Enterprise Action 9. Embed continuous improvement, updating impact management practices as needed

Action is mapped to practice indicators as follows:

- ✓ Refine impact management practices over time based on impact results, lessons learned and changes in the sustainable development context (2.1.7, 2.3.5)

Guidance notes can be found below:

Guidance Note – Impact data collection and use
(2.1.6, 2.1.7, 2.2.1, 2.2.4, 2.2.7, 2.3.5)

Impact data collection and use

This guidance note covers several indicators relating to a number of activities that underpin the SDG Impact Standards approach to impact management. These indicators refer to the data that would be collected to allow an enterprise to make decisions to increase its positive contribution to sustainability and the SDGs at a rate commensurate with stakeholder expectations and the SDG targets. These activities are data collection (2.1.6, 2.2.1), reporting and summarising data (2.2.7), generating options for increasing that contribution (2.3.1), assessing the risk in making decisions (2.2.4) and ongoing review of impact management approach (2.1.7, 2.3.5).

Management practice

This approach is based on identifying a complete set of material impacts (1.1.6) and a number of data points for each impact covering: the five dimensions of impact; a transparent stakeholder informed approach to quantifying the relative importance of different impacts (when making decisions between options with inevitable trade-offs); and include impacts along the whole enterprise supply and value chain, its products and services.

The process of engagement identifies expected changes to aspects of the well-being of people and planet. Deciding which are relevant (potential material impacts) and determining the relative importance of these and the extent to which they are caused by the enterprise becomes the expected material impacts. Once these are measured, the assessment results in the material impacts.

The requirements are:

- a complete set of material impacts (1.1.6);
- impacts defined as changes in well-being of people and planet caused by the activities of the organization (2.2.3); and
- all the data points (or metrics) for each impact (2.2.3).

This approach is designed to reduce the risk that the best option is not chosen and to increase the universe of potential insights that drive options to contribute positively to sustainability and the SDGs. Whilst many approaches to impact measurement focus on accurate measure of each impact, few

recognize the importance of data that does not relate to intended impacts but is critical to increasing performance.

Where data relates to proxies for impacts this also increases the risk that the wrong decision may be made. This risk may still be within the risk appetite of the organization and the tolerance of those who will experience the impacts.

Good decision-making is based on a combination of factors including the approach to data collection (what is collected from which source, how often, etc), the rate at which decisions are being made, the enterprise's understanding of risk, both to the enterprise and those experiencing the impacts, and the requirement to increase the likelihood that the enterprise is contributing positively to sustainability and the SDGs (and reduce the risk that it is not to an acceptable level). A fast rate of decisions based only on data relating to expected material impacts would not be sufficient. A low rate based on data requirements referenced in the Standards would not be sufficient.

The central risks are that the set of expected material impacts is incomplete (1.1.6), the data on each impact is incomplete or the data is inaccurate or not timely. In each of these situations the risk is that if the impacts or the data on impacts were complete, or if the inaccuracies were corrected, then a different decision would be made.

Measurement practice

The purpose of collecting data is to enable evidence-based decisions. Decisions are between options and the merit of each option are assessed in terms of their potential to increase the positive contribution to sustainability and the SDGs. Options are generated from the data. No enterprise can say that its approach to impact management is perfect or that it is making as much of a positive contribution to sustainability and the SDGs as possible (with existing resources). The enterprise should always be striving to improve its effectiveness and making changes across the business model.

The main means for generating options that lead to changes is by making comparisons, against targets, against past performance and against peers but also, critically, by comparing data for different data points between individuals with different characteristics but from the same stakeholder group. Evidence is required that the data is reported in a format that allows these comparisons to be made, the comparisons being made lead to insights and options and then to choices between options. Then the enterprise will monitor how the selected option is implemented and whether it is on track to achieving the expected results and impacts. An enterprise making comparisons but not subsequently making changes to its activities as a result would satisfy 2.3.1 but not 2.2.7.

Making decisions then requires a balance between the rate at which decisions are made and the data available to support the decisions. Where the available data does not cover all the requirements or where data relates to proxies for impacts, this increases the risk that the wrong decision may be made. This risk may still be within the risk appetite of the enterprise and the tolerance of those who will experience the impacts.

This does not mean a choice cannot be made. It means that the risk that the wrong decision may be made has increased.

Minimum data requirements

The enterprise should collate (2.1.7) and review its performance in generating insights and learning lessons from the data and acting on the results (2.3.5).

Whilst the balance of focus is towards decision making and responsiveness, there is nonetheless a minimum threshold for data collection. This is that:

- All expected material impacts are identified, i.e., in the sequence inputs, outputs, outcomes, aspects of wellbeing, at least outcomes and preferably aspects of well-being are the basis for measurement

- Where these are prioritized, the priorities relate to aspects of well-being (taking into consideration inequality within and between stakeholder groups) and include climate action, gender equality and decent work and also negative and positive expected impacts

- Data is collected for all metrics for those impacts expected to be most significant within context of the enterprise's resources together with a plan for collecting data on the others, which may include incomplete data or measurement at an earlier point in the above sequence

- Where output data has been used as the basis for decisions, this is appropriate in the context of the decisions recognizing the risk that this may not result in the optimal or even any positive contribution, for example a measured reduction in climate change emissions but with a non-measured increase in gender inequality.

- The assumptions are reviewed and updated when context changes.

- In deciding the balance between collecting statistically rigorous data (random samples) for the metrics for the most significant impacts and collecting some data for the metrics of all material impacts, the balance is on the risk associated with the intended decision. For many operational decisions at the rate required this is on some data on more metrics across more impacts. For strategy, business model and significant decisions this is on statistically rigorous data across all metrics and all material impacts.

As an example, an organization might identify ten expected material impacts, decide to measure all metrics for four, only the change without considering duration, causation, and relative importance for three and only the change in the outputs for the final three. Here an ambitious plan for addressing the data gaps together with an assessment of the risk of using this data in decision should be put in place.

Guidance Note 2.2.1

Using wellbeing as a consistent measure to value impacts

Impacts are the desired changes in wellbeing stakeholders experience resulting from the enterprise's decisions and actions. Aspects of wellbeing are economic, social, or environmental. Valuing impacts in a systematic way is important because it helps decision-makers make more objective decisions – generating options, choosing between those options, and making trade-offs in a consistent way. Without valuation, those decisions are often made based on underlying unconscious biases and assumptions which often reinforce existing inequities.

Using wellbeing to value and measure impacts requires taking into consideration:

- Stakeholders' views of the relative importance (value) of the outcomes they experience in making those trade-offs,

- material impact risks and stakeholders' risk appetite and tolerance for unexpected outcomes and

- interdependency of impacts and across the SDGs

The OECD Framework for Measuring Well-Being and Progress is an established framework for measuring wellbeing built around three components: current well-being, inequalities in well-being outcomes, and resources for future well-being.

There are a variety of qualitative, quantitative, and monetary approaches available for valuing impacts – or changes in aspects of wellbeing. The Standards do not prescribe one approach over another, rather expecting the decision-maker to select the most appropriate approach, taking into account the nature of the decision and the amount of precision required.

Making decisions in context

Making decisions in context means thinking holistically (informed by stakeholder perspectives and focusing on all material impacts in direct operations and through business relationships, as well as through upstream and downstream supply and value chains).

Making decisions in context requires an understanding of interdependency across the SDGs as actions in one area can impact other areas.

It also means taking into consideration where you are starting from (establishing baselines), understanding where you need to get to (what is needed in order to reach or exceed required thresholds in a timely way) and understanding what will happen anyway irrespective of what the enterprise does – or in other words, what contribution or difference the enterprise's decisions are making.

Leaving "no-one" behind

The enterprise should consider heterogeneity among stakeholders and seek to identify those most in need as this would potentially allow to maximize positive contribution to the SDGs.

Assessing the impacts on different groups and sub-groups of stakeholders separately is important to ensure the overarching objectives of the SDGs (to leave no one behind) are met – for example, by including previously excluded stakeholders, or by not creating benefits for one group of stakeholders at the expense of other stakeholder groups. This concept is linked to guidance note 2.1.6 on using sufficiently disaggregated data to make decisions.