

## **The Impact Taskforce (ITF)**

Established under the 2021 UK Presidency of the G7

*Open letter from the ITF Chair*

Progress update - June 2022

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### **Background**

In June 2021, 120 leaders from the worlds of investment, finance, government and international organisations, came together as an industry-led Taskforce under the auspices of the UK Presidency of the G7 to help answer a critical question for our time: “How can we accelerate the volume and effectiveness of private capital seeking to have a positive social and environmental impact?”

In just over four months, the Impact Taskforce (ITF) launched a series of ambitious, yet concrete and [actionable recommendations](#) to i) help transform the quality and transparency of information on the impact of investment decisions, and ii) scale mobilisation of institutional capital for positive impact, especially in emerging markets through vehicles that integrate social and environmental objectives in support of the United Nations’ Sustainable Development Goals (SDGs) and a just transition that does not leave people and places behind.

At all times we were conscious that success was not the publication of a series of reports, but to engage top decision-makers around our specific recommendations, obtaining a sustained commitment to the mobilisation of private capital for public good and seeing intermediate milestones achieved.

Six months after our launch, we are particularly encouraged by developments that directly take forward key recommendations made by the Taskforce. On the impact transparency front, this includes initial drafts and proposals by the IFRS’s International Sustainability Standards Board (ISSB), the US Securities and Exchange Commission (SEC) and the EU’s European Financial Reporting Advisory Group (EFRAG) to advance climate and sustainability reporting standards. On impact capital mobilisation, we welcome the launch of the Just Transition Finance Challenge, a new coalition of investors heeding our call to launch more financing vehicles that deliver a global, fair and inclusive transition to Net Zero.

Whilst we commend stakeholders, including ITF members and third parties, for making real progress on a number of additional fronts, we also call for faster movement in areas where action is lagging behind.

## Progress on the ITF Recommendations

In the field of **impact transparency** (our Workstream A), back in December 2021 we called on a wide range of stakeholders, from regulators and standard setters to investors and companies to work towards a future in which investment decisions, by companies and institutional investors are increasingly taken through the triple lens of risk, return and impact. In particular, we i) called on governments to support and participate in upcoming consultations by the IFRS´ International Sustainability Standards Board, ii) called for an urgent “build” on the ISSB´s reporting “baseline” to include any impacts on all stakeholders, iii) defined mandatory accounting for impact as a destination, and iv) recommended that the G7 countries and partners collaborate with the private sector, standard-setters and academia on approaches to impact valuation.

In the light of these recommendations, over the past six months we were encouraged by:

- The appointment of ITF Steering Committee member Emmanuel Faber as Chair of the IFRS´ International Sustainability Standards Board ([ISSB](#)), mandated with the crucial mission of establishing a “*comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities to help them make informed decisions*”. In just a few months, the ISSB published exposure drafts on [Sustainability](#) and [Climate-related](#) disclosures, opening a public consultation process ending on 29 July, 2022. We urge governments, industry bodies, standard-setters and other relevant stakeholders to support and engage closely with this process, taking into account the ITF recommendations to achieve standards that are truly globally relevant by, i) balancing social and environmental issues; ii) acknowledging and reflecting realities of both emerging and developed economies; iii) actively engaging small and medium enterprises (SMEs) along the value chain; and iv) putting forward an assurance regime for all data relevant to enterprise value for public companies.
- Proposals by the [US Securities and Exchange Commission](#) (SEC) to introduce changes that “*would require registrants to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements*”
- The first reports (of a series of seven) by the [European Financial Reporting Advisory Group](#) (EFRAG), to advance corporate sustainability reporting across the EU. EFRAG recognises the importance of coordinating the development of EU sustainability reporting standards with existing and

emerging global initiatives, which we deem imperative to advance towards a global baseline that is widely adaptable across the globe, in both developed and emerging markets.

- Continuing progress in the field of impact valuation, through the [recent collaboration announcement](#) by the Value Balancing Alliance (VBA) and the Impact-Weighted Accounts Project at Harvard Business School (HBS IWA) to harmonise methodologies on impact accounting, as well as emerging efforts by the Capitals Coalition to establish a global [Value Commission](#) to “set international rules for how ‘value factors’ are created and used by organisations around the world.”

Strong and sustained progress on the impact transparency and integrity agenda will continue to be crucial to address emerging concerns across a number of jurisdictions, including with respect to ESG disclosure and the current lack of clear, consistent and standardised reporting mechanisms. Current controversy and confusion amongst some market participants should be seen as both a sign of relevance of the impact transparency and integrity agenda, as well as a clear call to provide high quality data to all stakeholders, making our work and recommendations, as well as the goals of the ISSB and similar efforts, more important than ever.

In relation to the **mobilisation of capital for positive impact at scale** (our Workstream B), at the moment of its launch, the ITF i) urged coordinated movement spearheaded by the G7 to remove multiple external and internal barriers that currently limit the flow of institutional investors’ transformational capital particularly to emerging and frontier economies, ii) recognised the need for integration of environmental and social factors to drive an inclusive, fair, and equitable transition to net zero economies, iii) called on multilateral development banks (MDBs) and development finance institutions (DFIs) to support for the mobilisation of capital, by more actively using a range of proven tools and instruments and improving frameworks for sustainable investment that currently constrain deployment, and iv) urged an expansion of capabilities and increase in transparency to support the deployment of funds to people and places of greatest need and opportunity.

Since we launched in December 2021, global events have made the financing challenge even bigger and the relevance of our positive impact agenda even greater. Again, we see some positive progress against a background of increasing urgency. The widespread consequences of the Russian war on Ukraine, including disruptions to the world’s food and fuel markets and economic volatility including rising inflation, is dangerously increasing uncertainty and challenging social stability across developed, middle income and emerging markets - as, according to the UN, 1.7bn people will be exposed to disruptions leading to poverty and hunger, 500k people are currently in famine (a 500% increase from 2016) and over 250m are at hunger level (doubled since start of Covid).

This reinforces in our mind the importance of the impact agenda, and our

specific recommendations to boost private investment in emerging economies by dismantling barriers and providing incentives.

Over the past six months:

- We were particularly encouraged that leading investors - asset owners, managers and development finance institutions alike - have answered our call to action to launch more financing vehicles explicitly dedicated to advancing a global, fair and inclusive transition to Net Zero. July will see the launch of the Just Transition Finance Challenge, an initiative convened by the [Impact Investing Institute](#) (III) in partnership with the City of London Corporation, and which leading global financial institutions have agreed to join as Founding Participants. The Challenge will mobilise investment in a transition to Net Zero, helping asset owners and managers to respond to the growing demand for sustainable finance products and the urgent need to address the climate crisis. In particular, the Challenge will launch a Just Transition label for financing vehicles that help to deliver a fair and inclusive transition to Net Zero. The Challenge will be officially launched on 18 July at the Lord Mayor's Finance for Impact Summit in London. You can register to attend the launch virtually [here](#).
- Around the launch of the ITF recommendations, over 160 firms with \$70 trillion in assets have joined forces to steer the global economy towards net-zero emissions and deliver the Paris Agreement goals. The work of the [Glasgow Financial Alliance for Net Zero](#) (GFANZ), chaired by UN Special Envoy on Climate Action and Finance Mark Carney and bringing together leading net-zero initiatives from across the financial system, needs to be widely supported to accelerate the transition to net-zero emissions by 2050. The existence of coalitions such as GFANZ validate our argument that "there is more than enough private capital" to deliver on the SDGs. The challenge remains about how we can make it easier for that capital to flow where it can have the most positive impact on people and the planet.

For this transition to be just and inclusive, in line with the ITF call and proposals, a series of elements need to be an integral part of any financial vehicle aiming to drive capital to where it is needed the most, namely: i) climate and environmental action, ii) socio-economic distribution and equity and iii) community voice.

- Development partners and South African stakeholders have made progress to implement the \$8.5bn funding pledge to support a just energy transition in South Africa, as announced in COP26. The pace and success of this effort is critical both for the benefit of South Africa but also given its replicability in other economies heavily reliant on carbon-heavy energy sources, such as Indonesia, facing both an environmental challenge but also severe social risks (e.g. nearly 80% of circa 150,000 South African miners are in one province of the country, where issues of

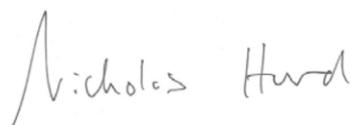
reskilling, potentially relocation or rehabilitation of toxic land will be intense). The \$8.5bn pledge is intended to catalyse other capital including blended and catalytic capital, for which ITF recommendations can be particularly relevant. Specifically, our argument about the need for public and private capital to work together in new modes of partnership, about to be tested in South Africa, will be crucial for demonstrating the practical implications of the Just Transition, as well as a potential model for other jurisdictions. ITF members have been engaged in the debate around optimising the impact of the \$ 8.5 billion public commitment, and the need to not neglect the necessary social investment as a critical element in the Just Transition.

- The [GSG](#) (Global Steering Group for Impact Investment) has been working closely through its entities and partners across 35+ countries to advance impact-capital solutions to scale funding towards the rehabilitation of informal settlements across the global south, where over 1 billion people live without access to basic services or land titles. In a [recent report](#) the GSG estimates a global funding shortfall of \$6Trn for slum upgrading globally, proposes specific solutions to scale investment and calls governmental, private sector and civil society stakeholders to work together to commit capital at scale to improve the lives of the urban poorest.

At the same time, the GSG is working with 15+ of its entities across the globe to advance advocacy and implementation of the ITF recommendations in different national contexts, including Japan, South Korea, Brazil, Mexico, The Netherlands, Spain, Germany, Argentina, Chile, Colombia, India, South Africa, Turkey and its entity covering Central American countries.

Whilst we engage in emerging conversations with Japanese authorities and wider stakeholders to advance our work under Japan's presidency of the G7 in 2023, the ITF remains committed to advocating and, where appropriate through its organisation and partners, supporting and participating in high-impact initiatives to meet the key social and environmental challenges of our time.

More than ever, it is time to deliver.



**The Rt. Hon. Nick Hurd**  
Chair, Impact Taskforce