Safeguarding Impact Integrity

Definitions of Challenges & Mitigation Actions

Challenges: CSI & Related Company

Mitigating corporate influence: ensuring that the business interests of the related company do not generate a mission drift.

All examples below relate to this overarching challenge.

Managing culture clashes: dispelling misconceptions about the CSI's role that arise due to the diverging cultures.

> *E.g. when a company wants its CSI to contribute to its inclusive goals and to operate in areas instrumental to the business. The CSI, however, is impact-first and might see its highest potential impact in a different area.*

Aligning procedures: harmonising the different ways of working, that arise from diverging objectives, to facilitate the collaboration with the related company.

> *E.g. when a CSI wants to leverage the expertise of corporate employees from its related company. However, within the corporate setting, the employees are required to achieve quick results. This way of working could jeopardise the support for the CSI's investees who need a long-term perspective.*

Dealing with hierarchy: avoiding that hierarchical structures limit or hinder the decision-making processes of the CSI.

> *E.g. when a CSI sits within an unfavourable hierarchy structure of its related company. As a result, the C-level of company can impose its personal interests on the CSI which then may lead to the CSI deviating from its social mission.*

Avoiding overlaps: clearly delineating the scope of the CSI and the one of the related company.

> *E.g. when a company sets itself ambitious social and environmental goals. In order for the CSI to avoid overlaps with the related company, it needs to align with its related company to bring clarity about the different scopes or move further away from the companies are of interest.*

* social sector, regulators, media etc.

Challenges: CSI & Key Stakeholder Environment*

Signalling legitimacy: signalling the integrity of the social mission and the reliability of the created impact towards the key stakeholders of the CSI.

All examples below relate to this overarching challenge.

Establishing partnerships: developing collaborations with social or public sector partners in areas where the connection with the related company is seen as problematic.

> *E.g. when a CSI sees a high potential in collaborating with an NGO that could significantly increase the CSI's impact. However, the NGO is reluctant to collaborate with the CSI as it fears to contribute to the commercial interests of the related company.*

Managing reputation: building reputation unaffected by the negative public perception of the related company.

> *E.g. when a company is regularly involved in scandals that receive a lot of attention in the public. Due to its link with the company, the CSI might struggle to shield its credibility from these scandals.*

Navigating blurred lines: ensuring clarity in the public about the different scopes of actions of the two entities.

> *E.g. when a company is operating in an industry which is known for its poor labour conditions and its CSI aims at improving the labour conditions within the whole industry. Even though the CSI has a scope that goes beyond the company, the activities might be perceived as greenwashing.*

* social sector, regulators, media etc.

Mitigation Actions: CSI & Related Company

Introducing external procedural safeguards: introducing safeguards through external organisations such as regulatory authorities and external audits, or utilizing existing regulation as "protection" to shield itself from interference.

> *E.g. when a CSI is confronted with requests from the related company to become active in certain areas. Therefore, the CSI can actively collaborate with the regulatory authorities to develop a response on why this is not possible.*

Enhancing understanding: clarifying with the related company each other's scope and drivers.

> *E.g. when a CSI is regularly perceived as a vehicle that can contribute to the CSR strategy of the related company. Therefore, the CSI puts effort into internal communications to clarify its scope and to manage expectations.*

Generating internal procedural safeguards: introducing codes of conducts for conflicts of interests, clear rules and policies, and/or internal audits.

> *E.g. a CSI engages with partners that could eventually buy products of the related company which could potentially lead to a conflict of interest. In order for that not to happen, the CSI puts a procedure in place that requires those partners to sign a document that forbids them to buy products from the related company for a period of time.*

Creating internal structural safeguards: redesigning organisational elements of the CSI such as the board composition, the decision-making process on investments, the staffing approach.

> *E.g. a CSI has a board composed entirely of people with a role within the related company. By changing the board structure so that having a certain number of external individuals sit on the board is required, the CSI is able to balance out the commercial interests with impact considerations.*

Decoupling from the company: separating itself from the related company in terms of strategy and operations, while still maintaining the name i.e. operating in different buildings, diversifying funding sources, communicating on their own channels.

> *E.g. a CSI decides to cut ties with the related company and remove any links between both entities. This way, the CSI is able to eliminate its dependence and rule out any potential influence on its societal mission.*

* social sector, regulators, media etc.

Mitigation Actions: CSI & Key Stakeholder Environment

Demonstrating commitment: going beyond minimum (legal) requirements (i.e. compliance) and adhering to the highest voluntary standards with regards to impact management.

> *E.g. when a corporate impact fund, which is not bound to legal requirements that are as strict as for corporate foundations, commits itself to adhere to the highest standards and decided to acquire the B Corp label.*

Involving external partners: seeking collaboration with external partners to achieve the social mission instead of with the related company as a conscious choice to mitigate the risk for impact integrity.

> *E.g. when a CSI needs advice or support from experts and does not look for it within the related company to avoid any bias towards the company or the perception that the company may influence the CSI through the process.*

Displaying independence: communicating about and providing evidence for the CSI's independence from the related company in pursuing its stated social mission.

> *E.g. when a CSI actively communicates about its independence from the related company. While not denying that there is a link to the company, the CSI is able to clarify that it is driven by impact considerations and not by the business agenda.*

Building transparency with stakeholders: measuring and communicating the created impact, as well as disclosing procedures and processes with the intent of building trust and consolidating legitimacy of the CSI in the perception of key stakeholders.

> *E.g. when a CSI measures the impact it has on a community. By involving external auditors, the CSI is transparent on how the impact is measured and increases its legitimacy.*

* social sector, regulators, media etc.