and (3) how do you build trust?

8. **Aligning business model with collaborative activity**: How do you know **what 'fair' risk and reward between the parties looks like?** How do you measure and monitor the output from collaboration?

9. **Collaboration – main enablers and barriers?** What factors have **enabled** your recent collaborations (e.g. clear vision, shared values)? What, if any, **barriers,** either perceived or actual, do you think hinder collaboration (e.g. hierarchies, lack of knowledge / trust)?

10. **Relationship between regulators and regulated entities**: What does trust look like on approaches to collaboration? How far does regulation encourage more collaboration? What may need to change?