Impact Disclosure Taskforce

CONCEPT NOTE
November 28, 2023

Impact Disclosure Taskforce (the "Taskforce") is a network of financial institutions, capital markets participants, and industry stakeholders that are drafting voluntary guidance[1] for entity-level disclosure and mechanisms to facilitate impact reporting, analysis and financing in pursuit of the **UN Sustainable Development Goals** (SDGs).

The Taskforce convened in April 2023 and has since met on a weekly basis with the objective of publishing a first draft of its guidance for public consultation in April 2024. The purpose of this concept note is to lay out what has been discussed to-date, and to invite additional subject matter experts, industry participants, and broader community stakeholders to provide input and feedback.

The Taskforce comprises major financial institutions and industry participants, including participants from Amundi, AXA Investment Managers, Bank of America, Barings Asset Management Limited, Blaylock Van, BlueMark, BlueOrchard, Caisse de dépôt et placement du Québec (CDPQ), Citi, Deutsche Bank, Goldman Sachs Asset Management, J.P. Morgan Corporate & Investment Bank, Morningstar Sustainalytics, Natixis Corporate & Investment Banking, Natixis Investment Managers, Pictet Asset Management, Societe Generale, and Standard Chartered.

The Taskforce also obtains input from public development banks including the the Asian Development Bank (ADB), the French Agency for Development (AFD), and the United States International Development Finance Corporation (DFC), as well as from the Global Impact Investing Network (GIIN), members of the Global Investors for Sustainable Development Alliance (GISD), and Linklaters. The International Sustainability Standards Board (ISSB) and the International Capital Market Association (ICMA) are observers to the Taskforce.

Experts and organizations that would like to contribute to this effort may reach out to the Taskforce co-chairs Arsalan Mahtafar (arsalan.mahtafar@jpmorgan.com) and Cedric Merle (cedric.merle@natixis.com).

[1] This guidance is not meant to direct how and what commercial decisions any company will make, nor is adoption of the guidance mandated.

Introduction

Closing the SDG Finance Gaps

The United Nations (UN) 17 Sustainable Development Goals (SDGs) and its 169 associated targets, adopted by all UN member states in 2015, outline a global agenda to alleviate poverty and inequality, expand access to health and education, and spur economic growth and employment, while tackling climate change and working to preserve the world's habitats by 2030. Achieving the SDGs requires unprecedented levels of investment, particularly in emerging markets and developing economies (EMDE).[2]

In its most recent report, the UN Conference on Trade and Development (UNCTAD) estimated a USD $4 trillion annual financing gap in EMDE to achieve the SDGs,[3] a gap that the international community recognizes cannot be fulfilled without mobilizing private sector investment.[4] According to the UN, a failure to achieve the SDGs may fuel greater political instability, upend economies and lead to irreversible damage to the natural environment.[5]

Challenges in accessing sustainable finance

The segment of private investors seeking financial, environmental, and social returns ("sustainable finance") continues to grow. Investors in sustainable finance range from those incorporating environmental, social, and governance (ESG) factors (estimated at USD $41 trillion in AUM[6]), to those with "sustainability strategies" (estimated at USD $2.8 trillion[7] in AUM), to self-identified "impact investors" (approximately USD $1.2 trillion[8] in AUM). Certain corporates and sovereigns that may have substantial impact on the SDGs, particularly those in EMDE, may face challenges in accessing these sustainable sources of capital, including: (i) receiving lower ESG scores due to a lack of voluntary non-financial disclosure (ii) lack of regulatory guidance on sustainability reporting; and (iii) lack of sufficient sizeable sustainable projects for asset level financing.[9]

Proposing a solution to direct capital flows to the SDGs

To address these challenges, the Taskforce has set out voluntary guidance that draws on existing resources to help entities set targets that specify their intentions for incremental contributions towards addressing the development challenges that are most relevant to their local context. The guidance will also help them monitor and report their progress against such targets. The Taskforce also intends to establish mechanisms for disseminating and analyzing this entity-level impact information to promote transparency and accountability. Entities that apply the guidance would provide more useful data required for investment decisions, thus making their entire balance sheets more attractive to sustainable financiers.[10]

The Impact Disclosure Guidance

This suggested guidance is being designed to utilize existing non-financial disclosure standards in a format that is relevant to industry practitioners seeking to finance entities that measure their contributions to the SDGs. While the guidance can be used by corporate entities and sovereigns of all jurisdictions, it is primarily designed for entities that operate in economies facing the largest SDG gaps and in jurisdictions without regulatory guidance for sustainability disclosures.

[2] EMDE is typically defined as low income to upper-middle income countries.
[3] United Nations Conference on Trade and Development, Developing countries face $4 trillion investment gap in SDGs, 2023.
[4] ISID, CEOs Explore Solutions to Bridge Annual USD 4.3 Trillion SDG Financing Gap, 2022; UN, Addis Ababa Action Agenda for the Third International Conference on Financing for Development, 2015.
[5] UN, The Sustainable Development Goals Report, 2023.
[6] Bloomberg, ESG May Surpass $41 Trillion Assets in 2022, But Not Without Challenges, 2022.
[7] Global Sustainable Fund Flows, Morningstar, Q3 2023.
[8] GIIN, Sizing the Impact Investing Market, 2022.
[9] OECD, Green, Social and Sustainability Bonds in Developing Countries: The Case for increased donor co-ordination, 2023.
[10] Initial feedback suggests that the SDID may not meet the impact criteria for every type of sustainable investor. For instance, certain "impact investors" may only invest in instruments that provide transparency on their use of proceeds. For such investors, the SDID is a complement to any instrument-level use-of-proceed reporting. Other investors, such as those that actively manage "sustainability strategies," may find the SDID to provide the data needed to satisfy their impact criteria. A passive manager managing a sustainability strategy would rely on ratings and index providers who may utilize the data published in the SDID as inputs into their ratings methodology or index construction. Ultimately, each investor has the duty to make their own independent decision on the factors that meet their investment decisions.

Executive Summary

The Taskforce provides voluntary guidance to entities, particularly those in EMDE, to use the principles of impact measurement and monitoring as a means to attract sustainable pools of capital, including: i) **intentionality**, explicitly specifying the positive impacts they aim to achieve and design adequate strategies for their pursuit; ii) **measurability**, identifying specific metrics and targets to measure progress on socioeconomic issues; iii) **ambition**, setting targets that are incremental to the baseline; and iv) **targeting needs**, prioritizing the most acute development gaps as per empirical data.

The suggested guidance and mechanisms presented in this document are primarily designed for EMDE entities located in countries with no existing sustainability disclosure requirements, but entities in all jurisdictions are encouraged to consider the guidance when providing disclosure on their intentions to address development gaps. The guidance aims to assist entities in their journey to produce an impact measurement and monitoring framework for their business strategies or governments' national development plans. The guidance also recommends establishing mechanisms for disseminating and analyzing entity-level impact information, fostering transparency and accountability. This would in turn, provide financial institutions with the factual basis desired to inform sustainable investment and engagement decisions.

This suggested guidance complements efforts by the International Sustainability Standards Board (ISSB), which provides standards for companies to disclose their sustainability-related risks and opportunities, including dependencies and related impacts.

The Taskforce intends to create an ecosystem with three components:

1 **Sustainable Development Impact Disclosure ("SDID") Guidance:**
Creating suggested guidance for corporate entities and sovereigns to disclose intentions (ex-ante) and progress (ex-post) on incremental impact (both positive and negative) and contributions to advancing the SDGs through a 5-step process:

Identify intended impacts and related sustainability metrics	**Identify the entity's impact intentions and related sustainability metrics,** drawing on existing impact taxonomies and sustainability reporting standards
Prioritize sustainability metrics based on the entity's local context	**Prioritize metrics** that are core to the entity's operation, address the most acute development gaps in the local economy, and incorporate community voice
Set targets for sustainability metrics with development materiality	**Set targets to achieve incremental results,** detailing plans to achieving targets, time horizon, and baseline; refresh periodically
Disclose policies and plans for reducing negative impacts	**Disclose plans for mitigating negative impacts,** setting targets on adverse impact indicators and disclosing E&S risk management policies
Produce ex-ante disclosure and ex-post reporting framework	**Issue a comprehensive framework** that lays out SDG impact targets, negative impact mitigants, and commitment to monitoring & reporting

2 Impact Data Platform:

Establishing[11] an industry data platform to facilitate[12] the dissemination of entity-level impact disclosure information to investors, financiers, insurers and other stakeholders. The envisioned platform will cater to the needs of three different categories of users:

Data Issuers:
Corporate & Sovereign Entities

- **Access a library of resources and tools** for standardized metrics section, guidance on methodologies and target-setting
- Enable **impact disclosure results** on sustainability and impact performance and strategy
- **Engage with investors and third parties** about impact performance and strategies

Data Accessors:
Investors, lenders, financiers, insurers, civil society

- **Access free and intuitive search tool** to find entities, retrieve entities' impact disclosure, look up individual entity-level data and download raw bulk data
- Allow access **to impact analytics** by geography, sector, or industry, linked to SDGs
- Ability to **benchmark and compare** entity-level data against each other

Ancillary Service and Opinion Providers:
Auditors, Analytics Companies

- Facilitate access to **third party analytics**
- Allow for **marketing/distribution of products and services** to corporate & sovereign entities and investors
- **Advocate and invite** entities to report on platform
- **Promote standards and provide benchmarking** to assess disclosure performance

3 Ancillary Service Providers:

Creating recommendations for third-party services to support corporate and sovereign entities and financiers engaged with the envisioned ecosystem, including analytics, benchmark indices, and independent verification and evaluation. The Taskforce considers the products below to be most relevant for corporate and sovereign entities and their investors, lenders, financiers, and stakeholders:

Database Providers	■ **One centralized platform** (as described in section 2) ■ Third-party portfolio analytics platforms can **freely access centralized data** through open Application Programming Interfaces (APIs)
Analytics	■ **Ex-ante Analytics:** analysis on materiality of metrics, ambitiousness of targets and comprehensiveness of negative impact disclosure; analytics providers may incorporate SDID into existing ESG ratings or launch new impact-oriented ratings ■ **Ex-post Analytics:** impact verification; impact evaluation; impact performance scores
Technical Assistance	■ **Capacity building support from Financial Institutions, Foundations, Consultants, and Public Development Banks** to corporate and sovereign entities
Benchmark and Investible Indices	■ **Impact Transparency Index:** includes entities that meet disclosure and reporting requirements ■ **Impact Performance Index:** entities that meet additional transparency requirements and other performance criteria (targets alignment or minimum ambition)

[11] Participating entities of the Taskforce are under no obligation to establish the platform or to bear any costs associated with establishing the platform.
[12] While entities following the suggested and voluntary guidance may publish their sustainable development impact disclosure through any channel of their choice, the Impact Data Platform will support disseminating this information in a standardized manner.

Impact Disclosure Taskforce

FREQUENTLY ASKED QUESTIONS

November 28 2023

1. What is the Impact Disclosure Guidance?
    - A voluntary guidance suggested for corporate entities and sovereigns created by the Impact Disclosure Taskforce (the Taskforce) to disclose their intentions (ex-ante) and progress (ex-post) on achieving incremental impact (both positive and mitigating negative) and contributions to advancing the SDGs and to facilitate the dissemination and evaluation of this information.
    - The Impact Disclosure Guidance is comprised of 3 sections:
        - **Sustainable Development Impact Disclosure ("SDID") Guidance:** Suggested guidance for corporate entities and sovereigns to disclose intentions (ex-ante) and progress (ex-post) on incremental impact (both positive and negative) and contributions to advancing the SDGs through a 5-step process
        - **Impact Data Platform:** Establishing an industry data platform to facilitate[1] disseminating entity-level impact disclosure information to investors, financiers, insurers and other stakeholders
        - **Ancillary Service Providers:** Creating recommendations for a suite of third-party services to support corporate and sovereign entities and financiers engaged with the envisioned ecosystem, including analytics, benchmark and investible indices, and independent verification and evaluation.
    - Please refer to the concept note for more details.
2. Who is the Impact Disclosure Guidance intended for?
    - The guidance is primarily intended for:
        - **Corporate entities** (i.e., producers of goods and services, whether held privately, publicly traded, state-owned, or mixed) and sovereigns (national governments, municipalities), especially for those with intentions to generate incremental impact in jurisdictions facing the largest development gaps (e.g., EMDE) and face constraints to attract sustainable capital, to use the guidance to produce an SDID and publish the data on the envisioned data platform.
        - **Financiers** (e.g., institutional investors, commercial banks) that have strategies to invest in or lend to corporate entities and sovereigns that have intentions for advancing the SDGs, to access the SDID on the envisioned data platform and utilize its information for their investment, lending, and/or engagement decisions.
        - **Ancillary service providers** to offer the products and services that are recommended by the guidance to corporates, sovereigns, and financiers

[1] While entities following the suggested and voluntary guidance may publish their sustainable development impact disclosure through any channel of their choice, the Impact Data Platform will support disseminating this information in a standardized manner.

- The guidance is not intended for global financial institutions (including institutional investors, bilateral or multilateral development banks, or global financial intermediaries) that do not face constraints in accessing sustainable capital to produce an SDID themselves; though institutions that finance entities that produce SDIDs may use information from the guidance for their own sustainability reporting purposes.

3. What is the structure of the Taskforce and how is it governed?
    - The Taskforce consists of financial markets stakeholders who participate in Taskforce meetings on a voluntary basis and provide input and expert feedback on Taskforce publications.
    - The Taskforce is governed by a steering committee, a sub-set of the Taskforce participants, which is responsible for collecting the input and feedback from Taskforce participants and producing Taskforce outputs.
4. What are the obstacles that emerging markets and developing economies (EMDE) entities face in accessing sustainable finance?
    - EMDE entities generally receive lower ESG scores due to the lack of non-financial information disclosed relative to their developed markets counterparts.
    - Some EMDE jurisdictions lack regulatory guidance on non-financial disclosure.
    - Entities in EMDE oftentimes lack sufficient sustainable projects/assets to issue use-of-proceeds bonds, which are instruments commonly used by developed market entities to attract sustainable finance.[2]
    - There is a multitude of standards that entities are required to follow or report on in order to attract sustainable capital, which can be time- and resource-intensive.
5. How does the Sustainable Development Impact Disclosure (SDID) distinguish itself from other sustainability reporting standards and existing regulations?
    - The guidance does **not** create a new standard or classification; rather, it guides entities with anticipated impact on the SDGs, particularly within EMDE, to draw from existing taxonomies and guidance, in a format that is most relevant to sustainable development impact-focused investors.
    - The SDID utilizes existing standards on non-financial disclosure to produce a statement that is relevant to industry practitioners seeking to finance entities that measure their contributions to the SDGs in the context of the entity's local developmental challenges.
    - This guidance complements efforts by the International Sustainability Standards Board, which provides standards for companies to disclose their sustainability-related risks and opportunities, including dependencies and impacts that create these risks and opportunities; and integrates disclosure practices for mitigating Sustainable Finance Disclosure Requirement's – SFDR (EFRAG) principal adverse impact indicators.
    - The guidance is dynamic and open-source and will be updated continuously to reflect relevant emerging standards and frameworks.
6. What are the benefits of producing an SDID?
    - Producing an SDID would contribute to standardizing and harmonizing an entity's impact information by guiding users to reference existing standards and practices in a

[2] OECD, Green, Social and Sustainability Bonds in Developing Countries: The Case for increased Donor Co-Ordination, 2023.

way that allows investors to access and digest information relevant to investment decisions.
- It contextualizes the development needs of the communities or local contexts in which the entity operates to demonstrate the extent of development gaps and the entity's efforts to sustainably address these gaps.

7. How is this different from labelled bonds?
    - Provides suggested and voluntary entity-level impact targets and impact monitoring commitments, rather than project-level reporting on allocation of proceeds and the impact of proceeds allocated.
    - Provides suggested and voluntary guidance on setting sustainability performance targets outside of the context of a KPI-linked instrument issuance, allowing entities to capture a broader narrative outside of the bounds of instrument-level metrics. The emphasis is as much on the explanations around the delivery of the targets and corrective measures than on the "achieving vs. failing" of these targets.
    - Can be used for attracting sustainable capital towards non-labelled instruments issued by entities. Additionally, entity-level disclosures can offer investors deeper insights into a company's overall sustainability goals, which may provide more robust information for investment decisions for labelled instruments.
8. How is the guidance different from other sustainability reporting that entities already do?
    - Producing an SDID that is aligned with the guidance can supplement and enhance a corporate entity or sovereign's existing reporting by helping the entity be more explicit about its intentions to achieve impact that address development gaps, particularly in the developing world.
    - The SDID illustrates how an entity's growth and operational strategies will produce outputs in the short- or medium-term (products, services, and effects directly under its control) that are expected to contribute to socioeconomic outcomes over a longer period of time (the consequences of outputs for individuals, economies, groups, or communities) and ultimately contribute to the SDGs.
    - An SDID can be integrated into the entity's existing sustainability report (in a discreet section or chapter), published as a separate document, or published on the envisioned data platform.
9. To what extent are investors expected to use this kind of disclosure in investment decisions?
    - Sustainable investors range from those incorporating environmental, social, and governance (ESG) (estimated at $41 trillion in AUM[3]), to investors with "sustainability strategies" (estimated at $2.8 trillion[4] in AUM), to self-identified "impact investors" (approximately $1.2 trillion[5] in AUM).
    - As part of its work, the Impact Disclosure Taskforce has been gathering feedback from investors to understand the type of disclosure they expect in order for entities to meet their impact criteria.

[3] Bloomberg, ESG May Surpass $41 Trillion Assets in 2022, But Not Without Challenges, 2022.
[4] Global Sustainable Fund Flows, Morningstar, Q3 2023.
[5] GIIN, Sizing the Impact Investing Market, 2022.

- Initial feedback suggests that the SDID may not meet the impact criteria for every type of sustainable investor.
    i. For instance, certain "impact investors" may only invest in instruments that provide transparency on their use of proceeds. For such investors, the SDID is a complement to any instrument-level use-of-proceed reporting.
    ii. Other investors, such as those that actively manage "sustainability strategies," may find the SDID to provide the data needed to satisfy their impact criteria.
    iii. A passive manager managing a sustainability strategy would rely on ratings and index providers who may utilize the data published in the SDID as inputs into their ratings methodology or index construction.
- Ultimately, each investor has the duty to make their own independent decision on the factors that meet their investment decisions, and the SDID can provide additional, structured information to aid in those decisions.

10. Will producing an SDID be a huge burden on EMDE entities?

- The guidance provides a detailed step-by-step process on how an entity can produce an SDID.
- The guidance to produce an SDID complements existing sustainability efforts. It provides investors and rating agencies a fact-based foundation to engage with EMDE entities on sustainability topics within a framework tailored to the EMDE context.
- The anticipated effect of an SDID is that EMDE entities that choose to implement the guidance would attract investor demand that is incremental to their status quo.
- Impact disclosure and reporting is a complex endeavor which requires entities to build capacity over time; the SDID provides a framework that allows entities to share their impact intentions and their progress on building their impact measurement and management systems.
- Private sector banks acting as underwriters or advisors and public development institutions through facilities can support EMDE entities by providing the technical assistance to produce an SDID.

11. How will information be disseminated?

- This guidance includes creation of an envisioned platform to facilitate dissemination and access to this disclosure information, which will provide free access to the data for interested parties. This platform would provide services to and allow engagement for three categories of users: data issuers, data accessors, and ancillary service providers.
- The platform would create an ecosystem through which members of each of the three categories can provide, upload, independently verify, and access data related to the creation of the SDID.
- Enablement and access for ancillary service providers will provide further comfort to access about (1) the fields of information provided and if no disclosure provided, the rationale as to why and (2) the credibility of information provided, further scaling the ability that investors have to engage with such information.
- An SDID produced through the guidance can also be used by entities on a standalone basis. Entities can publish and disseminate this disclosure on their own terms.

12. How is accountability maintained?
    - The data accessors, i.e., the financiers (entities using this disclosure to feed their investment/financing decisions) will be responsible for holding issuing entities accountable for ongoing disclosure, outcomes reporting and monitoring.
    - The purpose of the guidance and platform is to provide guidance around SDG disclosure and to allow entities a channel to disclose it, which ultimately, data accessors will use at their discretion.
13. Is the guidance tailored only for issuers from emerging markets, or can those from developed markets also utilize it?
    - While the guidance is primarily aimed at entities operating in economies facing the largest SDG gaps or in jurisdictions with limited regulatory guidance for sustainability disclosures, entities from all jurisdictions interested in measuring and reporting on their contributions towards the SDGs are encouraged to implement the guidance.
14. How can I get more information or get involved with the work of the Taskforce?
    - Experts and organizations that would like to contribute to this effort, or have further questions about the initiative, may reach out to the Taskforce co-chairs Arsalan Mahtafar (arsalan.mahtafar@jpmorgan.com) and Cedric Merle (cedric.merle@natixis.com)