The Impact Economy Policy Mapping Initiative: Mapping the policy landscape

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Executive summary

In 2020, we embarked on a project to find a way to help people, mainly with policy makers in mind, to explore policy development within the impact economy. The term "**Impact Economy**" is used as an encompassing term by some practitioners in this space, to refer to a whole ecosystem of participants and activities; an economy organised around the principle of integrating social and environmental impact into commercial activity.[1] This terminology underscores that, through this work, we have attempted to make more accessible a vast and often complex landscape. As a result of this project, we have developed the Impact Economy Policy Mapping Initiative: an interactive, visual representation of policy initiatives in this space (the "**Mapping Tool**"), to assist policy makers and other stakeholders.

The goal of the Mapping Tool, and this research paper, is to recognise the network effect of policies in the Impact Economy and underscore the need for greater collaboration amongst all actors within this stakeholder capitalism, the development of the concept and practice of fiduciary duty in this context, impact measurement and reporting, and responsible investment and impact investing. In addition, policies and initiatives in the Mapping Tool are broadly mapped against the **Imperative 21** network's Imperatives for Economic System Change[2] (the "**Imperatives**") in order to ground the profusion of initiatives in this space in the context of a centralising force, or 'movement of movements'[3], focused on stakeholder capitalism and corporate purpose-beyond-profit.

The Mapping Tool does not purport to show *all* policy initiatives within the Impact Economy, but references a wide-ranging selection of initiatives, mainly from within the UK. Furthermore, the Mapping Tool cannot provide the policy maker with an exhaustive view of all narratives and perspectives on each initiative presented, but offers a starting point for further exploration around those initiatives of most relevance to the policy maker's area of work. The Mapping Tool trials a method for interrogation of this space and, with on-going development and community participation, it could be further developed into a living resource for policy makers, participants in the Impact Economy, and beyond.

Research methods

The Mapping Tool and this paper were developed following a combination of research approaches. Data was collected via 15 semi-structured interviews with a cross-section of policy stakeholders working in various areas of the Impact Economy, and through a literature review of academic papers, government white papers, policy papers and reports (please refer to the Bibliography for more detail). This information

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[1] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (October 2017) 11. <www.impactinvest.org.uk/wp-content/uploads/2020/11/NAB-The-Rise-of-Impact-report-October-2017.pdf> accessed 21 April 2021; David Fine and others, 'Catalyzing the growth of the impact economy' (*McKinsey & Company*, 5 December 2018). <www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/catalyzing-the-growth-of-the-impact-economy> accessed 18 April 2021; Impact Economy Foundation, 'Reconstructing the economy for the 21st Century' (Impact Economy Foundation 2020) ii. <https://impacteconomyfoundation.org/wp-content/uploads/2020/08/Vision-Impact-Economy-Foundation.pdf> accessed 27 April 2021.
[2] 'The Imperatives' (Imperative 21). <www.imperative21.co/imperatives/> accessed 26 February 2021.
[3] 'Movement of Movements' (University of Oxford, Saïd Business School, Skoll Centre for Social Entrepreneurship) <www.sbs.ox.ac.uk/research/centres-and-initiatives/skoll-centre-social-entrepreneurship/movement-movements> accessed 6 May 2021.

was then analysed through qualitative coding and visually represented through a systems map, using Kumu software. This complex data set was organised into relationship maps, in order to help make sense of the networks in which policy actors are working for change. Through systems mapping, the Mapping Tool explores the complex web of policy actors, interests, influence, and alignment and fragmentation of key players around important policy issues in the Impact Economy.

History and terminology of the Impact Economy

The term 'Impact Economy' is arguably becoming more recognised, but is still a term that will likely be most familiar to those who already work in this space. There is room for discussion around what actors and activities make up this space, and the answer is not always evident. Therefore, it is helpful to explain some of the background to its evolution, and also to note that the literature and evidence presented in this paper is premised on a UK-based practitioner and researcher's view, from their experience of working in this space, and that terminology and concepts for this space are still relatively fluid, nascent and often-changing, both within the UK and internationally.

We recognise the complexity of the Impact Economy landscape, and the need to explain development at the core of this space alongside mainstream business discourse around stakeholder capitalism and corporate purpose. The dominant concepts of shareholder primacy and 'enlightened shareholder value' underpin our economy at present, but we see that many people are engaging with these topics and asking the fundamental questions 'what is, and what should be, the purpose of the corporation?'. However, whilst this paper focuses mainly on the historical development of the concepts of corporate purpose-beyond-profit and stakeholder capitalism from the perspective of mainstream business, it is also acknowledged that distinct actors may relate to the themes explored by the Mapping Tool differently.

Whilst this paper does not explore the diverse and innovative landscape of all actors within the Impact Economy, it is important to also acknowledge the influence of participants from different sectors, including the social business sector and civil society, on its development. Certain evidence[4] suggests that the term 'Impact Economy' emerged through industry and stakeholders self-mobilising in this space, with a natural coevolution of policies and business practices. This, however, presents a distinct set of opportunities and challenges for policy advisors and policy makers working to advance the Impact Economy, as highlighted in the section on '*Describing the policy landscape*' of this paper.

In order to provide helpful context and an explanation of key terminology, as background to the policy analysis presented in this paper, we provide a potted history that highlights some of the key concepts, publications and campaigns that have arguably shaped how we think about the purpose of the corporation and, therefore, the development of the Impact Economy (for more detail, please see section 3(b)(i), '*Shareholder primacy and multi-stakeholder approaches*'. As part of this background, we provide narrative on some key legal concepts that shape our approach in the UK to purpose-beyond-profit, which should provide helpful context for understanding the organisational themes of the Mapping Tool. Namely, the central role of section 172 of the Companies Act 2006 ("**section 172**"), which codifies the overarching company director's duty to "promote the success of the company for the benefit of its members as a whole"[5], and perspectives on the interpretation of investor fiduciary duties (please see section 3(b)(ii), '*UK legal and regulatory development underpinning purposeful business*'). We also explain the Imperatives in more detail, as an additional lens for interrogating this policy space (please see section 3(c), '*What is Imperative 21 and what are the Imperatives?*').

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[4] Sectoral use of the term is wide ranging. For instance, the British Council uses the term whilst describing its work on social enterprise and B Lab US & Canada, the certification body for B Corps in that region, refers to the term on its website in relation to the space in which these businesses operate.
[5] Companies Act 2006, s 172 <https://www.legislation.gov.uk/ukpga/2006/46/section/172> accessed 3 June 2021.

The Mapping Tool

Describing the policy landscape

Within this backdrop of the development of the Impact Economy and the available legal and other frameworks that underpin it, the visual display of the Mapping Tool highlights that the current UK policy agenda is fragmented and still in early phases of development. For instance, there are varying policy initiatives relating to the role of purpose-beyond-profit in business[6] and campaigns for stakeholder capitalism, to develop a form of capitalism that accounts for the needs and interests of a broader range of stakeholders, such as the Imperative 21 RESET campaign. However, the policy asks, policy activity and policy direction are fragmented across different groups and organisations.

From the Mapping Tool, we can see that the biggest clusters of policy activity are policies advancing purpose-driven business and stakeholder capitalism (compared to the other themes of the Mapping Tool).[7] Representing 21 different policy initiatives and organisations out of a total of 41, it is evident that purpose-driven business and stakeholder capitalism are prominent policy agendas in the Impact Economy. By contrast, in accordance with our approach to categorisation, the least numerous in the Mapping Tool are initiatives that relate to the development of the concept and practice of fiduciary duty in this context, of which there are 3.

Whilst there is evidence indicating correlation between purpose, greater sustainability and positive business performance, and a good deal of discussion of the benefits of profit-with-purpose business, a number of academics and sectoral participants have outlined barriers to the development of this type of business.[8] Such barriers noted in this paper include the difficulty of identifying exactly which businesses are profit-with-purpose, for instance, as an issue for consumers and investors, to minimise the risks of 'impact-washing' and also in terms of the lack of a clear legal form for such businesses to use, and issues relating to access to capital for profit-with-purpose enterprise.

The policy goal of the Mapping Tool and this research paper is to recognise the network effect of policies in the Impact Economy space and underscore the need for greater collaboration and partnerships amongst all network actors. We identify an urgent **policy need** for greater coalescing and understanding of policy opportunities that address the barriers and challenges to advancing purpose-driven business. Policy initiatives in this space need to advance and, more importantly, different groups and organisations will need to convene to support policy initiatives where **interests align**.[9] Additionally, this network effect necessitates a **systems approach** to policy development in order to achieve a coherent and organised Impact Economy ecosystem.

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[6] In this paper, we use the term "**purpose-beyond-profit**" to mean the central object of a business (including an investment venture) to create positive social and environmental impact alongside financial returns. This term is discussed in greater detail in section 3, '*History and terminology of the Impact Economy*'.
[7] Please refer to the orange and pink coloured policy initiatives on the Mapping Tool.
[8] Mary Pizzey and Ed Boyd and Harry Brown, with contributions from Jack Hanna, 'What is holding purpose-driven business back? Discussion paper' (ReGenerate Trust, 2020) <www.re-generate.org/s/ReGenerate-What-is-holding-PDB-back-FINAL.pdf> accessed 13 May 2021.
[9] For example, the collaborative movements and their key organisations that are shaping momentum in this space include: Imperative 21, B Lab, the UK's Impact Investing Institute, the Impact Management Project, and the social enterprise movement and related sectoral organisations, such as Social Enterprise UK.

Understanding the themes represented in the map

The Mapping Tool uses a number of themes to categorise the policy activity and initiatives presented; these are intended to help the user see areas of alignment and divergence, and areas of deep work or that have received less attention. There is also a significant interrelationship between these themes, which we endeavour to explain in this paper in order to help the user contextualise the co-development of concepts in this space. The Mapping Tool's themes, explained further below, are all dimensions of the same ongoing, systemic evolution. These themes are:

i. Policy on corporate purpose
ii. Policy on fiduciary duty
iii. Policy on responsible investment and impact investment
iv. Policy on stakeholder capitalism
v. Policy on impact measurement and reporting

It should be noted that this classification of policies is based on our understanding of the policy landscape supported by academic and industry reports. We have categorised each initiative based on what it describes as the primary theme or focus of that work. However, policy classifications on the Mapping Tool are not mutually exclusive and could be classified differently, depending on the selection criteria of the policy analyst. Similarly, the '*Policy analysis*' section and subsequent policy recommendations are based on a selection of key policy actors and drivers and not of every policy initiative listed on the Mapping Tool (please see section 5, '*Policy analysis and recommendations*'). We use this sampling as a means to demonstrate the utility of the tool.

How can the policy maker use the map?

The overarching goal of producing the Mapping Tool is to support a visual representation of the Impact Economy policy landscape and encourage policy makers, advisors and stakeholders to advance alignment and joint additional policy making (where material gaps currently exist). Additionally, the interrelated policy clusters and policy themes show the prevailing areas of duplication and fragmentation of policy initiatives. The Mapping Tool contains a number of features to assist with exploring this landscape.

Firstly, the Mapping Tool has detailed information useful for policy analysis; for instance, terms like 'policy instrument', 'policy recommendation', and 'principal policy use' are tagged to make it easier for policy makers / advisers to distil necessary information in a timely manner. Secondly, the map has a search function which enables policy makers or advisors to search for specific policy initiatives and organisations advancing the Impact Economy. Thirdly, the filter and tab options on the map allow for a focused interrogation of the correlation and overlap of the various policy initiatives. For instance, a policy maker, advisor or stakeholder interested in spotlighting policies on stakeholder capitalism can filter out other policy clusters and zoom in on only this policy cluster.

Furthermore, the interconnection in the most frequently occurring themes has been categorised on the Mapping Tool and visually represented via the label "Policy on purpose | Policy on stakeholder capitalism". This is to acknowledge that whilst the concept of corporate purpose differs from that of stakeholder capitalism, there is scope for certain policy initiatives to fall under both 'stakeholder capitalism' and 'purpose'. In order to present an objective view of this correlation and acknowledge the evolving landscape, the Mapping Tool incorporates this joint labelling.

Policy analysis and recommendations

Policy Analysis is the process of identifying potential **policy options** that could address a given problem, and then comparing those options to choose the most effective, efficient, and feasible one (policy recommendation).[10] The Mapping Tool presents a unique opportunity to identify policy options and subsequent policy recommendations. Thus, this paper presents an interrogation of the challenging policy landscape as evidenced on the Mapping Tool. This is through a discussion and analysis of samples from clusters of high policy activity and deducing the key policy challenges and proposed policy options to address them. (For more detail, please see section 5, '*Policy analysis and recommendations*'.)

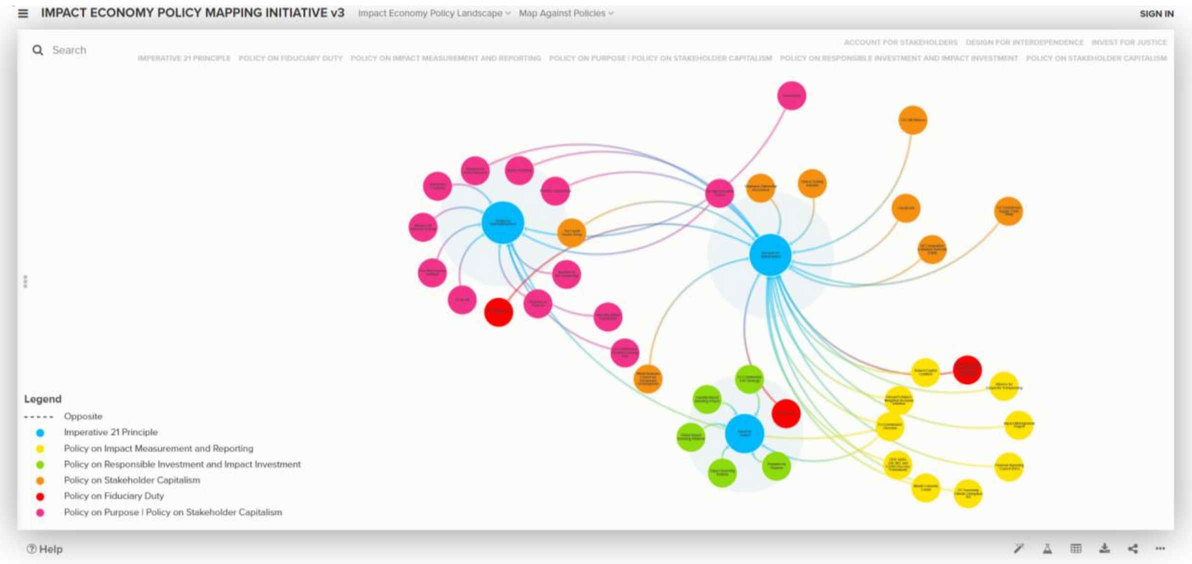

Figure 1. Landing page of the Impact Economy Policy Mapping Initiative platform (Shirah Z Mansaray, 2020).[11]

As visually represented on the Mapping Tool, the policy landscape is fragmented with different policy initiatives and priorities emerging. However, the map also shows there are a number of policy initiatives that overlap, by simultaneously addressing multiple thematic developments. This overlap and the limited policy coherency arguably could have resulted in the misalignment of industry practices in some areas; for instance, the different standards and measures of sustainability and impact reporting that exist, which a number of key institutions are working to integrate.[12],[13] Additionally, different business initiatives that are

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[10] Mihaylo Milovanovitch, 'Guide to Policy Analysis' (European Training Foundation, 2018) <www.etf.europa.eu/sites/default/files/m/72B7424E26ADE1AFC12582520051E25E_Guide%20to%20policy%20analysis.pdf> accessed 20 May 2021.

[11] Shirah Z Mansaray (as amended in January 2022) *The Impact Economy Policy Mapping Initiative.* <www.kumu.io/Shirah/impact-economy-policy-mapping-initiative-v3#impact-economy-policy-landscape/map-against-policies> accessed 03 January 2022.

[12] 'About' (The Impact Management Project). <https://impactmanagementproject.com/about/> accessed 26 May 2021; CDP and others, 'Statement of Intent to Work Together Towards Comprehensive Corporate Reporting' (September 2020) <https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf> accessed 26 May 2021.

[13] As highlighted on the Mapping Tool, for example, the Impact Management Project is a "forum for building global consensus on measuring, managing and reporting impacts on sustainability", convening a community of over 2,000 practitioners to share best practice and further consensus. And, recently, leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB issued a "Statement of Intent to Work Together Towards Comprehensive Corporate Reporting".

emerging to support policy makers in their efforts to advance the Impact Economy may have inadvertently contributed to fragmented industry efforts and limited concerted or joint actions necessary to ensure policy coherence.[14] Similarly, the possible resultant policy silos[15] could create further complexities in the Impact Economy. Specifically, through businesses and institutions working separately from each other, following different policy objectives, and working to different time scales.

The entrenched barriers and challenges to the development of profit-with-purpose business require carefully balanced policy strategies, so that businesses use their limited resources to help meet their shared economic, social, and environmental priorities. Harnessing knowledge and policy outputs from various stakeholders in the Impact Economy requires simultaneous investment in infrastructure, skills, research, and innovation; again, within an integrated approach. Furthermore, holistic policy interventions at both local and national level which tackle diverse aspects of these barriers and challenges are vital. A systems approach is required with clear synergies between different actions. For instance, required actions could include increased training of actors; creating a taxonomy of for-profit organisations[16],[17] for use by policy makers, investors, researchers, and other stakeholders to differentiate types of profit-with-purpose organisations; creating accountability mechanisms to ensure the company board's commitment to its purpose-beyond-profit; and enacting legal structures / frameworks that support businesses in the Impact Economy. We sample and discuss such recommendations from the initiatives in the Mapping Tool in more detail below, in section 5(b), '*Policy recommendations*'.

Drawing on the Imperatives may help provide a framework for the required systems approach. Arguably an antidote to the potential for siloed development of initiatives in this space, the Imperatives are a product of a 'movement of movements' approach, whereby collaboration can avoid fragmentation and mobilise the critical mass needed to make macro-level changes happen.[18], [19] Having brought together several network bodies and a range of participants in their formulation, the Imperatives arguably represent a distillation of the principles around which large numbers of actors coalesce, and common ground in their intentions for reshaping the economy. Therefore, using the lens of the Imperatives to view the policy activities and initiatives in the Mapping Tool may help the policy maker to see the connections between the themes outlined above, and the cross-cutting principles, or directions, of this 'movement of movements'. (For more detail on the Imperatives, please see section 3(c), '*What is Imperative 21 and what are the Imperatives?*'.)

The Mapping Tool visually underscores the need for policy cohesion and coherence in the Impact Economy. This is indeed one of the key policy challenges evident in this landscape. Policy coherence is essential to a broader realisation of purposeful business, stakeholder capitalism and responsible investment. It means tackling systemic challenges in a holistic manner developing mutually reinforcing policies across all relevant policy clusters to effectively minimise the negative impacts that advancing

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[14] LD Hertog 'In Defence of Policy Incoherence – Illustrations from EU External Migration Policy' in Sergio Carrera, Arie Pieter, Leonhard den Hertog, Marion Panizzon and Dora Kostakopoulou (eds), *EU External Migration Policies in an Era of Global Mobilities: Intersecting Policy Universes* (Brill | Nijhoff 2018) ch 15.
[15] F Froy and S Giguère, '*Breaking Out of Policy Silos: Doing More with Less*', (Local Economic and Employment Development (LEED), OECD Publishing 2010).
[16] 'The Initiative' (Fourth Sector Mapping Initiative). <www.mapping.fourthsector.net/about-fsmi> accessed 30 May 2021.
[17] The Fourth Sector Group's 'Fourth Sector Mapping Initiative', including the organisation's work on a taxonomy, is described further in section 5(b)(i), '*Advance industry and sector interventions to resolve structural and practical challenges*'.
[18] University of Oxford, Skoll Centre for Social Entrepreneurship, 'Movement of Movements' (n 3).
[19] Saïd Business School, 'Movement of Movements Primer' (University of Oxford, Saïd Business School, Skoll Centre for Social Entrepreneurship) 9. <www.sbs.ox.ac.uk/sites/default/files/2020-01/movement-of-movements-primer.pdf> accessed 6 May 2021.

policies in one area could have on policies in another area.[20] Designing coherent and mutually reinforcing policies requires sound institutional arrangements that facilitate policy coordination and integration; quantitative and analytical skills to identify and assess synergies and trade-offs between different policy options; and sound data for evidence-based policies.[21] In the first instance, the Mapping Tool provides a useful resource for policy makers and advisors to visually coalesce policy initiatives emerging in the Impact Economy. Furthermore, the Mapping Tool provides an opportunity to advance policy coherence in the Impact Economy, calling on different levels of governance, legislation, and industry interventions to support this.

We posit that business can have a greater, positive impact on the world if more purpose-driven businesses are supported to scale, and established businesses are encouraged to embed purpose-beyond-profit in all that they do. With this understanding of the Impact Economy in mind, the Mapping Tool is intended to help the policy maker interrogate existing initiatives to understand what actions can help to implement this recommendation. This process may also help the policy maker draw on existing work in order to understand what success will look like, in creating policy that supports this type of business.

Sampling recommendations from across initiatives in the Mapping Tool

This paper takes samples of initiatives on the Mapping Tool, arranged in clusters by theme and the Imperatives, in order to consider the alignment and disparity, and compare approaches or foci, within the recommendations across groups of initiatives.

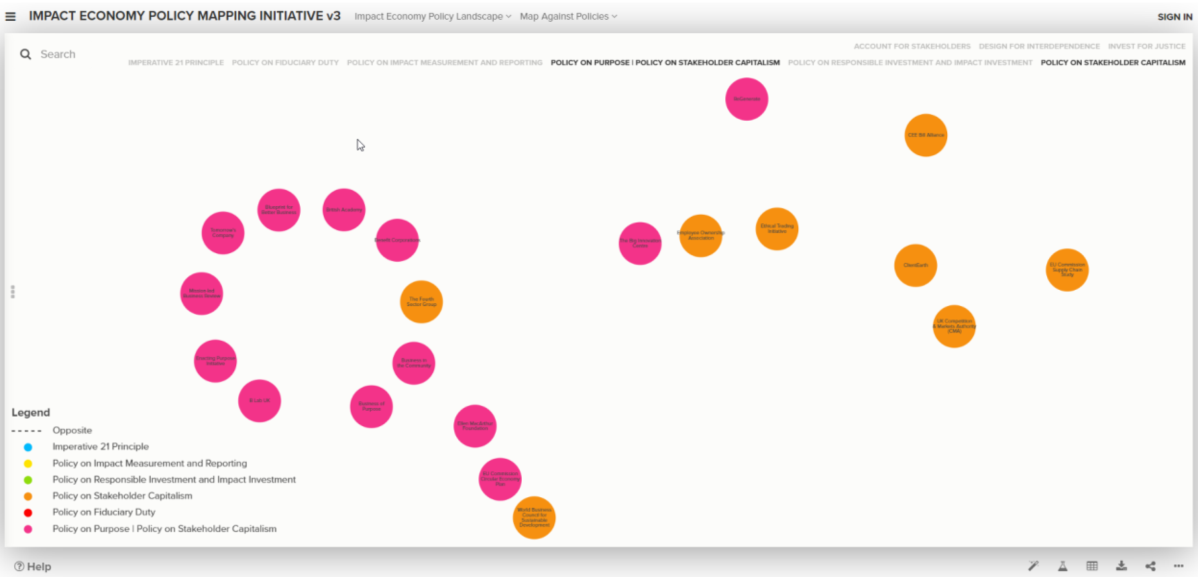

Figure 2. Impact Economy Policy Mapping Initiative, initiatives relating to corporate purpose and stakeholder capitalism (Shirah Z Mansaray, 2020).[22]

Looking at the key cluster on the Mapping Tool identifying initiatives in relation to purpose and stakeholder capitalism, the policy maker can begin by drawing out recommendations from existing work. There are a number of recommendations within our sample that speak to industry and sector **interventions to resolve structural and practical challenges**. The policy maker may wish to delineate the recommendations in

[20] United Nations, 'Policy Coherence' (United Nations, Department of Economic and Social Affairs). <www.un.org/development/desa/cdpmo/what-we-do/areas-of-work/policy-coherence> accessed 2 June 2021.
[21] Ibid.
[22] Mansaray (n 11).

this cluster by identifying those that speak to, for example, actions that businesses can take to pursue purpose-beyond-profit and, arguably, contribute to the self-led business movement, and those recommendations targeting eco-system development.

For example, this paper highlights commonality in recommendations across the initiatives shown, such as the need:

- to **support knowledge and skills development**, particularly in relation to business leaders in this space;
- to provide businesses with **structured ways to enact their stated purpose-beyond-profit**, such as a clear framework for boards to work through in order to, among other things, identify the company's purpose, connect it to strategic decisions and link it to internal reward systems including remuneration;[23]
- for **more research and evidence to support policy makers to advance this space**; and
- to **increase the evidence base to support structural changes needed to advance the Impact Economy**.

Similarly, a policy maker with a particular interest in the role of law in developing this ecosystem can draw out existing work that makes **legal and regulatory recommendations**. For example, among other recommendations, some initiatives within the Mapping Tool call for:

- broadly, government to take the lead on **legal reform that sets a clear direction for all businesses towards purposeful business** and, specifically, legal changes that 'define the process to set purpose, duties to ensure fidelity to purpose, and standards for purpose to adhere to';[24]
- **corporations to be required to incorporate around a purpose**, with a requirement for "companies to make clear and precise statements of their purposes in their articles";[25] and
- **choices of corporate form** to be available for adoption by companies to promote their corporate purposes, including exploration of introducing the 'benefit corporation' model as a statutory legal form in the UK.[26]

Dovetailing with recommendations for measures to identify and delineate profit-with-purpose business more clearly, there are other recommendations that speak to **incentivising this type of business**. For example, the development of:

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[23] Younger and others, 'Enacting Purpose within the Modern Corporation: A Framework for Boards of Directors' (University of Oxford, Saïd Business School, Enacting Purpose Initiative 2020) 15-32. <http://enactingpurpose.org/assets/enacting-purpose-initiative---eu-report-august-2020.pdf> accessed 30 May 2021.

[24] The British Academy, 'Principles for Purposeful Business' (British Academy, November 2019) 30-32. <www.thebritishacademy.ac.uk/documents/224/future-of-the-corporation-principles-purposeful-business.pdf> accessed 30 May 2021.

[25] Clare Chapman and others, 'The Purposeful Company: Policy Report' (Big Innovation Centre, February 2017) 24-26. <https://thepurposefulcompany.org/wp-content/uploads/2021/01/feb-24_tpc_policy-report_final_printed-2.pdf> accessed 26 March 2021.

[26] Advisory Panel to the Mission-led Business Review, 'On a Mission in the UK Economy' (Department for Digital, Culture, Media & Sport, Office for Civil Society, 5 December 2016) 25-27. <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/574687/Advisory_Panel_Report_-_Mission-led_Business.pdf> accessed 26 March 2021; Chapman and others, 'The Purposeful Company: Policy Report' (n 25) 26-28.

- tax policy, in order to adapt or create new **tax structures to give preference to purpose-driven businesses**, such as reduced corporation tax rates;[27] and
- **procurement frameworks that give greater preference to social value creation**, or support for outcomes-based commissioning.[28]

The Mapping Tool also identifies a small number **of initiatives proposing specific legislative instruments**. These include the **Better Business Act** (found here, on the Mapping Tool) and ShareAction's **Responsible Investment Bill** (found here, on the Mapping Tool), which propose legislative reforms to develop, respectively, the overarching duty of directors under section 172 of the Companies Act 2006 and the duties of fiduciary investors.

Academic work for the British Academy's Future of the Corporation programme provides a pithy summation of guiding principles for legal policy development in this area, that '**any proposed change in the law should aim at fulfilling the following two objectives:**

1) **The Purpose Objective**: enterprises should aim to produce profitable solutions to the problems of people or planet; and

2) **The Do No Harm Objective**: enterprises should not profit from producing problems for people or planet'. Additionally, the Do No Harm Objective should ensure that businesses are accountable when they damage the stakeholders affected by their activities.[29]

Certain work identified in the Mapping Tool suggests that **legal and regulatory measures may not, however, always be the most incentivising tool for shaping certain types of behaviour**.[30] It is clear that initiatives for legal and regulatory development within this policy space are evolving rapidly with some significant areas of alignment of direction, but perhaps with questions still unanswered regarding what combinations of types of measures are required to support the development of purpose-beyond-profit business most effectively. As described above, a systems approach is needed, and a number of 'pathways' for change can be followed simultaneously.[31] (For more detail, please see section 5(b)(ii), '*Legal and regulatory intervention*'.)

A number of initiatives identified in the Mapping Tool have recommended that government supports partnerships and collaboration, through **promoting a culture of collaboration and providing guidance on how to do this**. This may help to increase alignment between the work of participants and relevant stakeholder communities in business and industry-led initiatives. Recommendations and examples of such activity identified in the initiatives in the Mapping Tool include:

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[27] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1) 43; Mary Pizzey and Harry Brown and Ed Boyd, 'Helping purpose-driven business thrive' (ReGenerate, June 2021) 30. <www.re-generate.org/s/ReGenerate-Helping-purpose-driven-business-thrive.pdf> accessed 3 June 2021.
[28] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1) 32-37; Pizzey, Brown and Boyd, 'Helping purpose-driven business thrive' (n 27) 30.
[29] Dalia Palombo, 'The Future of the Corporation: The Avenues for Legal Change' (2019) Working Paper, The British Academy <www.thebritishacademy.ac.uk/documents/2553/future-of-the-corporation-avenues-for-legal-change.pdf> accessed 20 May 2021.
[30] F Torres-Cortes and others, 'Study on Due Diligence Requirements Through the Supply Chain, Final Report' (European Union, January 2020) 89. <https://op.europa.eu/en/publication-detail/-/publication/8ba0a8fd-4c83-11ea-b8b7-01aa75ed71a1> accessed 3 June 2021.
[31] The British Academy, 'Principles for Purposeful Business' (n 24) 30-35.

- **regulatory guidance to help businesses understand how they can collaborate** for greater sustainability, within the bounds of UK competition law;
- increased government support for collaboration through streamlining and promoting **access to networks of mission-led businesses** similar in mission or size, and industry bodies establishing sub-groups within their broader membership as knowledge-sharing hubs;[32] and
- support for **forging new partnerships to align purposes** amongst and between business and stakeholder communities.

(For more detail, please see section 5(b)(iii), '*Supporting partnerships and collaboration*'.)

Lastly in our sampling, we acknowledge that policy initiatives supporting **coherent and widely applicable impact measurement and reporting** are important to advancing the Impact Economy. Without these, it is challenging for businesses and investors to quantify or report on the full range of impacts of investments and the true costs of doing business, and to ensure accountability for stated impact goals and the achievement of purpose-beyond-profit. It is therefore not surprising that a number of recommendations within initiatives across the Mapping Tool reflect this development need, including:

- broadly, **further research into standardising the process of impact reporting and increasing accessibility** to this practice;
- to optimise **feedback loops for informing decisions and oversight**, based on measurement of stakeholder and shareholder interests, and to help reward delivery of purpose and penalise creating problems or failing to deliver purpose.

(For more detail, please see section 5(b)(iv), '*Increasing transparency: non-financial reporting and impact reporting*'.)

The Mapping Tool is also useful for helping the policy maker to **identify gaps in the policymaking agenda** in this space. For example, the map highlights organisations that advance the impact investing market in the UK and globally. However, an important angle, **investing for racial justice** or for the **promotion of equity, diversity and / or inclusion** ("**EDI**") more generally, is missing from the Mapping Tool. This is because there is insufficient data on UK policy initiatives – at White Paper level or otherwise – that seek to increase investment into "BAME" grass-roots or other "BAME"-led or focused organisations, or that are generally looking at the role of impact investing in improving racial equity or to address other key forms of inequity.

For example, whilst gender-lens investing is gaining traction as an initiative addressing inequities in investment, there is limited policy traction or policy level initiatives. Gender-lens investing is a strategy for investing that takes into consideration gender-based factors across the investment process, in order to advance gender equality and better inform investment decisions. Notable industry led initiatives have produced policy evidence and resources to promote gender-lens investing. For example, the Global Impact Investing Network's ("**GIIN**") Gender Lens Initiative ("**GLI**") supported impact investors actively integrating, or interested in integrating, a gender-lens strategy into their investment portfolio.[33] The GLI, which concluded in 2019, aimed to build a compelling case for gender-lens investing and increase the amount

[32] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1) 43.
[33] The Global Impact Investing Network, 'Gender Lens Investing Initiative' (The Global Impact Investing Network, 2017). <https://thegiin.org/gender-lens-investing-initiative> accessed 2 June 2021.

of capital deployed with a gender-lens, and produced important outcomes, which included an online GLI Resource Repository and GLI Case Studies.

Gender-lens investing is currently gaining traction due to the industry practitioners and academics who are campaigning for this form of impact investing and have produced tool kits and recommendations for interested practitioners and stakeholders.[34],[35] However, there is still a need for a policy framework that supports impact investing in improving racial equity, gender parity and addressing other key forms of inequity.

Whilst there are initiatives developing to help address inequities in investment, such as the "BAME" creative sector 'impact capital' initiative, Creativity, Culture & Capital, and the GLI, within the UK these appear mostly to have not yet reached the stage of policy development. The Equality Impact Investing Project, led by Social Investment Business and funded by the Connect Fund, produced a report highlighting the policy framework for 'equality impact investment'. The report confirms that whilst equality, social investment, and civil society policy frameworks are relevant for equality impact investing and provide a strong and supportive context for it, "they do not reinforce each other, nor encourage the convergence of policy, social investment, equality and charitable sectors". [36] Therefore, there is a need for policy makers and stakeholders to convene this space alongside the relevant policy context, of the particular political, social, economic and cultural factors that weave together to underpin the UK's investment landscape, and with strategic priorities across relevant sectors that support and / or give direction to it. (For more detail, please see section 5(c), '*Policy gap analysis: Invest for Justice*'.)

Further research and conclusions

The process of developing the Mapping Tool and writing this accompanying paper has brought to light a number of questions that could be addressed through subsequent research, in order to further the policy maker's understanding of this space and how to support its development. For example:

1. What more can be done to advance alignment between different movements / organisations in this ecosystem?
2. What are the policy drivers in this space? Why is there high activity in certain areas, as opposed to others, and what lessons can we learn from this?
3. What ideas could be identified for collaboration or further development for the Mapping Tool, which, having taken a snapshot of initiatives currently in this space, will require regular updating in order to stay relevant?

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[34] Karen Ng, 'Six Actions for Investors Interested in Gender Lens Investing' (*Big Society Capital*, 5 June 2019). <https://bigsocietycapital.com/latest/six-actions-investors-interested-gender-lens-investing/> accessed 2 June 2021.
[35] Sandra Maro Hunt and Suzanne Biegel and Sherryl Kuhlman, '7 Takeaways from Project Sage 2.0, the Global Scan of Gender Lens Private Equity, VC, and Private Debt Funds' (*The Wharton School*, 29 October 2018) <www.wharton.upenn.edu/story/7-takeaways-from-project-sage-2-0-the-global-scan-of-gender-lens-private-equity-vc-and-private-debt-funds/> accessed 2 June 2021.
[36] Ceri Goddard and Owen Dowsett and Katherine Miles, 'Equality Impact Investing: From Principles to Practice' (Equality Impact Investing Project, 2019) 88. <www.connectfund.org.uk/wp-content/uploads/2019/06/EII-Report-Final-Version.pdf> accessed 27 May 2021.

4. Could the Mapping Tool be expanded to encompass policy development in other jurisdictions, to help policy makers spot gaps in their local ecosystem and draw on work in other jurisdictions that speaks to the local policy gap?
5. Is legal and regulatory reform really what will motivate people to change? If so, by how much, and in what combination with other measures, such as those highlighted in the recommendations section of this paper?

The Mapping Tool and this research paper have endeavoured to explain the Impact Economy space: a broad but still developing landscape with numerous stakeholders, with differing goals and perspectives, but focused on integrating the pursuit of positive social and environmental impact into commercial activity and investment. We have attempted to position the development of the Impact Economy alongside the development of key concepts, including corporate purpose and stakeholder capitalism, within mainstream business, where the currently dominant conceptual underpinning of shareholder primacy stands in contrast to the contemporary questioning of the role of business in society and calls to move towards stakeholder capitalism. This work is intended to provide the necessary context and tool for the policy maker to identify and interrogate existing policy activities in this complex landscape, in a structured manner, and build forward from this starting point.

We recognise the limitations in the Mapping Tool in its current form, such as: we assume that we have not captured every initiative in this space; we have determined and assigned the themes used to categorise and draw together the initiatives, which will have been informed by our subjective perspectives and experiences; and the Mapping Tool will need to be updated regularly in order to continue to capture new initiatives and, therefore, remain a useful tool for the policy maker working in this space.

However, this work has provided the opportunity to explore the benefits of using visual mapping, in a dedicated tool, to aid the policy maker with understanding the development of the Impact Economy, and the key themes reflected in this space that are also the subject of global and, potentially, paradigm shifting mainstream discourse around the purpose of business and investment in society. The Mapping Tool therefore tests this method for interrogating the development of policy in this space. With on-going development and wider, community-led participation, the Mapping Tool could be developed further into an evolving resource for policy makers, and other stakeholders.

1. Introduction: The purpose of the Mapping Tool

The Impact Economy Policy Mapping Initiative is a map of policy initiatives setting out policy activity and policy agendas in the impact economy space (the "**Mapping Tool**"). The term "**Impact Economy**" is used as an encompassing term by some practitioners in this space, to refer to the whole ecosystem of participants and activities; an economy organised around the principle of integrating social and environmental impact into commercial activity.[37] This is how we use this term in this paper. The policy goal of the Mapping Tool and this research paper is to recognise the network effect of policies in the Impact Economy space and underscore the need for greater collaboration and partnerships amongst all actors in this ecosystem. The focus of the map is on policies advancing purpose-driven business, stakeholder capitalism, the development of the concept and practice of fiduciary duty in this context, impact measurement and reporting, and responsible investment and impact investing.

The policies and initiatives in the Mapping Tool are broadly mapped against the **Imperative 21** network's Imperatives for Economic System Change[38] (the "**Imperatives**") in order to ground the profusion of initiatives in this space in the context of a centralising force, or 'movement of movements', focused on stakeholder capitalism and corporate purpose-beyond-profit.[39] The three Imperatives, which will be discussed in subsequent sections of this paper, are:

- Account for Stakeholders
- Invest for Justice
- Design for Interdependence

The Mapping Tool is UK-centric, although it references policy initiatives from different jurisdictions that *could* support current UK policy asks and policy direction. The Mapping Tool provides an interactive, visual representation of those aspects of the Impact Economy that are generating policy attention and progress. This facilitates an opportunity to clearly see which aspects are making good progress, and which areas may be falling behind or getting less attention. The Mapping Tool does not purport to show *all* policy initiatives within the Impact Economy, but references a wide-ranging selection of initiatives. This paper is based on the content of the Mapping Tool as of the date of its publication, in January 2022, but, with on-going development and community participation, the Mapping Tool could be developed into a living resource for policy makers, participants in the Impact Economy and beyond.

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[37] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1); Fine and others (n 1); and Impact Economy Foundation, 'Reconstructing the economy for the 21st Century' (n 1).
[38] Imperative 21, 'The Imperatives' (n 2).
[39] University of Oxford, Skoll Centre for Social Entrepreneurship, 'Movement of Movements' (n 3).

2. Research methods

The research objective was to identify policies and practices emerging in the Impact Economy and provide a visual representation of the policy landscape. With this research paper, we set out to advance academic scholarship in the Impact Economy and provide an intuitive policy tool. Through a multimethod qualitative research, data was collected via semi-structured interviews and literature review, analysed through qualitative coding and visually represented through a systems map.

Semi-structured interviews were held with a cross-section of 15 policy stakeholders working in various areas of the Impact Economy. The questions asked were framed in such a way as to understand the policy agenda and initiatives in the Impact Economy and the efficacy of the Mapping Tool. The interviews took place remotely via video conferencing tools. Responses were recorded through notetaking with no visual recording of the respondents. By engaging a range of experts, practitioners and leaders from different parts of society and different disciplines, the interviews were able to bring a wide-ranging view of the policies and practices emerging in the Impact Economy.

A literature review of academic papers, government white papers, policy papers and reports was conducted. Findings were triangulated with data from interviews, online resources and secondary data. This data was analysed through qualitative coding to determine the relationship between the various policies, organisations and policy actors.

The Mapping Tool presents new visual connections in the Impact Economy ecosystem by cross-referencing the Imperatives from Imperative 21, seeking to encourage debate and develop new policy insights for stakeholders keen to advance the Impact Economy. The Mapping Tool was built using Kumu software which provides an engaging and intuitive way to present complex systems. This mapping software affords a unique data visualisation method and a thoughtful regard for the nuances of mapping. The Mapping Tool represents data that was manually imported and visually organised through coding, specifically through the process of source code. The complex data set was organised into relationship maps to make sense of the networks in which policy actors are working for change. Through systems mapping, the Mapping Tool explores the complex web of policy actors, interests, influence, and alignment and fragmentation of key players around important policy issues in the Impact Economy. Systems mapping, as displayed by the Mapping Tool, is a robust way to explore the complex web of policy interests, influence and alignment of key players around important policy issues and fragmentation.

Through the above methods, this research paper and Mapping Tool presents policy makers and policy stakeholders with the ability to draw on the range of policies and practices that have emerged in the Impact Economy. As noted above, the Mapping Tool does not purport to display all policy activity but, with ongoing development, could continue to grow and evolve with the development of this ecosystem.

3. History and terminology of the Impact Economy

The terminology and concepts for this space are still relatively fluid, nascent and often-changing, both within the UK and internationally. The term 'Impact Economy' arguably does not have international recognition as a term, and therefore requires an explanation of how it has evolved and current academic conceptualisation.

A recent academic paper from Brugel[40] positions the Impact Economy as a middle ground between market economy and state economy that aims to 'balance welfare/profit and impact (as defined by the SDGs) and is a modern-day version of the *Soziale Marktwirtschaft* (the 'social market economy') introduced by Adenauer[41] in the 1950s and the 'Coordinated Market Economy''. [42],[43] Other academic scholars[44] conceptualise the 'common-good' feature of the economy although note the important role the government plays in producing classical public goods such as justice and defence.[45] The common-good feature requires government and companies to work jointly to improve both material well-being (production of goods) and immaterial well-being (such as health, education and environment) at present and in the future.[46],[47]

Fundamentally, in such an economy, companies are run for both profit and purpose, promoting entrepreneurship and efficiency alongside a positive impact on society and environment.[48] Profit-maximising entities are transformed into purpose-driven organisations that pursue long-term value creation[49] where decision-making is based not just on economic and financial factors but also social and environmental impact. [50] The defining criterion of the Impact Economy is taking a broad approach in government policymaking (spending, taxation and regulation of economic, social and environmental

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[40] Dirk Schoenmaker, 'The impact economy: balancing profit and impact' (7 July 2020) Working Paper, Issue 4, Bruegel <www.bruegel.org/wp-content/uploads/2020/07/WP-2020-04-Impact-Economy-D.-Schoenmaker.pdf> accessed 11 January 2022.
[41] Martin Schnitzer, 'Soziale Marktwirtschaft Revisited: West German Economic Policy, 1967-1971' (1972) 6(4) Journal of Economic Issues 69-88.
[42] Schoenmaker (n 40).
[43] Jeffrey Kopstein and Mark Lichbach, *Comparative Politics: Institutions, Identities, and Interests in a Changing Global Order* (1st edn, Cambridge University Press 2000).
[44] Otto Scharmer and Katrin Kaufer, *Leading from the Emerging Future: From Ego-System to Eco-System Economies* (Berrett-Koehler Publishers 2013).
[45] Christian Felber and Gus Hagelberg, 'The Economy for Common Good. A Workable, Transformative Ethics-Based Alternative' (The Next System Project, 27 February 2017). <https://thenextsystem.org/sites/default/files/2017-08/FelberHagelberg.pdf> accessed 3 December 2021.
[46] JE Stiglitz, A Sen, JP Fitoussi, 'Report by the Commission on the Measurement of Economic Performance and Social Progress' (Paris, 2009).
[47] Rutger Hoekstra, *'Replacing GDP by 2030'* (1st edn, Cambridge University Press 2019).
[48] Schoenmaker (n 40).
[49] Colin Mayer, *Prosperity: better business makes the greater good* (1st edn, Oxford University Press 2018); D. Schoenmaker and W. Schramade *Principles of Sustainable Finance* (Oxford University Press 2019); Alex Edmans, *Grow the Pie: How Great Companies Deliver Both Purpose and Profit*, (Cambridge University Press 2020).
[50] Schoenmaker (n 40).

issues) and in corporate decision-making covering all stakeholders (shareholders, employees, consumers, society and environment).[51]

There is room for discussion around what actors and activities make up this space, and the answer is not always evident. However, it is helpful to unpack this space, understand the terminology and present both a researcher and practitioner discourse analysis[52] of its development. Therefore, the literature and evidence presented below is premised on a UK-based practitioner and researcher's view, from their experience of working in this space.

Furthermore, there is a need to acknowledge how different actors may understand and interact with the Impact Economy themes explored by the Mapping Tool; in particular, in this paper we consider influences on the development of this space from both mainstream business and purpose-driven business. Certain evidence[53] suggests that the term 'Impact Economy' emerged through industry and stakeholders self-mobilising in this space with a natural coevolution of policies and business practices. This, however, presents a distinct set of opportunities and challenges for policy advisors and policy makers working to advance the Impact Economy, as highlighted in the section on '*Describing the policy landscape*' of this paper.

a. The Impact Economy: what terminology defines this space?

Economic activity, such as business operations, trade and investment, can have a range of positive and negative impacts on different stakeholders. However, participants in these activities may often recognise and measure a limited range of those impacts.[54] Financial investment is a useful example of such activity. Broadly, investment decisions are traditionally driven by reference to two aspects: risk and return; an investment option is assessed based on its potential financial reward and the risk to the capital invested, but this approach does not necessarily account for the social and environmental impacts of the investment.[55] In particular, the costs of negative impacts may be borne by the stakeholders affected by the activity being funded.[56] These stakeholders may include the local community and the environment. By contrast, "**Impact Investing**" refers to a relatively recent approach to investment, which deliberately and specifically pursues positive social and environmental impact objectives along with financial returns.[57]

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51 Ibid.
52 Frank Fischer, *Reframing Public Policy: Discursive Politics and Deliberative Practices* (Oxford University Press 2003) ch 4.
53 Sectoral use of the term is wide ranging. For instance, the British Council uses the term whilst describing its work on social enterprise and B Lab, the certification body for B Corps, refers to the term on its website in relation to the space in which these businesses operate.
54 'Why Impact-Weighted Accounts' (Harvard Business School). <www.hbs.edu/impact-weighted-accounts/Pages/default.aspx> accessed 31 May 2021.
55 Harry Markowitz, 'Portfolio Selection' (1952) 7 The Journal of Finance no. 1 77-91; Francois Botha, 'Does Impact Investing Always Come at A Price?' *Forbes* (14 April 2020) <www.forbes.com/sites/francoisbotha/2020/04/14/does-impact-investing-always-come-at-a-price/> accessed 8 June 2021
56 'How investors manage impact - Why do investors manage their impact?' (The Impact Management Project). <https://impactmanagementproject.com/impact-management/how-investors-manage-impact/> accessed 31 May 2021.
57 'What you need to know about impact investing' (The Global Impact Investing Network). <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing> accessed 10 April 2021.

It may be helpful to visualise a “*spectrum of capital*” or “*spectrum of impact*” upon which investments can be characterised in relation to how they prioritise social and environmental impacts and balance the interests of different stakeholders.[58],[59]

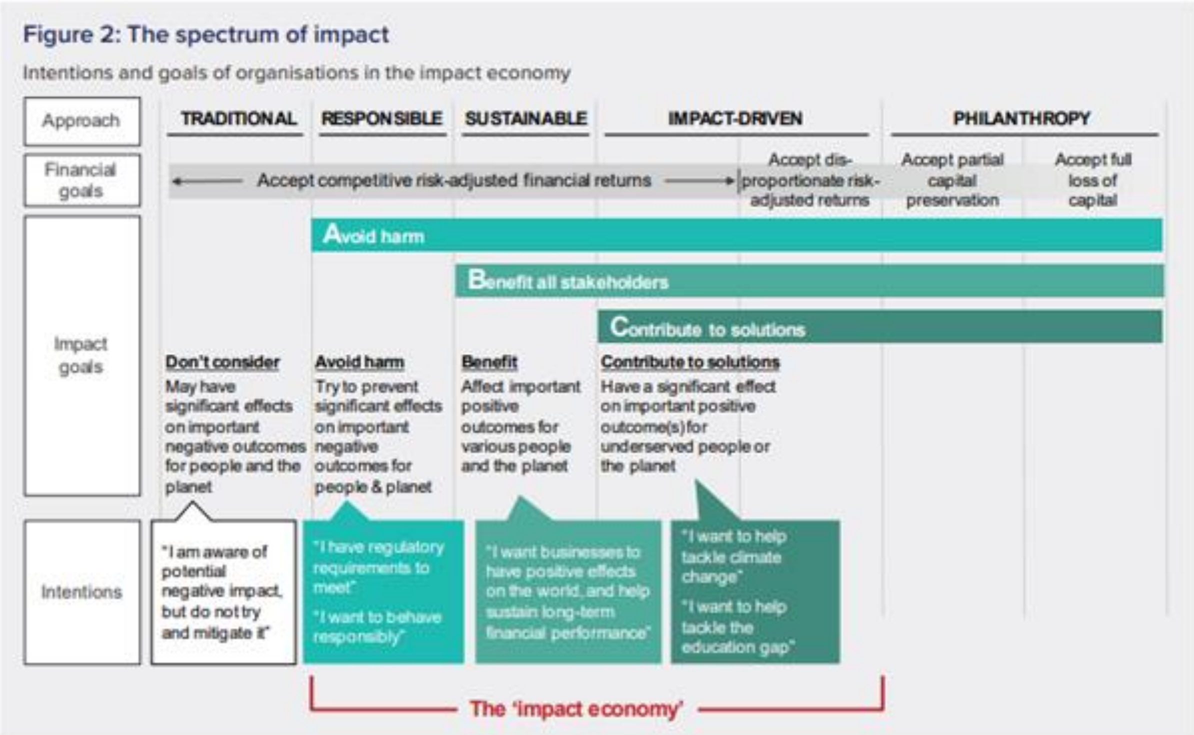

Figure 3. Diagram of *The Spectrum of Impact: Intentions and goals of organisations in the impact economy* (UK National Advisory Board on Impact Investing, October 2017).[60]

The spectrum above shows a range of investors that consider social and environmental impact to a certain degree, in accordance with their strategy and aims. This includes those who simply screen out of their portfolios investments that pose environmental, social or governance (“**ESG**”) risks (and do not pursue social and environmental impact as part of the investment rationale), as well as those who “have deeply integrated social and environmental factors into their investment analysis … selecting companies that they believe will outperform the market because they operate (or have the potential to operate) in a more sustainable way than their peers over time”, which is often termed “**sustainable investing**”.[61]

On the other side of the spectrum from those whose approach is limited to negatively screen for ESG risks, are impact investors, who invest in order to achieve specific, measurable social and / or environmental impact. Within the world of impact investing, further categorisation can be made between investors who pursue risk-adjusted market rate returns alongside impact (sometimes called “**finance first**”[62] or

[58] Bridges Fund management, ‘The Bridges Spectrum of Capital - How we define the sustainable and impact investment market’ (Bridges Fund Management, November 2015) 3. <www.bridgesfundmanagement.com/wp-content/uploads/2017/08/Bridges-Spectrum-of-Capital-print.pdf> accessed 21 April 2021.
[59] UK National Advisory Board on Impact Investing, ‘The rise of impact: five steps towards an inclusive and sustainable economy’ (n 1).
[60] Ibid 11, fig. 2.
[61] Bridges Fund management, ‘The Bridges Spectrum of Capital: How we define the sustainable and impact investment market’ (n 58) 2.
[62] Impact Investing Institute, ‘Impact Report for 2019-20’ (Impact Investing Institute, January 2021) 8. <www.impactinvest.org.uk/wp-content/uploads/2021/02/Impact-Report_Jan.-2020.pdf> accessed 30 May 2021.

"**investing *with* impact**"[63]), and those who prioritise impact and may be willing to accept concessionary financial returns (which could be termed "**social investment**", "**social finance**" or "**investing *for* impact**"[64]).

This impact-integrated understanding of economic activity is reflected in the terminology used regarding corporate actors in this space. For example, the "**Triple Bottom Line**" approach to business combines the financial 'bottom line' (a traditional measure of value creation in business) with social and environmental value creation.[65] This term has been in use for nearly 30 years, and derives from the understanding that social, natural and financial capital are integrated: human societies can prosper through the creation of financial wealth, but our financial wellbeing is dependent on a healthy and sustainable planet and society. There is considerable discussion in contemporary mainstream business about the need for greater "**sustainability**", by which is broadly meant the carrying on of business activity without negatively impacting the environment, community or society as a whole.[66] However, the Triple Bottom Line approach intended sustainability to be about more than reducing harms and enabling better business performance measurement: for sustainability to be integrated into businesses' DNA.[67]

A range of terms are commonly used, or have been used, to describe businesses that take a Triple Bottom Line approach to their commercial strategy. Such terms include: "**Mission-led business**",[68] "**purpose-driven business**"[69] and "**profit-with-purpose business**".[70],[71] These businesses are fully commercial, pursue profits and can provide returns to investors, but they integrate the interests of relevant stakeholders, and the business' social and environmental impact, into their corporate purpose. In this paper, we use the term "**purpose-beyond-profit**" to mean the central object of a business (including an investment venture) to create positive social and environmental impact alongside financial returns. "**Purpose**" is therefore used as shorthand for a fundamental reason to exist that goes beyond just focusing on the pursuit of profit, to creating positive value for wider stakeholders. This understanding of these terms is consistent with current usage in this space.[72]

In the UK, these businesses' governance will typically require and enable a rebalancing of stakeholder interests. For profit-with-purpose businesses, financial value creation, which benefits shareholders, is typically pursued through operations that deliberately aim to produce a positive impact on people and the

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[63] 'Glossary of terms in the impact ecosystem, Main Definitions - Key Terms, Investing with impact' (European Venture Philanthropy Association, 2020). <https://evpa.eu.com/glossary> accessed 22 April 2021.
[64] Ibid 'Social Investment (SI) (also known as Social Finance)' and 'Investing for Impact'.
[65] John Elkington, '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.' *Harvard Business Review* (25 June 2018) <https://hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it> accessed 10 April 2021.
[66] Alexandra Spiliakos, 'What does "sustainability" mean in business?' (*Harvard Business School*, 10 October 2018) <https://online.hbs.edu/blog/post/what-is-sustainability-in-business> accessed 21st March 2021.
[67] John Elkington, '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.', (n 65).
[68] Deloitte LLP, 'In pursuit of impact: Mission-led businesses' (Deloitte LLP, November 2016) 7-8. <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/574693/MLB_data_report_-_In_Pursuit_of_Impact.pdf> accessed 3 June 2021.
[69] ReGenerate Trust, 'What is a purpose-driven business?' (ReGenerate Trust, June 2020) 15-16. <www.re-generate.org/s/ReGenerate-what-is-a-purpose-driven-business-final.pdf> accessed 27 April 2021.
[70] Social Impact Investment Taskforce, 'Profit-With-Purpose Businesses: Subject paper of the Mission Alignment Working Group' (Social Impact Investment Taskforce, September 2014) 5-8. <https://gsgii.org/wp-content/uploads/2017/06/Mission-Alignment-WG-paper-FINAL.pdf> accessed 21 June 2021; Deloitte LLP, 'In pursuit of impact: Mission-led businesses' (n 68) 4.
[71] We view the latter two terms as currently the most broadly recognised for this type of business and will use these terms interchangeably throughout this paper.
[72] ReGenerate Trust, 'What is a purpose-driven business?' (n 69) 15-16.

planet.[73] By contrast, the default approach within UK company law is that companies pursue "**shareholder primacy**" and "**enlightened shareholder value**", whereby the interests of shareholders ultimately take priority over other stakeholders.[74],[75] These concepts are described further, below. However, consumers and many mainstream businesses are now asking 'what is, and should be, the purpose of the corporation?', and are considering how to improve the business sector's social and environmental sustainability and discussing its impact on non-shareholder stakeholders. This can be seen from the work of a range of different organisations and movements, some of which are discussed in this paper, but particularly from the business sector itself.[76]

Examples of profit-with-purpose business are seen in the B Corporation or "**B Corp**"[77] and "**Benefit Corporation**"[78] movements. B Corps are businesses certified as meeting certain standards of verified social and environmental performance, public transparency and legal accountability,[79] and that commit within their governing documents to balance profit and social and environmental purpose.[80] Benefit Corporations are a type of corporate legal structure formed under benefit corporation legislation, in jurisdictions where this is available, with obligations committing these businesses to higher standards of purpose, accountability and transparency, and enabling their directors to create value for all stakeholders over the long-term.[81]

Some other businesses within the Impact Economy space take a different approach, whereby their primary purpose is their social and environmental mission and, typically, they restrict the use of at least part of their assets to the pursuit of that mission. Such businesses are described as "**social enterprises**"[82] or "**social**

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[73] For example, Allbirds highlights its approach to reversing climate change through its materials and its manufacturing supply chain: <www.allbirds.co.uk/pages/sustainable-practices#beginnings> (accessed 25 May 2021) and <www.allbirds.co.uk/pages/how-we-operate> (accessed 18 April 2021); Ella's Kitchen describes various aspects of its sustainable operations, including its packaging, people and supply chain: <www.ellaskitchen.co.uk/the-good-stuff-we-do/good-for-the-planet> (accessed 25 May 2021); and Anglian Water describes embedding its purpose-beyond-profit into its constitution, to deliver its services in the public interest: www.anglianwater.co.uk/news/anglian-water-becomes-first-water-company-to-embed-public-interest-at-its-core/ and www.anglianwater.co.uk/about-us/our-purpose/ (both accessed 3 June 2021).

[74] Companies Act 2006, s 172; Explanatory Notes to the Companies Act 2006, paras 325-332 <www.legislation.gov.uk/ukpga/2006/46/notes/division/6/2> accessed 3 June 2021.

[75] The British Academy, 'Principles for Purposeful Business' (n 24) 20.

[76] For further evidence and discussion on this point, a range of examples can be drawn upon, some of which are discussed further in this paper. For example: the business Coalition for Inclusive Capitalism and professional services firm EY created the Embankment Project for Inclusive Capitalism, which has reported on measuring and reporting on stakeholder impact and long-term value creation; B Lab UK, the certifying body for B Corp businesses, is calling for an upgrade to our economic 'operating system' and, in partnership with a coalition of businesses, launched the Better Business Act campaign; the World Economic Forum launched a new Davos Manifesto, a set of ethical principles to guide companies in the age of the Fourth Industrial Revolution; the US Business Roundtable declared its intent to redefine the purpose of a corporation to promote 'An Economy That Serves All Americans'; and the business-led network organisation, Imperative 21, launched its economic RESET campaign.

[77] 'About B Corp Certification' (B Lab, 2022). <www.bcorporation.net/en-us/certification/> accessed 22 January 2022.

[78] 'Benefit Corporation, What Is a Benefit Corporation?' (B Lab, 2021). <https://benefitcorp.net/what-is-a-benefit-corporation> accessed 5 March 2021.

[79] B Lab, 'Certified B Corporation, About B Corps' (n 77).

[80] 'Meeting the legal requirement' (B Lab UK). <https://bcorporation.uk/b-corp-certification/how-to-certify-as-a-b-corp/legal-requirement/> accessed 22 January 2022.

[81] B Lab, 'Benefit Corporation, What Is a Benefit Corporation?' (n 78).

[82] 'What is it all about?' (Social Enterprise UK) <www.socialenterprise.org.uk/what-is-it-all-about/> accessed 22 January 2022.

businesses",[83] and the hierarchy of stakeholder interests in these types of businesses typically marginalise the interests of shareholders relative to pursuit of social or environmental purposes. Other terms commonly encountered in this space include reference to the "**fourth sector**",[84] meaning businesses that combine the market approaches of the private sector with the social and environmental impact aims of the public and third sectors, and the "**social economy**",[85] referring to organisations organised around the pursuit of a social purpose, including social enterprises, cooperatives, mutual organisations and foundations.

It can be difficult to identify a hard boundary around the actors and activities that constitute the Impact Economy, and there is flexibility in how this terminology is used in practice. It may be helpful to conceptualise the different types of actors on a scale of prioritisation of purpose-beyond-profit.

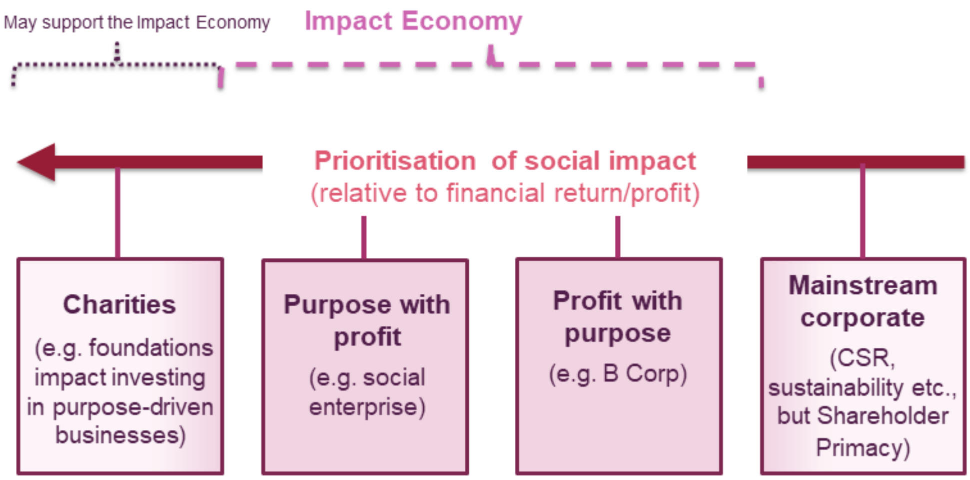

Figure 4. Diagram of a *Spectrum of Prioritisation of Social and / or Environmental Impact within Organisational Purpose* (Bates Wells, June 2021).[86]

The diagram above endeavours to show a spectrum of commitment to social and environment impact, or purpose-beyond-profit, and broadly where different types of entities sit on that spectrum. Through a practitioner lens, this diagram represents how the term 'Impact Economy' is used to refer to entities operating in a space where profit, people and planet are all core elements of commercial strategy, as represented by the pink shaded area. For example, social enterprises prioritise their social purpose but, typically, sustain themselves predominantly or entirely through trading income. B Corps are commercial ventures that balance people, planet and profit, rather than giving priority to any one stakeholder. However, it should be noted that some of these labels are not mutually exclusive; for example, some social enterprises may be able to certify as B Corps.

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83 'What is Social Business? Executive Factsheet' (Society & Organizations Institute of HEC Paris) <www.hec.edu/en/faculty-research/centers/society-organizations-institute/think/so-institute-executive-factsheets/what-social-business> accessed 10 September 2021; 'About' (Yunus Social Business) <www.yunussb.com/about> accessed 20 February 2022.
84 'What is the Fourth Sector?' (The Fourth Sector Group). <www.fourthsector.org/what-is-the-fourth-sector> accessed 10 September 2021.
85 'Internal Market, Industry, Entrepreneurship and SMEs, Social economy in the EU' (European Commission). <https://ec.europa.eu/growth/sectors/social-economy_en> accessed 10 September 2021; 'Social Economy' (OECD). <www.oecd.org/cfe/leed/social-economy.htm> accessed 10 September 2021.
86 Phillippa Holland, *Spectrum of Prioritisation of Social and / or Environmental Impact within Organisational Purpose* (Bates Wells, 2021).

Businesses that strive to adhere to responsible business practices, such as by incorporating corporate social responsibility activities and making their operations more sustainable, are represented on the right-hand side of the diagram, just outside the Impact Economy. This is to indicate businesses that operate under a model that ultimately still prioritises shareholders over other stakeholders. Similarly, outside of the Impact Economy, on the left-hand side are charities that do not create income through trade.[87] It should be noted that some charities may play a role in the Impact Economy, such as through participation in impacting investing, or through campaigns and policy work on specific themes relevant to the Impact Economy. For example, the Ellen MacArthur Foundation seeks to further the development of the "**circular economy**";[88] a social and environmental impact focused approach to resource use.[89]

b. What is the historical lens to this discourse?

Whilst tracing the historical progression of the Impact Economy, it is important to note that the discourse and narrative below is a consolidated timeline featuring critical policy direction points and policy asks, **from a researcher and practitioner perception of the space**. The section below highlights historical milestones both within industry and policy, including a narrative on the present Impact Economy ecosystem as represented by the Mapping Tool. Markedly, industry and practitioners have significantly influenced the trajectory of policy developments in this space.[90] Academic scholarship remains scant, although institutions like the British Academy have produced important reports and scholarly research that contribute to advancing core themes in the development of the Impact Economy.[91]

i. Shareholder primacy and multi-stakeholder approaches

Whilst the historical development of the Impact Economy will have involved many different actors and ideas, from the perspective of a UK-based practitioner and a researcher working in this space, it is possible to pull out a number of milestones in recent decades that are useful to our understanding of its origins. It is also helpful to consider the development of the Impact Economy from the perspectives of different groups of participants.

From the perspective of mainstream business, there is a long history to the idea that corporations have responsibilities to a wider range of stakeholders than just shareholders / their owners.[92] In recent decades,

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[87] It should be noted that some social enterprises can be structured as charities and so, again, these terms are not necessarily mutually exclusive labels.
[88] 'What is the Circular Economy?' (Ellen MacArthur Foundation). <www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy> accessed 21 June 2021.
[89] Discussion of the principles of the circular economy are beyond the scope of this paper, but more information can be found at www.ellenmacarthurfoundation.org.
[90] For example, the Better Business Act campaign was launched by B Lab UK and a coalition of businesses, referred to above (n 76) and below (section 3(b)(ii), *UK legal and regulatory development underpinning purposeful business*), and the Impact Investing Institute's 'Good Governance Principles for Pension Trustees' aim to provide guidance on developing an impact investment strategy, and how such a strategy can fit into a pension scheme's governance framework (Impact Investing Institute, November 2020). <www.impactinvest.org.uk/wp-content/uploads/2020/12/Good-Governance-Principles-for-Pension-Trustees-.pdf> accessed 31 May 2021).
[91] The British Academy, 'Reforming Business for the 21st Century: A Framework for the Future of the Corporation' (The British Academy, November 2018) 16-19. <www.thebritishacademy.ac.uk/documents/76/Reforming-Business-for-21st-Century-British-Academy.pdf> accessed 30 May 2021.
[92] Leonardo Davoudi and Christopher McKenna and Rowena Olegario, 'The Historical Role of the Corporation in Society' (2018) 6 Journal of the British Academy, 17–47.

the economist Howard Bowen famously published a book on the social responsibility of business in 1953, advocating for businesses to take an ethical approach and acknowledge their responsibilities toward their stakeholders.[93] In 1971, the US Committee for Economic Development described the concepts of "**enlightened self-interest**" and the "**social contract**" between business and society,[94] based on the ideas that, respectively, maintaining a healthy planet and society are in the corporation's own interests, and that businesses function because of public consent in granting what is today often described as businesses' "**social license**" or "**social licence to operate**".[95]

Of those in opposition to the concept of businesses having social responsibilities, economist Milton Friedman is often cited; particularly, his writing in The New York Times in 1970, arguing that the sole responsibility of the corporation is to maximise profits to shareholders.[96] The critical essay was titled "*A Friedman doctrine - The Social Responsibility Of Business Is to Increase Its Profits*"[97] where he introduced shareholder value and shareholder primacy as distinct concepts that distinguish corporations' social responsibility. Fundamentally, these concepts hold that 'a firm's sole responsibility is to its shareholders who are the economic engine of the organisation and the only group to which the firm is socially responsible'[98]. As such, the goal of the firm is to maximise returns to shareholders and not promote stakeholder interests. Friedman argued that the shareholder is the owner of the corporation and, if the director pursues 'social responsibility', they are like a self-selected civil servant, taxing the shareholder and taking on the government's role of determining the reallocation of funds. This concept of shareholder primacy underpins much of our contemporary understanding of the purpose of the corporation in the UK.

The Friedman doctrine was amplified after the publication of an influential 1976 business paper by finance professors William Meckling and Michael C. Jensen, "*Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*", which provided a quantitative economic rationale for maximising shareholder value.[99] However, there are also many critiques of this doctrine. Harvard Business School professors Joseph L. Bower and Lynn S. Paine said in 2017 that the Friedman doctrine is 'distracting companies and their leaders from the innovation, strategic renewal, and investment in the future that require their attention'.[100] In the same decade as Friedman expounded his doctrine, World Economic

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93 HR Bowen and PG Bowen and JP Gond, *Social Responsibilities of the Businessman* (2nd edn, University of Iowa Press 2013).
94 Committee for Economic Development, 'Social Responsibilities of Business Corporations: Statement by the Research and Policy Committee' (Committee for Economic Development 1 June 1971) 11-16. <https://www.ced.org/pdf/Social_Responsibilities_of_Business_Corporations.pdf> accessed 17 February 2022.
95 Emmanuel Raufflet and others, 'Social Licence', *Encyclopedia of Corporate Social Responsibility* (2013) <https://link.springer.com/referenceworkentry/10.1007%2F978-3-642-28036-8_77> accessed 30 January 2022; John Morrison, 'Business and society: defining the 'social licence' *The Guardian* (29 September 2014). <www.theguardian.com/sustainable-business/2014/sep/29/social-licence-operate-shell-bp-business-leaders> accessed 21 June 2021.
96 Milton Friedman, 'A Friedman Doctrine: The Social Responsibility of Business is to Increase Its Profits' *The New York Times* (United States, 13 September 1970) <www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html> accessed 9 March 2021.
97 Ibid.
98 H. Jeff Smith, 'The Shareholders vs. Stakeholders Debate' (2003) Summer MIT Sloan Manag. Rev. <https://sloanreview.mit.edu/article/the-shareholders-vs-stakeholders-debate/> accessed 9 March 2021.
99 Steve Denning, 'Making Sense of Shareholder Value: 'The World's Dumbest Idea'' *Forbes* (17 July 2017) <www.forbes.com/sites/stevedenning/2017/07/17/making-sense-of-shareholder-value-the-worlds-dumbest-idea/> accessed 9 March 2021.
100 Joseph L Bower and Lynne S Paine, 'The Error at the Heart of Corporate Leadership' *Harvard Business Review* (May – June 2017) <https://hbr.org/2017/05/the-error-at-the-heart-of-corporate-leadership> accessed 17 February 2022. These events illustrate a way of thinking about the governance and management of companies that is now pervasive in the financial community and much of the business world.

Forum founder, Klaus Schwab, was articulating "**Stakeholder Capitalism**";[101] a form of capitalism in which companies seek long-term value creation by taking into account the needs of all their stakeholders, and society at large.[102] Markedly, proponents of "stakeholder theory", the counterview to shareholder primacy, argue that the Friedman doctrine is morally and ethically flawed, and it is imperative that businesses take into account all of the people who are affected by its decisions.[103]

Despite influential mainstream support for the Friedman doctrine, the idea of business having a purpose beyond pursuing shareholder value continued to develop. In 1994 John Elkington set out the concept of the Triple Bottom Line, described above: "a sustainability framework that examines a company's social, environment, and economic impact".[104] Elkington coined the term Triple Bottom Line as a challenge for businesses to rethink the fundamental nature of capitalism.[105] The term was developed as language to express what was then an expansion of the environmental agenda that the SustainAbility Institute, a sustainability thought-leadership organisation founded by Elkington in 1987, had mainly focused on.[106],[107] In framing this term, Elkington claimed that the social and economic dimensions of the agenda, which had already been flagged in 1987's Brundtland Report[108], would have to be addressed in a more integrated way, if real environmental progress were to be made. Also, Elkington noted that the language used would "have to resonate with business brains"[109], in order to reach an audience of business professionals.

Ultimately, the Triple Bottom Line was intended to offer 'a radical new way forward, as businesses learned to stop focusing solely on profits and expand their focus to include improving the lives of people and the health of the planet'.[110] In the intervening years, the movement towards corporate sustainability has continued to grow. In 2017, a survey by McKinsey & Company found that respondents had increased their formal governance of sustainability, with 70% saying that their companies had some form of governance in place, compared with 56% in 2014.[111] However, 25 years after his seminal articulation of the Triple Bottom Line, Elkington argued that its radical goal has been largely forgotten in the mainstream and, in practice, reduced to "a mere accounting tool, a way of balancing tradeoffs instead of actually doing things differently", thus necessitating a "recall" of the term by Elkington.[112] He reasoned that "when it comes to

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[101] Laura Tyson and Lenny Mendonca, 'Making Stakeholder Capitalism a Reality' *Project Syndicate* (6 January 2020) <www.project-syndicate.org/commentary/making-stakeholder-capitalism-reality-by-laura-tyson-and-lenny-mendonca-2020-01> accessed 2 July 2021.
[102] Klaus Schwab and Peter Vanham, 'What is Stakeholder Capitalism?' (World Economic Forum, 22 January 2021) <www.weforum.org/agenda/2021/01/klaus-schwab-on-what-is-stakeholder-capitalism-history-relevance> accessed 10 September 2021.
[103] Jeffrey S Harrison and R Edward Freeman and Mônica Cavalcanti Sá de Abreu, 'Stakeholder Theory as an Ethical Approach to Effective Management: Applying the Theory to Multiple Contexts' (2015) 17 (55) Review of Business Management, 858–869.
[104] John Elkington, '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.' (n 65).
[105] John Elkington, 'Enter the Triple Bottom Line' in Adrian Henriques and Julie Richardson (eds), *The Triple Bottom Line: does it all add up?* (Routledge 2004).
[106] 'About' (The SustainAbility Institute by ERM) <www.sustainability.com/about/> accessed 10 April 2021).
[107] John Elkington, 'Enter the Triple Bottom Line' (n 105) 1.
[108] United Nations General Assembly 'Report of the World Commission on Environment and Development: Our Common Future' (1987) A/42/427.
[109] John Elkington, 'Enter the Triple Bottom Line' (n 105) 1.
[110] John Elkington, '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.' (n 65).
[111] Anne-Titia Bové and Dorothee D'Herde and Steven Swartz, 'Sustainability's deepening imprint' (*McKinsey & Company*, 11 December 2017) <www.mckinsey.com/business-functions/sustainability/our-insights/sustainabilitys-deepening-imprint> accessed 09 March 2021.
[112] John Elkington, '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.' (n 65).

sustainability, the time has come to either step up, or to get out of the way" and that the goal of the Triple Bottom Line concept was "*system change* — pushing toward the transformation of capitalism".[113]

Nonetheless, other movements have developed, growing out of mainstream business, that arguably reflect a serious application of the Triple Bottom Line approach. In 2006 the B Corp movement began in the US, founded by three entrepreneurs who envisaged a designation that would hold businesses accountable for their impacts on stakeholders other than shareholders[114], and the first 82 B Corps were certified the following year.[115] Over the years, this movement has grown to nearly 4,000 businesses in 74 countries[116], and in the UK there are currently more than 400 certified businesses.[117] The first Benefit Corporation legislation was enacted in 2010, in the US state of Maryland[118], and today there are a number of publicly traded companies utilising this legal structure in the US.[119] Although still a minority within mainstream business, these profit-with-purpose businesses represent a growing, business-led movement, working to integrate positive social and environmental impact into commercial strategy.

Returning again to the perspective of mainstream business, in 2011, just a few years after the global financial crisis, Michael Porter and Mark Kramer published an article in the Harvard Business Review on the concept of "**shared value**":[120] the creation of economic value in a way that also creates value for society, such as providing for its needs and solutions for its problems. The shared value approach argues that self-interested behaviour can achieve economic value by deploying measures that simultaneously improve economic efficiency and benefit society or the environment.[121] Criticisms levelled against this approach include that creating social value only where it is profitable to do so will leave many social and environmental issues unaddressed, and that it fails to make the systemic changes needed by simply using the existing mechanisms of capitalism.[122] Kramer confirmed that shared value is "rooted in a company-specific agenda" and makes an "unapologetic embrace of capitalism", and that this is "one reason why it has resonated so strongly with corporate leaders who are less willing to embrace the sustainability agenda"; he notes that shared value is, in fact, intended to work in tandem with the concept of sustainability.[123]

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113 Ibid.
114 Richard Feloni, 'More than 2,600 companies, like Danone and Patagonia, are on board with an entrepreneur who says the way we do business runs counter to human nature and there's only one way forward' *Insider* (8 December 2018) <www.businessinsider.com/b-corporation-b-lab-movement-and1-cofounder-2018-11?r=US&IR=T> accessed 10 April 2021.
115 'How did the B Corp movement start?' (B Lab). <https://bcorporation.net/faq-item/how-did-b-corp-movement-start> accessed 2 July 2021.
116 'B Corporation' (B Lab). <https://bcorporation.net/> accessed 05 March 2021.
117 'Growth and Momentum' (B Lab UK). <https://ourstory.bcorporation.uk/chapter-1/> accessed 28 May 2021.
118 MD Corp & Assn Code. § 5-6C-01 (2013). See Corporations – Benefit Corporation. Senate Bill 690 (2010) House Bill 1009 (2010) available at: https://mgaleg.maryland.gov/mgawebsite/search/legislation?target=/2010rs/billfile/sb0690.htm accessed 09 March 2021.
119 Christopher Marquis, 'Companies Show Rising Support for Public Benefit Corporate Governance' *Forbes* (1 March 2021) <www.forbes.com/sites/christophermarquis/2021/03/01/companies-show-rising-support-for-public-benefit-corporate-governance/?sh=662c0faf3320> accessed 10 April 2021.
120 Michael Porter and Mark Kramer, 'Creating Shared Value: How to reinvent capitalism—and unleash a wave of innovation and growth' *Harvard Business Review* (January – February 2011) 2.
121 Ibid 7-15, 17.
122 Thomas Dyllick, 'The opposing perspectives on creating shared value' *Financial Times* (24 April 2014) <www.ft.com/content/88013970-b34d-11e3-b09d-00144feabdc0> accessed 18 April 2021.
123 Mark Kramer, 'Shared Value: how corporations profit from solving social problems' *The Guardian* (8 June 2013) <www.theguardian.com/sustainable-business/shared-value-how-corporations-profit-social-problems?intcmp=122> accessed 18 April 2021.

Over time, the question of whether business has social responsibilities or, more broadly, what is the fundamental purpose of the corporation, has continued to be a central theme of discussion. In 2018, the British Academy's Future of the Corporation research programme published its framework for "*Reforming business for the 21st century*", stating that "The purpose of corporations is not to produce profits. The purpose of corporations is to produce profitable solutions for the problems of people and planet. In the process it produces profits, but profits are not per se the purpose of corporations".[124]

This research programme aims to engage a range of business, government, policy, civil society and academic stakeholders in reconceptualising the corporation around its purposes.[125] In 2019, the British Academy then published its Principles for Purposeful Business, setting out 8 principles covering the key aspects of an ecosystem that could enable the delivery of corporate purpose-beyond-profit, including regulation, ownership, governance, measurement, financing, performance and investment.[126] For example, Principle 1 states that "Corporate law should place purpose at the heart of the corporation and require directors to state their purposes and demonstrate commitment to them".[127]

In recent years, there have been a number of headline-grabbing declarations of intent to engage with stakeholder interests in the course of business. In 2019, the Business Roundtable, an association of chief executives of major US corporations, published its "*Statement on the Purpose of a Corporation*"[128], acknowledging a "fundamental commitment" to stakeholders, and the World Economic Forum launched its new 'Davos Manifesto 2020', stating that the "purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders …".[129] In 2020, the business-led network **Imperative 21**, discussed further below, began its RESET campaign with a full-page advert in the New York Times, on the 50th anniversary of Milton Friedman's seminal essay on shareholder primacy. The campaign calls for a reset of our economic system underpinned by the Imperatives, in order to create shared wellbeing on a healthy planet, and stated its intent to support leaders to accelerate their transition to stakeholder capitalism.[130]

The concept of stakeholder capitalism goes to the heart of the question about the purpose of the corporation and the nature of its responsibilities beyond its shareholders. But exactly how a commitment to stakeholder capitalism is implemented may depend on the nature of the business. For example, the mindset of stakeholder capitalism will be inherent within profit-with-purpose businesses, such as B Corps, for whom creating positive stakeholder impacts is part of their constitutional raison d'etre. However, certain scholars and practitioners maintain that corporations should engage with all relevant stakeholders for long-term success, but ultimately answer to their shareholders.[131] And it should be noted that 'stakeholder capitalism' is much discussed by a wide, mainstream business audience, as can be seen, for example, in

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124 The British Academy, 'Reforming Business for the 21st Century, A Framework for the Future of the Corporation' (n 91) 16.
125 'About the Future of the Corporation' (The British Academy). <www.thebritishacademy.ac.uk/programmes/future-of-the-corporation/about/> accessed 18 April 2021.
126 The British Academy, 'Principles for Purposeful Business' (n 24) 8-9.
127 The British Academy, 'Principles for Purposeful Business' (n 24) 20.
128 'Statement on the Purpose of a Corporation' (Business Roundtable, August 2019). <https://opportunity.businessroundtable.org/ourcommitment/> accessed 09 March 2021.
129 Klaus Schwab, 'Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution' (World Economic Forum, 2 December 2019) <www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/> accessed 9 March 2021.
130 Imperative 21, 'The Imperatives' (n 2).
131 'What is Stakeholder Capitalism and What Might it mean for Corporate Governance' (Bipartisan Policy Centre 2020). <https://bipartisanpolicy.org/event/what-is-stakeholder-capitalism-and-what-might-it-mean-for-corporate-governance/> accessed 2 July 2021.

Business Roundtable's Statement on the Purpose of a Corporation.[132] This potential tension, between the obligations of shareholder primacy and some high-profile commitments to stakeholder value creation, has led to criticism of a lack of genuine intention and calls to consider profit-with-purpose business forms, as a means to give legitimacy to these stakeholder commitments.[133]

In reviewing the development of the concepts described above, it is important to note that, just in the last 15 years, the world has experienced the global financial crisis and a global pandemic, and acknowledged the burgeoning climate and biodiversity crisis. These are catalytic events and, coupled with other factors such as shifting generational attitudes, a loss of trust in business and growing social inequality, have likely encouraged the contemporary questioning of the role of business in society[134] and strong calls for fundamental change, such as the RESET campaign. For example, most recently the value of workers and the social impacts of business on the workforce have been highlighted by the Covid-19 pandemic.[135]

Fortunately, these global events may also have spurred the development of ideas around the purpose of business, for long-term sustainability and value creation for people and plant.[136] Arguably, profit-with-purpose business as a movement has been galvanised by the inequalities and system instabilities that have been highlighted, and widespread calls to 'build back better'.[137] For example, in 2020, B Lab UK "saw a dramatic acceleration in the number of aspiring B Corps, as companies embraced long-term thinking and stakeholder governance in order to future-proof their business and navigate their way through crises".[138] Perhaps, as Milton Friedman wrote in the preface to his book Capitalism and Freedom (1982), "Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around."[139]

This potted history simply serves to highlight a few events in recent decades, from the perspective of mainstream business, with the aim of providing context to many of the initiatives identified by the Mapping Tool. However, as indicated above, the Impact Economy is a broad landscape and incorporates a range of participants. Whilst this paper does not intend to explore the diverse and innovative landscape of social business, it is important to also acknowledge the influence of social enterprise, and other actors coming from the social business sector and civil society, on the development of the Impact Economy. In the UK context, in particular, there is a long history of social enterprise, with a significant resurgence from the mid-1990s and growing to around 100,000 businesses in the social enterprise movement today, contributing

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[132] Business Roundtable, 'Statement on the Purpose of a Corporation' (n 128).
[133] Robert G Eccles and Leo E Strine and Timothy Youmans '3 Ways to Put Your Corporate Purpose into Action' *Harvard Business Review* (13 May 2020) <https://hbr.org/2020/05/3-ways-to-put-your-corporate-purpose-into-action> accessed 2 July 2021; Robert G Eccles, 'An Open Letter to the Business Roundtable 181' *Forbes* (19 August 2020) <www.forbes.com/sites/bobeccles/2020/08/19/an-open-letter-to-the-business-roundtable-181/?sh=1009ce694001> accessed 2 July 2021.
[134] Ernst & Young Global Ltd. 'Why business must harness the power of purpose' (*EY Global*, 15 December 2020). <https://www.ey.com/en_au/purpose/why-business-must-harness-the-power-of-purpose> accessed 18 April 2021.
[135] Gillian Tett, 'Business faces stern test on ESG amid calls to 'build back better' *Financial Times* (18 May 2020) <www.ft.com/content/e97803b6-8eb4-11ea-af59-5283fc4c0cb0> accessed 28 May 2021.
[136] Younger others, 'Enacting Purpose within the Modern Corporation: A Framework for Boards of Directors' (n 23) 8-9.
[137] For example, the slogan 'build back better' has been taken up as a call to action by a range of different organisations, including: the UK campaign group, Build Back Better, coordinated by Green New Deal UK; in government, such in HM Treasury's report, 'Build Back Better: our plan for growth'; and business sector participants such Peter Bakker, President and CEO of the World Business Council for Sustainable Development, and John Elkington, Executive Chairman and Co-Founder of Volans, in their recent article for the World Economic Forum: 'To build back better, we must reinvent capitalism. Here's how'.
[138] B Lab UK, 'Growth and Momentum' (n 117).
[139] M Friedman and RD Friedman, *Capitalism and Freedom* (40th Anniversary edn, University of Chicago Press 1982).

£60bn to UK GDP.[140],[141] Therefore, there is an established tradition of embedding social and environmental impact into business, beyond the approaches to mainstream business, on which actors within the Impact Economy can draw.

To further explain the embedding of purpose-beyond-profit in the context of UK-based policy development in particular, thus providing the necessary context to the Mapping Tool, it is helpful to look specifically at elements of contemporary UK law. In particular, there are mechanisms that have played an important role in facilitating the development of companies that eschew shareholder primacy and integrate social and environmental impact into commercial strategy.

ii. UK legal and regulatory development underpinning purposeful business

1. Companies

The typical starting point for considering the legal structure of a business in the UK is the company limited by shares. Under UK company law, the default position is that companies have an unrestricted purpose and can undertake any activity within the law.[142] The overarching duty of directors is to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members (shareholders) as a whole. This is enshrined in section 172 of the Companies Act 2006 ("**section 172**"), which purports to codify the overarching "**fiduciary duty**" of directors, owed to the company itself.

The development of the concept and practice of fiduciary duty, in the context of purpose-driven business and responsible investment, is a key theme of the Mapping Tool, described in more detail below.[143] A fiduciary is a person who holds a position of trust or confidence, typically in relation to property or assets, with respect to someone else, and who is, due to the fiduciary relationship, obliged to act solely for that person's benefit.[144] Fiduciary duties arise in a variety of situations, but most relevant in this context are the fiduciary relationships between a director and the company, and an investor who invests for the benefit of another and that beneficiary.

Subsection 172(1) of the Companies Act 2006 purports to codify the concept of 'enlightened shareholder value'.[145] By default, in pursuing the success of the company for the benefit of the shareholders, the directors "have regard" to a number of factors, including the long-term consequences of a decision, the interests of the company's employees and the impact of the company's operations on the community and the environment.[146] This drafting was intended to reflect the wider expectations of responsible business behaviour, but ultimately operates to prioritise the interests of the shareholders over other stakeholders.[147],[148]

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[140] 'What is the history of social enterprise?' (Social Enterprise UK). <www.socialenterprise.org.uk/faq/> accessed 10 March 2021.
[141] Claire Mansfield and Dan Gregory, 'Capitalism in Crisis: Transforming our economy for people and planet' (Social Enterprise UK, 2019) 3. <www.socialenterprise.org.uk/wp-content/uploads/2019/11/Capitalism-in-Crisis.pdf> accessed 30 May 2021.
[142] Companies Act 2006, s 31 <www.legislation.gov.uk/ukpga/2006/46/section/31> accessed 9 June 2021.
[143] Please see section 4(b), '*Understanding the themes represented in the map*'.
[144] M Haley and L McMurtry, *Equity and Trusts: Textbook Series* (6th edn, Sweet & Maxwell 2020) [13-022].
[145] Explanatory Notes to Companies Act 2006 (n 74) paras 325-332.
[146] Companies Act 2006, s 172.
[147] Explanatory Notes to Companies Act 2006 (n 74) para 326.
[148] Palombo (n 29) 8-10; The British Academy, 'Principles for Purposeful Business' (n 24) 20-21.

Importantly, in the context of this paper, section 172 provides the option to specify in the articles of association, the company's main constitutional document, a purpose for the company by setting out its 'objects'. Under subsection 172(2) of the Companies Act 2006, this specification of the company's purpose modifies the duty of the directors set out in subsection 172(1), so that the directors must instead act in the way they consider, in good faith, would be most likely to promote the achievement of the stated purpose. The fiduciary duty of the directors (as codified in statute) is therefore, effectively, reshaped by the specification of the company's purpose in the articles of association.

This legal mechanism is utilised by practitioners when advising social enterprises, B Corps and other purpose-driven businesses in the UK, using a limited company structure, to constitutionally embed their purpose-beyond-profit,[149] thereby putting their purpose at the heart of the company and the directors' responsibilities.[150] The specific hierarchy of interests between the shareholders and other stakeholders will depend on how the purpose-beyond-profit is drafted in the articles of association. As discussed above, for example, typically a social enterprise will give priority to its social purpose, whereas the legal requirement for B Corp certification in the UK prescribes at least a balance between the interests of shareholders and the achievement of positive social and environmental impact.[151]

It may seem difficult to reconcile the different strands of development in this space, and the terminology used. As noted above, it may help to acknowledge the development of this space from the perspectives of different movements. For example, for social enterprises, B Corps and other purpose-driven businesses in the Impact Economy that have utilised the mechanism in subsection 172(2) of the Companies Act 2006, 'purpose' may more naturally be understood in the context of the constitutional framework for the business and, therefore, the purpose-beyond-profit as the main lens for governance. However, discussion in mainstream business of the company's 'purpose' will not necessarily contemplate the constitutional embedding of purpose, described above, and may assume a foundation of shareholder primacy and enlightened shareholder value.

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[149] For discussion on the use of this legal mechanism with B Corps, see: Luke Fletcher and James Perry, 'Towards an inclusive economy. Why company purpose holds the key' (Briefing Note No. 1, British Academy 2016)'. <https://bateswells.co.uk/app/uploads/2022/04/Towards-an-Inclusive-Economy-briefing-note.pdf> accessed 27 April 2022; B Lab, 'The 'Legal Requirement' for a B Corp in the UK – An Explanation' (B Lab 2018), accessed via B Lab, 'Meeting the legal requirement' (n 80). For discussion on the use of this legal mechanism with social enterprise, see: Thomson Reuters Foundation and Morrison & Foerster and UnLtd, 'Social Ventures: Which legal structure should I choose? A Guide for Social Entrepreneurs in England and Wales' (Thomson Reuters Foundation, November 2016) 48-50. <www.trust.org/contentAsset/raw-data/fb362caf-6795-4f23-aa20-212b9654e877/file> accessed 10 September 2021. For data on the use of limited companies as a legal structure for social enterprise, see: Mansfield and Gregory (n 141) 12-13. For more general discussion on the use of this legal mechanism by businesses to embed purpose-beyond profit, see: Pizzey, Boyd and Brown, 'What is holding purpose-driven business back? Discussion paper' (n 8) 28–33.

[150] Whilst we acknowledge that there are a number of legal structures available in the UK for purpose-driven businesses to consider, consideration of these options is outside the scope of this research paper. We focus here on the operation of section 172 of the Companies Act 2006 because this provision is relevant to companies across the UK.

[151] Social Enterprise UK, 'What makes a social enterprise a social enterprise?' (Social Enterprise UK, April 2012). <www.socialenterprise.org.uk/wp-content/uploads/2019/02/What_makes_a_social_enterprise_a_social_enterprise_April_2012-1.pdf> accessed 3 June 2021); 'United Kingdom Company Limited by Shares Legal Requirement' (B Lab 2022). <www.bcorporation.net/en-us/legal-requirement/country/united-kingdom/corporate-structure/company-limited-by-shares/> accessed 04 January 2022; 'The legal requirement for Certified B Corporations' (B Lab 2022). <www.bcorporation.net/en-us/about-b-corps/legal-requirements> accessed 04 January 2022.

For example, the Financial Reporting Council's ("**FRC**") UK Corporate Governance Code 2018 (the "**Code**") is applicable to all companies with a premium listing of equity shares in the UK. The Code contains a section on "*Board leadership and company purpose*" and states that "the board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned".[152] The FRC's Guidance on Board Effectiveness, which reflects the Code, states that a 'company's purpose is the reason for which it exists and that it is the board that is responsible for setting and reconfirming the company's purpose'.[153],[154] The Code does not describe 'purpose' by reference to legal objects of the company in the constitution. The Code uses the term 'purpose' as inclusive of the role that business plays in society and the nature of its responsibilities to stakeholders other than shareholders. The Code's introduction brought into the governance regime, for some of the largest listed businesses in the UK, an emphasis on company purpose, the long-term sustainability of the company and the businesses' impact on wider stakeholders.

The Code also discusses the recently introduced legislative requirement for the boards of all large public and private companies to produce a 'section 172(1) statement' as part of the company's strategic report.[155] The purpose of the statement is to show how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duty under section 172, including the impact of the company's operations on stakeholders such as the community and the environment, and the interests of employees. Arguably, such measures and the ongoing work of institutions such as the FRC, the British Academy and others represented in the Mapping Tool may help to connect different approaches to corporate purpose, including between mainstream business and the purpose-driven business movements, by bringing greater focus on purpose, long-term sustainability and wider stakeholder interests. Currently, the Mapping Tool identifies initiatives and policy developments that span across these different actors and perspectives.

In terms of future developments, in early 2021 B Lab UK and a coalition of businesses, which currently number more than 950, launched the **Better Business Act campaign** (found here on the Mapping Tool).[156] The central pillar of the campaign is a proposed Bill to replace section 172. If adopted, the new company law provisions aim to create a more sustainable foundation for all companies in the UK, by making the default purpose of the corporation the pursuit of shareholder value *and* positive social and environmental impact creation, as well as the reduction of negative impacts. Effectively, it would no longer be optional for companies to integrate the creation of positive social and environment impact into their commercial strategy.

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152 Financial Reporting Council, '*The UK Corporate Governance Code*' (July 2018) ch1. <www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf> accessed 2 December 2021.

153 Financial Reporting Council, '*Guidance on Board Effectiveness*' (July 2018) ch 1(12). <www.frc.org.uk/getattachment/61232f60-a338-471b-ba5a-bfed25219147/2018-guidance-on-board-effectiveness-final.pdf> accessed 2 December 2021.

154 Note also that the FRC's Financial Reporting Lab describes 'purpose' as what "Explains how the company generate benefits for its members through economic success whilst contributing to inclusive and sustainable growth", in its report, 'Business model reporting; Risk and viability reporting: Where are we now?' (Financial Reporting Council, October 2018) 7. <www.frc.org.uk/getattachment/43c07348-e175-45c4-a6e0-49f7ecabdf36/Business-Models-Lab-Implementation-Study-2018.pdf> accessed 9 June 2021.

155 The Companies (Miscellaneous Reporting) Regulations 2018, SI 2018/860, Regulation 4. <www.legislation.gov.uk/uksi/2018/860/regulation/4/made> accessed 21 June 2021.

156 Based on the number stated on the campaign website on 4 March 2022, but which may be updated over time (https://betterbusinessact.org/).

2. Investment

As noted above, one of the key themes reflected in the Mapping Tool is the development of fiduciary duty in the context of integrated social and environmental impact in business (considered above, in the context of section 172 of the Companies Act 2006), and also in investment decisions. It may be helpful to provide some further explanation of this latter aspect, in order to provide context to the initiatives categorised under this theme in the Mapping Tool. There are different types of investment decision-maker who invest on behalf of others; for example, institutional investors such as pension funds. These investment decision-makers can have a fiduciary relationship to the beneficiaries of the investment activities (i.e., the savers, pension-holders), and therefore a duty to act in the interests of the beneficiaries when investing their money. Investors' fiduciary duties allow discretion in choosing investments, but the scope of that discretion can be prescribed by a range of factors, including the beneficiary's own specifications and the legislative framework applicable to the type of investment.[157]

Taking a cross-jurisdictional view, the Principles for Responsible Investment Association ("**PRI**") and UN Environment Initiative Finance Programme's joint report, "*Fiduciary Duty in the 21st Century*" (found on the Mapping Tool, here), states that fiduciary duty "is not a static concept. It evolves and adjusts in response to changes in knowledge, market practices and conventions, regulations and policies, and social norms". The report describes a "dramatic change in the investment landscape in recent years": that the "integration of environmental, social and governance issues into investment practices and processes, and into company engagement is increasingly seen as established practice".[158] The report also states that within the 50 largest global economies there are more than "730 hard and soft law policy revisions across the 500 policy instruments that support investors in their consideration of long-term value drivers, including ESG factors" and that, of the 'legal instruments identified in the PRI's database, 97% were developed after 2000'[159]. Although the report explains that approaches to implementation and enforcement vary between jurisdictions, in the UK it is evident that environmental and social factors that are *financially material* to the investment should be considered.[160]

In particular, large institutional investors, such as pension funds, are often described as "**Universal Owners**", due to their having large, highly diversified portfolios across global markets; they are, therefore, exposed to the unpriced, externalised costs of systemic crises such as the climate and biodiversity emergency.[161] In addition, operating at scale and across the market, Universal Owners' investment decisions and stewardship role could, particularly when acting collectively, have substantive influence in determining what business activities and, therefore, what environmental and social impacts are funded. Recent work has considered the legal framework in relation to pension fund trustees' fiduciary duties in the context of engaging with social and environmental impact in investment decisions.[162] The paper explains that not only can a 'financially positive case frequently be made for impacting investing', but also that the case law underpinning investor duties "shows that "maximising returns" is usually not the most

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157 R Sullivan and others, 'Fiduciary Duty in the 21st Century: Final Report' (Principles for Responsible Investment Association and the UN Environment Initiative Finance Programme 2019) 10. <www.unpri.org/download?ac=11972> accessed 22 April 2021.
158 Ibid 12.
159 Ibid 13-16.
160 Law Commission, *Fiduciary Duties of Investment Intermediaries* (Law Com No 350, 2014) paras 6.24 – 6.33; R Sullivan and others (n 157) 47-49.
161 Principles for Responsible Investment and UNEP Finance Initiative, 'Universal Ownership: Why environmental externalities matter to institutional investors.' (23 April 2021) 6-9. <www.unpri.org/download?ac=5875> accessed 2 December 2021.
162 Bates Wells and others, 'Impact investing by pension funds: Fiduciary duty – the legal context' (Impact Investing Institute, October 2020). <www.impactinvest.org.uk/wp-content/uploads/2020/11/Impact-investing-by-pension-funds-Fiduciary-duty-%E2%80%93-the-legal-context.pdf> accessed on 23 April 2021.

appropriate view, especially when considered over the long term, balanced against the need to control risks, and taking account of the scheme's wider circumstances …".[163],[164]

The paper sets out that "impact factors" may often be necessary considerations within the various nuanced aspects of investment decision-making, such as mitigating financial risk by reference to investees' social and environmental impact; the paper cites the example of fashion brand Boohoo, which in 2020 lost share value over social impact concerns in its supply chain.[165] Similarly, the paper highlights that the pension trustee's duty to act in a prudent manner may necessitate taking action in response to impact factors, such as the climate and ecological emergency, with a failure to do so potentially placing "the capital value of their existing investment portfolios at risk, especially in the event of the future devaluation of carbon-intensive and other assets in the wake of sudden public policy responses, which seem increasingly likely".[166]

The papers described above indicate that we are at a point of development in our understanding of fiduciary duties in the mainstream investment context, particularly in how we understand the systemic nature and wider range of the impacts of investment activity, particularly over a long-term investment horizon. In terms of future development, ShareAction's proposed **Responsible Investment Bill** (found here, on the Mapping Tool), which focuses on institutional investors, provides one example of a possible next step in the evolution of fiduciary duties in this context. The proposed Bill's provisions require investors with fiduciary duties to balance the interests of present and future beneficiaries and, in doing so, to have regard (amongst other matters) to the long-term consequences of the investment and its impact on the economy, communities and the environment. The explanatory notes to the proposed Bill explain that this is intended to reflect that, in accordance with the purpose of a pension fund, a person's "best interests are not only financial, but also depend upon the opportunity to live in a healthy, stable, secure society and environment".[167]

c. What is Imperative 21 and what are the Imperatives?

Finally, in terms of setting the scene for the Mapping Tool, it is helpful to explain the 'Imperatives' in more detail, as an additional lens for interrogating this policy space. As noted above, the Imperatives were created by Imperative 21, which is a business-led network representing more than 70,000 businesses, that believes that the imperative of the 21st century is to RESET our economic system to create shared wellbeing on a healthy planet. Imperative 21 is stewarded by network bodies including B Lab (the certifying body for B Corps), The B Team (co-founded by Sir Richard Branson[168]), Chief Executives for Corporate Purpose (also known as CECP), Common Future and The Global Impact Investing Network ("**GIIN**"),[169] each of which represent their own networks of organisations pursuing common, impact-focused goals.

The Imperative 21 campaign posits that a 'RESET' of our economic system requires integrated activities to drive behavioural, cultural, and structural change. The Imperative 21 network aims to support leaders to 'accelerate their transition to stakeholder capitalism, shift the cultural narrative about the role of business

163 Ibid 6.
164 Ibid 11.
165 Ibid 13.
166 Ibid 16.
167 ShareAction, 'The Change We Need: Model legislation to promote responsible long-term investment by institutional investors' (ShareAction 2020) 6. <https://api.shareaction.org/resources/reports/Responsible-Investment-Bill-briefing.pdf> accessed 23 April 2021.
168 'Our history' (The B Team) <https://bteam.org/who-we-are/our-history> accessed 28 May 2021.
169 'About the network' (Imperative 21). <www.imperative21.co/about-the-network/> accessed 6 May 2021.

and finance in society, and realign incentives and facilitate a supportive public policy environment'.[170] Central to this campaign is the framework, or guiding principles, provided by the Imperatives.

The Imperatives of Imperative 21 are: "Account for Stakeholders"; "Invest for Justice"; and "Design for Interdependence".

Mapping against the Imperatives in the Mapping Tool provides a unique opportunity to ground the various policy and industry initiatives in the Impact Economy in the context of a centralising force, specifically the RESET agenda. Additionally, Imperative 21 avails a 'movement of movements' approach[171] to advance stakeholder capitalism and corporate purpose-beyond-profit, drawing together common themes and intentions occurring within the policy activity and initiatives represented in the Mapping Tool. We therefore set out, below, a more detailed account of the Imperatives framework, which we refer to in our analysis of the policy initiatives and activities represented in the Mapping Tool.

Account for Stakeholders

Accountability is crucial to an economic system that serves people and stewards our natural resources for future generations. Business needs to be accountable to all of its stakeholders, from workers to investors to local communities, balancing diverse interests and reporting on its choices and progress. Accountability to all stakeholders will require the reset of the purpose and principles of many businesses alongside common metrics that support the realisation of sustainable and ambitious corporate purpose and principles into targeted action. Wellbeing and a thriving planet need to be valued alongside financial returns. Metrics must therefore reflect the totality of financial, social, and environmental performance.[172]

Account for Stakeholders Principles:

- Measure success based on credible common metrics of sustainable value creation for all stakeholders;
- Create incentives that reward business and investments creating social and environmental value;
- Enhance standards of fiduciary duty.

Invest for Justice

Rising inequality is perhaps the most visible sign of our broken economic system. In order to achieve economic system change, our goal must be to target all forms of inequity, including racial and ethnic injustices. We need healthy jobs that offer a living wage and meet basic needs of health, education and wellbeing. To achieve this, we have to create and invest in pathways for people to achieve their full potential. Ownership and investment need to become more accessible, creating greater influence and power for people currently excluded from opportunities and markets. Financial inclusion is a critical component of an inclusive economy that serves all people.[173]

Invest for Justice Principles:

- Remove structural inequality;
- Ensure leadership and ownership are more inclusive, and investment more accessible;
- Use technology to advance democratic ideals and human rights;
- Promote greater voice, power and opportunity for those currently marginalized.

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[170] Imperative 21, 'The Imperatives' (n 2).
[171] University of Oxford, Skoll Centre for Social Entrepreneurship, 'Movement of Movements' (n 3).
[172] Imperative 21, 'The Imperatives' (n 2).
[173] Ibid.

Design for Interdependence

People everywhere need an economic system that is balanced, reflecting both human and planetary needs. Designing an economy that reflects the interdependence of all living things means the health of all benefits all. With interdependence at the heart of our design principles, our economic system will focus on the wellbeing of every person and the viability of our natural world. This interdependent economic system will help us realise the Sustainable Development Goals, the global community's agreed ambitions for 2030.[174]

Design for Interdependence Principles:

- Recognise the interdependence of healthy people, planet, and economies;
- Balance the relationships between the private sector, government and civil society;
- Ensure that everyone has access to free and fair markets.

[174] Ibid.

4. The Mapping Tool

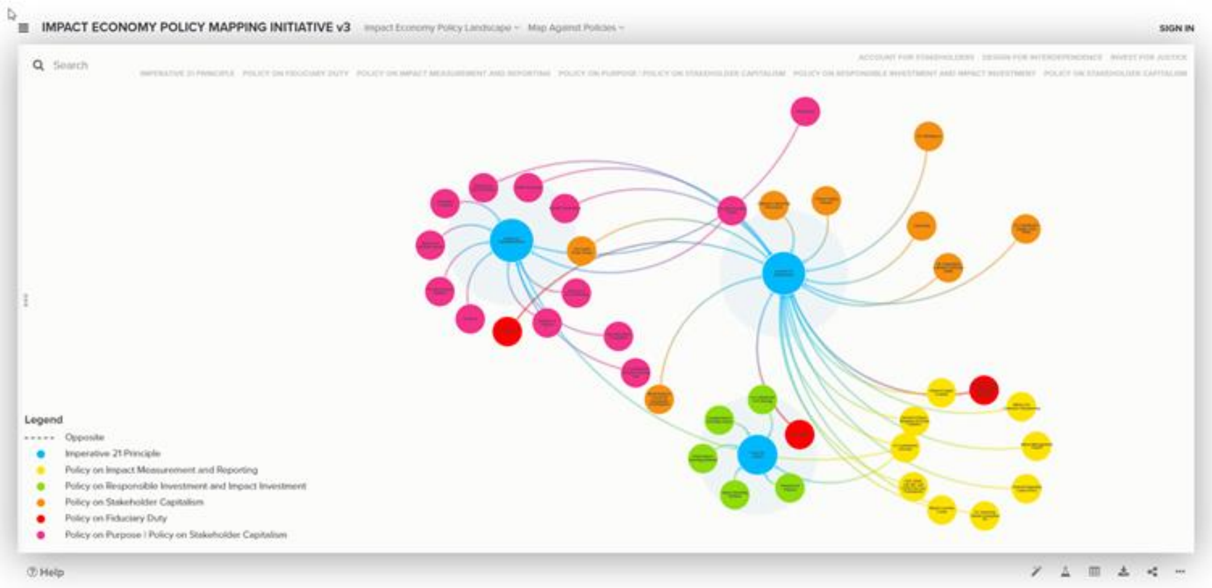

Figure 5. Landing page of the Impact Economy Policy Mapping Initiative platform (Shirah Z Mansaray, 2020).[175]

a. Describing the policy landscape

Within this backdrop of the development of the Impact Economy and the available legal and other frameworks that underpin it, the visual display of the Mapping Tool highlights that the current UK policy agenda is fragmented and still in early phases of development. For instance, there are varying policy initiatives relating to the role of purpose-beyond-profit in business and campaigns for stakeholder capitalism, to develop a form of capitalism that accounts for the needs and interests of a broader range of stakeholders, such as the Imperative 21 RESET campaign. However, the policy asks, policy activity and policy direction are fragmented across different groups and organisations. From the Mapping Tool, we can see that the biggest clusters of policy activity are policies advancing purpose-driven business and stakeholder capitalism.[176] Representing 21 different policy initiatives and organisations out of a total of 41, it is evident that purpose-driven business and stakeholder capitalism are prominent policy agendas in the Impact Economy. By contrast, in accordance with our approach to categorisation, the least numerous in the Mapping Tool are initiatives that relate to the development of the concept and practice of fiduciary duty in this context, of which there are 3.

Drawing on the information presented in the Mapping Tool, and other research and materials, the section below discusses the various opportunities presented by the surge of businesses and policy initiatives focusing on purpose-driven business.

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[175] Mansaray (n 11).
[176] Please refer to the orange and pink coloured policy initiatives on the Mapping Tool.

Notably, in 2020, ReGenerate produced a white paper on "*The case for purpose-driven business*", which purports to show how having a "purpose-beyond-profit" not only helps companies make a difference, but is also more likely to make them sustainable and successful.[177] This paper was produced in the midst of a global pandemic and underscored the need for businesses to 'think deeply about how, by their very existence, they can make the world a better place, from improving the lives of those who work for or buy from them to the way they treat their supply chain and the environment'.[178] Numerous academics and industry experts have called for a 'radical reformulation of our notions of business, its roles and responsibilities, and the way it operates, to promote stakeholder capitalism and a renewed vision of how the corporation can create both economic and social wellbeing, and how regulatory and tax regimes can enable this change'.[179]

In 2016, Harvard Business Review (HBR) released research that highlighted a "sustainability business case for the 21st century corporate executive".[180] Today's executives are dealing with a complex and unprecedented mix of social, environmental, market, and technological trends which require sophisticated, sustainability-based management. Evidently, embedding sustainability efforts can result in a positive impact on business performance and the research article provides concrete examples of how sustainability benefits the bottom line. For instance, by driving competitive advantage through stakeholder engagement and improving risk management and financial performance of the business. Emerging industry and scholarly research confirm that employees are focusing more on mission, purpose, and work-life balance than in previous years.[181] Subsequently, companies that invest in sustainability initiatives can improve company culture and employee engagement. In addition, the HBR research article states that companies that embed sustainability in their core business strategy treat employees as critical stakeholders, and just as important as shareholders.[182] By investing in its stakeholders "a company doesn't reduce investors' slice of the pie, as assumed by some CEOs – it grows the pie, ultimately benefiting investors".[183]

In 2020, HBR released research highlighting that social-impact efforts that create real value must be woven into company strategy.[184] By homing in on five key recommendations, the article emphasises that "companies do not win over investors just by issuing sustainability reports and engaging in other standard ESG practices but need to integrate ESG efforts into strategy and operations".[185] These five recommendations are:

> "Identify the material issues in your industry and develop initiatives that set your firm apart from rivals; create accountability mechanisms to ensure the board's commitment; infuse the whole organization with a sense of purpose and enthusiasm for sustainability and good governance; decentralize ESG

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[177] Ed Boyd and others, 'The Case for Purpose Driven Business' (ReGenerate Trust July 2020). <https://www.re-generate.org/s/regenerate-the-case-for-purpose-driven-business.pdf> accessed 2 December 2021.
[178] Ibid 5.
[179] Mayer, (n 49).
[180] T Whelan and C Fink, 'The Comprehensive Business Case for Sustainability', *Harvard Business Review* (21 October 2016) < https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability> accessed 2 December 2021.
[181] Natalie Chladek, 'Why you need sustainability in your business strategy' *Harvard Business School,* (6 November 2019) <https://online.hbs.edu/blog/post/business-sustainability-strategies> accessed 2 December 2021.
[182] Whelan and Fink (n 180).
[183] Alex Edmans, 'How great companies deliver both purpose and profit' (*London Business School,* 31 October 2019) <https://www.london.edu/think/how-great-companies-deliver-both-purpose-and-profit> accessed 2 December 2021.
[184] George Serafeim, 'Social-Impact Efforts that Create Value' *Harvard Business Review* (September-October 2020) <https://hbr.org/2020/09/social-impact-efforts-that-create-real-value> accessed 2 December 2021.
[185] Ibid.

activities throughout your operations; and communicate regularly and transparently with investors about ESG matters".[186]

Similarly, investors seeking to support the Triple Bottom Line or investments that bring a more comprehensive set of risks into focus could consider B Corps. A report written by Yale in partnership with Patagonia and Caprock entitled "*Just Good Business: An Investor's Guide to B Corps*" explores the distinct financial value offered by certified B Corps and Benefit Corporations.[187] Indeed, B Corps avail a distinct financial value that continues to highlight the importance and efficacy of the Impact Economy in promoting businesses models that balance profit making with positive social impact. Noticeably, certified B Corps in the UK are growing **28 times faster** than the national economic growth of 0.5% and leading B Corp FMCG brands grew **on average 21%** in 2017, compared to a national average of 3% across their respective sectors.[188] Similarly, researchers at the School of Management at SUNY Binghamton found that certified B Corps had an impressive **51% revenue growth rate during the 2008 financial crisis**.[189]

Additionally, the 'Business of Purpose' website features statistics and further resources that underscore the financial value attained by purpose-driven businesses.[190] For instance, according to Kantar's Purpose Study, purpose-led brands had seen their **valuation surge by 175%** over the past 12 years, versus a growth rate of just 70% for brands uncertain of their role.[191] Likewise, The Global Leadership Forecast 2018 by DDI World found that purposeful companies **outperform the market by 42% financially** and an Interbrand study found that brands with a purpose set on improving our quality of life **outperform the stock market by 120%**.[192],[193] Markedly, purpose-driven enterprises witness higher revenue growth as evidenced by Babson professor and Whole Foods advisor, Raj Sisodia's, study of 28 companies from 1996-2013, which concluded that **purpose-driven enterprises grew by 1681%** compared to the S&P 500 average of 118%.[194] Subsequent studies reveal similar trends; for instance, in 2018, Unilever's Sustainable Living Brands **grew 69% faster** than the rest of the business, compared to 46% in 2017.[195]

However, despite the above evidence that corroborates the far-reaching benefits of purpose-led businesses, there are still barriers to entry as well as sustained discourse between shareholder primacy and stakeholder capitalism.

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[186] Ibid.
[187] Alex Buerkle and Kylee Change and Max Storto, 'Just Good business: An Investor's Guide to B Corps' (Yale Center for Business and the Environment, Patagonia Inc, and Caprock Group 2018). <https://cbey.yale.edu/sites/default/files/2019-09/Just_Good_Business_An_Investors_Guide_to_B_Corps_March_2018_0.pdf> accessed 2 December 2021.
[188] 'B Corp Analysis Reveals Purpose-Led Businesses Grow 28 Times Faster Than National Average' (*Sustainable Brands*, 1 March 2018) <https://sustainablebrands.com/read/business-case/b-corp-analysis-reveals-purpose-led-businesses-grow-28-times-faster-than-national-average> accessed 2 December 2021.
[189] Buerkle, Change and Storto (n 187) 7.
[190] 'Statistics' (Business of Purpose). <www.businessofpurpose.com/statistics> accessed 2 December 2021.
[191] Kantar Consulting, 'Purpose 2020: The journey towards purpose-led growth' (Kantar Group 19 May 2018) 9. <https://kantar.no/globalassets/ekspertiseomrader/merkevarebygging/purpose-2020/p2020-frokostseminar-250418.pdf> accessed 17 February 2022.
[192] Evan Sinar and others, 'Global Leadership Forecast 2018' (Development Dimensions International, Inc., The Conference Board Inc., EYGM Limited 2018) 10. <https://media.ddiworld.com/research/global-leadership-forecast-2018_ddi_tr.pdf> accessed 2 December 2021.
[193]Interbrand, 'Best Global Brands 2017' (Interbrand 2018) 9. <www.interbrand.com/wp-content/uploads/2018/02/Best-Global-Brands-2017.pdf> accessed 2 December 2021.
[194] Raj Sisodia and David B Wolfe and Jag Sheth, *Firms of Endearment* (1st edn, Pearson Education 2014).
[195] 'Unilever's purpose-led brands our perform' (Unilever PLC/Unilever NV 11 June 2019) <www.unilever.com/news/press-releases/2019/unilevers-purpose-led-brands-outperform.html> accessed 2 December 2021.

A recent report produced by ReGenerate entitled "*What is holding purpose-driven business back?"* discusses the systemic foundations that are restricting the growth and development of purpose-driven business.[196] ReGenerate conducted a thorough review of past studies on how such business can be supported and interviewed stakeholders from the government, investment, entrepreneurial and established business communities, uncovering four key barriers for purpose-driven businesses.

Firstly, identification is a barrier, because it can be difficult to identify purpose-driven businesses as revealed by a poll that showed only 10% of the public find it easy to identify them. Secondly, incorporation, as it is not clear how a company can be legally set up in a manner consistent with being purpose-driven or protection of purpose. Thirdly, investment, as purpose-driven companies can find it difficult to get purpose-aligned investment where data shows that only one percent of private investment into UK companies came from impact funds last year, and this is not growing relative to general investment growth. Fourthly, impact measurement, as it is hard for companies to prove to consumers and investors that they are having a positive impact on society and the environment where the measurement landscape is vastly complicated with a magnitude of conflicting metrics and frameworks.

Relatedly, there are barriers that impact an organisation's ability to efficiently and effectively become sustainable, as highlighted by Future Learn.[197] For instance, the competing priorities of managers where profit and growth are prioritised over environment and human capital, and a senior leadership group that is not leading the change or not committed to change. Furthermore, there is a lack of capital to invest in new ways of design and managing operations alongside failures to keep up with technological innovations.

In addition, practitioners have commented on the lack of recognised legal structures in the UK which support purpose-driven business, critiquing the default position of shareholder primacy under section 172 of the Companies Act 2006. Firstly, that subsection 172(1) Companies Act 2006 encourages directors to consider other stakeholders when making decisions, but this can only be in the course of pursuing the success of the company for the benefit of the members (as discussed above, representing an enlightened shareholder value approach). Therefore, when deliberating an option that could be less advantageous to the shareholders in favour of, for example, better environmental impact, directors may consider that their overarching duty, to further the success of the company for the benefit of the shareholders, obligates them not to pursue that option. Even in situations where directors arguably have more leeway to consider other stakeholder interests in accordance with subsections 172(1)(a)-(f), they may err on the side of caution for fear of breaching their duty to the company, to create benefit for the shareholders. Thus, arguments have been made for changing the law so that section 172 provides for mandatory balancing of stakeholder interests (including shareholders), similar to the B Corp model.[198]

Similarly, subsection 172(2) Companies Act 2006 is the provision that allows for constitutional embedding of a purpose other than the default of shareholder primacy. This mechanism is available to all companies, albeit that the explanatory notes to the Companies Act 2006 explain this provision only in terms of altruistic ventures, such as charitable companies.[199] Thus, a number of policy initiatives represented in the Mapping Tool call for government and regulatory authorities to play a marked role in educating companies on the

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[196] Pizzey, Boyd and Brown (n 8) 19-62.
[197] 'Barriers to Change' (Future Learn 2017) <www.futurelearn.com/info/courses/sustainable-business/0/steps/78335> accessed 2 December 2021.
[198] 'Resources' (Better Business Act). <https://betterbusinessact.org/faq-and-resources/> accessed 13 May 2021. Please see, in particular, 'Why is this different from the current Section 172, which already enables companies to take account of a broader group of stakeholders? Why the need for a BBA?'.
[199] Explanatory Notes to Companies Act 2006 (n 74) para 330.

opportunity presented by subsection 172(2) to embed purpose-beyond-profit.[200] Furthermore, having a constitutionally embedded purpose, rather than just a general statement / marketing statement about purpose, may present challenges when seeking investment because purpose-driven business is relatively new to the mainstream. Therefore, some practitioners indicate that more information needs to be made available for professional advisors and investors about what having a purpose-beyond-profit means in practice (for example, in relation to investor expectations, the business' bottom line and its societal impact).[201]

Indeed, there is an urgent policy need for greater coalescing and understanding of policy opportunities that address the above barriers and challenges to advancing purpose-driven business. Policy initiatives in this space need to advance and, more importantly, different groups and organisations should convene to support policy initiatives where interests align.[202] The policy goal of the Mapping Tool and this research paper is to recognise the network effect of policies in the Impact Economy space and underscore the need for greater collaboration and partnerships amongst all network actors. Additionally, this network effect necessitates a systems approach to policy development in order to achieve a coherent and organised Impact Economy ecosystem.

The UK is home to many organisations actively advocating for systems change; for new economic frameworks and a re-imagining of market concepts, such as capitalism. For example, the participants of UK 21, a regional network inspired by Imperative 21, share the same principles and are working towards an economic system in service of society.[203] Furthermore, Imperative 21 states that "our current economic system rewards maximizing wealth over wellbeing and prioritizes individualism over interdependence".[204] Therefore, there is an opportunity to reimagine and redesign our economy and policy makers and advisors can take the lead by realigning incentives and facilitating a supportive public policy environment.[205]

b. Understanding the themes represented in the map

Thus far, this paper outlines some of the types of actors in the Impact Economy space that pursue purpose-beyond-profit as a core part of commercial strategy, and explores some of the relevant terminology. It also provides description of some of the history and UK-based legal aspects of the development of profit-with-purpose business. And it also attempts to position the Impact Economy relative to more mainstream conversations around corporate purpose and stakeholder capitalism. This is intended as helpful context and background to the major themes identified in the Mapping Tool. These themes help us to understand the development of this space, and to categorise and identify the initiatives presented within the Mapping Tool. The themes are set out in the Mapping Tool as a means by which to see areas of alignment and divergence, and areas of deep work or that have received less attention. However, before analysing what the Mapping Tool shows us, there is a need to clearly identify and explain the significant interrelationship between the different themes, and the nature of their co-development.

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200 Advisory Panel to the Mission-led Business Review, 'On a Mission in the UK Economy' (n 26) 25-27; Pizzey, Brown and Boyd, 'Helping purpose-driven business thrive' (n 27) 27-28.
201 Advisory Panel to the Mission-led Business Review, 'On a Mission in the UK Economy' (n 26) 24; Pizzey, Boyd and Brown, 'What is holding purpose-driven business back? Discussion paper' (n 8) 44-46.
202 For example, the collaborative movements and their key organisations that are shaping momentum in this space include: Imperative 21, B Lab, the UK's Impact Investing Institute, the Impact Management Project, and the social enterprise movement and related sectoral organisations such as Social Enterprise UK.
203 'UK21' (UK21). <www.uk21.org> accessed 21 June 2021.
204 'Our economic system is broken. It's time to reset.' (Imperative 21). <www.imperative21.co> accessed 7 June 2021.
205 Imperative 21, 'About the network' (n 169).

For instance, a development in 'policy on fiduciary duty' in this context is intrinsically linked to a development in 'policy on stakeholder capitalism'. Broadly, investors with fiduciary duties and company directors must consider whether and, if so, how the purpose of the venture may define their fiduciary duties. They need to consider the extent to which those duties then require the interests of key stakeholders, such as employees, affected communities and the environment, into be incorporated into decision-making. Similarly, as campaigns and initiatives, such as Imperative 21, call for a move to an economy based on stakeholder capitalism, they effectively call for us to reconsider the purpose of business in society (the theme of 'policy on corporate purpose'), and how aspects of the relevant legal frameworks, such as fiduciary duties, support or hinder this evolution. Business activity is fuelled by investment and, therefore, the Mapping Tool's theme of 'policy on responsible investment and impact investment' naturally reflects and influences the other themes. The Mapping Tool's themes, explained further below, are all dimensions of the same ongoing, systemic evolution.

i. Theme 1: Policy on purpose

The Mapping Tool's theme of 'Policy on purpose' aims to help the user identify policy papers, white papers, research and other types of reports that add to our understanding of corporate purpose-beyond-profit and the further development and growth of profit-with-purpose business, and the ecosystem that is necessary to support that development. The theme of corporate purpose is intimately connected to the theme of stakeholder capitalism, because defining a company's purpose "necessitates identifying and creating accountability to a firm's stakeholders".[206] Furthermore, this interconnection has been categorised on the Mapping Tool and visually represented via the label "Policy on purpose | Policy on stakeholder capitalism". This is to acknowledge that whilst the concept of corporate purpose differs from that of stakeholder capitalism, there is scope for certain policy initiatives to fall under both stakeholder capitalism and purpose. In order to present an objective view of this correlation and acknowledge the evolving landscape, the Mapping Tool incorporates this joint labelling. However, it is possible to take a subjective view and delineate the two policy themes, but this is outside the scope and purpose of this paper.

ii. Theme 2: Policy on fiduciary duty

As described in previous sections of this paper, where the directors of a UK company are operating under the default (codified) duty in section 172 of the Companies Act 2006, they can "have regard" to other stakeholders' interests.[207] But the directors may ultimately feel obliged to decide in favour of pursuing shareholder value in any situation where the direct interests of the shareholders are not aligned with those other stakeholders' interests[208], or the business' intentions to improve its social or environmental impact. However, where a company's purpose-beyond-profit has been constitutionally embedded under subsection 172(2), the directors' overarching duty is reshaped, enabling the pursuit of that purpose, instead of the default duty under subsection 172(1).

Within the investment context, when investing for the benefit of others, the starting position is that investment decision-makers should take into account *financially material* impact factors; for example, the effect of the climate emergency and the transition to a low-carbon economy on the value of the investments. There are only limited circumstances in which, for example, a pension fund trustee could consider social and environment impact factors in their own right, where they are not also financially

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[206] The British Academy, 'Principles for Purposeful Business' (n 24) 17.
[207] Companies Act 2006, s 172(1).
[208] Palombo (n 29) 8-10; The British Academy, 'Principles for Purposeful Business' (n 24) 20.

material considerations, or take into account non-financial factors that could cause a significant financial detriment.[209] However, alongside applicable legislation, case law and regulation, it is the purpose of the fund (such as set out in a pension fund's trust deed) that helps shape the overarching duty of the investment decision-maker, and therefore what decisions and factors for consideration are permissible.[210]

Unsurprisingly, therefore, discussion of directors' and investors' fiduciary duties is common within the initiatives presented by Mapping Tool, reflecting the close relationship between 'purpose' and the concept and practice of fiduciary duties. However, the Mapping Tool's theme of 'policy on fiduciary duty' is used to identify initiatives that specifically aim to develop the concept and practice of fiduciary duties in the contexts of profit-with-purpose business, stakeholder capitalism and responsible investment, rather than every initiative where fiduciary duties are considered just as part of a broader policy discussion.

iii. Theme 3: Policy on responsible investment and impact investment

This theme on the Mapping Tool identifies those initiatives and policy activities that aim to develop the various aspects of the responsible investment and impact investment movements. As described above, this landscape can be conceptualised on a 'spectrum of capital', with different actors engaging with the social and environmental impact of investments at differing levels of integration.[211]

The PRI defines responsible investment as a "strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership".[212] There are many ways to invest responsibly although approaches are typically a combination of two overarching areas. Firstly, considering ESG issues when building a portfolio, known as ESG incorporation. ESG issues can be incorporated into existing investment practices using a combination of three approaches: integration, screening and thematic.[213] Secondly, improving investees' ESG performance, known as active ownership or stewardship. Investors can encourage the companies they are already invested in to improve their ESG risk management or develop more sustainable business practices.[214]

The GIIN defines impact investment as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return".[215] The expected financial return may be intended to be below the prevailing market rate, at the market rate or above it.[216] Impact investment is distinguished from other forms of investment due to the combination of the expectation of a financial return with the intention to tackle social or environmental challenges, and a commitment to measuring and reporting against the intended social and environmental impact.[217]

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[209] Law Commission (n 160) paras 6.24-6.33, 6.84-6.99; Bates Wells and others (n 162) 6-9.
[210] Law Commission (n 160) paras 5.5-5.57, 6.84-6.99.
[211] For more detailed discussion, please refer above to section 3(a), '*The Impact Economy: what terminology defines this space*'.
[212] 'What is responsible investment?' (Principles of Responsible Investment) <www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article> accessed 2 December 2021.
[213] Ibid.
[214] Ibid.
[215] 'Impact Investing.' (The Global Impact Investing Network) <https://thegiin.org/impact-investing/> accessed 2 December 2021.
[216] 'Financing Solutions for Sustainable Development, Impact Investment' (UNDP 10 June 2016) <http://www.undp.org/content/dam/sdfinance/doc/Impact Investment _ UNDP.pdf> accessed 11 January 2021.
[217] Ibid.

Impact investing is a rapidly growing industry powered by passionate investors who are determined to incorporate impact targets as well as financial returns across all asset classes.[218] This type of investing requires intentionality[219] and an entrenched commitment to impact. However, in recent years the term 'impact investment' has often been "used interchangeably for any investment that incorporates environmental, social, and governance (ESG) aspects."[220] This has resulted in the growth of criticisms of "green washing" and "impact washing". Impact washing is "when a company or fund makes impact-focused claims in bad faith without truly having any demonstrable positive social or environmental impact."[221] Therefore, a number of academics and scholars have conducted research to offer clarity and coherency in this space. For instance, a recent '(re)-orientation from an academic perspective, derived a new typology of sustainable investments which delivers a precise definition of what impact investments are and what they should cover'.[222] As a central contribution in their research paper, the scholars proposed "distinguishing between impact-aligned investments and impact-generating investments" [223]. Based on these insights and new typology, the scholars lay the foundation for "future research and debates in the field of impact investing by practitioners, policy makers, and academics alike".[224]

The initiatives represented in the Mapping Tool under this theme reflect development across the 'spectrum of capital', but with a particular focus on impact investing. This is intended to show the policy maker a sample of different initiatives within this theme, as investors in the Impact Economy *and in mainstream markets* develop approaches to integrating social and environmental impact into investment activities, and the regulation and concepts that underpin them.

Developments in this area have been focused on climate change and the huge financial risks this poses to financial assets, although the recent Covid-19 health crisis has similarly shaken our economy. For example, the Mapping Tool highlights the campaign by ShareAction for recognition of the 'fragility of an economy that focuses on individual risk at the expense of collective impact, and for investments to build wealth but also resilience, in a world where systems and people everywhere are connected'.[225] The campaign focuses on ShareAction's proposed Responsible Investment Bill, which would amend the law that applies to "those managing and investing money over the long-term, primarily pension fund trustees, managers and their agents or delegates".

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[218] The Global Impact Investing Network, 'Impact Investing.' (n 215).
[219] The more general motivation is similar to that of "socially responsible investors," who screen out investments that they believe have harmful social effects. Please see Paul Brest and Hal Harvey, *Money Well Spent: A Strategic Plan for Smart Philanthropy* (2 edn, Bloomberg 2008) ch 8; Wendy Abt, 'Almost everything you know about impact investing is wrong" *Stanford Social Innovation Review* (18 December 2018) <https://ssir.org/articles/entry/almost_everything_you_know_about_impact_investing_is_wrong> accessed 2 December 2021.
[220] Timo Busch and others, 'Impact investments: a call for (re)orientation' (2021) 1 SN Business & Economics, 33. <https://link.springer.com/article/10.1007/s43546-020-00033-6> accessed 04 January 2022. Please also see G Friede and T Busch and A Bassen 'ESG and financial performance: aggregated evidence from more than 2000 empirical studies.' (2015) 5(4) Journal of Sustainable Finance & Investment 210-233; DM Grim and DB Berkowitz, 'ESG, SRI, and impact investing: A primer for decision-making.' (2020) 1(1) The Journal of Impact and ESG Investing 47-65.
[221] Peter O'Flynn and Grace Lyn Higdon, 'Is it participatory impact investing the antidote to "impact washing" (*Institute of Development Studies,* 19 September 2019) <'https://www.ids.ac.uk/opinions/is-participatory-impact-investing-the-antidote-to-impact-washing/> accessed 2 December 2021.
[222] Busch and others, 'Impact investments: a call for (re)orientation' (n 220).
[223] Ibid.
[224] Ibid.
[225] ShareAction, 'The Change We Need: Model legislation to promote responsible long-term investment by institutional investors' (n 167) 5-6.

The Bill retains the core legal principles of prudence, loyalty to beneficiaries, and impartiality between them and fiduciary investors' discretion to make the decisions they believe are in the best interests of beneficiaries. The Bill intends "an evolution in how fiduciary investors may think about those 'best interests'. Section 2 of the Bill proposes that a person's best interests are not only financial, but also depend upon the opportunity to live in a healthy, stable, secure society and environment".[226] Furthermore, the Bill would 'allow fiduciary investors, in their selection and stewardship of investments, to take a broader perspective of people's interests'. The Bill would 'allow them to think about the consequences of investment decisions for the wider economy, communities and the environment and to be informed by the views of beneficiaries themselves'.[227]

iv. Theme 4: Policy on stakeholder capitalism

Stakeholder Capitalism is a form of capitalism in which companies seek long-term value creation by taking into account the needs of all their stakeholders, and society at large.[228] As an alternative model of corporate governance, the idea of stakeholder capitalism has been gaining traction among investors, activists, and policy makers and asserts for corporations to account for the interests of a broad group of stakeholders, rather than simply their shareholders.[229] The concept encourages business leaders to demonstrate their mission as serving not only shareholders but also customers, suppliers, workers, and communities.[230]

For example, a 2020 McKinsey report presents five principles for businesses to make stakeholder engagement a reality:

- *Principle 1: Get the board on board*. This requires that board members and executives commit to stakeholder engagement through various measures. One approach is to "change corporate governance guidelines to clearly assert stakeholder, rather than explicitly shareholder, priority".[231]
- *Principle 2: Set and track environmental goals*. This requires companies with a stakeholder ethos to "commit to putting principles into practice by publishing concrete, achievable, and measurable goals".[232]
- *Principle 3: Work with suppliers, old and new, to build capabilities and skills.* This requires that companies be committed, and transparent in their efforts, to prevent themselves playing an indirect role in creating social or environmental damage, through their supply chain. Companies can leverage their expertise and economic clout to improve the practices of subcontractors and suppliers.[233]
- *Principle 4: Serve consumers' long-term needs*. This requires that companies and businesses recognise how goods and products affect consumers and take concerted action to reduce the negative consequences that may stem from those products.[234]
- *Principle 5: Treat your employees with respect and invest in their future.* This recognises that labour is not just a cost to be managed and that employees are human beings who should be treated with

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[226] Ibid.
[227] Ibid.
[228] Klaus Schwab and Peter Vanham, 'What is Stakeholder Capitalism?' (n 102).
[229] V. Hunt and B. Simpson and Y. Yamada, 'The Case for Stakeholder Capitalism' (*McKinsey & Company,* 12 November 2020) <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-case-for-stakeholder-capitalism> accessed 2 December 2021.
[230] Ibid.
[231] Ibid.
[232] Ibid.
[233] Ibid.
[234] Ibid.

dignity and respect. Additionally, in business terms, they are "also an incredibly valuable resource, well worth tending to in the present and investing in for the future".[235]

The initiatives and policy activities highlighted in the Mapping Tool under this theme cover a range of stakeholder aspects, such as an initiative setting out the benefits of employee ownership models, research into mandatory due diligence frameworks to address human rights abuses in supply chains, and legislative proposals for protecting the environment in the course of commercial activities. Through the various initiatives referenced in the 'policy on stakeholder capitalism' cluster in the Mapping Tool, it is evident that corporations, organisations and policy makers continue to grapple with the growing sentiment that capitalism 'must be inclusive for a larger group of stakeholders, and that this may change the direction of corporate governance in years to come'.[236]

v. Theme 5: Policy on impact measurement and reporting

Impact measurement and reporting refers to quantifying and reporting on environmental, social and economic outcomes.[237] An organisation's impacts are 'the changes, either positive or negative, caused directly or indirectly, wholly or partially, intended or unintended, in social, environmental, or economic outcomes, which are caused by its activities'. [238] The Mapping Tool highlights a range of initiatives for the development of the practices of non-financial reporting (also referred to as 'sustainability disclosure'[239]) and impact reporting, including in particular initiatives that promote the ambition for 'outcome reporting'. This is in line with current industry and policy developments to promote measurement of the 'actual outcomes and impacts (changes in outcomes) that result from an organisation's actions, as a more effective form of measurement for uncovering risks and opportunities' compared to, for example, some approaches to sustainability reporting that may measure activities or outputs as proxies for actual outcomes.[240]

This policy theme is integral to the other themes, but particularly to responsible investment and impact investment, because it supports the realisation of the impact goals and principles embedded in these types of investments through increasing transparency. Policy initiatives supporting coherent, credible and widely applicable impact measurement and reporting are important to advancing the Impact Economy. Without these, it is challenging for businesses and investors to quantify or report on the full range of impacts of investments and the true costs of doing business, and to ensure accountability for stated impact goals.[241] It will be difficult for a business or investor to allocate capital in line with its purpose-beyond-profit, if it does not understand the full impact of its operations or investments on its various stakeholders.

The prevalence of fragmented reporting requirements for businesses and investors involved in this space has resulted in criticisms of "green washing" and "impact washing", as discussed above. Currently, there are a number of initiatives working to increase the coherence of measurement and reporting standards.[242] Indeed, it is also difficult to compare financial data (profitability) with non-financial data (sustainability).

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[235] Ibid.
[236] Bipartisan Policy Center, 'What is Stakeholder Capitalism and What Might it Mean for Governance?' (n 131).
[237] Impact Investing Institute, 'Reporting of Environmental, Social and Economic Outcomes' (Impact Investing Institute October 2020) <www.impactinvest.org.uk/wp-content/uploads/2020/10/Reporting-of-Environmental-Social-and-Economic-Outcomes.pdf> accessed 2 December 2021.
[238] Ibid 4-6.
[239] CDP and others (n 12) 4.
[240] Impact Investing Institute, 'Reporting of Environmental, Social and Economic Outcomes' (n 237) 4-5.
[241] Ibid 3.
[242] The Impact Management Project; CDP and others (n 12-13).

Academics, industry practitioners and accountants are working together to integrate approaches to reporting and to assign financial values to social and environmental impacts. For instance, the Harvard Impact Weighted Accounts Initiative is referenced on the Mapping Tool because this policy initiative works to support the collaborative development of impact reporting metrics that assign financial values to businesses' (positive and negative) social and environmental impacts, so that these figures can be integrated with the businesses' financial reporting.[243]

c. How can the policy maker use the map?

Thus far in this section, we have discussed the policy landscape and explored the key themes of the Mapping Tool. In addition, it is helpful to understand, **practically, how a policy maker will use the themes and policy clusters to aid policy analysis.** For instance, will a policy maker be able to easily identify all initiatives on employee ownership? Or business and human rights in supply chains? Or impact measurement and management? This needs to be made clear from the outset and the section below outlines the most useful ways different policy makers, advisors or stakeholders can interact with the map.

Firstly, the Mapping Tool has detailed information useful for policy analysis; for instance, terms like 'policy instrument', 'policy recommendation', and 'principal policy use' are tagged to make it easier for policy makers / advisers to distil necessary information in a timely manner. Secondly, the map has a search function which enables policy makers or advisors to search for specific policy initiatives and organisations advancing the Impact Economy. Thirdly, the filter and tab options on the map allow for a focused interrogation of the correlation and overlap of the various policy initiatives. For instance, a policy maker, advisor or stakeholder interested in spotlighting policies on stakeholder capitalism can filter out other policy clusters and zoom in on only this policy cluster. The overarching goal of producing the Mapping Tool is to support a visual representation of the Impact Economy policy landscape and encourage policy makers, advisors and stakeholders to advance alignment and joint, additional policy making (where material gaps currently exist). Additionally, the interrelated policy clusters and policy themes show the prevailing areas of duplication and fragmentation of policy initiatives.

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[243] Harvard Business School, 'Why Impact-Weighted Accounts' (n 54).

5. Policy analysis and recommendations

a. Policy Analysis

Policy Analysis is the process of identifying potential **policy options** that could address a given problem, and then comparing those options to choose the most effective, efficient, and feasible one (policy recommendation).[244] The Mapping Tool presents a unique opportunity to identify policy options and subsequent policy recommendations. Thus, the section below presents an interrogation of the challenging policy landscape as evidenced on the Mapping Tool. This is through a discussion and analysis of samples from clusters of high policy activity and deducing the key policy challenges and proposed policy options to address them.

As set out in the previous section, the Mapping Tool classifies policy initiatives as **either 'policy on purpose', 'policy on stakeholder capitalism', 'policy on fiduciary duties', 'policy on impact measurement and reporting' or 'policy on responsible investment and impact investment'**. It should be noted that the classification of policies is based on our understanding of the policy landscape supported by academic and industry reports. We have categorised each initiative based on what it describes as the primary theme or focus of that work. However, policy classifications on the Mapping Tool are not mutually exclusive and could be classified differently, depending on the selection criteria of the policy analyst. Similarly, the following policy analysis section and subsequent policy recommendations are based on a selection of key policy actors and drivers and not of every policy initiative listed on the Mapping Tool.

i. Using the Mapping Tool themes to identify fragmentation and alignment

As visually represented on the Mapping Tool, and indicated in Figure 5 above, the policy landscape is fragmented with different policy initiatives and priorities emerging. However, the map also shows that there are a number of policy initiatives that overlap, by simultaneously addressing multiple thematic developments; for instance, the Better Business Act can be classed both as 'policy on corporate purpose' and 'policy on fiduciary duty'. Similarly, certain organisations' initiatives, like the ShareAction Responsible Investment Bill, can be classed as both 'policy on fiduciary duty' and 'policy on responsible investment'. Whilst the **Climate and Ecological Emergency Bill** (found here, on the Mapping Tool) arguably cuts across all policy themes identified on the Mapping Tool, because it sets out broad objectives for the government in relation to environmental protection.

This overlap and the limited policy coherency may have resulted in the misalignment of industry practices in some areas; for instance, the different standards and measures of sustainability and impact reporting that exist, which a number of key institutions are working to integrate.[245] Additionally, different business initiatives that are emerging to support policy makers in their efforts to advance the Impact Economy may have inadvertently contributed to fragmented industry efforts and limited concerted or joint actions necessary to ensure policy coherence.[246] Similarly, the resultant policy silos[247] could create further

[244] Milovanovitch (n 10).
[245] The Impact Management Project; CDP and others (n 12-13).
[246] Hertog (n 14).
[247] Froy and Giguère (n 15).

complexities in the Impact Economy. Specifically, businesses and institutions working separately from each other, following different policy objectives and working to different time scales.

As highlighted in previous sections of this paper, the entrenched barriers and challenges to the development of the Impact Economy require carefully balanced policy strategies so that businesses use their limited resources to help meet their shared economic, social and environmental priorities. Harnessing knowledge and policy outputs from various stakeholders in the Impact Economy requires simultaneous investment in infrastructure, skills, research and innovation; again, within an integrated approach.[248] Furthermore, holistic policy interventions at both local and national level which tackle diverse aspects of these barriers and challenges are vital. A systems approach is required with clear synergies between different actions. For instance, required actions could include increased training of actors; creating a taxonomy of for-profit organisations[249],[250] for use by policy makers, investors, researchers and other stakeholders to differentiate types of profit-with-purpose organisations; creating accountability mechanisms to ensure the company board's commitment to its purpose-beyond-profit; and enacting legal structures / frameworks that support businesses in the Impact Economy.

Additionally, it should be noted that the Mapping Tool cannot provide the policy maker with an exhaustive view of all narratives and perspectives on each initiative presented. For example, the Environment Bill 2021-22, discussed within the Mapping Tool in the context of the work of ClientEarth under the theme of stakeholder capitalism, includes provisions to create a regime for the "use of forest risk commodities in commercial activities", that prohibits illegally produced commodities.[251] These provisions would require entities operating in the UK above a threshold in relation to certain commodities, linked to deforestation, to establish a system of due diligence, to ensure that those commodities are not obtained in violation of applicable local laws. This regime was included in the Environment Bill following a public consultation and continued to be subject to calls from some stakeholders for further development[252], but these perspectives are not included in the Mapping Tool. The Mapping Tool offers a starting point for further exploration around those initiatives of most relevance to the policy maker's area of work.

ii. Drawing on the Imperatives as a systemic lens

Drawing on the Imperatives, as displayed in the Mapping Tool, may help provide a framework for the required systems approach. Arguably an antidote to the possibly siloed development of initiatives in this

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[248] C Eustace and others, *The Intangible Economy: Impact and Policy Issues: Report of the European High Level Expert Group on the Intangible Economy* (Enterprise Directorate-General, European Commission 2000).
[249] Fourth Sector Mapping Initiative (n 16).
[250] The Fourth Sector Group's 'Fourth Sector Mapping Initiative', including the organisation's work on a taxonomy, is described further in section 5(b)(i), '*Advance industry and sector interventions to resolve structural and practical challenges*' of this paper.
[251] Environment Bill HC Bill (2019-21, 2021-22) [16] cl 107, sch 16. <https://bills.parliament.uk/Publications/41447/Documents/196/21003.pdf> accessed 17 May 2021.
[252] Department for Environment Food & Rural Affairs 'Consultation on the introduction of due diligence on forest risk commodities' (November 2020) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933985/due-diligence-forest-risk-commodities-government-response.pdf> accessed 24th March 2021. For example, in January 2021, Global Witness called for further amendments to regulate the role of UK financial institutions in financing activities involving commodities linked to deforestation, protect the rights of indigenous peoples and establish a single definition of deforestation to apply to all UK sourcing: Global Witness, 'Parliamentary Briefing: Three Key Improvements Needed to UK Deforestation Law (18 January 2021) <www.globalwitness.org/en/campaigns/forests/parliamentary-briefing-three-key-improvements-needed-uk-deforestation-law/> accessed 24th March 2021).

space, the Imperatives are a product of a 'movement of movements'[253] approach, whereby collaboration can avoid fragmentation and mobilise the critical mass needed to make macro-level changes happen.[254]

The Imperative 21 network is stated to have been inspired by and exist in support of related efforts to redesign the economy, such as the Business Roundtable's Statement on the Purpose of the Corporation, the vision of the World Economic Forum for stakeholder capitalism, 'Build Back Better' campaigns and others.[255] The "stewards" of the Imperative 21 network include B Lab (the certifying body for B Corps), The B Team (co-founded by Sir Richard Branson[256]), Chief Executives for Corporate Purpose (or 'CECP'), Common Future and the GIIN[257], each of which represent their own networks of organisations pursuing common, impact-focused goals. By bringing together network bodies, and a range of other participants, the Imperatives arguably represent a distillation of the principles around which large numbers of actors coalesce, and common ground in their intentions for reshaping the economy.

Therefore, using the lens of the Imperatives to view the policy activities and initiatives in the Mapping Tool can help the policy maker to see the connections between the themes outlined above, and the cross-cutting principles, or directions, of this 'movement of movements'. For example, the Imperative of 'Account for Stakeholders', defined above[258], combines reshaping corporate purpose with deploying 'common metrics of sustainable value creation for all stakeholders and enhanced standards of fiduciary duty'[259], thereby drawing together elements of the individual themes identified within the Mapping Tool under a clear, headlined direction. Interestingly, this Imperative also highlights a particular policy area that is not specifically identified by the individual themes of the Mapping Tool, that of '*creating incentives that reward* business and investments creating social and environmental value'.[260] This is not to say that such recommendations are absent from the initiatives displayed in the Mapping Tool, but that this is an example of how the Imperatives can be used by the policy maker as an additional, or overarching, lens through which to evaluate the policy landscape using the Mapping Tool.

iii. Achieving policy coherence for greater positive impact through profit-with-purpose business

In previous sections, we discussed the challenges and opportunities facing purposeful businesses and organisations wishing to emerge in the Impact Economy. The Mapping Tool, however, visually underscores the need for policy cohesion and coherence in the Impact Economy, in responding to these challenges and opportunities. This is indeed one of the key policy challenges evident in this landscape. Policy coherence, as defined by the OECD, is the systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives.[261]

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253 University of Oxford, Skoll Centre for Social Entrepreneurship, 'Movement of Movements' (n 3).
254 Saïd Business School, 'Movement of Movements Primer' (n 19).
255 'How do the imperatives relate to the effort of the Business Roundtable, World Economic Forum, Catalyst2030, WEALL, Build Back Better and others?' (Imperative 21). <www.imperative21.co/imperatives/> accessed 28 April 2021.
256 The B Team, 'Our history' (n 168).
257 Imperative 21, 'About the network' (n 169).
258 For more detail, please see section 3(c), '*What is Imperative 21 and what are the Imperatives?*'.
259 'Account for Stakeholders, Imperatives for Economic System Change' (Imperative 21). <www.imperative21.co/account-for-stakeholders/> accessed 14 May 2021.
260 Ibid.
261 'Policy coherence' (National Action Plans on Business and Human Rights). <https://globalnaps.org/issue/policy-coherence/> accessed 2 December 2021.

The Mapping Tool highlights the need for coherent action across different policy initiatives. In the first instance, the Mapping Tool provides a useful resource for policy makers and advisors to visually coalesce policy initiatives emerging in the Impact Economy. Furthermore, the Mapping Tool provides an opportunity to advance policy coherence in the Impact Economy by calling on different levels of governance, legislation, and industry interventions to support this. Policy coherence is essential to a broader realisation of purposeful business, stakeholder capitalism and responsible investment. It means tackling systemic challenges in a holistic manner, developing mutually reinforcing policies across all relevant policy clusters to effectively minimise the negative impacts that advancing policies in one area can have on policies in another area.[262] Designing coherent and mutually reinforcing policies requires sound institutional arrangements that facilitate policy coordination and integration; quantitative and analytical skills to identify and assess synergies and trade-offs between different policy options; and sound data for evidence-based policies.[263]

This paper has considered the development of purpose-driven business and connected (and precursory) concepts such as business sustainability and the Triple Bottom Line, the intentions for the role of business in society that sit behind this development, and research that indicates correlation between positive business performance and having a purpose-beyond-profit. Based on this understanding, we posit that business can have a greater, positive impact on the world if more purpose-driven businesses are supported to scale, and established business are encouraged to embed purpose-beyond-profit in all that they do.

With this understanding of the Impact Economy in mind, the Mapping Tool is intended to help the policy maker interrogate existing initiatives in order to understand what actions can help to implement this recommendation. This process may also help the policy maker draw on existing work to understand what success will look like, in creating policy that supports this type of business. Although, it should be noted that the policy clusters identified in the Mapping Tool are not an exhaustive list nor mutually exclusive, as discussed above, and are part of a constantly evolving landscape.

b. Policy Recommendations

i. Advance industry and sector interventions to resolve structural and practical challenges

By looking at the key cluster on the Mapping Tool that identifies initiatives in relation to purpose and stakeholder capitalism, identified in the image below, the policy maker can begin by drawing out recommendations from existing work, identifying areas of overlap and comparing approaches, or foci, within the recommendations across groups of initiatives. For example, the policy maker can delineate the recommendations in this cluster, identifying those that speak to actions that businesses can take to pursue purpose-beyond-profit and, arguably, contribute to the self-led business movement, and those recommendations targeting eco-system development.

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[262] United Nations, Department of Economic and Social Affairs, ‘Policy Coherence’ (n 20).
[263] Ibid.

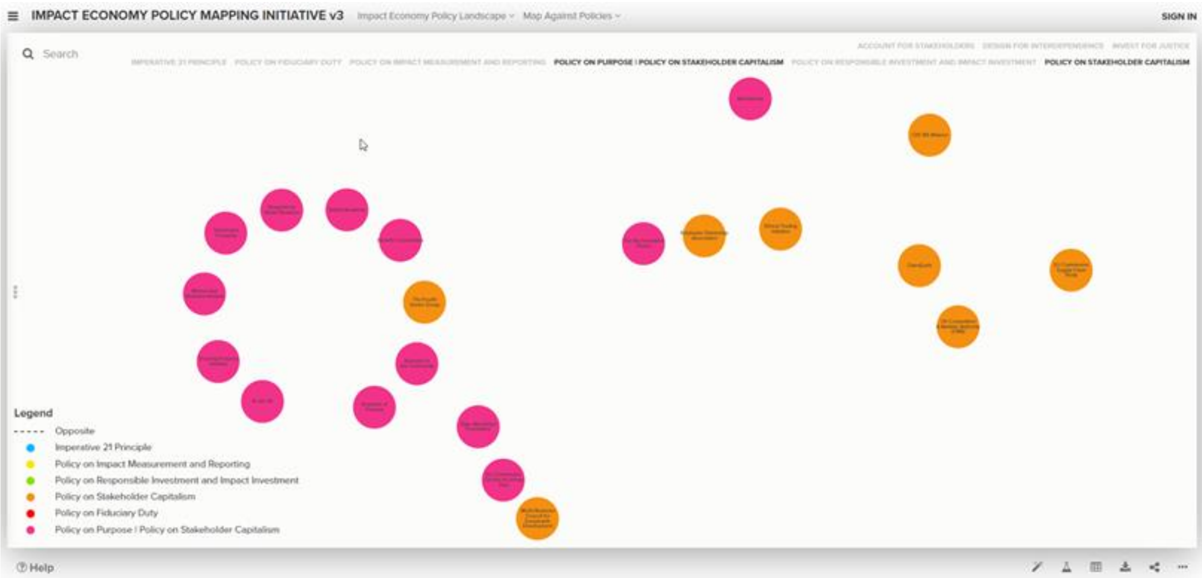

Figure 6. Impact Economy Policy Mapping Initiative, initiatives relating to corporate purpose and stakeholder capitalism (Shirah Z Mansaray, 2020).[264]

For example, in this cluster of initiatives, **supporting knowledge and skills development** is an overlapping theme within the recommendations made across this cluster, particularly in relation to business leaders in this space.

- The **British Academy's Principles for Purposeful Business** report recommended that concerted efforts be directed towards **supporting people to develop new skills and knowledge for change**, to provide leaders and those responsible for delivering corporate purpose-beyond-profit with the capabilities they need.[265]

- The conclusions from the research for the mission-led business review, carried out by Deloitte and commissioned by the Office for Civil Society and Innovation and Big Society Capital (the "**Mission-led Business Report**"), call for **increased support and advice to businesses working in this space**, with a suggestion that online resources (tools and advice) could bridge the identified 'information gap' for areas outside London.[266] Specifically, this report recommends increasing access to financial advice to help mission-led businesses find the right investors, and advice to advance long-term sustainability on specific issues such as succession planning.[267]

Further, **more research and evidence is required to support policy makers to advance this space**.

- The **Mission-led Business Report** highlights a need for **greater study of businesses that have transitioned to become mission-led businesses**, and of mission sustainability as those businesses grow and how the risk of 'mission drift' might be mitigated; such evidence possibly helping policy makers make further recommendations to help more businesses transition to being mission-led.[268]

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264 Mansaray (n 11).
265 The British Academy, 'Principles for Purposeful Business' (n 24) 35.
266 Deloitte LLP, 'In pursuit of impact: Mission-led businesses' (n 68) 29-31.
267 Ibid.
268 Ibid.

There is a need to **increase the evidence base to support structural changes needed to advance the Impact Economy.**

- The **Fourth Sector Group** produced a **Mapping Initiative**[269] with the aim of defining the boundaries of the fourth sector and developing a taxonomy of "for-benefit" [270],[271] organizations. The Group conducted a global mapping of for-benefits and their supportive ecosystem, identifying the barriers these organisations face and understanding their potential for generating economic, social and environmental impacts. One of the important barriers identified was a need for a **Taxonomy of For-Benefit Organizations.** Specifically, there is a need to create a classification structure that can be used by policy makers, investors, researchers, and other key stakeholders to differentiate and describe the various types of for-benefit organizations. The initiative also highlighted several other barriers, including the lack of a census instrument, data acquisition and integration, and Data Commons of For-Benefit Organizations and the Fourth Sector's Supportive Ecosystem, as considered in more detail below.

    - There is a need to **develop a specific census instrumen**t for collecting: (a) information on for-benefit organizations, including the barriers they face, their social, environmental and economic impacts, and other data useful to policy makers, investors, and other key stakeholders; and (b) information on organizations that form the supportive ecosystem around the fourth sector.
    - Similarly, **data acquisition and integration is required** from: (a) existing public and private datasets that include information on for-benefit organizations and fourth sector support organizations; and (b) global distribution of the census instrument.
    - Finally, there is a need for **Data Commons of For-Benefit Organizations and the Fourth Sector's Supportive Ecosystem** by developing an open, freely accessible, interactive online database of for-benefit organizations and fourth sector support organizations. This could be designed and stewarded as a participatory "data commons" for the benefit of public agencies, practitioners, researchers, consumers, economic developers and other members of the fourth sector community. This includes development of a technology platform as well as operating guidelines, participation agreements, and a governance structure that enables broad participation in the commons.

Evidently, businesses still need to identify **structured ways to enact their stated purpose-beyond-profit**.

- The **Enacting Purpose Initiative** provides **guidance to boards of directors on how to enact purpose**, drawing on research findings from different academic disciplines together with best practice insights. The guidance is based on the "SCORE framework", which involves various strategies, namely: Simplify – make your purpose simple and convincing; Connect – make sure your purpose connects with practice; Own – Boards need to own their company's purpose; Reward – incentivise and track purposeful behaviour, and Exemplify – tell great stories about your purpose.[272]

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269 Fourth Sector Mapping Initiative (n 16).
270 'What Are For-Benefit Organizations?' (Fourth Sector Group). <www.fourthsector.org/for-benefit-enterprise> accessed 7 May 2021.
271 The Fourth Sector Group defines "for-benefits" as organisations with "a primary commitment to social purpose, together with a predominantly earned-income business model", where the 'commitment to the mission is embedded in the organization's DNA, and fiduciary duty is tied to the mission'.
272 Younger and others, 'Enacting Purpose within the Modern Corporation: A Framework for Boards of Directors' (n 23) 15-32.

- Furthermore, **Blueprint for Business** outlines **five principles on how to be a purpose-led business**, namely: being honest and fair with customers and suppliers; being a responsible and responsive employer; having a purpose which delivers long-term sustainable performance; being a good citizen; and being a guardian for future generations.[273]

ii. Legal and regulatory intervention

Similarly, a policy maker with a particular interest in the role of law in developing this ecosystem can draw out, from across the clusters, existing work that makes legal and regulatory recommendations. It is interesting to note the different levels, or depths, of development between initiatives in this area highlighted in the Mapping Tool, and areas of overlap and agreement over time.

- In terms of general analysis and recommendations on how the law could support the development of purposeful businesses, the **British Academy's Principles for Purposeful Business** report emphasises the important role that governments should take to lead "legal reform that sets a clear direction towards purposeful business, while business leaders and investors forge ahead in applying these principles as far as possible".[274] Specifically, governments should deliver legal changes that 'define the process to set purpose, duties to ensure fidelity to purpose, and standards for purpose to adhere to'.[275]

- More specifically, the **Big Innovation Centre's policy report on The Purposeful Company**[276] contains a number of recommendations that come within the Mapping Tool's theme of policy development around corporate purpose. Recommendation 1.2 identifies that section 172 of the Companies Act 2006 allows directors to consider different stakeholders in their decisions but notes the limitations of this default position, and recommends that **corporations be required to incorporate around purpose**, stating that articles of association should be "amended to require companies to make clear and precise statements of their purposes in their articles".[277] Recommendation 1.3 is that **choices of corporate form** should be available for adoption by companies to promote their corporate purposes, and recommends three specific options, that "Companies should be able to adopt one or more of the provisions of public benefit, stakeholder participation and privileged shareholder models".[278]

- Additionally, the **report of the Advisory Panel to the UK government's mission-led business review**[279] recommends that the government encourages "businesses to incorporate around a social purpose and commit to social impact by establishing clear entry points for entrepreneurs" and explores the "introduction of "benefit company" status in English law".[280] The "**benefit company**" described in this recommendation is based on the 'benefit corporation' model, described

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[273] Blueprint Trust, 'Purpose for PLCs: Time for Boards to focus' (Blueprint for Better Business July 2020) 11. <www.blueprintforbusiness.org/wp-content/uploads/2020/07/Purpose-for-PLCs_Blueprint.pdf> accessed 20 June 2021.
[274] The British Academy, 'Principles for Purposeful Business' (n 24) 37.
[275] Ibid 30-32.
[276] Chapman and others, 'The Purposeful Company: Policy Report' (n 25) 24-26.
[277] Ibid.
[278] Ibid 26-28.
[279] Advisory Panel to the Mission-led Business Review, 'On a Mission in the UK Economy' (n 26).
[280] Ibid 25-27**.**

above[281], for which a number of jurisdictions have legislated in order to create a legal form specifically for profit-with-purpose businesses.

Dovetailing with recommendations for measures to identify and delineate profit-with-purpose business more clearly, there are other recommendations that speak to **incentivising this type of business**. For example, the development of:

- tax policy, in order to adapt or create new **tax structures to give preference to purpose-driven businesses**, such as reduced corporation tax rates;[282] and

- **procurement frameworks that give greater preference to social value creation**, or support for outcomes-based commissioning.[283]

The Mapping Tool also identifies a small number of **initiatives proposing specific legislative instruments**.

- For example, under the themes of policy on corporate purpose and stakeholder capitalism, the Mapping Tool highlights B Lab UK's **Better Business Act** campaign[284], which aims to replace the wording of section 172 of the Companies Act 2006 so that all companies in the UK put balancing people, profit and planet at the heart of their purpose and directors' responsibilities.

- Under the themes of policy on the development of fiduciary duty and responsible investment, is ShareAction's proposed **Responsible Investment Bill**. This initiative focuses on institutional investors, and aims to evolve how fiduciary investors think about the 'best interests' of those on whose behalf they invest:

  > "Section 2 of the Bill proposes that a person's best interests are not only financial, but also depend upon the opportunity to live in a healthy, stable, secure society and environment. This is not ideological thinking but instead reflects closer attention to the purpose of a pension: to provide a standard of living to the beneficiary."[285]

- The Mapping Tool also identifies the **Climate and Ecological Emergency Bill** (the "**CEE Bill**")[286] under the theme of stakeholder capitalism. The CEE Bill purports to place additional legal obligations upon government to address the climate and biodiversity crisis and, therefore, has the potential to further policy-making in a number of areas, including in relation to the activities of businesses in the UK. For example, the CEE Bill requires the Secretary of State to prepare a draft strategy that will, *inter alia*, reduce the UK's anthropogenic greenhouse gas emissions as required to stay within the global average temperature increase of 1.5°C compared to pre-industrial levels, and ensure:

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[281] For more detail, please see section 3(a), '*The Impact Economy: what terminology defines this space?*'.
[282] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1) 43; Pizzey, Brown and Boyd, 'Helping purpose-driven business thrive' (n 27) 30.
[283] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1) 32-37; Pizzey, Brown and Boyd, 'Helping purpose-driven business thrive' (n 27) 30.
[284] 'Better Business Act, Britain Needs Business at its Best' (Better Business Act) <https://betterbusinessact.org/> accessed 17 February 2022.
[285] ShareAction, 'The Change We Need: Model legislation to promote responsible long-term investment by institutional investors' (n 167) 6.
[286] Zero Hour, 'The Climate and Ecological Emergency Bill' (September 2020) <www.ceebill.uk/bill> accessed 2 December 2021; Climate and Ecology HC Bill (2019-21) [172] cl 3.

> “that all necessary steps are taken so that domestic UK supply chains and the supply chains of UK imports— (i) minimise adverse impacts on ecological systems, including inter alia soils and biodiverse habitats overseas, and (ii) implement conditions to protect the health and resilience of those systems”.[287]

If enacted, the CEE Bill would amend the Climate Change Act 2008, including by creating an obligation upon the Committee on Climate Change to publish a separate methodology for the UK to “evaluate the impact of the activities of commercial bodies that issue, commission, facilitate, finance or are otherwise involved in import and export supply chains on ecological systems”.[288]

Contrasting these specific three legislative proposals identified in the Mapping Tool provides an opportunity for the policy maker to contrast the approaches being taken by different interested parties, in relation to different development themes. Whilst the Better Business Act campaign and the Responsible Investment Bill target changes that are specific to company law and investor obligations, the CEE Bill naturally takes a broad approach to creating new obligations upon public entities to implement changes intended to improve social and environmental impact across sectors, including in the private sector.

Ultimately, academic work for the British Academy’s Future of the Corporation programme posits that ‘**<u>any proposed change in the law should aim at fulfilling the following two objectives:</u>**

(1) **The Purpose Objective**: enterprises should aim at producing profitable solutions to the problems of people or planet;

(2) **The Do No Harm Objective**: enterprises should not profit from producing problems for people or planet’. Additionally, the Do No Harm Objective should ensure that businesses are accountable when they damage the stakeholders affected by their activities.[289]

Markedly, an important initiative identified in the Mapping Tool suggests that **legal and regulatory measures may not always be the most incentivising tool for shaping certain types of behaviour**. Categorised under the theme of stakeholder capitalism, research commissioned by the EU Commission, ***‘Study on due diligence requirements through the supply chain’*** (the “**Study**”),[290] provides evidence-based policy recommendations which focus on due diligence requirements to identify, prevent, mitigate and account for abuses of human rights, serious bodily injury or health risks, and environmental damage, including with respect to climate. The Study provided a problem analysis, intervention logic and identification of possible regulatory intervention options at EU level. Option 4 proposes mandatory due diligence as a legal standard of care, accompanied by an oversight mechanism. This could be through judicial or non-judicial remedies, or through a state-based oversight body and sanctions for non-compliance.

Survey respondents from both business and industry were questioned on the efficacy of incentives for undertaking due diligence. Interestingly, the top three incentives selected were reputational risk (66.19% for business respondents, 65.52% for industry organisations) followed by investors requiring a high standard and consumers requiring a high standard. [291] Among the incentives least selected by business

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[287] Climate and Ecology HC Bill (2019-21) [172] cl 3.
[288] Ibid cl 7.
[289] Palombo (n 29).
[290] F Torres-Cortes and others, (n 30).
[291] Ibid 89.

and industry respondents were regulation which allows for sanctions or fines and regulation which allows for judicial oversight of steps taken.

It is clear that initiatives for legal and regulatory development within this policy space are evolving rapidly with some significant areas of alignment of direction, but perhaps with questions still unanswered regarding what combinations of types of measures are required to support the development of purpose-beyond-profit business most effectively. For instance, "will governments ensure that company bail-outs are linked to stretch targets on embracing sustainability? What mix of taxes, subsidies, laws and regulations, and social nudging will optimise this shift?"[292] And what combinations of initiatives for increased collaboration, guidance for leadership and support for skills and knowledge development might be required? As described above, a systems approach is needed, and a number of 'pathways' for change must be followed.[293]

iii. Supporting partnerships and collaboration

A number of initiatives identified in the Mapping Tool have recommended that government supports partnerships and collaboration, through promoting a culture of collaboration and providing guidance on how to do this. This may help to increase alignment between the work of participants and relevant stakeholder communities in business and industry-led initiatives.

- For instance, the **UK Competition and Markets Authority** has published guidance for businesses to help them achieve environmental goals within the bounds of competition law, in relation to 'sustainability agreements';[294] such as when businesses **combine expertise** to make their products more energy efficient or agree to facilitate package recycling and reduce waste.[295]

- The **Mission-led Business Report** advocates for increased government support for collaboration through streamlining and promoting **access to networks of mission-led businesses** similar in mission or size. The research found that this was the most helpful approach in tackling business challenges, and that, alternatively, pairing smaller mission-led businesses with larger ones could help with scaling challenges and impact reporting.[296] In addition, other work has called for industry bodies to establish sub-groups within their broader membership as knowledge-sharing hubs.[297]

- Additionally, the **British Academy's Principles for Purposeful Business** report highlights the importance of **forging new partnerships to align purposes** amongst and between business and the stakeholder communities they serve, as well as distinguishing stakeholder roles in different relationships to align purpose and support delivery.[298]The report also calls for

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[292] David Grayson, 'Only a crisis- actual or perceived – produces real change' (*Thinking the Unthinkable*, 16 July 2020) <www.thinkunthink.org/latest-unthinking/2020-07-16-only-a-crisis-actual-or-perceived-produces-real-change> accessed 2 December 2021.
[293] The British Academy, 'Principles for Purposeful Business' (n 24) 30-35.
[294] Competition and Markets Authority, 'Guidance: Environmental Sustainability Agreements and Company Law' (27 January 2021). <www.gov.uk/government/publications/environmental-sustainability-agreements-and-competition-law/sustainability-agreements-and-competition-law> accessed 2 December 2021.
[295] 'Sustainability agreements: CMA issues information for businesses' (Competition and Markets Authority 27 January 2021) <www.gov.uk/government/news/sustainability-agreements-cma-issues-information-for-businesses> accessed 2 December 2021.
[296] Deloitte LLP, 'In pursuit of impact: Mission-led businesses' (n 68) 30.
[297] UK National Advisory Board on Impact Investing, 'The rise of impact: five steps towards an inclusive and sustainable economy' (n 1) 43.
[298] The British Academy, 'Principles for Purposeful Business' (n 24) 30, 34-35.

strengthened leadership from businesses and investors where leaders will need to take difficult decisions and manage trade-offs to deliver purpose and set ethical cultures.[299]

iv. Increasing transparency: non-financial reporting and impact reporting

The Mapping Tool also identifies recommendations for government reforms to **advance non-financial reporting**[300] **and impact measurement and reporting**. As discussed above, the policy initiatives supporting coherent and widely applicable impact measurement and reporting are important to advancing the Impact Economy. Without these, it is challenging for businesses and investors to quantify or report on the full range of impacts of investments and the true costs of doing business, and to ensure accountability for stated impact goals and the achievement of purpose-beyond-profit.[301] It is, therefore, not surprising that a number of initiatives across the Mapping Tool reflect this development need.

- For example, the **Mission-led Business Report** highlighted areas for further research, including **standardising the process of impact reporting and making this practice more accessible**.[302]

- Presented within the initiatives on the Mapping Tool under the theme of policy on impact measurement and reporting, the **Impact Management Project** ("**IMP**") is a concerted cross-sectoral drive to build global consensus on impact measurement, management and reporting practices, and advance the alignment of all the different impact reporting initiatives. The IMP aims to provide evidence to define the corporate reporting model that enables purpose, long-term value principles and impact measurement to continue to advance in the Impact Economy. This collective continues to work to capture best practices, delve into technical issues and identify areas where further consensus is required in impact measurement and management. There is a need for **policy makers and policy advisors to continue to support such initiatives to bring about standardisation in impact measurement and reporting**. [303]

- Additionally, the **British Academy's Principles for Purposeful Business**[304] also highlights the need to optimise **feedback loops for informing decisions and oversight**, based on the measurement of stakeholder and shareholder interests, and calls on reforms that renew pressure to reward delivery of purpose, trust and ethical cultures and penalise creating problems or failing to deliver purpose.

There is a clear direction of mainstream travel from regulators to increase the focus on companies' social and environmental impact, or non-financial, reporting, alongside reporting on financial performance. This is happening both internationally, for example, through the recent consultation on building upon the EU

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299 Ibid 30, 32-33.
300 Non-financial reporting may also be referred to as 'sustainability disclosure' by practitioners. For more information, please see: CDP and others, 'Statement of Intent to Work Together Towards Comprehensive Corporate Reporting' (September 2020) <https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf> accessed 26 May 2021.
301 Impact Investing Institute, 'Reporting of Environmental, Social and Economic Outcomes' (n 237) 3. Harvard Business School, 'Why Impact-Weighted Accounts' and 'What are the impact-weighted accounts?' (n 54).
302 Deloitte LLP, 'In pursuit of impact: Mission-led businesses' (n 68) 30.
303 Impact Management Project, 'About' (n 12).
304 The British Academy, 'Principles for Purposeful Business' (n 24) 33-35.

Non-Financial Reporting Directive[305] ("**NFRD**") (which applies to large public-interest companies in the EU), and domestically, which we expand upon below. The EU Commission has published a new package of regulatory proposals focusing on sustainable investment and corporate reporting. This includes a proposal for a Corporate Sustainability Reporting Directive, building on the NFRD and intended to:

> "[I]mprove sustainability reporting at the least possible cost, in order to better harness the potential of the European single market to contribute to the transition towards a fully sustainable and inclusive economic and financial system in accordance with the European Green Deal and the UN Sustainable Development Goals".[306]

The development of UK regulation by, for example, the Financial Reporting Council ("**FRC**"), in some aspects supports the advancement of corporate purpose and stakeholder capitalism policy initiatives. For instance, in 2018 the FRC revised its guidance on the strategic report in order to help businesses report on their impacts upon wider stakeholders and longer-term performance, in accordance with the, then, newly created statutory requirement to provide 'section 172(1) statements' within the strategic report.[307] In its recent consultation on the future of corporate reporting, the FRC proposed a new company reporting framework that would integrate a 'Public Interest Report', in response to what is described as the 'growing need to provide greater detail on wider financial and nonfinancial impacts, such as on stakeholders and the environment, to enable stakeholders to hold a company to account'.[308] This new report would be 'underpinned by standards and metrics and include information about the impact of the business on the company's stakeholders and society, as well as information on environmental, human rights, anti-corruption, and anti-bribery matters'.[309]

In March 2019 the UK Government announced the creation of a new regulator, the Audit, Reporting and Governance Authority (or "**ARGA**") which will absorb part of the FRC's mandate to regulate this space. Some practitioners that recommend a new legal structure for profit-with-purpose business, including requirements to report on social and environmental impact, posit that ARGA could have a role in overseeing these businesses, and that current audit reform programmes could include provision for a developing specialism for this kind of enterprise.[310]

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305 Parliament and Council Directive 2014/95/EU of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups [2014] OJ L330/1; 'Corporate Sustainability Reporting, About this consultation'. (European Commission 2020) <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation_en> accessed 7 January 2022.
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307 Financial Reporting Council, 'Guidance on the strategic report' (July 2018) 57-62. <www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf> accessed 2 December 2021.
308 Financial Reporting Council, 'A Matter of Principles: The future of corporate reporting' (October 2020) 16. <www.frc.org.uk/getattachment/cf85af97-4bd2-4780-a1ec-dc03b6b91fbf/Future-of-Corporate-Reporting-FINAL.pdf> accessed 24 May 2021.
309 Ibid 24-27.
310 Pizzey, Brown and Boyd, 'Helping purpose-driven business thrive' (n 27) 29.

c. Policy gap analysis: Invest for Justice

The Mapping Tool is also useful in helping the policy maker identify gaps in the policymaking agenda in this space. Currently, the map highlights organisations that advance the impact investing market in the UK and globally. However, an important angle, **investing for racial justice** or, more generally, for the **promotion of equity, diversity and / or inclusion** ("**EDI**"), is missing from the map. This is because there is insufficient data on UK policy initiatives – at White Paper level or otherwise – that seek to increase investment into "BAME" grass-roots or other "BAME"-led or focused organisations, or are generally looking at the role of impact investing in improving racial equity or addressing other key forms of inequity.

There are certain initiatives, which are not necessarily policy initiatives but provide further resources to interrogate this policy gap. For instance, CharitySoWhite is calling for more effective charity sector engagement with the "BAME" community, alongside various funding initiatives like Resourcing Racial Justice; the upcoming Baobab Foundation; and Kevin Osborne's 'impact capital' initiative, Creativity, Culture & Capital, that seeks to ensure some of the government's creative regeneration funds get to "BAME" creatives. All of these initiatives somewhat draw on particular policy work that has already been done around these topics, but there is still a limited number of policy resources / papers, further highlighting a significant gap in thinking.

Strong calls to develop investment for racial justice have been made and principles proposed that might underpin this work; this could now be built upon in order to inform supportive policy developments. For example, following the George Floyd protests[311] last year, the Diversity Forum called for the social investment sector to commit to racial justice lens investing.[312] Similarly, Big Society Capital announced in September 2020 its "*Three principles to guide our work on equality, diversity and inclusion*":

> "The first is intention: making deliberate choices about what we are going to do and how we will know when we have made progress. The second is transparency: collecting and publishing data where possible. The third is building capacity with and for others rather than trying to do everything ourselves. We do not yet have all the answers and are still developing our plans." [313]

Such calls for action are commendable, although are yet to result in a policy paper. In the meantime, equity funds focused on improving racial equity, like the venture capital firm Impact X[314], are growing in number, alongside research on 'equality impact investing'("**EII**") from various entities in the social impact investing sector.[315]

Additionally, whilst 'gender-lens investing' is gaining traction as an approach for addressing inequities through investment, there is limited policy traction or policy level initiatives. Gender-lens investing is a strategy for investing that takes into consideration gender-based factors across the investment process,

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311 DB Taylor, 'George Floyd Protests: A Timeline', *New York Times* (5 November 2021) <www.nytimes.com/article/george-floyd-protests-timeline.html> accessed 2 December.
312 The Diversity Forum, 'The Urgent Imperative for Racial Justice Lens in UK Social investment Sector' (*Diversity Forum*, 16 June 2020) <www.diversityforum.org.uk/blog/the-urgent-imperative-for-racial-justice-lens-in-uk-social-investment-sector> accessed 2 December 2021.
313 Stephen Muers, 'Three Principles to guide our work on equality, diversity, and inclusion' (*Big Society Capital*, 3 September 2020) <https://bigsocietycapital.com/latest/three-principles-guide-our-work-equality-diversity-and-inclusion/> accessed 2 December 2021.
314 Andy Bounds, 'Black-owned businesses struggle to find investors' *Financial Times* (Manchester, 30 June 2020) <www.ft.com/content/4f7ab34c-5a70-4cae-b04d-1c90ed1a230e> accessed 7 January 2022.
315 Goddard, Dowsett and Miles, 'Equality Impact Investing: From Principles to Practice' (n 36).

in order to advance gender equality and better inform investment decisions. Notable industry-led initiatives have produced policy evidence and resources to promote gender-lens investing. For example, the GIIN's Gender Lens Initiative ("**GLI**") supported impact investors actively integrating, or interested in integrating, a gender-lens strategy into their investment portfolio. The GIIN defines gender-lens investing within two broad categories: 'investing with the intent to address gender issues or promote gender equity, and / or investing with the specific gender-lens approaches that inform investment decisions'.[316] The GLI, which concluded in 2019, aimed to build a compelling case for gender-lens investing and increase the amount of capital deployed with a gender lens, and produced important outcomes which included an online GLI Resource Repository and GLI Case Studies.

Gender-lens investing is currently gaining traction due to the industry practitioners and academics who are campaigning for this form of impact investing and have produced tool kits and recommendations for interested practitioners and stakeholders.[317],[318] However, there is still a need for a policy framework that supports impact investing in improving racial equity and gender parity, and in addressing other key forms of inequity.

Whilst there are initiatives developing to help address inequities in investment, such as those described above, within the UK these appear mostly to have not yet reached the stage of policy development. The Equality Impact Investing Project, led by Social Investment Business and funded by the Connect Fund, produced a report highlighting the policy framework for EII. The report confirms that whilst equality, social investment and civil society policy frameworks are relevant and provide a strong and supportive context for EII, "they do not reinforce each other, nor encourage the convergence of policy, social investment, equality and charitable sectors".[319] Therefore, there is a need for policy makers and stakeholders to convene this space alongside the relevant policy context, made up of the particular political, social, economic and cultural factors that underpin the UK's investment landscape, and strategic priorities across relevant sectors that support and / or give direction to it.

[316] The Global Impact Investing Network, 'Gender Lens Investing Initiative' (n 33).
[317] Ng (n 34).
[318] Maro Hunt, Biegel and Kuhlman (n 35).
[319] Goddard, Dowsett and Miles, 'Equality Impact Investing: From Principles to Practice' (n 36) 88.

6. Further research

The process of developing the Mapping Tool and of writing this accompanying paper has brought to light a number of questions that could be addressed through subsequent research, in order to further the policy maker's understanding of this space and how to support its development. We set out below the key questions that have arisen through this process, in the hope that they may be taken up and studied through future work.

1. What more can be done to advance alignment between different movements / organisations in this ecosystem? Whilst considering the policy fragmentation discussed and need for policy coherency, further research could elucidate this approach.

2. What are the policy drivers in this space? The reason we ask the question of 'where is high policy activity taking place', is to understand what has propelled the increased policy activity in certain areas, as opposed to others, and what lessons can we learn from this.

3. What ideas could be identified for collaboration or further development for the Mapping Tool project? Mapping this ecosystem is an ongoing process, and the Mapping Tool is an open-source tool that requires regular updating in line with emerging policy initiatives in the Impact Economy.

4. Could the Mapping Tool be expanded to encompass policy development in other jurisdictions, to help policy makers spot gaps in their local ecosystem and then draw on work in other jurisdictions that speaks to the local policy gap? This could be designed with the aim of supporting the sharing of knowledge and best practice and increasing policy coherence, in light of the international nature of investment and business operations, including supply chains.

5. Is legal and regulatory reform really what will motivate people to change? If so, by how much, and in what combination with other measures, such as those highlighted in the recommendations section of the research paper? We believe that this is a broad question, the answer to which may depend on the exact context, or topic or industry, in which the policy maker is working. But this question is posed as a reminder that what we think should incentivise behaviour change, may not always be as influential in practice.

The Mapping Tool and this research paper have endeavoured to explain the Impact Economy space: a broad but still developing landscape with numerous stakeholders, with differing goals and perspectives, but focused on integrating the pursuit of positive social and environmental impact into commercial activity and investment. We have attempted to position the development of the Impact Economy alongside the development of key concepts, including corporate purpose and stakeholder capitalism, within mainstream business, where the dominant conceptual underpinning of shareholder primacy stands in contrast to contemporary questioning of the role of business in society and calls to move toward stakeholder capitalism. This work is intended to provide the necessary context and tool for the policy maker to identify and interrogate existing policy activities in this complex landscape, in a structured manner, and build forward from this starting point.

We recognise the limitations in the Mapping Tool in its current form, such as: we assume that we have not captured every initiative in this space; we have determined and assigned the themes used to categorise and draw together the initiatives, which will have been informed by our subjective perspectives and experiences; and the Mapping Tool will need to be updated regularly in order to continue to capture new initiatives and, therefore, remain a useful tool for the policy maker working in this space.

However, this work has provided the opportunity to explore the benefits of using visual mapping, in a dedicated tool, to aid the policy maker in understanding the development of the Impact Economy, and the key themes reflected in that space that are also the subject of global and, potentially, paradigm shifting mainstream discourse around the purpose of business and investment in society. The Mapping Tool therefore tests this method for interrogating the development of policy in this space. With on-going development and wider, community-led participation, the Mapping Tool could be developed further into an evolving resource for policy makers, and other stakeholders.

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