



Social Impact Investing
Implementation Taskforce



TECHNOLOGY ENABLED IMPACT REPORTING PRACTICE

SUMMARY REPORT

In association with

Deloitte.

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The Social Impact Investing Taskforce thank the representatives from reporting organisations, investors and technology and data providers who have contributed, generously providing their time, insights, and feedback to strengthen the quality of this report. This includes:

REPORTING ORGANISATIONS



INVESTORS



TECHNOLOGY AND DATA PROVIDERS



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Department for
Digital, Culture,
Media & Sport

“There is mounting evidence that citizens want to understand the social and environmental impact both of their investments, and of the organisations they work for, purchase from and interact with in their daily lives. This means actors across the investment chain need to come together to agree consistent and comparable ways to measure and report on impact. This report brings evidence from the market to highlight this need and the critical role for technology and data. We look forward to the Impact Investing Institute taking forward this work in practical ways to support actors across the investment chain aligning on impact measurement and reporting.”

David Knott, *Director of the Office for Civil Society, Department of Digital, Culture Media and Sport*



“As this report concludes, ensuring that material impacts are anchored in the business purpose and strategy of reporting organisations is fundamental to the effective measurement and reporting of impact. The Impact Investing Institute looks forward to building on the key messages of this report and working across the investment chain to facilitate the convergence of approaches to the measurement and reporting of impact.”

Dame Elizabeth Corley, *Chair of the Impact Investing Institute*

Deloitte.

“At Deloitte our purpose is to make an impact that matters and we embed this ideal in our work every day. But as we strive to be a purpose-led organisation, we need to develop our approach to impact measurement to help us to track our progress, to hold ourselves accountable and to help us take strategic decisions for impact. Alongside the Impact Investing Institute, we are committed to pushing forward the debate on this topic and to help ourselves and our clients to better understand and deliver positive social and environmental impact.”

Nick Owen, *Chairman of Deloitte UK*



“Yorkshire Water was pleased to participate in this project. For a business to remain successful it is clear that they need to shape their strategy and decision-making around a strong social purpose and a sound understanding of their social and environmental impacts. The report reaffirms this imperative as well as capturing some of the key challenges and enablers that practitioners in this field are facing. We look forward to working with the Impact Investing Institute and other organisations to continue maturing and standardising approaches for impact reporting.”

Ms Liz Barber, *Chief Executive, Yorkshire Water*



“Big Society Capital welcomes this report with the emphasis it puts on the need to link impact measurement and reporting to strategy and business model and to develop solutions through collaborative working across the investment chain. We look forward to working in partnership with the Impact Investing Institute to support the implementation of the report’s recommendations in those sectors and themes most material to Big Society Capital’s purpose and strategy.”

Sir Harvey McGrath, *Chairman, Big Society Capital*

FOREWORD

In the Better Reporting Landscape Report the foreword concluded: “...let us be clear that all the major actors are on the train, not waiting at a station. We are on our way.” The findings in this report demonstrate that while progress is being made, the challenges to effective impact reporting practice are great. Without significant action from progressive keystone players, the rate of change in impact reporting practice will be insufficient to meet society’s global challenges including the climate emergency.

Measurement and reporting influences behaviour but, as this report acknowledges, it is only a single, albeit important, part of a necessary systematic transformation. The development of impact investing and impact reporting has the potential to enable the capital market system to be transformed to meet society’s need for a sustainable future. Let us be clear that in our view impact reporting is about system transformation not incremental transparency.

In July 2018 the Financial Reporting Council revised the UK Corporate Governance Code, setting out as principle 1A on leadership: “A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.” The small word “and” is the key to transforming an old system based on a model solely of shareholder primacy to a new system reflecting a model of stewardship on behalf of all stakeholders. Impact reporting is the means by which stakeholders can hold boards to account for their contribution to wider society.

The technology focus of this report provides insights and ideas for progress. On reflection it seems surprising that the incredible developments in mechanisms for disclosing information both to and by society have not yet been reflected in corporate reporting. At a public level, the internet has democratised information, but the publication, distribution and accessibility of corporate information still reflects earlier technologies. One possibility is that the focus on the primary audience being shareholders has led to paper and .pdf still dominating. Future thinking about better reporting being for shareholders and wider society may in time be seen as the tipping point of capital market transformation.

We commend this report and thank the participating organisations, the individuals who volunteered their time and expertise, and of course the Deloitte team led by Sam Baker who were and are exceptional.

Olivia Dickson and Paul Druckman

Co-Chairs Better Reporting

Social Impact Investing Implementation Taskforce

KEY MESSAGES

CONTEXT

In the face of mounting global challenges for both people and planet, key stakeholders and wider society expect the organisations with whom they interact to declare their intent to make a positive contribution to the Sustainable Development Goals and the Paris Climate Agreement.

Demonstrating progress through accessible environmental and social (E&S) impact reporting is a critical means of ensuring authentic accountability. Whilst regulators and standard setters have a role to play, organisations themselves have a responsibility to provide information that is transparent, clear and useful. At present organisations' reporting practices are neither consistent nor comparable and are not reflective of impact. Instead a plethora of reporting standards and frameworks, mostly generating outcome data with weak or unexplained relationships to real E&S impact, support fragmented approaches to reporting.

VISION AND ASPIRATION – THE WHY? WHAT? HOW?

'Why' organisations measure and report should be rooted in the understanding that E&S impacts are critical to their business model and should inform and flow from strategy and purpose. Organisations should embed material E&S impacts in their core business strategy and call them out in their purpose.

In order to achieve a positive impact on the environment and society, organisations should not only report on their E&S impact but also link their material E&S impacts to business strategy, and use E&S reporting to inform business decisions and improve impact performance. Leading practitioners recognise the value of E&S reporting as a key input to strategic decision making, as a marker of long term sustainable performance and as a driver of an element of executive remuneration.

'What' organisations measure and report should be transparent, consistent and comparable, and reflect and drive real impact. Specific material impacts on the wider world should be reported alongside generic responsible business indicators. Ultimately E&S reporting by impact theme should be standardised.

Leading practitioners embrace 'theory of change' methods to help articulate a priority set of specific 'impact themes' that are most material to the strategy and business model, minimising negative impacts and maximising positive impacts on the wider world. These impact themes, often expressed through a statement of corporate purpose, are then tied to clear (and where possible, standardised) metrics and KPIs. Leading practitioners differentiate between reporting on specific, business model related priority impact themes and broader, responsible business indicators.

'How' organisations invest in their E&S measurement and reporting systems should reflect their commitment to the SDGs and be commensurate with the inter-dependence of E&S impacts and long-term sustainable success. Organisations should improve resourcing and structures for E&S reporting teams, housing them in core functions with links to key decision makers.

Organisations face a need to invest in better resourcing models and structures. Many E&S reporting teams are stretched and under resourced, overwhelmed with a huge amount of surveys and requests for information, and often working in silos. Leading practitioners have increased investment in E&S reporting teams and house them in core strategy and finance functions, with clear links to key decision makers within the business, including the CEO and Board.

CRITICAL ENABLERS – TECHNOLOGY SUPPORTING COMMON APPROACHES ACROSS INVESTMENT CHAIN

Technology relevant to E&S reporting will be critical to accelerating progress. Without a technology infrastructure to underpin E&S data collection, measurement and verification, even substantial investments in E&S reporting teams are unlikely to fill the resourcing gap or achieve progress at the speed and level required.

The growing sector of technology and data providers, and organisational uptake of their technologies and services, will play a critical role in catalysing a more efficient and effective system. Leading organisations are already engaging with technology and data providers and adopting and integrating digital technologies into their measurement and reporting systems to accelerate progress.

Asset owners and managers, reporting organisations, technology and data providers and other parties should work together to develop system-wide solutions. Together they should develop common approaches, create system wide tools, and sector / theme specific metrics and KPIs, and share clear, accessible data sets.

System wide mechanisms for reducing the reporting burden should be created. A public depository of data, metrics, KPIs, tools and approaches, properly governed, accessible by and distributable to all, will be key to reducing the E&S reporting burden. Across stakeholder groups there should be improved awareness of key terminology, and public sharing of effective approaches and data sets, to accelerate the drive towards impact transparency and comparability.

KEY RECOMMENDATIONS

Recommendations	System
	<ul style="list-style-type: none"> • Evidence and promote the link between E&S impact, generation of value for shareholders and long-term sustainable success • Establish a standardised set of KPIs for key E&S themes, potentially by sector • Develop shared definitions, taxonomies, methods and approaches for E&S measurement and reporting • Create a public depository to record the different methods and approaches • Engage in meaningful, collaborative work between various actors and stakeholders across the investment chain
	Company
	<ul style="list-style-type: none"> • Develop impact themes that are aligned to the business model and supported by a theory of change to define measurement and reporting requirements • Embed E&S KPIs into the management and management information systems • Provide transparency to third parties on underlying data and approaches
Investors	
<ul style="list-style-type: none"> • Look beyond ESG data and assess the impact themes that are embedded in the strategy and business model of an organisation • Exercise stewardship to help organisations embed ESG data in the strategy and business model • Embrace and commit to delivering E&S impact across their own organisations 	
Tech and data providers	
<ul style="list-style-type: none"> • Contribute to the data sets for E&S themes • Link products and services to core and existing systems within reporting organisations • Work with third parties or develop service arms to help organisations to use their technology and data effectively 	





EXECUTIVE SUMMARY

BACKGROUND

This paper builds on the [Better Reporting Landscape Report](#) to identify good practices and challenges in embedding environmental and social measurement and reporting across sectors and to provide key recommendations for realising the vision of the Better Reporting Programme of the Social Impact Investing Taskforce.

The Better Reporting Programme seeks to contribute to a vision of *‘transparent, consistent, comparable impact reporting that reflects and drives real impact’* by facilitating convergence of approaches to environmental and social impact measurement and reporting by businesses, social enterprises and investors based in the UK, including those operating internationally.¹

This vision is now to be taken forward by the **Better Reporting** workstream of the newly formed [Impact Investing Institute](#) and has been refined to: “develop better reporting of environmental and social impact”.²

This paper seeks to promote an **integrated approach** to reporting that serves the needs of investors and wider stakeholders, by anchoring measurement and reporting in the purpose, strategy, operations, culture, and communications of reporting organisations.

The insights in this paper use the body of evidence developed for the Landscape Report and its call for evidence, additional desk research and **interviews** and two **workshops** with industry experts and participating organisations.

¹ Advisory Group to UK Government, Growing a Culture of Social Impact Investing in the UK, 2017. Please note that broader economic impact is implicit within this definition of impact, but is not the focus of this study.

² Together, environmental, social and economic impact represent societal impact. While recognising the existence and importance of reporting on economic (“E”) impact, this paper focusses on the reporting of environmental and social (“E&S”) impact

A. DIRECTION OF TRAVEL

As the world continues to face mounting challenges to both people and planet, evidence continues to mount that stakeholders **increasingly expect** the organisations they interact with to clarify their contribution.³ Organisations are expected to call out their intended impact on the environment (planet), on society (people) and the economy (prosperity). These expectations go beyond investment in Corporate Social Responsibility (CSR) initiatives or initiatives that make the way the organisation is run more responsible. They call for commitments that are articulated as purpose, commitments that are embedded in the business model, that inform how the organisation is run, what it provides, and to whom, and the basis on which it engages with internal and external stakeholders. To ignore these expectations creates risk; to meet them, lays the foundation for long-term success.⁴ [Bridges’ Spectrum of Capital](#) describes the continuum of impact from an investor perspective moving from avoiding risk to developing / contributing to solutions.

In recognition of this, there is increasing demand across the investment community for E&S reporting, typically referenced as ‘ESG reporting’ and provided via individual companies and collectively by ratings agencies and index providers. Global sustainable investments⁵ grew by 34% to \$30.7 trillion from 2016 to 2018, and investors who specifically integrate ESG principles into their portfolios now represent about \$17.5 trillion, up 69% from 2016.⁶ Taxonomies and definitions differ between analysts and commentators, but the sense of materiality and direction of travel is clear. Alongside more specialist impact-

focused investment houses, traditional asset managers are creating more products to serve the increasing demand from investors for their money to be directed towards companies that recognise a responsibility to consider environmental and/or social impact. Motivations span from seeing this consideration as an attractive characteristic in its own right, to the belief that it’s a critical driver of financial value, to the introduction of new regulations and guidelines to comply with, such as the UK Stewardship Code.

E&S measurement and reporting within organisations and by investors needs to evolve significantly to support these expectations and to sustain this momentum. Our project participants, all progressive in some regard, have helped shape a medium-term aspiration for E&S measurement and reporting together with illustrations of good practice and specific actions by each actor, that reflects the need to change whilst recognising the practical challenges that make this difficult, and progresses the system towards the vision laid out by the Taskforce.

With rapidly accelerating climate change, increasing global inequalities, unsustainable business practices, etc., there is no greater burning platform to align on than to position societal impact as a key component of reporting, a key influence on business strategy and a key factor in investment and stewardship decisions. To achieve this, all stakeholders are going to have to work in partnerships to create system-wide solutions to E&S impact measurement and reporting, and to ensure organisations are being managed and held to account on the basis of a core commitment to E&S impact.

³ See 2030 Purpose, Deloitte 2017

⁴ See 2030 Purpose, Deloitte 2017

⁵ The study defined sustainable investment as encompassing all of the following: negative/exclusionary screening, positive/best-in-class screening, norms-based screening, ESG integration, sustainability themed investing, impact/community investing and corporate engagement and shareholder action. The definition is inclusive, of related terms such as responsible investing and socially responsible investing.

⁶ 2018 Global Sustainable Investment Review, Global Sustainable Investment Alliance, March 2019

B. MEDIUM-TERM ASPIRATION

The Better Reporting workstream's vision emphasises transparency, consistency, comparability, and ultimately standardised, environmental and social measurement and reporting. The medium-term aspiration is built around specific areas that need to be addressed to work towards this vision.

This aspiration can be summarised as: E&S measurement and reporting practice that is anchored in the purpose, strategy, operations and culture of the reporting organisation; and serves the needs of investors and wider stakeholders supported by a leading technology and data provider sector.

MEDIUM-TERM ASPIRATION FOR REPORTING ORGANISATIONS

Why

- The importance of E&S impact is recognised across the stakeholder group
- E&S impact is seen as a critical component of the business model, anchored in the purpose, strategy, operations and culture of the organisation
- E&S impact is seen as important to management and is linked to executive remuneration

What

- Efficient reporting on a broad set of 'responsible business' KPIs that do not vary by organisation supplements measurement of organisation specific E&S themes⁷
- Dynamic measurement and reporting of E&S impact, or close proxies, supported by a 'theory of change'⁸, for a small number of impact themes most material to a specific business model
- Use of standard KPIs, by E&S theme⁹ and sector¹⁰, together with a common language for impact, and standard approaches to E&S measurement and reporting
- Description of the strategic relationship between financial performance and societal impact, and demonstration of the financial implications of intended impact by E&S theme

How

- The 'theory of change' and the specification of the impact themes are owned by the Strategy function
- Measurement and reporting of both impact theme KPIs and the responsible business KPIs is owned by the finance department
- Core reporting systems are configured to provide finance grade reporting against the impact themes
- Third-party technology and data providers supplement support with systems, theme specific data sets and insight
- External assurance on E&S measurement and reporting is provided by professional services firms and / or technology and data providers

MEDIUM-TERM ASPIRATION FOR INVESTORS

Identification of, and performance against, an organisation's impact themes plays a key role in the underlying value creation philosophy.

Reporting organisations provide information of a quality on par with financial information to support investor decision making and stewardship activities relating to these impact themes, together with broader responsible business reporting.

Third-party technology companies provide systems, data and analytics to support the validation and comparison of E&S performance.

MEDIUM-TERM ASPIRATION FOR TECHNOLOGY AND DATA PROVIDERS

The technology and data sector provides both the investor community and the reporting organisations with systems, models, data, insight and interoperability to enhance the measurement and reporting of E&S themes, reduce costs for both parties and promote standardisation and comparability. They also provide assurance on the quality and veracity of the underlying data.

C. CHALLENGES

Given the growing recognition of the importance of E&S impact information, we might expect each part of the system to make **clear and precise demands** for it. E&S outputs, outcomes and impact would be measured and reported effectively and be a part of the narrative of value creation. We might expect a well-structured supporting industry of data, analysis, standards and taxonomies facilitating the work of well-resourced internal teams. These internal teams would be directly represented at Board and Executive level, responsible for providing the information required to direct a business towards greater E&S impact and long-term success. Executive incentives would include E&S targets.

However, this is not how the market is functioning. In general, **E&S themes are not** seen as critical to business models, and organisations are not being run and managed with intentional E&S impact. Reporting organisations are also currently burdened with excessive reporting (e.g. seven different surveys asking similar questions, all going to different stakeholders). In addition, the economic

argument for sustainable development has not yet been widely proven and accepted, although the data is starting to come through now. As a result, E&S measurement and reporting is under-developed and under-resourced, and costs the reporting organisations too much. This results in incomplete and untimely data, un-informed investors, and stifles the third-party industry of technology and data providers seeking to support the collation and analysis of data on E&S themes. Intermediaries like rating agencies, index providers, and analysts in investment management can all help the market function better through significant time and cost reduction to mobilise disclosure, make organisation performance more transparent and provide benchmarking and support to help reporting organisations improve their impact. However, it all starts with the reporting organisation beginning to manage their operations with E&S impact at the core, and knowing how to report, where to get the data from and committing to effective monitoring and measurement.

⁷ "Themes" describe areas of Environmental or Social impact which contribute to and can be directly mapped to the Sustainable Development Goals and their Targets

⁸ Explained in the body of the report by a description of the way inputs, outputs, outcomes are linked to impact

⁹ For example, an environmental theme would be plastic waste and a social theme would be gender equality

¹⁰ Some E&S themes are of particular importance to sectors or group of sectors, e.g. use of fertiliser in agriculture, and should be standardised at a sector level

Amongst key stakeholders, there is a growing interest in the reporting of performance against E&S themes. For example, consumers increasingly look to buy from companies who are having a demonstrable positive impact on society.¹¹ In the investor community, interest is primarily driven by growing customer demand for E&S related products and investments, with a number of investors quoting the increasing number of millennial retail investors who prefer to 'do good' with their money; as well as by increasing concern about the risks that various emerging E&S themes could pose to financial value in the long term. On the other hand, there is only a limited recognition of the E&S impact as a driver of fundamental value for investee

companies, especially outside the topic of carbon disclosure and "green" activities. It is difficult to see this changing whilst the primary basis for E&S performance, typically referred to as ESG by the investment community, continues to be delivered through simplistic pro-forma questionnaires or non-standardised disclosures.

There is an emerging industry of technology companies seeking to support companies to collate and analyse data on E&S issues. Whilst they see the gap in the market, they struggle to fill it having neither the access they need to the companies to develop deep insight, sufficiently complete data sets from outside the reporting organisation, nor the scale required to enable effective analysis of the accessible data..

D. GOOD PRACTICE

The challenges noted above reflect the underlying issue that the effective measurement, management and reporting of E&S impact is not a core discipline within reporting organisations and requires new and enlightened management approaches and the requisite systems and processes to support them. Benefits will accrue to those who get it right, but given the immaturity of the market¹², many organisations still believe the business case for properly resourcing E&S measurement and reporting typically lacks the required level of empirical evidence. However, stakeholders are beginning to recognise the economic argument for sustainable financing, estimated at circa \$12 trillion per year global growth opportunity in new markets¹³, and there are already examples of good and progressive practice within reporting organisations, across the investment chain, and in the technology and data provider sector.

EXAMPLES OF EFFORTS TO REPORT ON IMPACT

Practice is currently focused on the measurement and reporting of **outputs** and **outcomes**, rather than 'impact' (see the appendices for definitions). Whilst no organisation would claim to be an exemplar, some of the participants in this study illustrate good practice and others pointed to examples in the market.

System level success: the Task Force on Climate-related Financial Disclosures (TCFD) aims to help companies provide voluntary, consistent climate-related financial risk disclosures for use both by the companies and their stakeholders. Whilst measurement and reporting of climate change as a theme still

has a long way to go, for instance disclosures emphasise risk, and public returns suggest few are yet reporting the financial implications of these risks, TCFD has gained support from over 500 international companies causing a systemic shift towards co-ordination and coalescence for reporting on this E&S theme.

Company level success: Bulb was founded with the express purpose of achieving positive environmental impact, helping people reduce their carbon emissions and save on their energy bills, by providing affordable, renewable energy. This commitment is at the heart of their business purpose, strategy, operations and management

systems, and central to their measurement and reporting. This is enshrined in their B Corp status. For example, Bulb has an open source, KPI dashboard that captures information on their carbon savings. Every level of the business knows their carbon saving targets and these are reviewed at the weekly company meeting.

EXAMPLES OF GOOD PRACTICE AGAINST THE WHY, WHAT AND HOW OF THE VISION

Each of the reporting organisation participants illustrate good practice against some part of the vision laid out above.

Good practice examples of *Why* measurement and reporting is carried out

- **Vodafone** have three impact pillars, formulated by deep consideration of business-society "win-wins", reporting on the themes below the pillars is conducted regularly, and feeds directly into the executive committee.
- **Cordant Group** became the UK's largest social enterprise in 2017, creating the overarching motivation for measurement and reporting of impact themes.

Good practice examples of *What* is measured and reported on

- **Pentland Brands** have a clear social purpose underpinned by three principles, and report on a set of bespoke KPIs against each of these principles.
- **Standard Chartered** this year reported four non-financial measures alongside their five financial measures, to give an idea of overall performance within their overall integrated report.

- **SSE** have used the SDGs as a tool to conduct an in-depth materiality assessment¹⁴ and identify appropriate E&S metrics.

Good practice examples of *How* measurement and reporting is carried out

- **Yorkshire Water** have embedded their sustainability reporting team into the finance department; leveraging a multi-capital approach to link E&S themes to a broader concept of value.
- **Unilever** have established clear governance, ownership and oversight procedures for E&S themes and accompanying metrics, and are beginning to automate parts of the process.
- **Associated British Foods** have summarised over 2000 questions from external questionnaires and benchmarks into 200 questions, in order to streamline processes for responding to data requests in view of its decentralised structure.

¹¹ See Edelman, In Brands We Trust?, 2019

¹² For maturity journey, see Better Reporting Landscape Report, page 26

¹³ Better Business, Better World; The Business and Sustainable Development Commission, 2017

¹⁴ The process of identifying and assessing potential ESG issues that could affect your business and stakeholders, and condensing them into a short-list of topics to inform company strategy, targets and reporting

E. RECOMMENDATIONS

- Few expect a world in which as much attention is paid to E&S impact as it is to financial outcomes tomorrow, or even the day after. But there is a sense of urgency present, particularly with regards to climate change, which is translating into progression and a desire to advance, at both individual organisation and system level. As noted by the participants in our workshops, E&S themes have the power to bring business and society together.
- As such, experience gathered from interviewees has been distilled into a small number of potentially high impact, proposed actions at system, organisation, investor and technology and data provider level.

SYSTEM LEVEL

- **Evidence and promote the link between E&S impact, generation of value for shareholders and long-term sustainable success:** it's in all actors' interests to help develop the empirical evidence at organisation and system level of the way E&S impact contributes to the longer term sustainable success of an organisation. This requires the education and immersion of all in this topic up and down the organisation and all the way through the value chain.
- Build on the existing efforts to **establish a standardised set of KPIs for key E&S themes, potentially by sector** that can be either adopted or built upon by reporting organisations, saving effort, contributing to comparability and allowing research and analysis to be shared more effectively.
- Continue to **develop shared definitions, taxonomies, methods and approaches for E&S measurement and reporting:** the regulators and standards organisations have an obvious role in this regard but individual organisations, or ideally groups of same sector organisations, can also contribute by testing, influencing, implementing and publishing methods and approaches. Technology and data providers can also help share good practice and enable more effective data collection for E&S themes.
- Share the different methodologies and approaches currently in use: **create a public depository to record the different methods and approaches** used by participating organisations in their measurement and reporting of E&S themes. This central depository should be open to all stakeholders and participants and be part of an effort to increase communication across the value chain.
- **Engage in meaningful, collaborative work between various actors and stakeholders across the investment chain** (e.g. reporting organisations, investors as asset managers and asset owners) as well as across the investment chain, to further the above system level recommendations

COMPANY LEVEL

- **Develop impact themes that are aligned to the business model and supported by a theory of change to define measurement and reporting requirements.** Formalise and test a 'theory of change' which explains how the business model relates to specific E&S themes ("impact themes"), the expected E&S outputs, outcomes and ultimately, impacts, and how this works in concert with creation of value for shareholders. House and resource the theory of change in the strategy function and re-test regularly. Use the theory of change to identify the E&S KPIs to focus on, which will act as proxies for impact.
- **Embed E&S KPIs into the management and management information systems** and develop related targets – declaring a clear intent on behalf of the organisation. House and resource these systems in the finance function with suitable expertise and dedicated resource. Where appropriate link KPIs to executive remuneration.
- **Provide transparency to third parties on underlying data and approaches,** particularly where the data, approaches or KPIs used are not following published standards. Develop a clear and consistent communications framework for sharing key messages. Externally assure approaches using professional services firms or third-party technology and data providers.

INVESTOR LEVEL

- **Look beyond ESG data and assess the impact themes that are embedded in the strategy and business model of an organisation.** Given the evolving nature of the market, investors need to look beyond third-party provided ESG data, and engage with the reporting organisation on approaches used including, critically the theory of change, the impact themes and links to value creation and the long term sustainable success of the business.
- Investors need to **exercise stewardship to help organisations embed ESG data in the strategy and business model,** and suggest mechanisms to assess executive performance based on these values, for example, by tying it to remuneration. Additionally, as required by the new Stewardship Code, investors need to report on the outcome that their stewardship has had on where they have engaged with investee companies on their E&S impact.
- Investors need to **embrace and commit to delivering E&S impact across their own organisations,** take into account material ESG factors (including climate change), deploy the house view consistently and not constrain this to niche parts of their product portfolio.

TECHNOLOGY AND DATA PROVIDER LEVEL

- **Contribute to the data sets for E&S themes:** technology and data providers need to help develop deep data sets for specific, priority E&S themes by sector, building a critical mass of data and insight that enhances the understanding of, and approach to, E&S impact measurement and reporting.
- **Develop tools to effectively link products and services to core and existing systems within reporting organisations,** reducing the time and thus cost burden on reporting companies and increasing the day to day utility of the data such that it can also inform business decisions
- **Work with third parties or develop service arms to help organisations to use their technology and data effectively,** upgrading from annual, manual processes to a system that is dynamic and automated.

MATCHING THESE RECOMMENDATIONS TO THE 7 DRIVERS OF COALESCENCE

Each of these recommendations, distilled from the interactions with the project participants, further in some way the development of the drivers of coalescence identified in the Landscape Report. This support is illustrated in the table below.

		The Seven Drivers of Coalescence							
		Definition of impact	Theme / sector specific KPIs and metrics	Common anchoring in the SDGs	Impact reporting principles	Declaration of intent	Use of technology	Legal and regulatory underpinning	
Recommendations	System	Evidence and promote the link between E&S impact, generation of value for shareholders and long-term sustainable success	✓	✓	✓	✓	✓	✓	✓
		Establish a standardised set of KPIs for key E&S themes, potentially by sector	✓	✓	✓	✓			
		Develop shared definitions, taxonomies, methods and approaches for E&S measurement and reporting	✓			✓			✓
		Create a public depository to record the different methods and approaches	✓	✓	✓	✓			
		Engage in meaningful, collaborative work between various actors and stakeholders across the investment chain			✓		✓		
	Company	Develop impact themes that are aligned to the business model and supported by a theory of change to define measurement and reporting requirements	✓	✓	✓		✓		
		Embed E&S KPIs into the management and management information systems		✓	✓			✓	
		Provide transparency to third parties on underlying data and approaches							
	Investors	Look beyond ESG data and assess the impact themes that are embedded in the strategy and business model of an organisation	✓		✓		✓		
		Exercise stewardship to help organisations embed ESG data in the strategy and business model					✓		
		Embrace and commit to delivering E&S impact across their own organisations	✓		✓	✓	✓		
	Tech and data providers	Contribute to the data sets for E&S themes		✓	✓			✓	
Link products and services to core and existing systems within reporting organisations					✓		✓		
Work with third parties or develop service arms to help organisations to use their technology and data effectively				✓			✓		



AND RECOMMENDATIONS FOR US ALL

Transformation needs system change, not just the actions of progressive individual actors. Sustainability is a uniting theme, and all stakeholders can benefit from enhanced E&S measurement and reporting. And so, the ask for us all is to:

- **Educate** ourselves, as citizens, employees and asset owners, in the E&S themes, the SDGs, and the way the different parts of the ecosystem interact; creatively utilise marketing and advertising platforms to drive awareness and urgency
- **Collaborate** through forums that cut across the different stakeholder groups, identifying opportunities to provide help that meets the needs of different parts of the ecosystem; and
- **Advocate:** help all understand the importance and need for effective E&S measurement and reporting, its contribution to strengthening business models, and bringing business and society together. Try to ensure advocacy converts to policy and incentives for action.
- **Act:** contribute to positive E&S impact through daily purchasing choices and actions. Where able, contribute to businesses, products and solutions seeking to achieve a positive impact on society.

