

# Integrated Profit and Loss (IP&L™)

## Delivering Sustainable Growth

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**IP&L™ is a performance and management framework that helps managers to design appropriate responses to global and local business threats, drive sustainable growth and deliver measurable value to stakeholders.**

The framework helps companies become future-ready by measuring corporate performance from a wider 'stakeholder' perspective. It helps companies look beyond revenue and share price to broader dimensions of public wealth that are critical for a sustainable economy: natural capital, human capital, social capital and non-shareholder financial value addition.

Alongside financial performance; measuring their externalities along these capital components provides companies with a true evaluation of corporate performance, helping them to drive sustainable growth for both their business and wider society.

Companies depend on a dynamic workforce, the support of local communities and a sustainable supply of natural capital in order to operate efficiently. The IP&L™ accounts for these critical flows of capital allowing you to:

- Quantify the positive impacts your business has on local communities
- Measure your return on investment from employee training programmes
- Decouple business growth from environmental degradation

Armed with this information, your business can make better decisions across your product range, operations and supply chain, whilst effectively communicating your business value to all stakeholder groups.

### EXAMPLE: IP&L™

	2014		2015		Annual change
	P	L	P	L	%
<b>Natural Capital (NCX™)</b>					
Upstream (\$Millions)		152		139	- 8.6%
Direct (\$Millions)		38		42	10.5%
Downstream (\$Millions)	37		43		16.2%
<b>Total</b>		<b>153</b>		<b>138</b>	<b>-9.8%</b>
<b>Human Capital (HCX™)</b>					
Upstream (\$Millions)	5		7		40%
Direct (\$Millions)	135		140		3.7%
Downstream (B2B) (\$Millions)	12		10		- 16.7%
Percentage increase	152		157		3.3%
<b>Social Capital (SCX™)</b>					
Upstream (\$Millions)		15		14	- 6.7%
Direct (\$Millions)	50		65		30%
Downstream (B2B) (\$Millions)		7		9	28.6%
<b>Total</b>	<b>28</b>		<b>42</b>		<b>50%</b>
<b>Financial Value Added (FCX™)</b>					
Direct	230		355		54.3%
<b>Total</b>	<b>230</b>		<b>355</b>		<b>54.3%</b>

### KEY BENEFITS

Provided the business case for innovation in high risk areas across the supply chain.

Enabling access to green capital to deliver resource efficient manufacturing processes.

Used to inform adaptive marketing strategies to consumers in resource constrained cities.

By assessing our direct link to job creation in our supply chain, it has provided our procurement team with an engagement point that is strengthening key supplier relationships.

Human capital analysis has determined the effectiveness of our training and H&S programmes and helped HR to decide on where to target key staff retention policies.

This has identified threats to the business, allowing us to anticipate social issues that effect our ability to operate in certain locations.

Understanding our social externalities provided us with the information to rework our sustainability strategy, ensuring we maximise value to our stakeholders and communicate this more effectively.

By capturing value added for non-reported stakeholders, we are able to evaluate the true contribution made by our company to the economy.

## Natural Capital client examples

Natural capital is the world's stock of natural resources which include water, air, soil, geology and all living things. Humans derive a wide range of services (often called ecosystem services) from natural capital, making human life possible.

Natural capital is the fundamental asset base for our global economy yet we continue to use this capital beyond our planetary capacity for replenishment.

Businesses who measure their impacts on the environment can start to decouple profit maximization from resource use in order to achieve sustainable growth.

**Novo Nordisk, EP&L, 2014**

**Yorkshire Water, EP&L 2014**

## Human Capital client examples

Human capital can be defined as the stock of competencies, knowledge, social and personal attributes embodied in an individual and relevant for producing economic value (OECD 1998).

Human capital is a key determinant of business performance and a country's overall economic performance yet it is rarely well accounted for.

Businesses who can quantify the added value they create from their workforce through training programmes etc can attract new talent and improve business performance.

**Infosys, HCX™ Evaluation, 2012-2013**

**AkzoNobel, 4D P&L, 2014**

## Social Capital client examples

Social capital can be defined as 'the institutions and relationships established within and between communities, groups of stakeholders and other networks, and the ability to share information, to enhance individual and collective well-being.' (IIRC)

A company's impact on society often generates positive externalities. For example, employment of local women often means more money is spent on health and education for the local families.

This social benefit can be quantified and communicated to stakeholders to foster local support and boost brand value.

**AkzoNobel, 4D P&L, 2014**

**Soneva, SCX™, 2014**

## Financial Value Added client examples

Standard accounting doesn't provide a complete snapshot of a company's value-add. Other value-addition components are derived from salaries, net interest, net rentals etc.

The boundaries of this analysis can be chosen to be the company alone, or the full value chain.

By capturing value-added along the supply chain, companies can quantify the true contribution they're making to the economy.

**AkzoNobel, 4D P&L, 2014**

**AMATA, IP&L™, 2015**

GIST Advisory and Trucost bring together extensive expertise in valuing dimensions of public wealth that are critical for a sustainable economy. To discuss this further, please contact:

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