

Future-Fit Foundation + Shell Foundation

Impact Benchmarking Tool

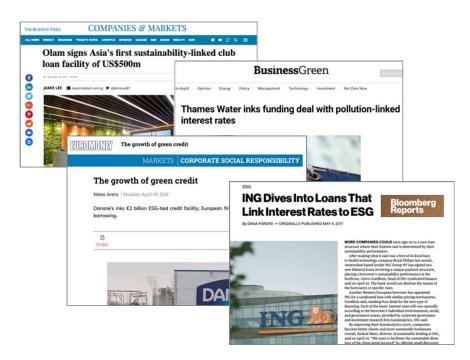
Improving access to capital – and decreasing its cost – via ESG performance

Equipping investors and funders to incorporate the ESG value that enterprises deliver to their decisions and terms

One of the greatest challenges that the impact investment sector faces today is that surprisingly few investors price impact into their terms. As a result capital flows either to financially attractive organizations or to enterprises who shout loudest, regardless of the impact they deliver. To address this issue, investors need transparent, assurable insight on the positive and negative impact that enterprises have on the SDGs.

By placing this data alongside financial information, impact investors, governments and donors can be enabled to steer resources to areas where they can deliver the greatest benefit, and companies will be better equipped to optimize their value to society.





The Future-Fit Business Benchmark

Who is the Future-Fit Foundation, and what is the Future-Fit Business Benchmark

Future-Fit Foundation is a non-profit using the leading, science-based description of conditions needed for an environmentally and socially sustainable society, and translating them into targets applicable to businesses, in the 'Business Benchmark'.



Societ

Meeting peoples' basic needs, giving them opportunity, voice, preventing discrimination, and allowing them freedom to pursue meaningful lives.



Environment

Not physically degrading the environment, not subjecting it to increasing amounts of pollution, preserving ecosystems.

The Benchmark provides assurable, transparent metrics, allowing businesses to benchmark their positive and negative impacts against the performance needed in a sustainable future, and to calculate their contribution to society via the SDGs.



It also compiles leading guidance from experts on each of the component environmental and social topics to help businesses improve their scores, to cover any gaps between their current performance and these future targets they wish to address.

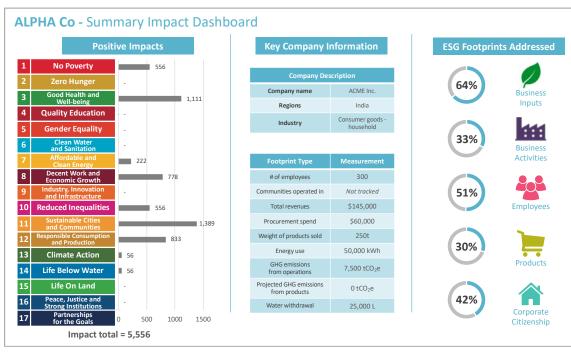


The Future-Fit Impact Benchmarking Tool

Communicating companies' ESG coverage and results to investors and funders

For companies seeking funding, the tool developed during this project will *intuitively and efficiently* guide them through identifying and presenting the ESG data that investors are asking for. It will be relevant regardless of how they currently track and use this information (as it is compatible with other ESG frameworks), and links to resources that can help them improve future performance.

For impact-oriented investors and funders, this information will be presented to demonstrate companies' unique impact delivery and ESG footprints (which could indicate risk areas) into a consistent framing, making the data easily *understandable and comparable*. The goal is to help investors and funders identify and price-in companies' social or environmental impacts.

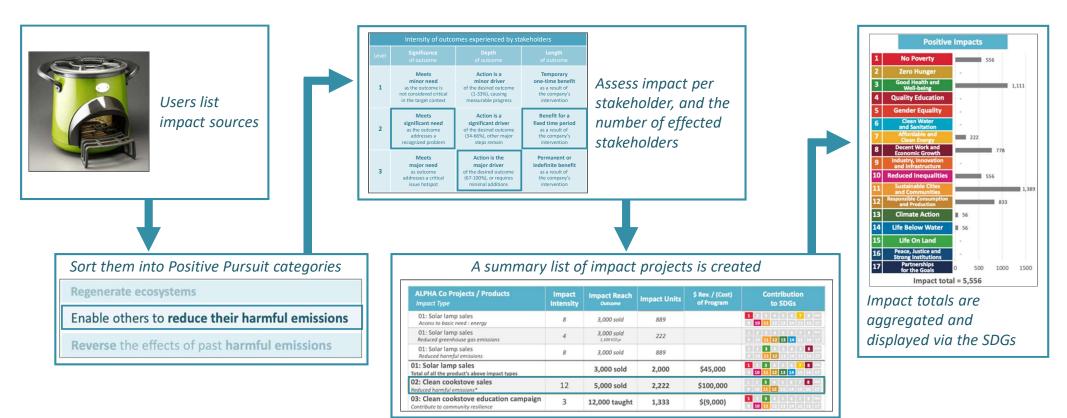


^{*}See Appendix slides for an example of how these were applied to companies during the 2018 pilot work.

How does the Impact Benchmarking tool work? Part 1: Positive impacts

What is involved for reporting companies, and how is the information used

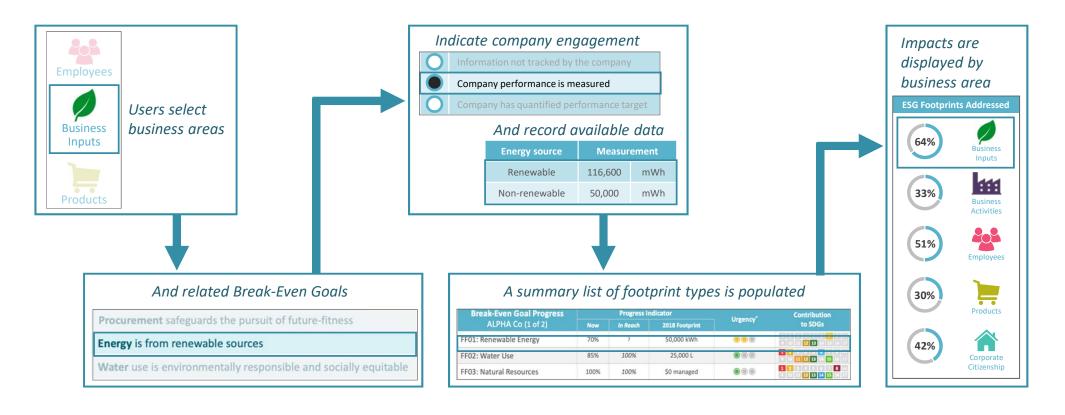
To generate reporting on positive impact, users will list each of the impact-generating products they sell, and the impact-generating projects they are involved in. Specific guidance and definitions will help users sort these into the Business Benchmark's categories ("Positive Pursuits"), and to describe the impact experienced by stakeholders. This data will be used to create a summary report, and mapping between the Benchmark categories and the SDGs will allow the information to be displayed as SDG contributions.



How does the Impact Benchmarking tool work? Part 2: ESG footprints

What is involved for reporting companies, and how is the information used

To generate reporting on companies' environmental and social footprints, users will be asked questions on the different topics outlined by the Business Benchmark ("Break-Even Goals"). These questions will help establish which areas are being monitored by the company and which are not. For those that are, companies will be prompted for performance data. These answers will populate a report listing companies' progress on reducing footprints in each area, and will be summarized and reported to investors.



Who is using the Future-Fit Business Benchmark currently?

Companies of different sizes and types, and investors with different aims and focuses

Multi-national Novo Nordisk has measured its company-wide Future-Fit performance, had the results independently assured by Grant Thornton, and is using them to engage investors — with plans to publish progress annually.

Social enterprise Bright Products – a solar lantern manufacturer – uses the Benchmark to track progress towards its social goals, and to inform product R&D decisions, to differentiate from competitive solutions with key clients.

Investment manager Hermes IM is using the Benchmark to improve the way it assesses ESG risks and opportunities across its £33 billion of managed assets, and to inform its engagement work with the C-suites of its £389 billion of assets under advisement.

Impact investment firm Tribe is using the Benchmark to help understand how business models in its portfolio link to its social goals.





Phase 2; work for 2019-2020

What is the plan for this Phase, and what is needed from partners?

Last year (Phase 1), Future-Fit and Shell Foundation (SF) worked with partner companies from SF's grant-making portfolio to develop sample reports for the partners. The results showed promise for helping investor decision making, and for providing managers with a holistic view of companies' ESG impacts. It also showed the need for a simple, flexible tool for small and growing social enterprises.

Future-Fit will be updating the tool throughout this Phase to develop a fully automated online version by the end. An expert Advisory Board made up of investors, grant-makers, and representatives from reporting companies will provide feedback and guidance.

In this Phase of development, Shell Foundation has offered to cover the costs for its partners to use this beta version of the tool. Early participants will benefit from hands-on support from the Future-Fit team (reducing the internal resources needed), from increased awareness from the Advisory Board, and from earlier access to results to use in raising funding.







Example results

From Phase 1 work in 2018



Positive Pursuits

may choose to go beyond its minimum obligations, to create enduring value for the business

These categories allow the wide range of positive impacts that companies generate to be presented in one consistent context.

Companies only report on the impact categories relevant to them.

Fosters Wellbeing	Enable others to safeguard people's wellbeing
	Increase access to basic services: food, water, sanitation, clean energy, housing, education, healthcare, networks
	Increase access to adequate income for underserved groups
	Increase the amount of renewable energy available
	Increase the amount of responsibly-sourced water available
	Increase the amount of responsibly-managed natural resources available
	Enable others to reduce their harmful emissions
Respects Nature	Reverse the effects of past harmful emissions
Nature	Enable others to reduce their greenhouse gas emissions
	Remove greenhouse gases from the atmosphere
	Enable others to reduce their encroachment on ecosystems or communities
	Regenerate ecosystems
	Enable others to reduce their energy use
0-1::	Enable others to reduce their water use
Optimizes Resources	Enable others to reduce their natural resource use
Resources	Enable others to reduce their waste
	Reclaim waste to substitute the use of virgin natural resources
Church ath and	Contribute to the resilience of communities
Strengthens Society	Contribute to the future-fitness of physical infrastructure
Society	Contribute to the future-fitness of societal institutions

Positive Pursuit impact dimensions

How positive impacts are measured for each stakeholder that experiences them

Significance

The importance of the experienced impact for the effected stakeholder

1	Meets minor need; outcome is beneficial to future-fitness but non-critical for the stakeholder
2	Meets significant need; outcome addresses a recognized problem or obstacle to fitness for the individual
3	Meets critical need; outcome addresses a critical issue threatening fitness or wellbeing for the individual

Length

The duration of the effect experienced by the effected stakeholder

1	Temporary, one-time benefit occurs as a result of the company's intervention
2	The outcome occurs over a fixed time period as a result of the company's intervention
3	The benefit is a permanent or indefinite outcome of the company's intervention

Depth

The degree to which the company's action drives the intended outcome

1	The intervention helps to drive the outcome, but the majority of the solution lies elsewhere (drives 0-33% of the outcome)
2	The intervention is a significant component, but other major steps must also be taken to achieve the outcome (33-66%)
3	The action directly achieves the outcome, or does so substantially with some minor, additional interventions (66-100%)

'Clean cookstove' sales - Reduced harmful emissions

Illustrative of the assessments done for each Positive Pursuit

Significance of impact: 2 (addresses significant need)

In 2009, the WHO estimated that each year, indoor air pollution is indirectly attributable for ~480,000 premature deaths in India.

Depth of impact: 3 (product delivers all / majority of intended outcome)

Traditional cookstoves contribute a major proportion of the indoor pollutants that individuals are exposed to (per IJCM*); replacing with an efficient stove can eliminate or reduce this exposure.

Length of impact: 2 (benefit delivered for fixed period)

Individuals that buy cookstoves will benefit from reduced emissions levels for the duration of the product's lifespan (~5 years).



Impact Intensity = 12 (Significance x Depth x Length = $2 \times 3 \times 2 = 12$)

Combining the above ratings creates a summary of the degree to which each individual is impacted.

Impact Units = 2,222 (Impact intensity / Highest possible intensity score) * # Impacted = (12 / 27) * 5,000 units sold = 2,222

The intensity felt by each individual, multiplied by the number of times the impact was delivered, generates a value that can be added to the total from other projects, and compared between companies.

^{*}Indian Journal of Community Medicine: article from 2014 Oct-Dec, "Indoor Air Pollution in India: Implications on Health and its Control"; A. Kankaria, B. Nongkynrih, S. Gupta

ALPHA Co Projects / Products Impact Type	Impact Intensity	Impact Reach Outcome	Impact Units	\$ Rev. / (Cost) of Program	Contribution to SDGs
01: Solar lamp sales (impact category 1 of 3) Access to basic need: energy	8	3,000 sold	889		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17
01: Solar lamp sales (impact category 2 of 3) Reduced greenhouse gas emissions	4	3,000 sold 1,109 tCO₂e	222		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17
O1: Solar lamp sales (impact category 3 of 3) Reduced harmful emissions	8	3,000 sold	889		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17
O1: Solar lamp sales Total of all the product's above impact categories		3,000 sold	2,000	\$45,000	1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17
02: Clean cookstove sales Reduced harmful emissions*	12	5,000 sold	2,222	\$100,000	1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17
03: Clean cookstove education campaign <i>Contribute to community resilience</i>	3	12,000 taught	1,333	\$(9,000)	1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17

Total impact units: 5,556

^{*}It is possible that these products and projects (or ones like them) could have additional benefits which are not listed here.

For instance, efficient cookstove models might also contribute to reduced GHG emissions, or provide access to new energy sources in a region.

This table is only meant to provide an example.



Break-Even Goals

identify the minimum a company must do to contribute an socially just, environmentally restorative, and economically inclusive future

These categories list the different types of unintended ESG 'costs' of doing business.

<u>All</u> companies must report on each of these to demonstrate to investors the degree to which they are addressing these topics organizationally, and to illustrate the extent of companies' "footprints" in each area.

	Community health is safeguarded
	Employee health is safeguarded
	Employees are paid at least a living wage
Fosters	Employees are subject to fair employment terms
Wellbeing	Employees are not subject to discrimination
Wellbellig	Employee concerns are actively solicited, impartially judged and transparently addressed
	Product communications are honest, ethical, and promote responsible use
	Product concerns are actively solicited, impartially judged and transparently addressed
	Products do not harm people or the environment
	Energy is from renewable sources
	Water use is environmentally responsible and socially equitable
Respects	Natural resources are managed to respect the welfare of ecosystems, people and animals
Nature	Operational emissions do not harm people or the environment
racare	Operations emit no greenhouse gases
	Operations do not encroach on ecosystems or communities
	Products emit no greenhouse gases
Optimizes	Operational waste is eliminated
Resources	Products can be repurposed
	Procurement safeguards the pursuit of future-fitness
Strengthens	Business is conducted ethically
Society	The right tax is paid in the right place at the right time
	Lobbying and corporate influence safeguard the pursuit of future-fitness
	Financial assets safeguard the pursuit of future-fitness

FF10: Employee health is safeguarded

Illustrative of the assessments done for each Break-Even Goal

Metric for this goal

- Policies are listed in the Benchmark that can help companies ensure that their employees' health is protected.
- Progress is calculated as a weighted average of how many of these criteria are met for each employee.
- This calculation is shown by the formula below:

$$F = \frac{0(E_{0\%}) + 0.3(E_{30\%}) ... + 0.9(E_{90\%}) + 1(E_{100\%})}{E_T}$$

ALPHA Co progress calculation

80 employees @ 0% 60 employees @ 60% 160 employees @ 90%

$$\frac{0(80\%) + 60(60\%) + 160(90\%)}{300} = 60\%$$

Current goal progress: 60%

Within reach: 80%

With minimal additional resource commitments, ALPHA Co could achieve 80% progress

Footprint: 300 employees

SDGs Impacted:









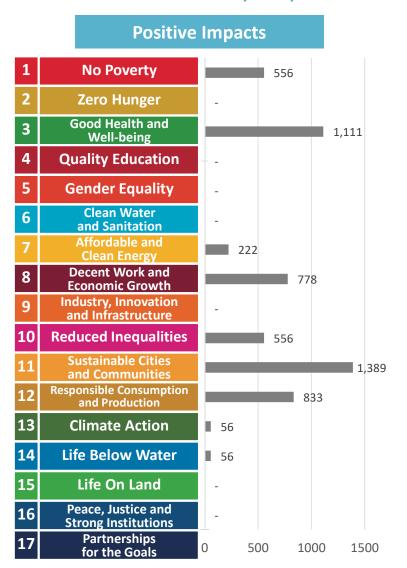


Break-Even Goal Progress	Progress Indicator			Urgency*	Contribution	
ALPHA Co (1 of 2)	Now	In Reach	2018 Footprint	Orgency	to SDGs	
FF01: Renewable Energy	70%	?	50,000 kWh		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF02: Water Use	85%	100%	25,000 L		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF03: Natural Resources	100%	100%	\$0 managed		1 2 3 4 5 6 7 8 spg 9 10 11 12 13 14 15 16 17	
FF04: Procurement	0%	0%	\$60k purchased		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF05: Operational Emissions	?	?	Not tracked		1 2 3 4 5 6 7 8 spg 9 10 11 12 13 14 15 16 17	
FF06: Operational GHGs	30%	45%	7,500 tCO ₂ e	•••	1 2 3 4 5 6 7 8 spg 9 10 11 12 13 14 15 16 17	
FF07: Operational Waste	?	?	Not tracked		1 2 3 4 5 6 7 8 spg 9 10 11 12 13 14 15 16 17	
FF08: Operational Encroachment	100%	100%	1,000m²		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF09: Community Health	?	?	Not tracked		1 2 3 4 5 6 7 8 spg 9 10 11 12 13 14 15 16 17	
FF10: Employee Health	60%	80%	300 employees	000	1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	

^{*}The 'urgency' rating is based on assessment of difficulty for business to meet goal, and societal / business risks of *not* addressing these risks. In Phase 1, this was based on analysis of the reporting company and it's business environment; in Phase 2 we will be seeking to make this prioritization consistent and automated by basing it on industry and company maturity.

Break-Even Goal Progress	Progress Indicator			Umanan	Contribution	
ALPHA Co (2 of 2)	Now	In Reach	2018 Footprint	Urgency	to SDGs	
FF11: Living Wage	80%	?	300 employees	$\bigcirc \bigcirc \bigcirc$	1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF12: Fair Employment Terms	60%	80%	300 employees		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF13: Employee Discrimination	0%	18%	300 employees		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF14: Employee Concerns	33%	66%	300 employees		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF15: Product Communications	0%	?	\$145k sales		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF16: Product Concerns	0%	100%	\$145k sales		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF17: Product Harm	?	?	Not tracked	$\odot \odot \odot$	1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF18: Product GHGs	100%	100%	0 tCO ₂ e		1 2 3 4 5 6 7 8 spg 9 10 11 12 13 14 15 16 17	
FF19: Products Repurposed	50%	70%	250t sold		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF20: Business Ethics	71%	100%	87 untrained		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF21: Right Tax	?	?	Not tracked		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF22: Lobbying & Influence	66%	100%	\$0 spend		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	
FF23: Financial Assets	100%	100%	\$0 assets managed		1 2 3 4 5 6 7 8 SDG 9 10 11 12 13 14 15 16 17	

ALPHA Co - Summary Impact Dashboard



Key Company Information

Company Description					
Company name	ACME Inc.				
Regions	India				
Industry	Consumer goods - household				

Footprint Type	Measurement		
# of employees	300		
Communities operated in	Not tracked		
Total revenues	\$145,000		
Procurement spend	\$60,000		
Weight of products sold	250t		
Energy use	50,000 kWh		
GHG emissions from operations	7,500 tCO ₂ e		
Projected GHG emissions from products	0 tCO ₂ e		
Water withdrawal	25,000 L		

ESG Footprints Addressed





















Impact total = 5,556

How investors will use the reports

Investors and funders can use the information in these reports to understand the impact profiles and 'quantities' of impact that companies are creating, and pair that with the financial information and market-context that they already have to make better informed decisions about how to invest their capital.

Since these reports provide a consistent presentation for very different kinds of impact, investors will be able to visualize and understand companies' unique contributions.

