IMPACT MANAGEMENT PROJECT

David Styles
Financial Reporting Council
8th Floor
125 London Wall
London
EC27 5AS

Dear David,

Re: The FRC's Consultation on Proposed Revisions to the UK Corporate Governance Code

We are writing to you on behalf of Impact Management Project ("IMP"). The IMP is an open source project running over 2017-18, designed to facilitate a 'market push' towards greater standardization in how impact is assessed and managed. To date we have convened over 1000 organizations to agree a common language, detailed principles, and practical guidance on the practice of impact management, which we are now working to embed in existing standards bodies, frameworks and policy.

We were alerted to the FRC's Consultation by Elizabeth Corley, as a member of the non-financial reporting working group of the Implementation Taskforce. We recognised that the IMP was already delivering against her Advisory Group's recommendations on Growing a Culture of Social Impact Investing in the UK with regard to the critical need for the development of better reporting against non-financial goals. The wide range of practitioners engaged in the IMP have already agreed on what information is required to assess our material non-financial effects ('impact') on stakeholders, alongside practical guidance for how organisations can use this information to manage their impact, and then report on their results to enable other stakeholders to manage theirs. Impact management practice therefore fundamentally relies on clear corporate reporting principles.

The UN SDGs have been a helpful catalyst for encouraging organisations to consider their non-financial goals. However, reporting against the SDGs is not sufficient to a) understand all the impact a company has on its stakeholders, which means that b) reporting against the SDGs does not alone enable impact performance to be benchmarked. We would ask the FRC to adapt and use the guidance on impact management developed by IMP, so that the FRC can provide more detailed support for companies through the Governance Code and Stewardship Code.

We have reviewed the FRC's consultation on revisions to the Corporate Governance Code and attach at Annex A our comments on questions you have asked relevant to our work. On behalf of the Impact Management Project who have agreed these impact management principles, I would like to draw to your attention the following key points:

(1) We recommend embedding the market consensus achieved under the IMP in the FRC Guidance ("the Guidance"), to enable practical implementation of the Code's recommendations to take 'account of impact on other stakeholders'. Doing so will enable clarity on how a board can be accountable for the impact of the company's operations on the

wider society in which it operates. We believe the FRC can take leadership by adapting and using this guidance for use in FRC guidelines to provide more detailed support for companies.

We recommend that the Guidance asks companies to:

a) Determine their material positive and negative effects on people and the planet through dialogue with their stakeholders

b) Share their impact goals and performance in relation to these material effects with both shareholders and other stakeholders, on at least an annual basis

c) Provide a rationale for the measurement approach(es) they use to understand their performance, using standardised metrics where appropriate/possible

The IMP has brought together over a thousand practitioners to develop practical guidance in relation to these steps, which could be adapted and used by the FRC in its more detailed support for companies.

(2) We encourage specific reference to the principles for assessing and managing impact, as agreed through the Impact Management Project. These principles, agreed by over 1000 organisations, provide the basis with which a company can understand, manage and report on its non-financial effects on stakeholders. The UN SDGs do not provide a sufficient reporting framework to enable the collection of adequate information to enable widespread impact management practice, and could risk impact-washing.

(3) We consider that the FRC has a critical leadership role to play in supporting and enabling market participants, both companies and investors, to coalesce around a unified framework for such reporting. Given this, we strongly welcome the FRC's commitment to a project which will look afresh at the future of corporate reporting including non-financial reporting that adapts existing norms and practical guidance developed through IMP.

I attach at Annex B an overview of the Impact Management Project. You will see that this initiative has convened the major thought-leaders, initiatives and market infrastructure bodies, alongside a global consortium of practitioners. The common language co-created through the IMP has enabled a surge of momentum in clarifying this complex field, and we welcome the FRC's support in progressing this agenda on behalf of the industry.

We would welcome the opportunity to provide that expert perspective as you take this work forward. Please let me know if you would like the Impact Management Project Team to assist the FRC in this way.

Yours sincerely,

Brian Trelstad
On behalf of The Impact Management Project

cc. Olivia Dickson

Annex A: The FRC's Proposed Revisions to the Corporate Governance Code

Context on The Impact Management Project

Through the Impact Management Project ("IMP"), we have convened over 1000 organisations to agree on market norms for assessing and managing impact. The IMP is an open source project running over 2017-18, designed to facilitate a 'market push' towards greater standardisation. In this respect, the project represents the views of a wide variety of market participants rather than a single organisation or initiative – and the consensus agreed through the project is intended to feed into the work of existing institutions, such as the FRC. The IMP is funded by a consortium of leading asset owners/managers and respected social organisations globally.

We welcome the FRC's recognition of the publicly available norms that have been recognised for the practice of impact management, applicable to corporates, investors, policymakers and the stakeholders themselves affected. We would welcome the opportunity to work with your more closely to develop solutions for standardised corporate reporting that align with these norms.

Summary of Recommendations

We recommend that the Guidance asks companies to:

1. Determine their material positive and negative effects on people and the planet through dialogue with their stakeholders

2. Share their impact goals and performance in relation to these material effects with both shareholders and other stakeholders, on at least an annual basis

3. Provide a rationale for the measurement approach(es) they use to understand their performance, using standardised metrics where appropriate/possible

The IMP has brought together over a thousand practitioners to develop practical guidance in relation to these steps, which could be adapted and used by the FRC in its more detailed support for companies.

Detailed responses

Q2. Do you have any comments on the revised Guidance?

We recommend embedding the market consensus achieved under the IMP in the FRC Guidance ("the Guidance"), to enable practical implementation of the Code's recommendations to take 'account of… impact on other stakeholders'.

For example, the wide range of practitioners engaged in the IMP were able to agree on what type of information is required to assess and manage material effects on stakeholders. This could help the

Code provide precise and practical guidance for a company to take 'account of the impact of [their] operations on a wider range of stakeholders'.

The current Guidance also includes many references to the 'importance of dialogue with shareholders… and wider stakeholders', and dictates that 'companies need to respect a wide range of stakeholder interests and take account of the impact of their decisions on them' but it does not explicitly state the importance of gathering stakeholder feedback, which has been agreed under the IMP as a critical method of data collection for impact management.

Furthermore, the Guidance currently asks companies to describe their values (e.g. asking companies to define 'a set of values that are aligned to that purpose and the company's strategy') and activities (e.g. Provision 4 asks the board to 'explain in the annual report how it has engaged with the workforce and other stakeholders'), rather than their objectives and results. The IMP has focused on building market consensus for how companies share their objectives and performance, in a way that can be widely understood. To promote accountability, rather than just good intentions, the Guidance could encourage companies to share their impact goals and performance with both shareholders and other stakeholders.

Q3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?

No, the guidance given is insufficient for how the board should gather 'the views of the workforce' and contradicts the earlier guidance that the views of all stakeholders should be sought and influence decision-making, and that the impact occurring for all these stakeholders should be accounted for at Board level.

This substantiates our Recommendation 1, that the Guidance should: determine their material positive and negative effects on people and the planet through dialogue with their stakeholders

Q4. Do you consider that we should include more specific reference to the UN SDGs or other NGO principles, either in the Code or in the Guidance?

We encourage specific reference to the principles for assessing and managing impact, as agreed through the Impact Management Project. These principles include collection of information across the five dimensions of impact, so that a company and its stakeholders can determine whether the effect experienced by people or the planet due to a company's operations is material, and therefore whether it requires managing.

It was agreed under the IMP that companies and investors will want to use measurement frameworks and tools, whether proprietary or 'off-the-shelf', that suit their own context – and that principles should not therefore be prescriptive about a particular measurement framework. Instead, the IMP provides agreement about the type of information that should be visible in any framework; in other words, we should be able to look at whatever information we share with each other about impact and observe the same fundamental dimensions.

The SDGs are therefore included within the IMP principles as an example of a set of commonly agreed important outcomes for understanding the ('what') dimension of impact. The other four dimensions that a company needs to understand to determine their impact are:

- how significant the company's effect is in relation to the outcome, in terms of depth, scale and duration ('how much')

- the demographic of stakeholders that are affected ('who')
- the company's role in delivering the effect relative to the market status quo ('contribution')
- the risk to people and the planet that impact does not occur as expected ('risk')

This substantiates our Recommendation 2, that the Guidance should ask companies to: share their impact goals and performance in relation to these material effects with both shareholders and other stakeholders, on at least an annual basis.

Q17. Should the Stewardship Code be more explicit about the expectations of those investing directly or indirectly and those advising them? Would separate codes or enhanced separate guidance for different categories of the investment chain help drive best practice?

Per our response to Qs 2, 3 and 4 above, the Code should be more explicit about the type of information is required by the company to understand and manage the impact they are having on their stakeholders. This information should also be shared with investors, whether direct or indirect, so that investors have sufficient information to know what impact their portfolio is having and/or help the company to manage their impact.

The Stewardship Code mandates that investors should 'monitor their investee companies' and 'report periodically on their stewardship and voting activities' but there is no guidance on how to meet these requirements. Over the last year, we have deliberately convened parties from across the investment chain so that the market norms agreed under the Impact Management Project respect the needs and capabilities of all participants in the chain. The practical guidance developed through IMP, could be adapted and used by the FRC to help different types of investment organisations and companies adopt best practice impact management.

This substantiates our Recommendation 2, that the Guidance should ask companies to: share their impact goals and performance in relation to these material effects with both shareholders and other stakeholders, on at least an annual basis.

Q20. Are there elements of the revised UK Corporate Governance Code that we should mirror in the Stewardship Code?

The Stewardship Code should re-iterate the norms for impact management that should be incorporated in the Corporate Governance (as per responses to Qs 2, 3 and 4 above).

Q22. Would it be appropriate to incorporate 'wider stakeholders' into the areas of suggested focus for monitoring and engagement by investors? Should the Stewardship Code more explicitly refer to ESG factors and broader social impact? If so, how should these be integrated and are there any specific areas of focus that should be addressed?

The Code should be explicit about the type of information that is required by the company to know what impact they are having on all stakeholders. Specific reference can be made to the principles for assessing and managing impact, as agreed through the Impact Management Project – for example, that information across the five dimensions of impact enable us to determine whether an effect experienced by people or the planet due to a company's operations is material and therefore requires managing and communicating along the investment chain.

Guidance on reporting should therefore recommend that the following five dimensions are visible in any information shared about stakeholder impact, regardless of the particular frameworks or tools they use and regardless of whether the company's intention is to understand ESG risks or intentional positive impact creation:

- which outcomes the company's effects relate to ('what')
- how significant the company's effect is in relation to the outcome, in terms of depth, scale and duration ('how much')
- the demographic of stakeholders that are affected ('who')
- the company's role in delivering the effect relative to the market status quo ('contribution')
- the risk to people and the planet that impact does not occur as expected ('risk')

This information may be quantitative or qualitative, depending on the context. Conveying the information through standardised metrics, where appropriate/possible, could be encouraged. If it is not possible to obtain and/or share these types of information, parties in the investment chain should explain why.

This substantiates our Recommendation 3, that the Guidance should ask companies to: provide a rationale for the measurement approach(es) they use to understand their performance, using standardised metrics where appropriate/possible

Q29: Should the Stewardship Code explicitly request that investors give consideration to company performance and reporting on adapting to climate change?

As per the response to Q 2 and Q 22 above, our recommendation would be that the Stewardship Code and Governance code both incorporate practical guidance from IMP on how a company can practically manage their impact, and then should explicitly request that these results are shared through internal and external reporting. We recommend that the Code mandate that this reporting takes the form of a summary 'impact statement' that describes the performance of the company on its stakeholders – with information about the five fundamental dimensions of impact (and explanations where information is not available), covering both social AND environmental impact, positive AND negative.

This substantiates our Recommendation 2, that the Guidance should ask companies to: share their impact goals and performance in relation to these material effects with both shareholders and other stakeholders, on at least an annual basis.

IMPACT MANAGEMENT PROJECT

Annex B:
Overview of the Impact Management Project

What have we achieved?

Over the last nine months, the Impact Management Project, of which UBS has been an influential and invaluable contributor, has brought together over 700 hundred organisations, from different contexts and countries, to see if we can agree on shared fundamentals (a "convention") for how we understand impact, so that we can all communicate our impact goals – and our performance – in a way that others can understand.

Why does this matter?

When we work in partnership with others (for example, enterprises working with their stakeholders and investors working with enterprises), we rely on a shared understanding of the material effects that people and planet are experiencing. This informs the goals we all set and deliver against, and allows us to adapt our approach as we learn more about what's working and not working.

What was the process?

Phase 1 of The Impact Management Project has not been an effort to converge on a single framework or tool. We want to use resources, whether proprietary or 'off-the-shelf', that suit our own context. The project has been an effort to agree, across a wide range of disciplines and geographies, on shared fundamentals for how we think about impact management and the types of information we need to share with each other. See Appendix A for a summary of the collaborative co-creation process involved in Phase 1.

Figure 1

	DATA		ANALYSIS
1	Type of outcome(s) Importance of outcome(s)	WHAT	What outcomes does the effect relate to, and how important are they to people (or planet) experiencing it?
2	Depth of effect in time period No. of people affected in time period Time period effect lasts for	HOW MUCH	How much of the effect occurs in the time period?
3	Demographic data Environmental data Geographic data	WHO	Who experiences the effect and how underserved are they in relation to the outcome?
4	Benchmarked performance across who, what, how much	CONTRIBUTION	How does the effect compare and contribute to what is likely to occur anyway?
5	Risk factors, e.g. evidence risk	RISK	Which risk factors are material and how likely is the outcome different from the expectation?

What has been agreed?

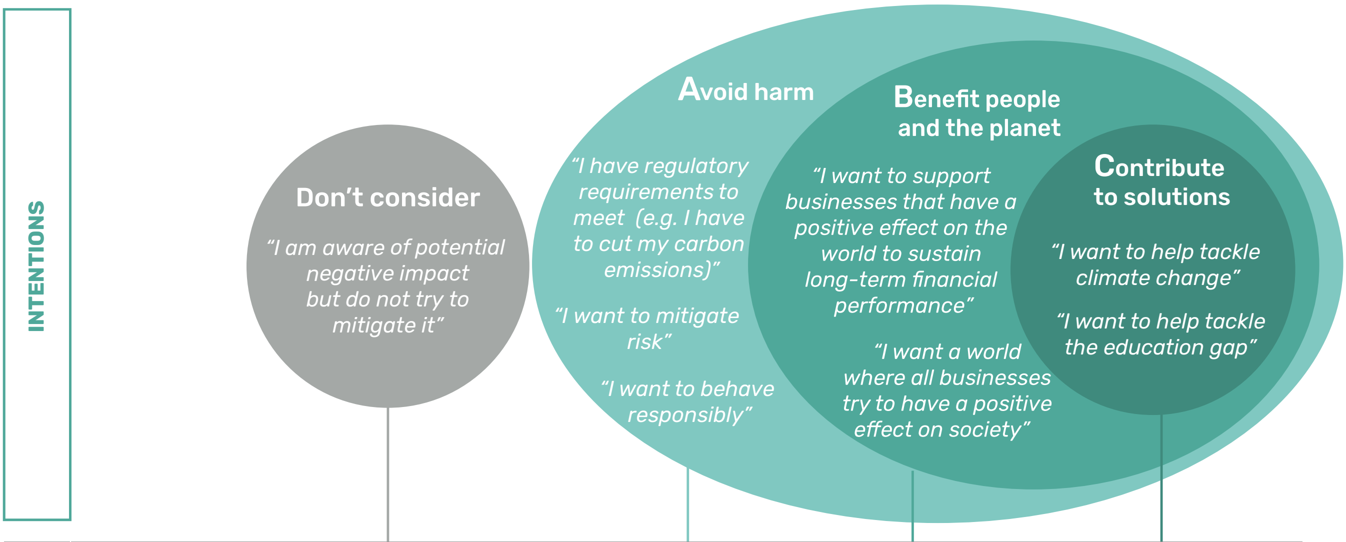
The following headlines describe the widespread consensus that has been agreed:

- All enterprises – and therefore all investments – have effects on people and planet, both positive and negative.
- **Our impact is the combination of our material effects on people and planet.** We understand which effects are material by considering **five dimensions:**
  1. **WHAT** outcome(s), positive or negative, the effect drives and whether it is important to the person (or planet) experiencing it
  2. **WHO** experiences the effect and whether they are underserved in relation to the outcome(s)
  3. **HOW MUCH** of the effect occurs in terms of whether it drives the outcome deeply, for many people, lasts for a long time and/or happens quickly
  4. The **CONTRIBUTION** that the effect makes to what the market would do anyway
  5. The **RISK** that the effect will differ from our expectation
- These five dimensions of impact guide the type of data that we collect about our performance, so that we can adapt our model or re-set our goals, shown in Figure 1. The type of data that we use as evidence of impact will vary according to what type of data an enterprise finds is most appropriate for understanding and improving their effects on people and planet. This legitimises use of a wide variety of resources, frameworks and tools that are best suited to an organisation's context. The important thing is to be able to observe performance against these five dimensions in whatever information we share with each other about impact. Gaps in data are inevitable but the five dimensions of impact allow us to have structured conversations about where those gaps are and what data is therefore comparable.
- To manage our impact, investors need information about the effects of enterprises across these five dimensions. In reality, most business models generate a range of good and bad effects. For example, enterprises with harmful products or sourcing practices might support high quality jobs in an economically distressed community. Conversely, enterprises that provide life-saving services might cause significant environmental emissions, nonbiodegradable waste, or require animal testing. Since positive and negative effects do not

cancel each other out (except in cases such as carbon emissions), impact management involves investors having to decide that achieving a certain material positive effect is worth, at a point in time, generating a possible negative effect. But impact management still means setting goals to try to mitigate that negative effect over time.

- The extent to which enterprises set goals to prevent negative impact and increase positive impact depends on their intentions. These intentions tend to fall into three broad archetypes: those who try to avoid harm to people and planet; those who do not just try to avoid harm but want their business model to generate benefits for people and planet where possible; and those who, in addition to trying to avoid harm and generate benefits for people and planet, also want to go further and contribute to solutions to specific social or environmental challenges.
- These intentions inform impact goals across the five dimensions, as shown in Figure 2 below. Taken together, the five dimensions therefore provide a lens for an investor to understand the impact goals of different enterprises and the extent to which investment in those enterprises fits with the investor's own intentions.

Figure 2



BUSINESSES' GOALS ACROSS THE 5 DIMENSIONS OF IMPACT

	Don't consider	Avoid harm	Benefit people and the planet	Contribute to solutions
WHAT	Important negative outcomes	Important negative outcomes	Important positive outcomes	Specific important positive outcome(s) AND
HOW MUCH	Various	Marginal and For few	Various	Deep, and/or for many and/or long-term AND
WHO	Underserved	Underserved	Various	Underserved
CONTRIBUTION	Likely same or worse	Likely same or better	Likely same or better	Likely better
RISK	Various	Various	Various	Various
	May have significant effects on important negative outcomes for underserved people and the planet	Try to prevent significant effects on important negative outcomes for underserved people and the planet	Have various effects on on important positive outcomes for various people and the planet	Have a significant effect on specific important positive outcome(s) for underserved people or the planet

- **The impact of our investments** also factors in the contribution that we make as investors to enable enterprises (or portfolios of enterprises) that we invest in to achieve their impact goals. Investors, for example, can express no preference towards impact, they can signal that impact matters to them, they can engage actively in the investments they make to promote positive impact, they can grow new or undersupplied capital markets and/or they can provide flexible capital to enterprises that otherwise might not attract capital.
- The kind of contribution that we make as investors is driven by our constraints, as well as our intention. For example, a smaller retail investor – who does not have the expertise to engage directly with businesses, who needs significant liquidity and who cannot afford to provide much flexible capital if they are to meet the needs of their family – may be satisfied with making a different type of investor contribution than the one that a multilateral, foundation or ultra high net worth individual might want or be able to make.

The combination of the impact of the underlying businesses that we invest in, plus the contribution we make as an investor, translates into a landscape of 12 options for investors looking to construct or adapt their portfolio with impact in mind. This landscape is show in Figure 3 below.

Figure 3

INTENTIONS		**Avoid harm**	**Benefit people and the planet**	**Contribute to solutions**
IMPACT GOALS OF BUSINESSES	**May have significant effects on important negative outcomes for underserved people and the planet**	**Try to prevent significant effects on important negative outcomes for underserved people and the planet**	**Have various effects on on important positive outcomes for various people and the planet**	**Have a significant effect on specific important positive outcome(s) for underserved people or the planet**
INVESTOR'S CONTRIBUTION: Signal that impact matters + Engage actively + Grow new or under-supplied capital markets + Provide flexible capital		Well-subscribed[1] negatively /ethically screened investments	Well-subscribed positively[2] screened investments	Well-subscribed thematic[3] investments
Signal that impact matters + Engage actively + Grow new or under-supplied capital markets + Provide flexible capital		Active engagement[4] in well-subscribed negatively/ethically screened investments	Active engagement in well-subscribed positively screened investments	Active engagement in well-subscribed thematic investments
Signal that impact matters + Engage actively + Grow new or under-supplied capital markets + Provide flexible capital		Undersubscribed negatively/ethically screened investments	Undersubscribed positively-screened investments	Undersubscribed thematic investments
Signal that impact matters + Engage actively + Grow new or under-supplied capital markets + Provide flexible capital				Active engagement in undersubscribed thematic investments
Signal that impact matters + Engage actively + Grow new or under-supplied capital markets + Provide flexible capital				Undersubscribed thematic investments requiring a sub-commercial financial return
Signal that impact matters + Engage actively + Grow new or under-supplied capital markets + Provide flexible capital				Active engagement in undersubscribed thematic investments requiring a sub -commercial financial return

Notes to Figure 3

[1] Well-subscribed refers to any investment for which there is high competition from investors and which would therefore likely be funded anyway (versus undersubscribed investments that grow new or under-supplied capital markets)

[2] Positively-screened investments include the use of deep 'ESG integration' as an approach to investment selection and management

[3] Thematic investments refer to any investment that targets a specific important positive outcome, or set of outcomes, for underserved populations

[4] Active engagement refers to a strategy that involves, at a minimum, significant proactive efforts to improve businesses' effects on people and the planet

Looking forwards, in a world where all investors and enterprises have information about their effects on people and planet, we will be able to differentiate the impact of investments on the basis of their goals and performance across the five dimensions of impact: what outcomes they drive or prevent, how much, for whom, the contribution they make and the risk they take.

All content from Phase 1 of the Impact Management Project is currently available on the project beta site at http://www.impactmanagementproject.com/. An updated site, with clearer user journeys, easier navigability and practical guidance will be launched in September. This site will also showcase a series of multi-asset model portfolios that we have recently published in partnership with UBS, aimed primarily at fiduciary investors looking to incorporate impact into their portfolio construction. We are also working with a range of existing investment managers and asset owners to position their products or current assets under management as part of the project, which will bring these model portfolios to life. For example, see the recent mapping of PGGM's €220 billion portfolio.

What else have we been able to do?

We are delighted that our original funders' commitments to Phase 1 enabled us to leverage additional funding from several other organisations, so that we could add further deliverables in the first phase - all of which we have achieved by sub-contracting partner organisations so that we reinforce the spirit of co-creation.

Extra deliverables that we have been able to achieve include:

- **Insights from focus groups** in Myanmar, Kenya, Belgium and Bolivia about how people think about themselves and their impact goals
- **A database of useful resources** for impact management, which are positioned throughout the convention - on the website - according to the particular impact goals or stage of impact management that they are designed for. (This has evolved into a stand-alone resource, through the WEF working group, launching from the GIIN in Q1).
- **A multi-disciplinary glossary** of relevant terminology, which other glossaries have fed into and which will continue to welcome new contributions, in partnership with Social Value US
- **Guidance on what constitutes evidence of impact**, in partnership with Nesta
- **Guidance for businesses** on the journey from avoiding harm to contributing to solutions, in partnership with Future Fit
- **A diagnosis of how the convention can become visible within existing standards and tools,** including:
    - The B Impact Assessment/GIIRS rating, in partnership with B Lab (ongoing work in Phase 2 - see below)
    - The IRIS catalogue of metrics, in partnership with the GIIN (ongoing into Phase 2 - see below)
    - Materiality guidance for corporations, in partnership with GRI (ongoing into Phase 2 - see below)
- **A series of impact management case studies** to bring the shared convention to life, in partnership with the following practitioners:
    - Acumen, the non-profit global venture fund, produced a case study bringing the impact management process to life from the perspective of an investment manager and highlighting the importance of collecting data across all of the dimensions of impact. It also showcases Acumen's pioneering Lean Data approach which helps businesses collect data directly from their customers in a cost and time-effective way, enabling them to continually learn which material effects are occuring to ensure these are being managed.
    - New Philanthropy Capital (NPC), the UK charity think-tank, explored the impact management practices of over 30 organisations – funders, investors and enterprises – working in youth employment globally. The case study highlights findings about how impact management works in practice and illustrates how organisations can use the five dimensions to collect data and improve their impact.
    - We partnered with Root Capital to illustrate portfolio construction principles within a single asset class for an investor who has flexible financial goals and is looking to maximise peformance for a joint function of impact risk/return and financial risk/return.

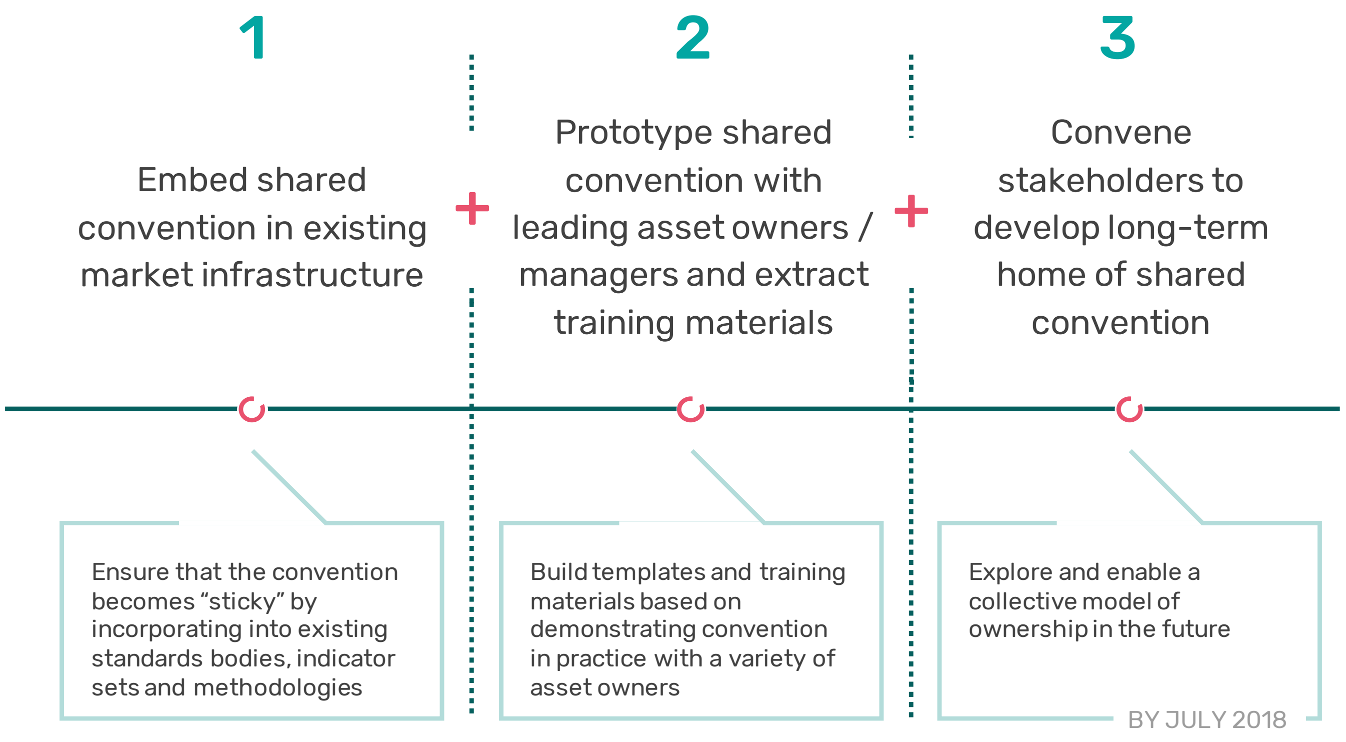
Phase 2: Enabling widespread practical adoption

When we began Phase 1 of the Impact Management Project, we had a working hypothesis that a shared convention for describing impact goals – and performance – was achievable and that we could bring it to life for investors through a series of model portfolios. Over the last nine months, we have shown that consensus is possible among more than 700 practitioners, across disciplines and geographies.

The variety of sponsors, contributing authors and project participants who feel collective ownership of the resulting work has the potential to inspire many more to be involved. We therefore wish to seize the momentum of the first phase and embed the work in the practice of both those organisations who have been involved so far and many more beyond.

We believe that three things will enable widespread practical adoption, as summarised in Figure 4 below.

Figure 4



Workstream 1

Embedding the convention in existing market infrastructure

Through Phase 1 of the project, we have already begun conversations with a variety of standards bodies, reporting initiatives and membership networks and have identified specific ways in which we can work together, so that the shared fundamentals of impact management are visible within their work. We have begun some of this work under the budget for Phase 1 – for example, planning for the convention to become an overlay for IRIS metrics and structurally visible within the B Impact Assessment. This first workstream of Phase 2 will therefore involve spending the necessary time to integrate the convention into the work of those existing organisations. Figure 5 on the next page summarises the way in which Phase 2 funding will allow us to work, or continue to work, with such organisations.

Figure 5

Organisation	Initiative	Workplan
GIIN	IRIS / Investor's Council Membership	Align IRIS indicator catalogue with the five dimensions. Deliver a series of webinars over 6 months to GIIN IC members to pilot embedding the convention and facilitate convergence.
B Lab	BIA / GIIRS	Embed the impact management convention into the GIIRS rating and B Impact Assessment methodology (v6)
GRI & PRI	SDG guidance for investors	Co-author guidance for investors on how to identify and report on investments that address the Sustainable Development Goals, using the five dimensions of impact as criteria
TONIIC	Data collection for longitudinal studies	Incorporate the five dimensions of impact into TONIIC's annual data collection from its members, providing the basis for longitudinal studies of the impact of their portfolios over time
ANDE	Training	Incorporate the impact management convention into guidance and training provided to members
WEF	Accelerating IMM	Offer the IMP website as the hub for IMM resources and workstreams
OECD	Social Impact Investment Initiative	Through the data workstream, support development of much-needed impact data fields based on IMP to improve quality, comparability and interoperability of impact data

Workstream 2

Prototyping the shared convention and developing a training curriculum and templates for a variety of users

The second workstream will foster practical action across the value chain (asset owners - asset managers - frontline enterprises - people and planet) by working on "pain points" in impact management with a group of leading organisations and sharing the findings widely through templates and training materials.

Through Phase 1 of the Impact Management Project, we have heard that there are impact management pain points at every stage of the investment value chain, preventing all of us from maximising our impact (within any financial constraints).

Figure 6 below illustrates the various 'steps' of the investment value chain where impact management practice is not yet enabling a cycle of learning about and improving our impact on people and planet. We have identified a clear sub-workstream for each step of the chain, as described in more detail below.

Figure 6

A — How do asset owners express their impact preferences to wealth managers / advisors in a way that facilitates matching of preferences to product and impact reporting?

B — How does an investor construct a portfolio that is best suited to meet both their financial and impact goals?

C — How does an investor summarize and communicate the impact performance of a portfolio of investments?

D — How does an enterprise manage and communicate their material effects on people and planet?

E — What data can be collected efficiently across the five dimensions of impact directly from people experiencing change?

We have deliberately ensured that different perspectives within these three organisational types are represented, e.g. a retail investor, pension funds, global banks and foundations etc.

The work will be a combination of onsite work with individual 'anchor' organisations for each sub-workstream and virtual webinars for the working group. The anchor organisation will receive hands-on guidance and support from the Impact Management Project team to embed and test the convention, create templates and communicate learnings. A working group of similar organisations will participate in stress-testing these findings within their own process and value chains. These organisations will be encouraged to share their experience with the market to show leadership and enable widespread adoption.

Sub-workstream 2A: Intentions, Constraints and Goal-setting

The pain point: How do asset owners express their impact preferences to wealth managers/advisors in a way that facilitates matching of preferences to product?

The deliverable: A template of impact-related questions for incorporating into a Client Due Diligence Questionnaire, which uncover client impact preferences, enabling wealth managers/advisors to match these intentions with the impact and financial goals of available investment products. Intermediaries and enterprises will be encouraged to classify their impact against the five dimensions with support from their investors.

Anchor partners: Barclays, Blackrock

Working group members include: Alpes, Australian Impact, BMOGAM, Credit Suisse, Mercer, Phenix Capital, Robert Evans, Tribe Impact Capital, UBS, VOX and Wellington

Sub-workstream 2B: Strategy/Portfolio construction

The pain point: How does an investor construct a portfolio that is best suited to meet both their financial and impact goals?

The deliverables:

- A simulation exercise to help CIOs/Investment managers to make investment decisions to build a portfolio that meets both financial and impact goals.
- An ongoing mapping of currently available products against the market segmentation matrix designed under Phase 1 of this project (Figure 3)
- An investment due diligence guide to help investors analyse products for impact suitability

Anchor partners: UBS, Root Capital, Big Society Capital

Working group members include: PGGM, Aegon, GIIN Investors' Council, Heron Foundation, TONIIC members, PIMCO, Clearbridge, Neuberger Berman, QBE

Sub-workstream 2C: Summarising Data and 'Impact Statements'

The pain point: How does an investor summarise and communicate the impact performance of a portfolio?

The deliverables:

- Principles of effective accounting for impact to help standardise how impact performance is communicated
- A template of a summary impact report for asset owners and asset managers.

Anchor partners: Heron Foundation, Generation

Working group members include: Leapfrog, Big Society Capital, Project Snowball, Hermes, GIIN Investors' Council, TONIIC, Social Stock Exchange, Social Value International

Sub-workstream 2D: Enterprise-level Dashboards

The pain point: How does an enterprise manage and communicate their material effects on people and planet?

The deliverables: A template impact management dashboard to help enterprises (and their Board and direct investors) take action and track progress.

Anchor partners: Mars Inc. and M&S (multinational corporation perspective), d. Light (social enterprise perspective)

Working group members include: ANDE members, Oxfam, WorldVision, SOLARKIOSK, Alice.si, FutureFit, Social Value International, Bethnal Green Ventures, I3 LATAM, GRI, AVPN, B Lab, Global Partnerships

Sub-workstream 2E: Understanding the Experience of People and Planet

The pain point: What data can be collected efficiently across the five dimensions of impact directly from people experiencing change?

The deliverables: Surveys designed to collect information to understand impact across all five dimensions in different contexts.

Anchor partners: Omidyar Network

Working group members include: Acumen, Keystone Accountability, Social Value International, Bridges Fund Management

The output: Training Materials

We will widely disseminate the insights and guidance from this work to the wider market, through a training curriculum and templates. We are currently in conversation with a number of leading academic institutions, with the intention for the work to feed into executive education courses. Identifying the best ongoing business model for updating and dissemination for these materials will be a core element of Phase 2 (see workstream 3 below).

Workstream 3

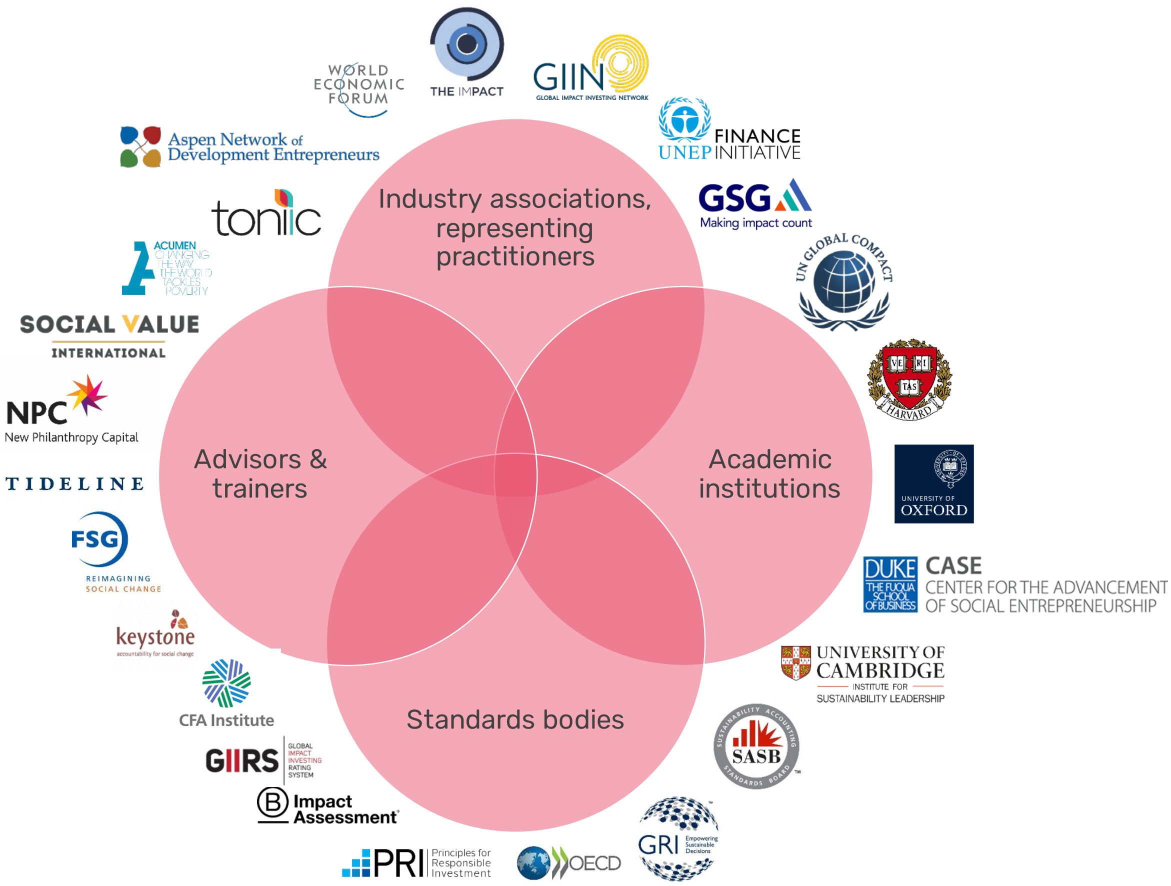
Developing the long-term business model for the Impact Management convention

The body of work that we have produced in Phase 1 is all available on an open-source, Creative Commons basis through the project website, which we will continue to update over the next 9 months as we develop and disseminate lessons learned, training materials and templates from Phase 2. We have deliberately designed the website so that it can easily be incorporated into an existing organisation's website, for example that of an industry body or standards body, if there is consensus that it is most likely to grow and sustain widespread adoption as part of another site.

However, given the very wide range of disciplines and organisations that have been involved in the development of the shared convention, we want to facilitate a collective decision about the ideal future business model for the work. This third workstream will therefore include a series of convenings of parties involved in the work, which our team will prepare materials for, facilitate and ensure moves us to a collective decision about the home of the work, its ongoing governance and a sustainable funding model.

Figure 7 below shows the range of organisations that have participated to-date and would be involved in those discussions.

Figure 7



Appendix 1: The co-creation process

The Co-creation Process

Through Phase 1, building consensus was a co-creative process with 14 advisors meeting monthly, 17 contributing authors offering expertise, facilitation and content, and hundreds of partners providing input (see Figure 9 below) . When permission has been granted, all are given credit on www.impactmanagementproject.com. The process has included:

1. Focus groups with people experiencing impact in Myanmar, Belgium, Bolivia, Kenya and the UK – across a wide range of demographics – showing that various things really matter to us when we think about the impact we want from engaging with an organisation.
2. Convenings of over 700 practitioners across different disciplines, often participating multiple times, through:
   - 26 global, virtual webinar sessions, with up to 85 participants joining each call
   - 14 regional / country-level webinars and roundtables in Brazil, Australia, Kenya, Mexico, USA and UK
   - 24 conference presentations around the world, including Skoll World Forum, India Impact Investors Council, Sankalp Africa, GSG Impact Summit, the GIIN Investor's Council and Social Performance Task Force Meeting (full list available on request)
   - 200+ 1-on-1 consultations with interested practitioners to gather insight and share progress
3. Mapping and signposting to 85+ existing frameworks, measurement techniques, indicator sets and standards where they are most useful.

Figure 9

Phase 1 & 2 Advisory Group

Phase 1 & 2 Contributing Authors