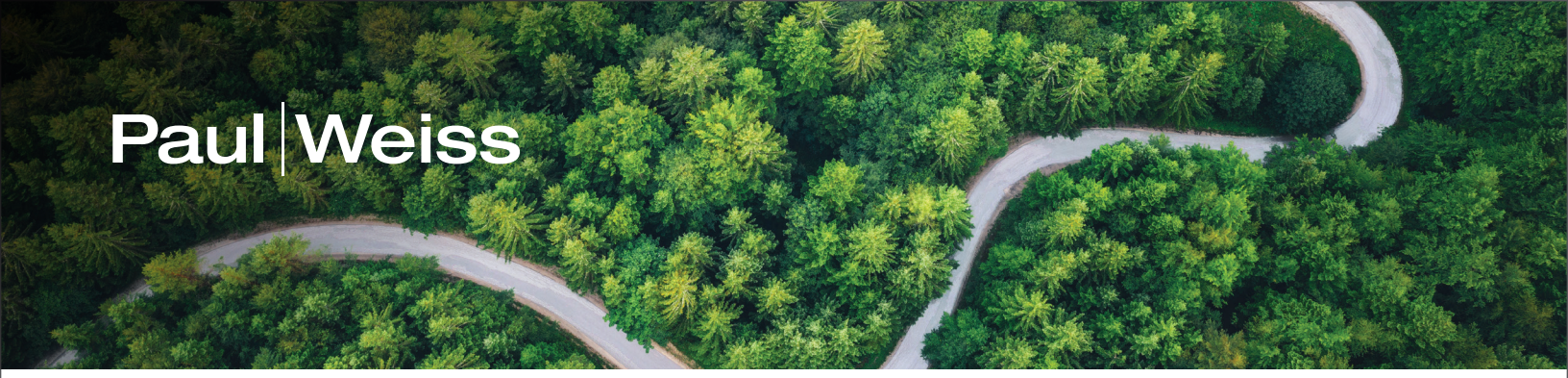

MAY 12, 2021 | WEBINAR

Defining Impactful Social Impact

On May 12, Paul, Weiss hosted a webinar titled "Defining Impactful Social Impact." Paul, Weiss Chief Sustainability and ESG Officer David Curran facilitated the discussion. He was joined by Lisa Hall, Impact Chair at Apollo Global Management; Jean Rogers, founder and former leader of SASB; and Cheryl Dorsey, President of Echoing Green.

The conversation focused on how organizations can develop meaningful social impact programs and how social impact and human capital management can be used as a tool to enhance corporate performance in the "S" of ESG.

Cheryl discussed how the coronavirus pandemic has created the current state of our society, which has shifted the way people and organizations think about their impact. Pandemics, she noted, shine a light on the structural inequalities in society, and this one amplified the condition of communities of color and the current racial reckoning after the murder of George Floyd. "There is a real fraying in the shared commitment to our social contract. The way we think about engaging and solving problems has aligned with major demographic shifts, not only generationally but also culturally. There is an increasing expectation, particularly from Millennials and Gen Z, that corporations and corporate leaders should take a stand and lead with good civic hygiene." Lisa agreed, noting that the combined force of the COVID-19, racial justice and economic crises has accelerated and focused the social impact conversation on the development of social impact objectives and tools with intentionality. "60 years ago it was just job creation but now we are asking, what is the job, what is the dignity of the job, what are the rights of the workers?"

All three speakers agreed that human capital management has become increasingly important. Jean highlighted that people are material to all companies, as at the end of the day, that is what companies are managing. When the SEC modernized Regulation S-K and incorporated human capital, it was an acknowledgement that human capital can no longer be seen as immaterial, "the workforce is something that is integral to the management of the business and creates a competitive condition," shared Jean. Lisa agreed, noting that impact and financial performance should be synergistic. There is co-linearity – as organizations improve their impact, they improve their financial performance. A direct line can be drawn from a company's purpose to how they treat their employees and invest in human capital, Cheryl explained. "When you look at your workforce as a key stakeholder, a value added voice, it is an investment opportunity to increase engagement and achieve strong financial returns along-side financial performance." Impact initiatives aimed at human capital are "not an exercise in compliance, [they are] an exercise in competitiveness," Jean noted, which requires a shift in mindset to see these initiatives as optimal for creating long term success, as they optimize long term performance, workforce satisfaction and outcomes.

"…There is an increasing expectation, particularly from Millennials and Gen Z, that corporations and corporate leaders should take a stand and lead with good civic hygiene."
– Cheryl Dorsey

Lisa, Cheryl and Jean shared their opinions on how to create effective and genuine impact programs. Lisa highlighted the importance of partnering and learning from others, drawing on existing resources and applying best-in-class practices to create effective engagements. She also noted the need to have intentionality and to be specific with initiatives and their purpose. One way to do this, Jean added, is to focus on key disclosure metrics that align with commitments. Cheryl noted that in order for good intentions to become impactful programs, organizations need to have cohesion and coordination across operations and departments. Lisa highlighted the importance of shifting the focus to outcomes over inputs or outputs – in other words, did things actually improve or were the resources deployed merely counted. Jean noted that what investors are looking for in impact programs is authenticity and transparency – do organizations' practices match their disclosures and are their disclosures consistent across their 10-K's, glossy ESG and sustainability reports and in their earnings calls?

To conclude the discussion, the speakers agreed that authentic efforts to create impactful social impact programs requires three key elements: investments, incentives and innovation. Practitioners should consider whether capital is being committed to social impact programs; whether financial incentives are linked to performance on KPIs; and whether leadership encourages and cultivates innovative tools and approaches to drive change?

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