Introducing the Impact Disclosure Guidance: A Better Approach to SDG Impact Reporting

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NANCY LEE:
Welcome everybody. I'm Nancy Lee, Director for Sustainable Development and Finance here at the Center for Global Development. I'm starting to see some familiar faces. We've had a lot of really interesting discussions in this room this week, but I'm actually pretty excited about this one because this discussion is fundamentally about better measuring impact. This initiative that you're going to hear about is driven by the private sector. This is not a public sector- or certainly a think tank-driven effort. At the same time, I have to start with a sober note. The realization is sinking in for a lot of us this week that when it comes to private finance flows to emerging markets and developing economies, we are actually moving backwards, not forwards. As a number of people have said from this podium, net financing actually flowed out of emerging markets last year, a total of about $200 billion went from MDBs to bondholders and to their creditors, to commercial bank creditors. Unfortunately, finance from the international financial institutions, which you might have hoped would offset some of that outflow, did not perform that function, at least non-concessional flows.

They were negative in 2023 as well. So finance from the international financial institutions, I'm talking about the IMF and the MDBs, actually added to the outflows rather than offset them. We would have hoped that this system would be counter cyclical, but in fact it functions in a pro-cyclical way. The good news is that growing numbers of private investors are interested in pursuing sustainability and achieving impact. Bloomberg estimates that environmental, social, and governance markets could exceed $40 trillion by 2023, and yet only a small fraction of that finance of those assets under management are currently directed toward emerging markets and developing an economy. Part of the problem is what might be described as a missing piece of the market infrastructure. The lack of standardized and reliable impact measurement and disclosure standards and guidelines, and that gap is particularly binding for developing countries. It constrains the size of the market on both the demand side and on the supply side.

Companies and sovereigns in EMDEs need to be able to make the case to investors that their issuances have tangible impact, and investors need to be able to demonstrate impact to shareholders and to standard setters wary of greenwashing and other forms of overstating impact. Most of us need to be able to judge whether these flows that are labeled as ESG flows are actually contributing to the goals and the impact that we all need. So today we're going to discuss the work of the Impact Disclosure Task Force. It has developed voluntary guidelines for sustainable development impact disclosures, which are now on our website for you to take a look at, and Arsalan is going to tell you a little bit more about that. The task force is a network of financial institutions and industry stakeholders with a common interest in mobilizing more private finance for the SDGs, as well as directing more of that finance to developing economies. The guidance they have developed aims to help both issuers and investors.

Why is CGD involved in this? We're a non-market actor. We don't have a particular commercial interest in this. We aim rather to be a neutral platform for facilitating development of metrics and disclosure and facilitating strong impact measurement. We hosted a request for input at an earlier stage of the task force work, and we're glad to be able to host this conversation now that the guidelines have been drafted. And we, of course, since we're the Center for Global Development, are interested in bringing in an audience so that these new guidelines can help flows to developing economies in particular. We're fortunate to have with us today one of the co-chairs of the task force, Arsalan Mahtafar. He's head of JP Morgan's development finance institution. He will present the guidelines. Before turning to him, I just wanted to highlight one aspect of what you will hear about that's particularly important, at least in my eyes. The task force aims to create an impact disclosure ecosystem with a centralised data platform that connects issuers in EMDEs with investors, and that also identifies service providers to support issuers and investors with analytics, benchmarking, and independent verification.

So this is not just the guidelines itself. It's building out this ecosystem to help actualize the guidelines. So the objective of this particular event is to help a broader audience learn about the guidelines and encourage more actors to participate in building this impact disclosure ecosystem. So after Arsalan briefs us on the guidelines, we're going to have a conversation with a very distinguished panel with different perspectives to talk about the guidelines and the challenges. The panelists are Maha AlQattan, who's group chief sustainability officer at DP World, the logistics firm. Marc-Andre Blanchard, executive vice president and head of CDPQ Global and global head of sustainability, CDPQ. Elizabeth Seager, who's a member of the international sustainability standards board, and Tom Eveson, Vice President Global Sustainable Finance, Sustainalytics. So we have an investor, an issuer, a standard setter, and a service provider. So without further ado, let us proceed to Arsalan's briefing.

Thanks.

ARSALAN MAHTAFAR:
Thank you, Nancy, for that kind introduction and thank you for hosting us here at the Center for Global Development to discuss the impact disclosure guidance. I'm going to cover three topics in my opening speech. I'm going to first describe why did we create the impact disclosure task force? As you know, there's no shortage of task forces on sustainable finance and sustainability, so why did we think yet another one was warranted? What was the problem that we're trying to solve? The second is that, as you heard, the guidance was released earlier this morning and it's on CGD's website. I encourage everyone to read it and provide us feedback. There's an open feedback period until September 1st, but I will give you here the quick executive summary of what is in that guidance. And lastly, I'm going to discuss what might be the intended benefits of this guidance. If we adopt it, what can we hope to achieve? So first, why did we have the task force?

Sustainable finance is a real asset class. By some measures, as Nancy mentioned, there's $41 trillion of assets under management that have some measure of ESG integrated. Now, most of that is ESG integration, meaning that it's more from a risk management approach. But there's about 10% that is for sustainability and impact strategies, meaning that the investors are actually seeking sustainable outcomes and want to make a change in the world. But if you look at where that money is actually flowing, most of that is going, and Nancy mentioned this, is going to developed markets. And there's a lot of reasons for that. There's market risk, there's credit risk, there's geopolitical risk, but there's non-financial reasons for that as well. And if you look at the channels that users of capital have, you know, these are corporates, these are sovereigns in emerging markets, when they want to access those funds, they either have to get a high ESG score from either an internal model at an asset manager or by an external service provider, or they need to have a portfolio of eligible expenditures of sustainable assets that they're going to be financing that would be at the size and scale that would be financeable by institutional investors.

And if you look at both of those channels, they favor developed markets much more than they favor emerging markets. You know, developed markets are much more mature in their ESG levels as well as their ESG reporting practices, so they get higher ESG scores. That's kind of commonly known as the income bias, and it's pretty prevalent in the literature. And then secondly also, they have a much more larger portfolio of sustainable projects that, again, will be at the scale that could be financeable by those institutional investors. So what does that mean? That means if you are, let's say, a Brazilian agriculture company that intends, that has a business strategy to give better inputs to farmers, to increase their agricultural productivity, to train farmers, to ensure that their supply chain is free of deforestation, is free of human rights abuse, if they might be creating good quality jobs, you might completely fly under the radar of sustainable investors because you don't check one of those two boxes, right?

The securities that you issue might not even cross the desk of a sustainable portfolio manager. So that, that is the problem that we try to solve with this task force. So how are we going to try to solve it, right? One of the ways is to essentially move from ESG to impact disclosure. And what is the difference of impact disclosure?

There's four things that we thought that really characterizes this. One, it's entity level. So it's not about a portfolio of projects, it's not about eligible expenditures, it's about the entity strategy to drive additional impact in the countries that they're focusing on, that their business is going to be implemented. The second is that it's impact oriented. So again, it's not about a taxonomy of sustainable activities, it's not about projects and so forth, it is about outputs, it's about outcomes, it's about impacts. The third is that it's forward-looking. So again, if you look at the levels of ESG today, how green are you today, how well do you treat your workforce today, you might, again, get into that income bias issue. But if you look at where can you have more impact in the future, if you look at the delta, if you look at the change, forward-looking impacts will give a line of sight to investors in where the companies that they might be investing in are actually heading. And lastly, it's context-specific. And that means that the set of metrics and targets that a company, that Brazilian agribusiness company might set in Brazil is going to be different than if they were setting it in Kenya or if they were setting it in Bangladesh because the challenges are different. And so it should be different in terms of what they should be measuring, what they should be disclosing.

So, as Nancy alluded to, the guidance actually envisions an ecosystem that has three components. One component is that Sustainable Development Impact Disclosure, or what we're calling an SDID. And the guidance essentially gives a playbook on how entities should navigate existing resources. And that was a very important principle for us. We did not want to reinvent things that already exist, but it's how they navigate the existing resources to identify the metrics that, based on a theory of change, describes their impact intentions and helps them measure those impact intentions, then helps them do the materiality assessment to identify which ones are the ones that should be prioritized based on their local context, based on the largest SDG gaps, based on what's really core to their business, based on what's most relevant to their shareholders, and then set targets for those prioritized metrics.

And those targets should be either incremental to their baseline or at least additional to what the counterfactual would be if they didn't apply that strategy. And that kind of covers their positive impact strategy. Then for the negative impacts, we should also make sure that they're kind of adhering to the standards for do no significant harm and maintaining minimum safeguards by showing both quantitatively how they are aiming to reduce negative impacts, reducing GHG emissions, of course, but also other things that you could quantify on the negative side, workplace injuries or fatalities or wastewater runoff or other pollutants. So quantitatively, whatever they can measure, and then qualitatively also, what are the policies and procedures they have in place that will help them manage environmental and social risk and mitigate negative impacts? So again, like your health and safety policy, your biodiversity preservation policy, so all of those things. And then lastly, and this is important, is that then the entity will also commit to monitoring and reporting progress against those intentions, because you actually want to know what did they really achieve after they set out the vision.

So that's component number one. And if you look at the guidance, the majority really describes how to do that. The second component is to then say, OK, if this SDID is published by an entity, if you really want to have impact, it should be accessible to the entire market at the right place at the right time. And if it's a PDF on a page and it's hard to find and it might disappear two years from now, it's not going to really move the needle. So that's why we envisioned a data platform where this information can be digitized, aggregated, and then disseminated at scale. And then the last component is a network of ancillary services, because at the end of the day, what's really important here is trust and to enhance the trust. We're thinking about what are the third parties that can help with independent verification, with monitoring and evaluation, with analytics to ultimately decipher all that information and make sense of it. So it could be usable for investors when they want to determine whether it's eligible for their portfolios or not.

And if you have all of this ecosystem working, it ultimately allows you to say, OK, here's an entity that has laid out a plan for creating incremental impact, maximizing their positive, minimizing their negative through running their business strategy. And here's the framework they're going to use to monitor and report on how they're making progress against that. And the idea is that that entire company's balance sheet, their debt, their equity, their loans, all of it should become more attractive to a sustainable investor. Because now they have the data at their disposal to make the decision on whether they are an entity that is advancing the SDGs. And also, if they're lagging against those targets, they have the data at their disposal to engage with them in conversations and support them in their journey. One other thing I have to mention is that this is not meant to replace any of the other structures we have. The gaps to financing the SDGs are so large that there's not going to be any one solution to solve it.

And this is not going to be a panacea either. But this can be both complementary to any sort of use of proceeds reporting that might already be done by those that can do project-level financing. It will be complementary to ESG scores because you still want to potentially know what is the starting point for an entity on ESG factors. But it will add to that the impact lens in terms of where they're heading, what they plan to do, and how they plan to monitor and report their progress. Let me end with what the benefit of all this could be. If we take a look at JP Morgan's DFI's experience in helping companies producing these impact disclosures and assessing the impact disclosures of all emerging market entities that use JP Morgan Corporate Investment Bank to access the capital market, and we gross that up by our market share, we think that the adoption of this guidance could bring an additional $200 billion of sustainable investment opportunities in emerging markets per year to the market.

So we'll increase the supply of sustainable investment opportunities in EMs. And why is that important? And one of the very interesting conversations I had with the head of sustainability at a European asset manager was that she was telling me she has no problem in actually raising capital for EM sustainable funds. Her problem is deploying that capital because there is a lack of sustainable investing opportunities in EMs. So if we're able to increase the supply of sustainable investing opportunities by $200 billion per year, then such asset managers could either grow existing funds or launch new funds that target that supply. And then if you get more of the investors growing, then there'll be even more incentive for the investees to produce more of these closures. So that could increase the flow of financing towards the SDGs by orders of magnitude. But of course, no one entity could do this by itself. And that's why we created the task force because all of this is going to require partnership from across corporates and users of capital.

It's going to be underwriters, it's going to be institutional investors, it's going to be markets infrastructure, data, and analytics providers. It's going to be the international standard-setting bodies. It's going to be the official development institutions. All of them, if we work together, we can hopefully make a dent in financing the SDGs. Thank you.

NANCY LEE:
Well, thanks so much, Aras, for that very succinct and clear explanation of what this is all about. And I know you said that no one system will work. But I can't help observing that it seems to me that there, this is a model that the MDBs as a system might take a look at because it seems a lot of what the transparency that you're talking about would help them increase the supply of projects and then the interest of investors in investing in those projects. So I think there's a lot of parallels between what the MDBs as a system need and what you've just described. And we have Maha online here. Maha's in Dubai. We

understand that among the other problems that climate change is creating, it includes lots more rainfall than is usually the case and flooding. So we're happy that you were able to join us. But I wanted to start, first of all, with Marc-Andre on the investor side. CDBQ is a global investor of pension and insurance funds and a leader in sustainable finance. It is a co-founder of the Investment Leadership Network and a member of this task force.

So how do the guidelines help you on the investor side? And how would you compare issuers that use these guidelines and publish a framework versus issuers that don't?

MARC-ANDRE BLANCHARD:
So it is. Thank you very much, Nancy. And thanks to everyone for being here in this very busy week. And thanks for your work and your leadership, Aras, on this issue. Really, for us, there's no doubt in our mind that guidelines like that will actually enhance the universe of potential investments for us. I mean, that's the baseline. There's no doubt. And so we're talking a lot about emerging markets in this context, yes. But just think about social impacts overall. I mean, there's an issue of being able to assess and to measure impact outside of pure carbon footprint. And for us, CDPQ is an institution of investors from Quebec. It's largely a pension fund. It actually has a dual mandate, return to depositors, but also contribute to the socioeconomic development of Quebec. And we've basically enhanced this by the contribution to the communities where we invest. So we take the ESG analysis. We do like Aras said, like in my department, I'm responsible for this. For every single investment we look at, we do an ESG analysis.

So not only an E or a G analysis, but we include the S in this. And so the information is lacking. And when the information is lacking, what do you do? You tend to overestimate the risk, underestimate the opportunity. And this is where it's going to be very helpful to help us. And we're very, very proud to be a partner of DP World in business around the world. We are in more than, I think it's now 11 ports, where we are partners with DP World in the world. And I'll tell you just the story of DP World. We have been a partner with DP World for many years. And I think it's in 2022, yes, or around, DP World offered us the opportunity of joining the ownership of Jebel Ali, the port in Dubai, a phenomenal opportunity for CDPQ and for our partnership. And I remember that was one of the first large investments that I was actually looking at when I joined as a leader also of CDPQ. And the interesting part there was like everybody was convinced that it was a financial investment that was very significant.

But some questions were about ESG and the impact and what it is. And then we went through the due diligence and I led it myself for the entire CDPQ because I was convinced of the result because I knew Jebel Ali and I knew. And actually, on many measures of impact, it was scoring way higher than many of our investments that we had in our portfolio. But it was just there was a lot, if I can say, there's a lot of lack of information, even on our part. And we had been a partner with DP World for many years before that. And we knew their methodology, we knew how they work, we knew all their concern on safety and all of that. But despite that, it was not widely known within the organization. So let's never overestimate the information that we investors have. We need that information and it takes many forms and then there's no magic bullet. And we discovered in that process that actually, you know what, very high level, as I said on safety, but also on diversity on the water and on all of the issues that matter to us, where actually DP World was scoring very high in the Jebel Ali operation.

And now we're very proud because DP World, as we'll hear in a moment, is taking a leadership role in this. And it's actually, you know what, I'm not surprised by this because they've always been a leader in my mind in this issue. So it is very important and it will make a difference. The more we will have that information, actually the better we will be, but the more the universe of potential investments will go.

NANCY LEE:
I think that's a really—I hadn't really thought of it that way before, that there's an imbalance in the information an investor has about risk versus the information an investor has about impact. So in making a decision, if you have too little information about impact, the information on risk dominates your decision. So that's a really interesting point. So yes, let's go immediately to Maha. Major player, global player in logistics for people who don't know about DP World. It's playing a critical role I know in reducing shipping emissions. So if you could just give us a little bit of background on the work on the green shipping transition and about DP World's overall impact strategy.

And then if you could tell us the benefits of this kind of guidance for a company like DP World and sort of what are the challenges that you might have in deploying this guidance in these kinds of impact measures?

MAHA ALQATTAN:
First, I would like to thank Marc Andre for his kind words and partnership. CDPQ has been a great partner of DP World for years, as he mentioned. We are a major player in logistics. Trade is a lifeblood of global economy. It creates a lot of opportunities and it helps improve many lives around the world. And we at DP World, we exist to make trade flow better. We have a very clear sustainability strategy. It's called Our World, Our Future. In our world, the first part of the strategy, we have seven responsible business areas through which we ensure that our operations are run in a very sustainable manner. The second part of the strategy called our future has three legacy pillars through which we really want to leave a legacy impact beyond our operation in the world and the communities where we operate

and within our industry through education, women, and water. Green shipping, we have a very clear decarbonization strategy. We have a 42% reduction target by 2030 and a net zero target by 2050.

During COP27, we signed up for the green shipping challenge through which we allocated and committed $500 million over five years to reduce 700,000 tons of emissions. We also signed up for the global first movers coalition through the World Economic Forum, through which we also committed to have 5% of our marine fuel be zero emissions by 2030. And finally, last year, we launched $1.5 billion of green (INAUDIBLE) to further accelerate our decarbonization strategies. So we are well on track and all these partnerships and initiatives are helping us reduce emissions, not only within the shipping industry, but in global trade as a whole. When it comes to this guidance, it's really important for us because we know that there are many impact and sustainable investors out there like CDPQ who are looking for bankable long-term investment opportunities in emerging market. The problem is, as everyone mentioned, lack of transparency, lack of market information, which really makes it very difficult for them to assess the associated risk.

Many of the disclosure frameworks today fail to address the, I would say the development impact linked with the sustainable linked finance allocation. What this framework does is it addresses these challenges. It gives you accountability, transparency, but it also goes further to really give companies opportunity to report on progress against SDGs at a very local level. And finally, it does not only make you report on the positive impact, it also helps us look at the associated environmental and social risks and put mitigation plan for those risks. So we at DP World, we look forward to using this framework, not only to create awareness to inspire others, we also look forward to attracting more private sector investment in our assets in emerging markets.

NANCY LEE:
It's very encouraging to hear you say that this framework actually helps you. There is this perception in a lot of circles that asking the investee to report more on impact, in particular in the rigorous way that Aras was talking about, what's the baseline, what's the change, is a burden. That's not how you're describing it. So say a little bit more about why this helps you.

MAHA ALQATTAN:
You know, the framework is pretty much aligned with many of the emerging reporting standards, like ISSB and even with rating agencies. So it actually does not increase the burden of reporting because of the alignment and overlap. It just makes it easier for us to report on many of other reporting standards. So it actually gives you more time to focus on

creating impact rather than just creating over different reporting standards. So the alignment and overlap really helps.

NANCY LEE:
That's very good to hear. I wanted to turn next to Elizabeth because the International Standards Sustainability Board has developed standards which will, to quote from your website, result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors in financial markets. And at COP28, nearly 400 organizations committed to ISSB standards. So your efforts are very well advanced as well. Maybe help us understand the sort of difference between these two efforts, the guidelines that we just heard and the standards efforts and how the two can function actually in a complementary way to reinforce each other.

ELIZABETH SEEGER:
Thank you and thank you all for being here at almost the end of a very busy week for you all. I'm feeling it too. And thank you for that setup, Maha. I think that your last comment was exactly right. To be clear, I represented the ISSB on the task force as an observer, just making sure that we continue to build this alignment versus reinventing any wheels and participated in that context. I also happen to have been part of the impact fund of my former employer where we were investing in sustainable development aligned solutions as well. So I brought that and had a great deep interest in the work that was happening. I know for those of you who don't know, the ISSB was created to provide the... I think you said the global baseline or common language for companies to disclose on relevant sustainability-related risks and opportunities to the global capital markets. And it was launched at COP 26. And so this is really only our second year in existence, but it built on existing reporting frameworks that companies around the world have been using, including the Sustainability Accounting Standards Board, the TCFD, the Climate Disclosure Standards Board, and the Integrated Reporting Framework.

So in its development already, it was consolidating this very fragmented disclosure landscape. That said, when we were developed, it was understood that companies may have other stakeholders to whom they want to communicate beyond the sort of common investor as the ISSB is focused on. And so we have what we call this building block approach, where we're trying to develop the common language for companies to disclose to investors around the world, but recognize that they'll want to add on top of that in some cases, or that the jurisdictions in which they are operating will want to add additional expectations as it relates to achieving their own policy goals. So goals. So it's really this building block approach. And so it's in this context that we entered into the observer status of the task force to support this ongoing lack of, reduction of fragmentation and alignment as it relates to expectations for company disclosures. The last thing I'll say is that we, this didn't come through in my participation in the task force, but the ISSB shares a deep commitment to supporting emerging markets and supporting the capital markets in the emerging markets.

And so, one of the reasons why the ISSB is here this week is to work in partnership with the multilateral development banks to enhance the capacity-building work with the different country jurisdictions around the world where this task force is focusing its efforts. So we'll continue to do that. And as we invest more resources in that capacity building, I anticipate more opportunities for collaboration in the future.

NANCY LEE:
Great. That's great to hear. In other words, you're collaborating with the multilateral development banks to build the capacity in these underfunded emerging markets, to understand the standards, and to deploy their standards in their own issuances?

ELIZABETH SEEGER:
Yeah, that's part, one of many aspects of our capacity building program is working through the networks that are available here.

NANCY LEE:
Yeah, that's great to hear. So now, Tom, your kind of firm is an essential player in this ecosystem. Sustainalytics rates companies based on their ESG performance and risks. You're also a member of the task force, a member of the steering committee of the task force. So you have the sort of data and analytics perspective on this whole effort. So maybe you could say a little bit more about Sustainalytics' existing role in this ecosystem and how you believe that role has to grow. And will this set of guidelines change the way Sustainalytics operates in the future? Will it change your product mix? And or will it add, cause you to add more kinds of services to what you do at the moment?

TOM EVESON:
Thank you very much. So, I think from the Sustainalytics perspective, the way you've introduced the question that we're ESG raters of companies, but my team specifically is focused on the second-party opinions of (INAUDIBLE) and frameworks as they come to market on the sustainable finance side. And I think it's very important to separate the two where they happen in the ecosystem and their purpose in this ecosystem. And what's happening on the task force augments all of that. But they're very different purposes. And there's a lot of confusion. There's a lot of media and discussion about ESG and its relevance. And then, of course, greenwashing and impact. So we have obviously played a very big role in this. And I always like to point out that Sustainalytics as a startup company

is over 30 years old, and it started with the concept of going around to asset managers, saying we can track certain aspects of environmental risk exposure, social risk exposure, and governance exposure at a time that it was just not popular.

And I do find it at times very entertaining, but very serious as well that for the first 20 years, no one really noticed who we were or paid any attention to what the company was doing. And then over the last five years, I think all of us in all industries, all sectors are dealing with this type of thing in a very large way. And the purpose and the process and our methodologies are to inform investors when it comes to our ESG ratings of a company's or entity's work or disclosure and transparency on risk for environmental aspects, social aspects, and governance aspects. And that whole ecosystem really did not develop on trying to prove that this company is more impactful than that company on outcomes. So, and that's been going on for decades, slowly. And now it's deeply in the system. And investors are starting to ask, and the public and public institutions are starting to ask, what's the outcome? What's the impact of all this? But the purpose was ES and G risks. And I also like to point out that almost every conversation we're involved in now is very environmentally focused and climate change.

But the first catalytic event for a start-up group of people going door-to-door saying, we've got this great process and we'll give you good information, was actually apartheid in South Africa. That was, “oh, I guess we didn't do our homework after all.” And I find that very fascinating that that was one of the first, if not the first, global publicly listed stock activist movement where there was a massive divestment of people of stocks that had or companies that had exposure to apartheid in South Africa. And that was all there in the data. I'm not saying we foresaw all this, but that would have been something that just got picked up as a risk factor. And then we move to governance in 2008 was a very big factor. And here we are now, where 80 to 90% of our conversations are on environmental risk. And that's the ESG ratings. And on the sustainable bond opinions. And I want to make that very accurate. We're actually giving opinions on the framework on the company's preparation to issue sustainably labeled bonds or borrow on loans based on the parameters that are very prevalent here in the task force.

And in this disclosure framework, you need a framework. You need to talk about where you're going to be focusing your effort, how, what metrics and outcomes are you hoping to get, and how are you going to report on those and how transparently and how often. And that's why we really wanted to participate in this because that's all pre-issuance. That's all on an intent to attract capital to say when and if we raise this capital, we will allocate it to projects that are credibly green with credible possibilities of outcome and a good governance structure and reporting to do so. And that's really what the sustainable bond industry has grown up doing. And that's from the first one several years ago to where we are now at trillions and thousands of bonds outstanding. And the questions are starting to be asked. What's the outcome? Where is the impact? How can I see that? How can I aggregate that? So, and left out, which is one of the reasons we are on this, in this task force is because a big part of what's left out of all of this is emerging markets that don't have that infrastructure for data, didn't have that culture of attracting investments based on environmental, social, and governance outcomes.

It's already an unequal distribution of investment capital, globally, to begin with. So, holding of a lot of companies up to that standard without the guidance and capital to back it up, or the incentives, seem like a good task force to participate in. And so what we will do here is, and what our participation in the panel was, and I think a lot of people in the working groups were focused on alignment with existing frameworks that are still actually getting their feet stuck in the dirt as a foundation for how we all go into investments going forward. And this is very key, because the focus here is on identifying the metrics. And the reporting seems to be an emphasis because we need better incentives for capital to move into those areas to outweigh the risks, as we've already talked about. So focusing on the metrics and impact should attract a lot of money. And I do point out that we hear a lot about all this capital raised for climate change, transition, and emerging markets and this choking point of being able to deploy it.

And, on that, I even point out here at home we, the LPO program, I've heard numbers like 400 billion allocated towards good, credible, impactful transition or climate change projects that has not moved to the amount of capital that's available to it. And we've all met the investors and funds that are looking to deploy more money into these regions, and there's a lack of pipeline to do so. But maybe it's not as bad as people think if we start to focus on the impact. And if this gives form and process to more disclosure on the benefits of some of these projects and entities in these regions, then our company will incorporate that. And what we do is basically opine and say, these are good practices for identifying what your impact is going to be and reporting on an ongoing basis. And I can't see that being anything but beneficial to a whole industry of trying to develop more projects and moving more capital to the developing south. So that's our role in this.

NANCY LEE:
Thanks, Tom. And, so you made very clear the difference between assessing ESG risk and assessing impact. To go back to Marc-Andre's point in the beginning, if you're assessing a risk and you don't have the tools to let you integrate ESG risk into your risk assessment, you're just looking at financial risk. You're not covering all of the risks that you need to look at. I'm just going to ask you all one last question. And if you could respond very quickly, and

then I do want to go to the audience. So, and that is, just compare a little bit the challenges of assessing social impact versus climate impact, because most people think it's way easier to assess the impact on emissions, maybe a little bit more difficult on adaptation than it is to sort of look at this whole landscape of the possible social impact of an investment. So, and Maha mentioned in the beginning, not just green transitions, but things like diversity and the social impact of that. So very quickly, let's start with you know, you as the builder of this thing.

But just very quickly, if you could all just say, how do you think about social impact versus environmental impact?

ARSALAN MAHTAFAR:
So I think environmental impact as you said, you know, there was an article in The Economist, several months ago, just measure carbon. I mean, it's very simple, very easy to do. It has its own difficulties. It's actually not easy to do, but at least everyone can align that that's the thing to be measured. Social is a bit harder. But in our guidance, what we did was, again, in the principle of not reinventing the wheel. We think the SDG is a gift. At least we know that the entire UN member nations came together. They all agreed that these are the goals that we as a global community believe we want to get to. These are the basic human needs that we want to satisfy by 2030. And many of those goals are, and targets are, social. So the guidance mandates or helps people to connect any sort of objective they have to one of those 169 targets or 231 SDG indicators. And that is the way that we allow them to structure and harmonize how they're going to measure their impact on social goals.

NANCY LEE:
OK. So you haven't, you know, invented an alternative SDG. So, Marc-Andre, any sort of comparison in the way you as an investor think about social versus climate, is it harder for you? Is it, do you care about both equally?

MARC-ANDRE BLANCHARD:
Well, yes, we care about both equally. But, and also I actually, personally, my personal view on this is that yes, I think one mistake we've tried too much is to have a number for the social side. Like, and let's get to a clear number, as you know it's, tons of emission is very clear. You can put a number there. Like investors, they love numbers, you know, like they have a rate of return and they, like the tons, and that's that. And on the, you know, on impact it's tougher. Sometimes we'll be able to put numbers, sometimes we won't. And for us, it's focusing on what we actually care. Like we focus on, we care about a lot of things, but we focus on a few things in, on the, in, on the social impact side. And, you know, that's, you know, of course, the respect of human rights and labor norms and the question of diversity. The question for us of tax is very important. So and now we're looking more and

more into housing because housing is a growing issue in North America (INAUDIBLE). So we look at the impact of our investment on these things.

And then we, and so that's, that to me is important to say, OK, no, no, this is not climate. This is more complex. And let's think about what we believe is important from our institution as an investor. It's going to be different from our peers who will have an interest on something else, maybe. But that's, and that's why the guidelines are so helpful because then that will allow us to actually quickly be able to assess that. And I think, you know, my, I'm responsible for, as I said, for part of my job is the sustainability side. I say to my team, I hope in four years we don't exist. You know, if you take my business card, at CDPQ, we deploy constructive capital. Well, to make sure that we, you know, we deploy constructive capital, we need to make sure that we understand the impact that we're having with our investments. And I hope, and it's changing the culture of investors. That's why the guidelines are important. It will help us do that and make sure that in a few years, all of the capital that we deploy is not only constructive, but in the, also meaning that it has impact, it has positive externalities, and that all of our investors are actually, when they look at an investment, they look at it with this lens naturally from the get-go, not only from an exclusion, like, for them it's, at the moment, it's important, you know, they need to have these, they like to have these exclusions because it makes the environment clear.

I'm saying, well, we'll need to get a little bit beyond the exclusion. It will need to, we need to look about the impact. And it's more complex. And it's not black and white. Sometimes it's gray. But we need to discuss and look at what's important for us. But for me, it's all about building the culture of our investors to make sure that actually, sustainable investment, we're not talking about it in the next five, ten years because everything we'll be doing, will be aligned on the transition and with impact.

NANCY LEE:
Yeah. Maybe, you know, we'll have externality-adjusted rates of return.

MARC-ANDRE BLANCHARD:
Let's hope one day we find a way to get there.

NANCY LEE:
Maha, you, just tell us briefly, the sort of social side of DP World's objectives. What are the things in particular that you want to focus on in terms of social impact?

MAHA ALQATTAN:
I just want to go back to the difference between environment and social impact. I think the major and the main difference is the standardization. In terms of environment, it's very clear, tons of carbon emissions. That said, when it comes to social impact, there are

different frameworks that measure different things. I think what we all should be looking at is a standard framework for social impact across so we are able to assess and compare our different investments. In terms of DP World, we have a lot of impact and sustainable investors investing in our company, including CDPQ and other partners who really look at ESG reporting. So social impact, we do report on our social impact. Yesterday, we launched our 2023 ESG report where we use different frameworks for social impact reporting, including the UN Women Empowerment Principles for Reporting on Diversity. We report on human rights, we report on people development, and we report on community investment, which is one of the major areas of social impact for us as we operate in those communities.

It's really important for us to make sure that we are also helping those communities prosper.

NANCY LEE:
Thanks. We're running short of time. Two sentences from each of you on social versus environmental impact, anything.

TOM EVESON:
It's very regional and contextual. I think it always will be. So in our firm, we get a lot of projects that claim social benefits or impact. So I think we've fallen back on common principles that they need to be... There needs to be intentionality. There needs to be a program. There needs to be an intent to change the way things are done to improve a situation. The fact that you see a business opportunity to service a group that is under-serviced is not necessarily impact and it's not necessarily a social benefit. It is a business opportunity that maybe they wouldn't get those services if you did not offer them, but you are not there to help change that situation. You are there to participate in it. So we look at things like intentionality. We look at things like the level of ambition of the change meant in that social program or the social impact. And based on time, I think that's enough and that's hard enough to do, but that's how we look at it.

NANCY LEE:
Yeah. Elizabeth, anything to add?

ELIZABETH SEEGER:
Yeah, I mean, just speaking personally, not as the ISSB, I think that just the term social oversimplifies a very complex suite of topics that I think you said hyper-local, or maybe that's my word, but you said something about very locally context—regional context being very important to how a company might and should think about the social related aspects of their business. And the last thing I'll say is that next week, the ISSB will be deliberating on what its next research projects will be. Not necessarily standards yet, but next research

projects. We have two socially oriented projects that are on for consideration right now, and part of the work will be to unpack what does this actually mean and does it make sense to even have a global standard in some cases.

NANCY LEE:
OK, well, we're going to be watching to see what you all come up with. Could I just ask - Maybe we could take one round of questions? OK, good. We have three hands. We have the lady in front here. We have this lady in turquoise. We have more than three. OK. And we have this gentleman, we have Gary, and we have this lady. So please keep your questions to two sentences, and we'll get all of them in, and we'll get our panelists to respond.

LARA ABIONA:
I'll be quick. Hi, Nancy. Great to see you. My name is Lara Abiona. I'm a CGD alum. I worked on gender and development here and now. I work at BSR, Business for Social Responsibility, where I focus on sustainable investing and sustainability management for our financial services members. So wonderful to be here. Elizabeth, I know the exact impact fund you're referring to. That's something that I work very closely on. So cool full circle moment here. So what I would ask the panelists is what would you say to any impact-driven, small and medium enterprises that are seeking investment that either haven't yet demonstrated impact because they don't have the capital or have made the impact but can't yet prove it because they don't have the data.

NANCY LEE:
Good question, OK.

COURTNEY ROBERTS:
Hi, I'm Courtney Roberts, CEO of Moonshot Global. We do third-party impact performance verification primarily now for public sector or blended funds, but hopefully more and more for private. I have a proposal to make that to start on impact, there's a really simple thing that we can do, and I'm curious to hear what the panelists think about this, is link intentionality with actual data on ex-post, what happened, and actually just say were they effective or not. And that way you can shelve the issue of standards and just talk about performance. Like, did they deliver? Because at the moment the observation is there is just a very small group that looks after the fact of what actually happened. Thank you.

NANCY LEE:
Thanks.

YANG LI EPSTEIN:
Hi, I'm Yang Li Epstein. I'm from IFC and more specifically, the Green Bond Technical Assistance Program. So as the name implied that we do a lot of technical assistance and

capacity building in emerging market countries, a lot of them are frontier countries that investors haven't really ventured into for different reasons. And I appreciate that all this growing alphabetic soup of standards and disclosure requirements. But my experience is that emerging market country, financial institutions, and corporates so far haven't even had the ability to do impact reporting on their green social sustainability bonds, and half of our trained issuers can't come up with that, and they have a lot of learning to do. So while I appreciate this very aligned new initiative, my question is who or what is going to do the heavy lifting of educating them and building technical assistance and capacity so that they have the capacity to disclose. Otherwise, we will always have this gap. So thank you.

NANCY LEE:
OK, good question. We have two more questions. This gentleman in the back and then Gary, you still want to ask - OK. I mean, I'm glad you're taking notes. I'm going to try to summarize.

RICARDO CALVO:
Thank you. Ricardo Calvo, partner with ERM, Environmental Resources Management. We do sustainability consulting and verification and other things. I come from the purely environmental social sustainability world, not from the financing world. And I have two topics.

NANCY LEE:
You're allowed one.

RICARDO CALVO:
Yeah, I was going to say the two and then you can touch on one of the two, whichever you think.

NANCY LEE:
We don't want to tax this panel.

RICARDO CALVO:
One is about risk versus contribution or impact. Arsalan said that this is not meant to replace anything that exists already. But we have the issue, and I have seen it with clients that say, we are minimizing risk, therefore we're contributing or having an impact. Doesn't work that way every time or the other way around. We are contributing, therefore there are no risks. Well, it doesn't work that way either. So how do we deal with that? And second, the support to emerging economies.

NANCY LEE:
Sorry, I don't mean to interrupt you. So your question is...

RICARDO CALVO:
How do we make sure that we are not mixing risk with impact? Because they can be kind of argued that they are the same. And the emerging economies, if we can help the companies down there, not just tell them, you got lost in the shuffle. There's no money for you. How do we reach out and help them out?

NANCY LEE:
Yeah, and which is some a little bit what you were asking. Gary.

GARY FORSTER:
Yeah, thank you. I'm Gary Forster, I'm the CEO of Publish What You Fund, the global campaign for aid transparency. You don't have to be too familiar with our DFI transparency index to know that DFIs and particularly the private DFIs really struggle with this, right? The impact disclosure. And we're grateful to have seen early versions of this work. We're quite excited by it. If you can deliver on this, which there's a lot of work to do, we need to get the data out there. We need to finish the consultation. But if you can deliver on this, it will go further than almost all of the private sector DFIs, not withstanding our colleague from IFCs' point at the front, it's not going to be that easy. But we just wanted to say that we're supportive and we'll be monitoring this closely. So well done and thank you.

NANCY LEE:
Good, I had the same kind of connection between this versus what we're seeing on the MDB side. OK, so we had a question about what about if the impact isn't yet demonstrated but the investment is needed in order to actually demonstrate the impact. We had a question about comparing ex-ante and ex-post impact as a simple way to demonstrate impact. We had a question about building capacity, even on the part of sovereigns who are issuing bonds to actually demonstrate impact. And then we have this question about impact versus risk and not confusing the two of them.

MARC-ANDRE BLANCHARD:
I'll take one question rapidly. I'll just take one. The question after the facts, because I think it's a very good one. The others are very good. But I'm just saying it's good for us as asset owners. Actually, I actually believe now that if we want this agenda to stay on course about impact investing and climate, we need to talk about value creation a lot. And to me, the ex-post, the post-investment thing is very, very key. So for each ESG analysis we do, at CDPQ, we do a plan for post-investment. But it's not just getting to some standards or anything like that, it's actually... We need to demonstrate to the leadership of the companies we invest in that will actually create value ultimately as well. And so I think that's why it's so important what you're talking about that we need to play the post-investment.

NANCY LEE:
Very interesting point. Anybody?

TOM EVESON:
I have to on this one.

NANCY LEE:
Yeah, Maha, go ahead.

MAHA ALQATTAN:
Yeah, I'll just quickly take the impact versus the risk question. We follow IFC standards in all of our projects where we do environmental, social impact assessment. So we not only look at the positive impacts that we're making, we actually assess the environmental and social risk associated with the project that we're doing. And we do put a management mitigation plan for post-project. So we are mitigating any negative impact that we're making on the project. So definitely, we do understand the difference between the positive impact and the social environmental risk. And we do take both of them into consideration.

NANCY LEE:
Thanks, Maha. I'm sorry you were about to say.

TOM EVESON:
This is just something we spend a lot of time on and I'm very passionate about, ex-ante, ex-post, etc. This is an industry that has developed in a very quick time, five, six, seven years on labeling intent or programs. And the data jump or the data wave is coming. We now have thousands of these bonds outstanding that came to market with an intent and whether those are multilaterals or those kind of programs. So that data of bonds or outstanding investments is growing. And when you build it, they will come. And you've got all the Bloomberg's, and there were three private companies doing these bond opinions. There was Sustainalytics, Cicero, and Vigeo. Those three companies are now S&P, Moody's, and Morningstar. And these are massive financial data analyst companies. So I think the greenwashing is going to abate on its own through this accumulation of data. The investment industry has always been and always will be relative performance and comparing, more risk, better outcome, etc. So at the moment, we're talking about intent.

But what's coming is, and what I really liked about this task force when Arsalan and I first started talking, was that what caught my ear is, you're going to put metrics in before and then commit to reporting on them going forward. And that's a guideline under ICMA. That's a guideline and a recommended practice under what we know as the green bond industry. But increasingly, investors, programs, EU green bond standards are starting to talk about putting metrics in and reporting. We are moving past labels and moving towards impact.

Simply by the size of the industry growing and more people involved and more questions coming, the data is there. You've got AI companies starting to analyze that. You've had huge data companies starting to aggregate that. And it's still uncoordinated, but it's coming and it's coming very quickly.

NANCY LEE:
Absolutely. Any final thoughts?

ARSALAN MAHTAFAR:
Maybe just to add, who can help with this? So we hope there's a whole network of people that could help with it. One would be the banks that bank those entities. So whether it's JP Morgan, whether it's Bank of America or HSBC or Deutsche Bank, we have helped 60 emerging market entities produce impact frameworks over the past four years. This was almost kind of born by our experience that there was a proof of concept there, that some of these very frontier market entities can produce this impact reporting, especially if you don't pre-prescribe it to them. You ask them, what is actually your impact intention, what is the things you really intend to achieve? Not like to say, "Oh, you know this handbook said it has to be these metrics." You give them some flexibility to set their metrics, but you do give them guidance on making sure it's material, but you help them find the ones that it's both aligned to their intentions and their capacity to do, ex-ante. And then ex-post, they monitor and report against it.

And we've seen that that could be done. I think banks could help. I think DFIs could help. I think consultants could help. NGOs could help. So a variety of advisors that can and should help in order for this to scale.

NANCY LEE:
I think that's a very helpful point. I mean, I think this comparison between ex-ante and ex-post helps define this value, this value creation that Marc-Andre was talking about. And then having the ex-post measurement does two things. It actually measures the impact, but it also prevents the sort of inflation of the ex-ante projection, because the company or the issuer knows that it will have to report on what actually happened. Well, this has been a really interesting conversation, at least from my perspective. This is an exciting new initiative. And we look forward to the finalization of both the disclosure guidance and the building of the ecosystem. And we may have occasion in the future to revisit this and see how things are going. But thanks so much to our panelists, if you will join me in thanking them. And thank you all for coming. (APPLAUSE) (MUSIC PLAYS)