

**IMPACT
MANAGEMENT
PLATFORM**



The Imperative for Impact Management

Clarifying the relationship
between impacts, system-wide
risk and materiality

Executive Summary

June 2023

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This paper makes the case that the widespread uptake of impact management by enterprises, investors and financial institutions is not only a human and environmental imperative, but also critical for the sustained economic and financial performance of the market as a whole. Impact management is understood as a holistic and systematic approach to managing environmental and social impacts in a way that, at a minimum, enables organisations to operate sustainably and that, for some, facilitates the pursuit of solutions to environmental and social challenges.

As a global community of public and private sector actors, we are not on track to meet the Sustainable Development Goals (SDGs) by 2030, which are set out to end poverty and inequality, and ensure health, education and a liveable planet for all. Human activity has already transgressed seven out of eight globally quantified safe planetary boundaries,¹ bringing the planet closer to tipping points that will severely limit its ability to sustain human life in the way that we know it.

The systemic nature of the relationship between the economy, people and the natural environment makes the management of impacts an economic and financial imperative as well. The economy's reliance on the viability and stability of environmental and social systems is acutely demonstrated by the consequences and costs of anthropogenic climate change. This reliance also holds true for nature more broadly, as well as for people and society. Inequalities in health, skills, income, wealth and well-being undermine our collective human potential, as well as the foundations of the social systems and institutions upon which business and finance depend.

A narrow approach to addressing sustainability issues focused solely on the management of entity-specific risks is insufficient, because it is not attuned to rapid environmental and social developments, and importantly, it does not take into account the *contributions* that enterprises make to the accumulation of system-wide risk, as well as their consequences. The mainstreaming of impact management is necessary to secure sustainable environmental and social outcomes, and to optimise the market's capacity to manage risks and opportunities as a whole.

This paper explores the specific implications of these observations for relevant actors and makes the following call to action:

- **Enterprises, investors and financial institutions** should adopt impact management in order to operate sustainably, increase well-being, and mitigate idiosyncratic and system-wide risks.
- **Governments** should encourage and enable the mainstreaming of impact management in order to achieve global policy objectives, including the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and the 2030 Agenda.

1 Rockström, *et al.*, 2023, Safe and just Earth system boundaries, Nature

- **Standard-setters and international organisations providing impact management resources** should collaborate towards a complete and coherent system of standards and resources.
- Because information on impacts and impact management may be financially material, **standard-setters** and **policymakers** should appropriately recommend the disclosure of this information.

The Partners of the Impact Management Platform, as the leading providers of international public good standards and guidance for impact management, are committed to clarifying and mainstreaming the management of impacts on people and the natural environment. This paper outlines the Partners' commitment and roadmap to support this process.