



TAE-WON CHEY

Chairman, SK Group, Republic of Korea

The Honorable Kevin Rudd,
Chairman Thierry de Montbrial,
World Policy Conference participants,

It is a pleasure to be here to share my vision for social enterprises, and explain how I came to value them as a businessman.

Today, it is common sense for companies to participate in solving social problems. Many are actively engaged in corporate social responsibility, so called CSR. My company, SK Group, devotes a significant portion of our resources to CSR every year, spending \$200million.

However, I have lingering questions about the effectiveness of CSR. Instead of genuinely contributing to society, many CSR activities tend to focus on building the company's image and promoting the brand. This is problem for other companies as well as SK.

I have deeply pondered more effective solutions. I have found one good alternative solution. It is social enterprises, which are designed to maximize social value using corporation's efficiency mechanism.

So SK decided to enter the world of social enterprises. We invested in SE. We created some SE. We launched an education program for SE management. We even started an MBA program for SE entrepreneurs.

But, there is a missing piece.

We still do not know which social enterprises contribute more to society. We cannot tell how much resources we should allocate where to maximize social contribution.

So, we came up with the concept of "Social Progress Credit (or SPC)" as a tool to measure all types of social value. It also includes an accounting system to calculate annual social value created by social enterprises. Furthermore, the SPC foundation led by SK rewards every social enterprise in our program for its SPC in cash, annually.

Any social enterprises that join our pilot SPC program can use our yardstick to measure its value creation.

Social enterprises have a double bottom line. One is the profit line. The other is the social value line.

Through our SPC program, social enterprises can create financial value while focusing their activities on social contribution, which is their primary purpose.

In April 2015, SK launched SPC, which we had studied for two years. 44 small social enterprises participated in the program that year, and they created \$10 million in social impact. So SPC foundation rewarded them \$2.7 million. So, this year, 96 companies joined the program, and the Korean government and many organizations joined the SPC foundation.



Perhaps, a long and difficult road awaits us. We will undergo trial and error as we calibrate how to measure social value, and finance and distribute resources. But, the first accounting system was refined over hundreds of years to become a key today's business management tool. I trust that SPC will also become a part of the core infrastructure of the social enterprise ecosystem.

I believe if our society has this actionable SPC program, not only investors, people in charge of CSR programs, and policy makers but everybody in the society can have a more effective tool to make a better society.

Ladies and gentlemen,

If my message resonates with you, I encourage you to take an interest in the methodology of social enterprises. I am ready to fly anywhere in the world to engage in lively and constructive discussion with you. By joining forces, we can create a better world.

Thank you for listening.

Thierry de MONTBRIAL

Thank you very much, Chairman Chey. With this subject we have started to discuss matters of ethics, corporate social responsibility, government-business relations; it is a subject that we try to introduce at every single meeting we hold and I am sure that we will have opportunities in the future to go much deeper in this subject, and we will certainly have an opportunity to discuss this very original idea and contribution that you have explained in a few words to us, so thank you very much.