

Through the looking glass: tying performance and materiality to corporate purpose

J.C. Stroehle, K. Soonawalla and M. Metzner

Abstract: By making use of the purpose definition set out by the British Academy's Future of the Corporation programme we argue that performance relates to purpose in two dimensions. Firstly, purpose sets the frame of long-term success and defines materiality for an organisation both from a single and from a double materiality perspective. Secondly, performance in relation to purpose needs to measure profitability net of negative externalities. We review and discuss the current landscape of non-financial reporting and measurement frameworks on how they lend themselves to the determination of materiality on the one hand and to the accounting of externalities on the other hand, in order to achieve an approximation of performance in relation to purpose. We conclude by discussing how materiality and measurement viewed through a purpose-lens could help an advanced understanding of performance in practice for sustainable finance, corporate governance and management decision-making.

Keywords: Non-financial measurement and performance, materiality, corporate purpose, sustainability accounting.

Note on the authors: see end of article.

Introduction

Friedman's (1970) doctrine of shareholder primacy is increasingly being challenged, in business, society, and capital markets. These changes are attributed in part to market shocks, such as the financial crisis, and to the gravity and urgency of systemic 'wicked' challenges, such as climate change and income inequality. To cope with this, companies are expected to redirect their focus from maximising shareholder value to a vision of corporate purpose that allows them to focus on providing 'profitable solutions for people and planet, without profiting from the creation of harm' (British Academy 2019; Mayer 2018). This poses a challenge to companies, as the financial markets of the past half century have created a corporate focus vastly different from this vision. While annual financial reports, accounting standards and stock prices are intended to track and report a company's financial health, they are very limited in capturing information about the non-financial performance and intangible value of a firm. In other words, if corporate purpose was to become a template for the corporation of the future, current performance measurement would be largely unfit.

Recent trends in corporate reporting and investment practice seek to address the concern that current performance measurement is not holistic enough. At company level, increased stakeholder pressure and a growing realisation of the linkages between long-term liabilities and system level challenges are pushing boardrooms to engage in conversations beyond traditional financial profit (Gordon 2018; Enacting Purpose Initiative 2020; 2021). In recognition of these multiple objectives and concerns, and to construct a sustainable strategy, many companies have begun to address and manage the scarcity and vulnerability of intangible and non-financial assets, such as workers, communities, and natural resources through a variety of disclosure mechanisms and so-called 'full cost accounting' systems (Bebbington *et al.* 2007; Unerman *et al.* 2018; Stroehle & Rama Murthy 2019). In parallel, the incorporation of environmental, social and governance (ESG) factors into investment decisions has become important to institutional investors. What used to be a niche strategy, often driven by ethical values, has increasingly gone mainstream under the recognition that environmental and social dependencies are important risk-factors which should be priced into the construction of investment portfolios (Eccles *et al.* 2014; Khan *et al.* 2016; Beal *et al.* 2017).

Yet, despite the heightened awareness and practice around sustainability measurement and reporting, performance in relation to corporate purpose remains elusive. This is in part because there are no universally agreed-upon or mandated set of non-financial measures; companies and investors must choose from a wide variety of methodologies and definitions offered by a complex ecosystem of international

organisations, non-governmental organisations (NGOs) and commercial data vendors. It also relates to the fact that purpose and performance are seldom thought about in conjunction: the one being a broad strategic goal of why the company exists, the other relating to a set system of (mostly financial) metrics and objectives.

Making use of the definition of purpose set out by the British Academy's 'Future of the Corporation' programme, we outline how performance relates to purpose in two dimensions. Firstly, purpose sets the frame of long-term success and defines materiality for an organisation. It is therefore important for determining which non-financial key performance indicators (KPIs) are material to assess the social or environmental problem that a company addresses, and to measure the outcomes and impacts associated with the activities it is pursuing in addressing this problem. Secondly, performance in relation to purpose should measure profitability net of negative externalities.¹ To achieve this, both a view of financial performance of a given product or service, as well as an assessment of the negative externalities associated with a product or service are important. A business solution in relation to purpose is therefore only profitable if it can absorb the costs associated with maintaining or rebuilding depleted social and natural capital and remedying harm done in the process of providing business solutions.

Following this logic, the paper is structured as follows. In the next section, we discuss materiality in relation to purpose and how it influences the choice of non-financial performance measures. Section 3 reviews the current landscape of measurement and reporting frameworks as well as current efforts of standardisation, discussing whether and how these aid performance measurement in relation to purpose. Section 4 discusses how to apply measurements to purpose in three core areas and reviews how notions of purpose can be included in the financial accounts. We highlight the challenges of this and show how different management accounting methodologies address and approximate a notion of profit net of harm through full-cost accounting and impact valuation. Finally, we discuss the utility of non-financial measurement in different areas, outlining the limits in current practice and discussing how a stronger tie to purpose could be useful. We draw on nine expert interviews, four examples of corporate practice and three focus groups of British Academy workshops to inform our reading of the current measurement landscape.² Section 5 summarises and concludes.

¹ The concept of externalities originates from economics and describes the positive and negative effects of market transactions on third parties that are not reflected in market prices.

² Details of the interviews and case studies are in Appendix 1 and Appendix 2.

Measuring corporate purpose

Non-financial measures tend to approximate sustainability-related performance and risk by looking at environmental, societal and governance aspects of a firm. In the absence of standards, a wide range of services and frameworks have been developed which propose measurement methodologies and reporting guidelines for companies to define their non-financial performance. In parallel, external ESG evaluations (rankings, indices, etc.) for investors are plentiful, making use of proprietary methodologies for their assessments (Eccles & Stroehle 2018). These developments have led to a confusing universe of choices for companies seeking to measure performance in the context of purpose. In this section we reflect on purpose through the lens of materiality to navigate this universe. In financial reporting, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’³ Further to this, materiality in relation to sustainability offers organisations lenses for determining the environmental, social and governance issues that are most important to them. Existing frameworks of reporting and advances towards a standard in non-financial reporting cater to different materiality lenses, and we discuss whether and how they can be helpful in supporting a view of performance in relation to purpose.

Purpose-led measurement and materiality

Since the notion of corporate purpose focusses on providing profitable solutions to the problems of people and planet, it stands to reason that performance in relation to purpose then needs to measure the attainment of said solution. The selection of non-financial KPIs is hereby key for a company to know whether it has achieved its purpose. Since not all non-financial issues are relevant to solving a given problem, the company needs to go through a process of reflection and select a set of indicators best suited for articulating the alignment with its purpose. This is where materiality comes into play. When defining materiality in the context of purpose, companies need to know their organisational, operational, and wider boundaries and the stakeholders associated with them. While the traditional boundary of the firm is tied to notions of ownership and control, a purpose-driven company would, by nature of what it is interested in, apply broader criteria which allow an assessment of its externalities,

³IASB, Conceptual Framework for Financial Reporting (2018), <https://www.ifrs.org/news-and-events/news/2018/10/iasb-clarifies-its-definition-of-material/>

i.e., the environmental and social consequences of its business activities for third parties.

If a company looks beyond traditional firm boundaries, it can consider the importance of externalities in two ways (see Figure 1). Firstly, the firm can recognise the importance of people and planet for its sustained financial success. This is often called ‘financial materiality’ or ‘single materiality’ and focuses on the impact that environmental and social factors have on the financial performance of a firm. These are particularly important factors from an investor perspective, and much of ESG measurement tries to approximate whether and how firms manage environmental and social risks and opportunities appropriately. Secondly, the firm can recognise the impact of its activities for people and planet beyond the financial perspective. This is also called the impact-perspective or ‘double materiality’, where companies seek to gain an understanding of how their operations and products affect social and environmental factors within and beyond their organisational and operational boundaries. The resulting information is of particular interest to stakeholders such as policymakers and civil society.

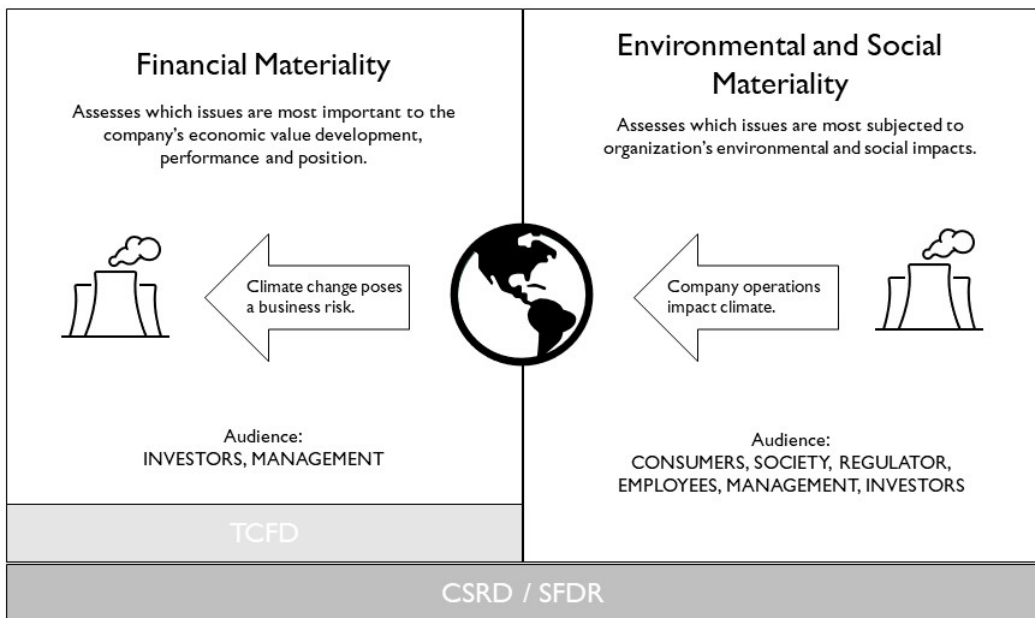


Figure 1. Single and double materiality. Note: figure adapted from the EU Commission's Climate-related information reporting guidelines, 2019, p. 7 (https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf). Abbreviations refer to the Task-force for climate-related financial disclosure (TCFD), the European Commission's Corporate Sustainability Reporting Directive (CSRD), and the Sustainable Finance Disclosure Directive (SFDR).

The chosen materiality lens has direct consequences for non-financial measurement. Performance measurement related to organisational and operational boundaries consider corporate action (inputs) and the direct outputs created (such as production, scope of distribution). They provide a shareholder-centric view. Performance measures related to interest beyond the boundary of the firm, on the other hand, also focus on outcomes (changes in the natural and social environment) and impacts (consequences of these changes, such as environmental degradation, social unrest due to resource scarcity, etc.) of corporate activities. This allows an impact-oriented view that considers a wider group of stakeholders, of which shareholders are only one.

The notions of single and double materiality are not mutually exclusive and are widely recognised as interdependent or even nested (Impact Management Project [IMP], 2020) since a firm's management of its externalities will inadvertently impact the environmental and social risks it is exposed to. Climate change, for example, has traditionally been seen as being within the realm of double materiality, i.e., as a consequence of corporate activities. However, as more is known about physical and transition risks, and as it becomes a priority in the public debate, climate change is now widely recognised as a financial risk to business. The creation of emission trading systems and carbon prices are an institutionalisation of this recognition, and frameworks such as the Taskforce for Climate-Related Financial Disclosures (TCFD) have emerged to capture and formulate the single materiality lens of climate change.

Still, because the two concepts essentially cater to different interests regarding the information they provide, single and double materiality are often used in polemic debates around extreme standpoints. Recently, NGOs have also brought up new notions of context-related materiality into the discussion which tries to highlight the local dependency of materiality. From a purpose perspective, the discussion about whether single or double materiality is superior actually misses the point. If materiality is to inform purpose it is not an either/or logic that applies but a both/and one. We map the different logics of materiality to the different elements of corporate purpose to argue that a company needs to consider both perspectives in order to meaningfully measure performance in relation to purpose. We argue that any definition of performance in context of corporate purpose would require non-financial measurements utilised in corporate accounting and reporting to combine both shareholder and stakeholder orientations. The former is necessary to assess whether companies' actions are profitable, and the latter is required for evaluating if interventions indeed solve the problems of people and planet. In other words, when looking through the lens of purpose, single and double materiality are inextricably linked. Figure 2 illustrates this mapping.

Consistent with this mapping, Barker (2019) suggests: 'More effective, from a natural capital perspective, would be to link corporate reporting on environmental impact to science-based social targets, aligned for example with the UN's Sustainable

“Corporate purpose is to find profitable solutions to the problems of people and planet, while not profiting from the creation of problems.”

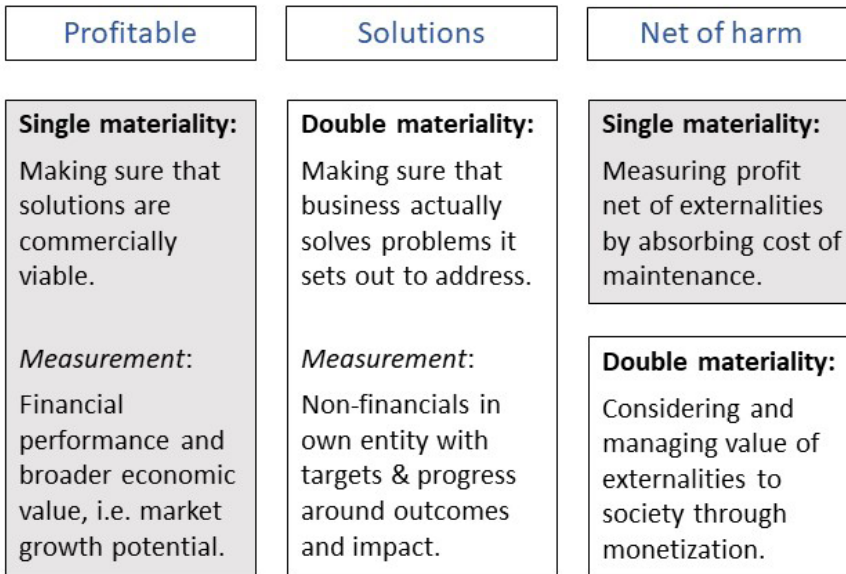


Figure 2. Materiality through the purpose lens.

Development Goals (SDGs). And yet this would imply a stakeholder orientation, which runs against the direction of travel of corporate reporting frameworks and practice.’ We argue it is only the combination of both that allows a holistic perspective.

Frameworks for non-financial disclosure and materiality

To date a number of frameworks and guidelines exist to aid in the disclosure of non-financial information. A selection of some of the most important frameworks and standard setters in the non-financial reporting sphere are summarised in Table 1. These are categorised into principles of practice, conceptual frameworks, and data standards.

Principle of practice frameworks generally outline broad principles which describe good practice and processes of due diligence that organisations should adopt if they want to be responsible and long-term focussed. Work done by the IMP⁴ suggests that the broad understanding of what defines a sustainable and diligent process is relatively

⁴These insights were gained through interviews held for this British Academy project. Publication with their evidence is said to be forthcoming.

Table 1. Selected institutions and frameworks for the measurement and management of non-financial information.

<i>Institution / Framework</i>	<i>Acronym (Type, Foundation)</i>	<i>Actors directed at</i>	<i>Description</i>	<i>Materiality-lens</i>
Standards of Process and Practice				
United Nations, Sustainable Development Goals	UN SDGs (Intern. Org., 2016)	All	A set of global goals as “blueprint” to create a more sustainable future. Successors of the Millennium Development Goals, the seventeen Goals are set to be achieved by 2030.	Double Materiality
The Organisation for Economic Co-operation and Development, Guidelines for Multinational Enterprises	OECD Guidelines (Intern. Org., 2004)	Governments	The Guidelines are a set of recommendations on responsible business conduct addressed by governments to MNEs operating in or from adhering countries.	Double Materiality
United Nations Global Compact	Global Compact (Intern. Org., 2000)	Companies	A voluntary initiative based on CEO commitments to implement 10 universal sustainability principles and advance “broader societal goals”, like SDGs.	Double Materiality
United Nations Environmental Program, Finance Initiative	UNEP FI (Intern. Org., 2005)	Investors	A partnership between UNEP and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. Advocates Principles for Positive Impact.	Single Materiality with impact aspects
United Nations Principles for Responsible Investment	UN PRI (Network, 2005)	Investors	Founded by Global Compact and UNEP FI as a network of international investors working together to put six Principles into practice.	Double Materiality
Focusing Capital on the Long-term	FCLT Global (NGO, 2013)	Investors	Investor initiative which works to encourage a longer-term focus in business and investment decision-making by developing practical tools and approaches to support long-term behaviours across the investment value chain.	Single Materiality

<i>Institution / Framework</i>	<i>Acronym (Type, Foundation)</i>	<i>Actors directed at</i>	<i>Description</i>	<i>Materiality-lens</i>
Conceptual Frameworks				
Value Reporting Foundation, <Integrated Reporting> Framework	VRF / <IR> (NGO/Standard setter, 2010)	Companies	A global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Promotes multi-capital framework and value creation as the next step in the evolution of corporate reporting. Mission to establish integrated reporting as mainstream.	Single Materiality
European Commission, Non-financial Reporting Directive	NFRD EU Directive 2014/95/EU (EU Law, 2004)	Companies	Under the Directive, large European companies above 500 employees have to publish reports in relation to specific social and environmental information disclosure, as well as the policies they pursue to manage those.	Double Materiality
European Commission, Corporate Sustainability Reporting Directive	CSRD EU Directive (EU Law, est. 2022)	Companies	Under the Directive, all large European companies and all listed European companies have to publish reports on policies and metrics in relation to specific non-financial issues. The directive foresees a clarification of the concept of double materiality and to establish a mandate for non-financial assurance.	Double Materiality
Climate-Disclosure Standards Board	CDSB (NGO, 2007)	Companies	Works to provide climate change-related information into mainstream financial reporting. Offers companies a framework for reporting environmental information.	Single Materiality
Financial Stability Board's (FSB) Task-force for Climate-related Financial Disclosure	TCFD (Initiative, 2005)	Companies and Investors	Develops voluntary, consistent climate-related financial risk and opportunity disclosures for use by companies, banks, and investors in providing information to stakeholders. Works with scenario disclosures.	Single Materiality

Table 1. Cont.

<i>Institution / Framework</i>	<i>Acronym (Type, Foundation)</i>	<i>Actors directed at</i>	<i>Description</i>	<i>Materiality-lens</i>
World Business Council for Sustainable Development, Capitals Coalition	WBCSD Capitals Protocol	Companies and Investors	A global, CEO-led organization working to accelerate the transition to a sustainable world. Publish Natural Capital and Social & Human Capital Protocols which are frameworks for business to measure and value their non-financial impacts.	Double Materiality
International Standards Organization, Standard 14007 and 14008	ISO 14007 / 14008 (Standard)	Companies	Standard on determining and communicating the environmental costs and benefits associated with companies' environmental aspects, impacts and dependencies on natural resources and ecosystem services (14007); and Standard on monetary valuation of environmental impacts and related environmental aspects (14008).	Single Materiality
Data Standards Value Reporting Foundation, SASB Conceptual Framework	SASB (NGO /Standard setter, 2011)	Companies and Investors	Proposes industry-specific reporting standards for non-financial disclosure (topics and measures) with a focus on financial materiality. Standards are developed through multi-stakeholder consultation and updated periodically.	Single Materiality
Global Reporting Initiative, Sustainability Reporting Standards, G4	GRI (NGO /Standard setter, 1997)	Companies	Advocates for a sustainability reporting standard with a focus on materiality defined through externalities. They feature a modular and interrelated structure for reporting on a range of economic, environmental and social impacts.	Double Materiality

<i>Institution / Framework</i>	<i>Acronym (Type, Foundation)</i>	<i>Actors directed at</i>	<i>Description</i>	<i>Materiality-lens</i>
CDP (former Carbon Disclosure Project)	CDP (NGO, 2000)	Companies	Runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Its questionnaires help companies and investors understand climate related risks and opportunities.	Single Materiality
World Benchmarking Alliance	WBA (NGO, 2017)	Companies and Investors	An NGO which has set out to develop transformative benchmarks that will compare companies' performance on the SDGs. The benchmarks are to be backed by science, while leveraging existing international norms.	Double Materiality
International Financial Reporting Standards Board, International Sustainability Standards Board	IFRS ISSB (Standard setter, est. 2022)	Companies	An effort by the IFRS to establish standards for non-financial reporting by 2022. The approach will be based on the VRF template and pursue a single materiality and climate-first approach in standard-setting.	Single Materiality

aligned in most of the principles of practice. As an anchor for what constitutes a sustainable planet and society, many of these principles of practice reference the UN SDGs. This follows a larger trend, which suggests that the SDGs have become the primary global framework of reference for sustainability matters. A KPMG (2020) report finds that in 2020, 69 per cent of a global sample of 3,983 companies mentioned the goals in their corporate reporting, but the vast majority of companies referenced only their positive impacts on SDGs. These numbers indicate that companies are eager to demonstrate how they help solving social and environmental problems (positive SDG impacts), but they are considerably less forthcoming about how their activities might exacerbate these problems.

The conceptual frameworks for non-financial reporting and the data standards mentioned in Table 1 outline more specifically how to report non-financial information and which information to report. The most comprehensive non-financial reporting frameworks and measurement standards are offered by the Global Reporting Initiative (GRI) and the Value Reporting Foundation (VRF), which was created by a merger between the Sustainability Accounting Standards Board (SASB) and International Integrated Reporting Council (IIRC) in June 2021.⁵

Categories of how to structure measurement of non-financial information and guidance on how to report on key-concepts, such as materiality, will often be part of these frameworks. They are therefore important in guiding a company's view of its boundaries from a non-financial perspective. As such, different frameworks can be mapped to the different materiality lens they provide. Frameworks that are commonly viewed as describing a financial, single materiality view are the SASB Framework and the Taskforce for Climate-Related Financial Disclosure (TCFD). The GRI Framework is commonly viewed as focussing on a wider, double-materiality view. In addition, principles such as the SDGs, and regulatory advances, such as the European Commission's Green Taxonomy and the Non-financial Reporting Directive (NFRD), are advocating for a double-materiality perspective in their guidelines.

Regulation and standards for non-financial disclosure

With the proliferation of non-financial disclosure frameworks over the past twenty years, calls for standardising – and thus simplifying – the increasingly complex non-financial reporting landscape have grown louder. There is a wide consensus amongst investors, companies and other stakeholders that there is both a strong market-need

⁵Despite merging into one organisation, the frameworks are still separate tools (at the time of writing) and we thus refer to them as IIRC and SASB frameworks respectively in this paper.

and a demand for standards for non-financial disclosure. This was confirmed in all the interviews we led and the focus groups we observed. The assumption is that such disclosure standards ultimately have the purpose of providing a transparent and comparable data-environment for all stakeholders, while creating a level playing field for those companies under obligation to report on these standards. In our interviews the biggest asks for standards revolved around the creation of clear and explicit definitions, transparency around targets and aspirations, as well as the inclusion of legitimate benchmarks. The hope is that this would create consistency across organisations and time in reporting, allow the assessment of trends over time, link to a broader group of stakeholders in supply chain and beyond, and allow for external assurance of information.

Regulators and standard setters were initially slow to respond to these calls and companies and stakeholders have been confronted with a heterogenous set of largely voluntary disclosure frameworks. As late as 2018, senior representatives of IASB and Financial Accounting Standards Board (FASB) displayed firm resistance to the idea that financial standard setters should expand their mandate to the non-financial sphere.⁶ However, since then a number of organisations, including standard setting bodies have significantly stepped up their efforts to harmonise non-financial disclosure frameworks.

The European Commission, in particular, has pushed for standardising non-financial disclosures in the European Union, launching an ambitious Sustainable Finance Action Plan in 2018 that comprises three interlocking regulatory initiatives. Firstly, the EU Taxonomy for sustainable activities is a classification system that determines the sustainability of economic activities against a set of environmental and social objectives. Providing detailed technical screening criteria for assessing the environmental and social sustainability of economic activities, the Taxonomy introduces a common language and benchmark for defining what is ‘sustainable’. Secondly, the Sustainable Finance Disclosure Regulation (SFDR) defines the sustainability disclosure obligation of financial market participants and financial advisers towards end-investors. The SFDR is designed to harmonise the disclosure of sustainability-related information and partly builds on the Taxonomy. For instance, financial market participants offering sustainable investment products need to disclose how the underlying investment in an economic activity is impacting either an environmental or social

⁶In December 2018, an Oxford Union Debate saw eight high-level experts from the finance and accounting sector debate the following motion: ‘This House believes that corporate sustainability reporting should be mandated, and standardised by FASB and IASB, for it to be most useful for investors’. The result of the debate was the following: two-thirds of the audience voted in favour of mandated non-financial disclosure by the international accounting standard setters. The representatives of FASB and IASB were largely on the ‘nay’ side of the discussion.

objective, as per the EU Taxonomy. Thirdly, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing disclosure requirements under the Non-Financial Reporting Directive (NFRD). In comparison to the NFRD, the requirements in the CSRD proposal would apply to a considerably larger pool of companies, require disclosures to be audited, and align disclosures with a set of mandatory sustainability reporting standards. At the time of writing, these standards are being developed by the European Financial Reporting Advisory Group (EFRAG), but the CSRD proposals makes clear that any reporting requirements will need to be consistent with the Taxonomy and the SFDR.

Together, the three regulatory initiatives (Taxonomy, SFDR, CSRD) form the backbone of the sustainability reporting requirements that underpin the EU's sustainable finance strategy. While non-financial disclosure regulation is most advanced in Europe, other jurisdictions follow similar trajectories. For example, China, Malaysia and other jurisdictions (e.g. the UK) have developed or plan to develop taxonomies for discerning the sustainability of economic activities (OECD 2020; ICMA 2021). In North America, the U.S. Securities and Exchange Commission (SEC) announced in early 2021 that it would turn its attention towards the standardisation of non-financial disclosures and work 'toward a comprehensive ESG [Environmental, Social, Governance] disclosure framework' (Herren Lee 2021). At the time of writing, the SEC is expected to publish a proposal requiring climate-related disclosures – possibly modelled on the TCFD framework – in the near future (Latham & Watkins 2021).

In parallel to the EU's regulatory efforts, other leading providers of voluntary non-financial disclosure frameworks have also initiated work streams to bring their frameworks into closer alignment. In September 2020, a group of leading framework providers, including GRI, SASB and IIRC, issued a joint statement of intent to work together towards a comprehensive reporting system, which outlined an approach to arrive at a standardised set of non-financial disclosure requirements. Also in September 2020, the International Financial Reporting Standard Foundation (IFRS), published a consultation paper⁷ to determine whether there was a need for sustainability standards and the role the Foundation could play in developing such standards. After receiving positive feedback on both accounts, IFRS Foundation established the International Sustainability Standards Board (ISSB) in 2021 to set global standards for sustainability measurement and reporting.⁸ In April 2022, the ISSB delivered its first exposure drafts for global consultation. Responses to the consultation, which ended in July 2022, are currently being reviewed.

⁷<https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf>

⁸<https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-strategic-direction-based-on-feedback-to-sustainability-reporting-consultation/>

Together, these developments constitute an accelerating push for the standardisation of non-financial disclosure. And while agreeing on *what* companies should include in their non-financial disclosure is important, the standardisation of this disclosure is unlikely to be practically implemented without the corresponding technical clarity and sophistication in terms of *how* companies are supposed to measure, monitor, and report non-financial information. For example, it is one thing to agree on the need for greenhouse gas (GHG) emission disclosure, but it is another thing entirely to define exactly how GHG emissions are to be reliably and comparably measured across time and companies. And while GHG emissions are seemingly straightforward to measure and disclose, the most widely used approach for GHG emission reporting, the Greenhouse Gas Protocol,⁹ is beset with problems of complex estimates and double-counting (Ramanna & Kaplan 2021). Similar challenges can be observed in the realm of climate risk disclosures. Although there is a growing consensus that companies need to disclose their exposure to climate risk and opportunities, it is less clear how companies can, for example, accurately measure the risk of local assets being impacted by the global increase in frequency and severity of extreme weather events. These technical challenges become even more pressing when considering corporate reporting on issues such as biodiversity or social impacts, where the complexity of the underlying systems magnify the difficulties of obtaining meaningful measurements and disclosures.

‘Accounting’ for purpose

In the previous section we noted that viewing materiality in relation to purpose gives legitimacy to both single and double materiality perspectives and therefore the simultaneous measurement of a firm’s impact and its financial viability in relation to non-financial goals. To retain a societal license to operate, however, organisations cannot merely focus on the achievement of positive impacts but must also recognise and account for the negative externalities.

While some externalities are slowly priced in through market-mechanisms (i.e., carbon prices), others are still largely ignored by the market and should therefore be recognised at the entity level. This poses numerous challenges for both financial and management accounting. The challenges straddle issues faced both by preparers of financial statements for external financial reporting purposes and those faced by internal decision makers and management accountants. In this section we review some of these challenges, for financial reporting and management accounting side. This leads

⁹<https://ghgprotocol.org/>

into a discussion of some new methodologies of multi-capital accounting for externalities that seek to address these problems and what their limitations are.

Purpose in financial reporting

Under current accounting practices not all economic events are recognised in financial statements. Some of the limitations exist due to uncertainty around identifiability, measurability and control. Take the recording of investments as an example. While many purpose-relevant metrics are connected to specific corporate investments in things like renewable energy sources, waste-water management systems, employee training programs, under current accounting standards, not all of these can formally be recorded as investments. This has to do with the treatment of expenditures. In financial accounting, an investment classifies an allocation of economic resources into either a physical assets, land, financial assets, intangibles, or other companies, with the hope and intention that these would appreciate (create a financial return on investment) with time. This means that only very specific types of expenditures can be classified as investments and capitalised, that is, recorded as an asset on a company's balance sheet and depreciated (or amortised in the case on intangibles) over its estimated useful life. Expenditures that don't meet these criteria are treated as expenses, thereby reducing net profit in that financial period.

Accounting for expenditures on fixed assets or certain types of stand alone intangibles is straightforward and these can be recorded as an asset and with some approximation a useful economic life determined. Similarly, operating expenses are normally straightforward to identify and expense as incurred. However, not all expenditures fall neatly into one or the other category, and principles of prudence and conservatism require that if there is uncertainty about future economic benefits and ability to control an asset, the expenditure should be expensed through the income statement. This creates several challenges for accounting for purpose: management is disincentivised to invest in social and environmental management, as it has direct consequences for the bottom line, and long-term management of the value of social and environmental assets is neglected as they are not carried on the balance sheet.

There is extensive literature about the treatment of non-financial and intangible assets of a company. For example, from a purpose-driven management perspective, investment in training employees is viewed as an investment in social and human capital for the company and the employees. This investment would be expected to yield positive operational results and should therefore be capitalised. In financial reporting practice, however, training costs are generally expensed as incurred (as operating expense, through the income statement). Although there has been wide-ranging discussion about whether these could and should be capitalised, the recurrent accounting

issue is that while internally generated intangibles are likely to yield future returns, these future economic benefits cannot be reliably measured and the assets cannot be controlled (e.g., employees can leave). Therefore, most costs incurred in creating these intangibles are treated as expenses. According to the IASB and FASB conceptual frameworks for something to meet the criteria of an asset the reporting entity needs to be able to control it directly or indirectly, it should generate future economic benefits, and fulfil criteria such as identifiability and separability (IAS 38, IASB). The identification of an intangible might be subject to interpretation and judgement and depend on legal criteria in different jurisdictions. Often due to their subjective nature they are not fully accounted for, thereby, potentially leaving gaps in the balance sheet.

A recent discussion paper¹⁰ of the UK Financial Reporting Council (FRC) highlights the challenges of reporting intangibles and proposes ‘realistic’ solutions from a current accounting perspective. The FRC paper however acknowledges the constraints in reporting for intangible assets, especially where the definition of an asset is constrained by the conceptual framework. At a practical level, because of the uniqueness and subjectivity of intangibles (what should be considered an intangible asset, and what shouldn’t), there is considerable variation in the practice of measuring and recognising intangible assets. New types of businesses, technological developments and innovation mean that it is almost impossible to have an exhaustive list of different intangibles, and prescriptive methodology on how to measure and account for each of these quickly becomes dated. The challenges facing accounting for intangibles are not dissimilar to those pertaining to the accounting for externalities and impact, which face similar concerns of measurement and objectivity. Due to these challenges, the discussion around the measurement of externalities and impacts is in nascent stages, and under current practices there is no straightforward way by which human, social and natural capital derived intangibles can be recorded.

Purpose in management accounting

Effective management accounting is fundamental to good decision making on several dimensions such as resource allocation, product and service mix, and pricing. At the heart of this is a detailed and accurate understanding of a firm’s costs, and this understanding is based on cost characteristics such as the traceability, nature and behaviour, and purpose of costs. Analysis of these costs is not straight forward, and changing business and economics conditions have thrown up various challenges. Broadly speak-

¹⁰ Financial Reporting Council, 6. February 2019, Discussion Paper – Business Reporting of Intangibles: Realistic Proposals <https://www.frc.org.uk/consultation-list/2019/discussion-paper-business-reporting-of-intangibles>, last accessed May 2019.

ing, costs fall into the categories of direct and indirect, fixed and variable, as well as product or period costs. However, costs are often much more complex than this and do not easily fit into these groups.

Insight into the functionality and purpose of the vast variety of costs is crucial in internal decision making. In addition to problems with identifying and measuring these internal costs in their various categories, further difficulties arise when interfacing these costs with information that is included in the company's financial statements. Certain disconnects exist between financial and management accounting, and practitioners use several marginal and relevant costing principles for internal decision making that are not identical to costs presented for external reporting purposes. The inherent conflict between management needing to make decisions that are beneficial in the medium to long-term and reporting positive results to shareholders in the short run, creates distorted incentives and possible misallocation of resources (Johnson & Kaplan 1991; Johnson 1994).

Considerable research literature and practice has been devoted to understanding and updating our methodologies and toolsets to analyse and measure these costs as we have moved from a post-war manufacturing to internet-based and intangibles-intensive world. Adding to this, the complexity and conflicts inherent in incorporating natural, social, and human costs raise considerable challenges. The costs of these externalities cannot be readily derived from market prices because the underlying factors are not necessarily traded in deep and liquid markets. Still, the knowledge and incorporation of such non-financial factors is increasingly important for management accounting, particularly to manage long-term risks and to avoid profiting from social and environmental harm. Selected methodologies on how to incorporate these measures are presented below.

At present there is no single accepted path for accounting for costs – especially those in the human, social, and environmental space. Models and methodologies for cost-based non-financial accounting are therefore largely advanced and advocated for by the academic community, not by the profession itself. Some companies acknowledge the importance of expanding our understanding of costs and resource consumption beyond the narrow view traditionally taken and make use of proprietary methodologies to do so. The practical motivation for companies is often couched in noble motivations – ending poverty, preserving the earth's resources, building society – rather than tied to the notion of purpose. The challenge remains in capturing all these factors in 'accounting acceptable terminology'. The following marks an account of suggested methodologies which value and incorporate non-financial concerns into accounting practices in various ways.

Frameworks and methodologies for multi-capital accounting and valuation

The last ten years have seen the development of a variety of multi-capital reporting and accounting frameworks that could enable full cost accounting, economic valuation, and capital maintenance. Most of these frameworks seek to facilitate the incorporation of negative and positive impacts of business operations on the material non-financial capitals (or assets) of a business. Papers by Stroehle & Rama Murthy (2019) and Barby *et al.* (2021) list and categorise a variety of these frameworks which seek to monetise non-financial information around performance. Organisations currently active in the space are, amongst others, the Value Balancing Alliance (VBA), the Economics of Mutuality (EoM) foundation, the Harvard Impact-Weighted Accounts Initiative (IWAI), and the Banking for Impact (BFI) project. Broadly speaking, these frameworks put forward two methodologies through which corporate externalities can be expressed in financial terms: (1) capital maintenance (building on logics of full cost-accounting), and (2) impact valuation. In the following discussion we evaluate how and whether these methodologies are useful in measuring performance in relation to notions of purpose, and what conceptual and practical concerns remain.

Capital maintenance and full-cost accounting

Barker & Mayer (2017: 12) lay out a cost concept for sustainability accounting, which is defined as ‘a system that measures, reports and reconciles business activity from both a financial and a sustainability perspective’. The methodology outlined in this paper underpins the British Academy’s principle on performance and purpose. A truly sustainable profit therefore accounts for negative externalities around material human, social and natural capital to provide a view of ‘profit net of harm’.¹¹ In this approach, ‘the important point is that monetisation is concerned specifically with the cost of making good any physical depletion of the natural resource; at heart, therefore, the notion being employed is that of physical capital maintenance [...]’ (Barker & Mayer 2017: 15). The theory of change focusses then on the incorporation of capital maintenance (CM) processes and the provision of their cost on corporate income statements, through which companies set strong incentives for their business executives to act and manage the firm according to its purpose. Through this, companies can assess *the cost of externalities to the business*, and create a monetary value for the single materiality lens.

¹¹ Refer to description of ‘Materiality’ earlier in this paper.

According to the CM principle, all renewable non-financial capital assets that are owned by a company are replaced upon consumption. Consumption of the asset is expensed, while the sales value of the asset is recognised as income (Barker & Mayer 2017). The cost-based adjustment of the income statement includes two entries: the cash inflow from customers and the capital outflow which is spent to replace the asset. If the company were to choose not to replace the non-financial capital and instead accept depletion, then a hypothetical replenishment cost would appear on the adjusted income statement until the maintenance is performed. If non-financial capital is not easily renewable (i.e., the use of coal has no logical replacement), cost-based sustainability accounting can refer to the necessity of business transformation. In this case, the focus would lie on investments in non-financial capital and internal or external capacity building in order to find ways in which businesses can change their reliance on non-replaceable natural assets.

CM for social and environmental assets builds in its logic on the so-called Full Cost Accounting (FCA) approach which aims to capture the external impacts of organisational actions on society and the natural environment. As such, FCA is part of wider efforts to account for externalities, which seek to complement conventional financial accounting systems by capturing the ‘social, environmental and broader economic impacts arising from the activities of an entity that are borne by others and do not feedback directly into short-term financial consequences for the entity’ (Unerman *et al.* 2018: 498). While measures to internalise externalities have been extensively discussed by economists at the national level, FCA is a concept from the social and environmental accounting literature focused on ‘incorporat(ing) all potential/actual costs and benefits including environmental (and perhaps social) externalities’ (Bebbington *et al.* 2001b: 8).¹² This also links to earlier notions of Sustainable Cost Calculation, which ‘provides calculations of what additional costs must be borne by the organisation if the organisational activity were not to leave the planet worse off, i.e. what it would cost at the end of the accounting period to return the planet and biosphere to the point it was at the beginning of the accounting period’ (Gray 1992: 419).

Impact valuation

Rather than using the notion of cost to assign monetary values to externalities, the methodology of impact valuation (IVA) uses impact multipliers (such as shadow

¹² While the term FCA was coined by Bebbington *et al.* (2001) in the early 2000s, attempts to incorporate social and environmental impacts into corporate accounting practices can be traced back to the 1970s (Antheaume 2007).

prices) to estimate the magnitude of impact a firm has on its ecosystem. It therefore represents the flipside of capital maintenance and FCA: rather than representing the cost to business, IVA estimates *the cost of externalities to society*. The assumption being that if externalities are not valued by the market, then companies need to value them in order to communicate how their actions impact on stakeholders. This form of monetisation therefore serves the double materiality view.

Methodologies that attempt to undertake an economic valuation of natural and social impact do so by either observing or approximating market prices through hedonistic techniques, or they use survey-based pricing techniques that assess the stated preference, the revealed preference and changing consumer behavioural patterns in relation to certain externalities (VBA 2021). Particularly in the latter approaches, stakeholders themselves play a central role in determining the shadow price and value of an externality through, for example, assessments of willingness to pay, willingness to accept or induced purchasing behaviours. Antheaume (2004) further discusses the application of three such valuation approaches – avoidance cost method, cost of damages method, and collective consent to pay method – in an experiment that examines the environmental impact valuation of an industrial process concerned with feeding natural gas into domestic gas distribution networks. While the three methods discussed differ in their specific design, they all rely on valuing environmental impacts as economic consequences for third parties through the financial implications for societal actors.

The idea of valuing non-financial impacts and dependencies in monetary terms relates in many ways to the responsibility of knowledge. According to a prominent promoter of impact valuation, Sir Ronald Cohen, the information that IVA offers can help to shift investment decision towards “the adoption of a new paradigm of risk – return – impact” (Cohen 2018: 15). Having a balanced view of IVA alongside risk return is argued to aid in decision making and can facilitate comparison between diverse categories of impact and dependence. It is also believed to help contextualise decisions, where different economic and political environments under assessment may warrant different weights for certain impacts. Apart from management accounting IVA is also proposed as a valuable insight for the investor sphere. The Harvard Impact-Weighted Accounts Initiative (IWAI), which uses the impact valuation methodologies to adjust financial accounts to get an ‘impact-weighted’ view of corporate performance, argues that valuation of this kind ‘translates all types of social and environmental impacts into comparable units that business managers and investors intuitively understand’ (Serafeim *et al.* 2019).

Challenges in the monetisation of externalities

We show above how different monetisation methodologies can be useful to help organisations take into account both the cost of their externalities to society (IVA and IWAI) and their cost to the business itself (CM and FCA). We also highlight how the latter represents a single materiality view, whereas the former represents a wider, double-materiality view. This suggests that both methodologies are needed for comprehensive measurement of purpose. CM and FCA can be used to create an adjusted view of the profitability of a purpose solution, describing it net of the costs absorbed that were needed to maintain natural and social capital and therefore avoiding a notion of profiting from harm. IVA and IWAI are useful to assess whether targeted solutions actually create the desired impacts, and whether there may be any unintended consequences or externalities of the venture that would need to be taken into consideration by the management team. While the necessity and usefulness of monetisation for the use of purpose may seem relatively straight-forward, there are a number of conceptual and practical challenges associated with these methodologies.

Conceptual challenges

On a conceptual level the literature on FCA argues that there are limitations to the commensurability of social and environmental impacts through monetisation (Frame & O'Connor 2011). Unerman *et al.* (2018) point out that the intersubjective consensus required for achieving commensurability might be impossible to establish for some externalities, given the high level of context-specificity of issues such as water use or biodiversity. Furthermore, they argue that in the absence of 'a process of widespread intersubjective consensus-building, the resulting objectified externalities accounts risk being misleading as well as non-comparable' (Unerman *et al.* 2018: 510).

Secondly, the commensurability of social and environmental impacts is enmeshed with moral and ethical considerations (Antheaume 2007). While the monetisation of impacts has clear advantages in terms of complexity reduction, i.e. it translates different impacts into a common language, it also poses serious ethical questions. For instance, can negative impacts in one area be compensated by positive impacts in another area? Is it possible, or desirable, to offset negative environmental impacts with positive social impacts or vice versa? Can, or should, a stable climate be traded-off against positive corporate tax contributions? Depending on the philosophical, political, and ideological commitments of an observer, the answers to these questions will differ profoundly. Likewise, while '[i]t can be argued that placing a value on such things as life or biodiversity is not morally acceptable as these attributes may have an infinite value' (Antheaume 2007: 214), there are frameworks – such as, for example,

the VBA approach – which argue that ‘the value of a statistical life has been used by policymakers around the world when deciding whether regulations to reduce the likelihood of fatalities are worth the costs of implementing them’ (VBA 2021: 23), and that such hedonic pricing is important to make informed policy and business decisions.

Finally, FCA and IVA have a political dimension which manifests itself both in terms of processes and design choices. On a processual level, this gives rise to the question of which stakeholders are involved in the construction of full cost accounts, that is, who has a say and whose voices are heard (Bebbington *et al.* 2007). Closely related to this processual aspect is the issue of choosing the most relevant design features of FCA approaches, including which impacts are considered and how these impacts are assessed (Frame & O’Connor 2011).

Practical challenges

The practical challenges of FCA and IVA include technical difficulties, social dynamics involved in implementing new accounting systems, and organisational and institutional context factors. Firstly, technical difficulties stem largely from data availability issues, both in terms of physical impact data as well as financial data to monetise these impacts (Bebbington *et al.* 2001; Herbohn 2005; Frame & Cavanagh 2009). Academic case studies of FCA implementation attempts are relatively scarce and empirical settings are often public or public-private entities such as a New Zealand-based research institute (Bebbington & Gray 2001), an Australian government department (Herbohn 2005), or infrastructure projects in New Zealand (Frame & Cavanagh 2009). Despite the relatively modest size of the entities under investigation in these studies, a lack of data still constituted a serious impediment, often contributing to the failure of implementing FCA within these organisations. Technical challenges associated with data availability are even greater in the case of globally operating companies with complex and dispersed value chains.

Furthermore, social dynamics can manifest themselves in the form of internal and external stakeholders’ resistance against the implementation of FCA. For example, in a case study of the implementation of FCA in an Australian Government Department in charge of managing publicly owned forests, resistance against FCA emerged from outside the organisation in the form of adversarial conservationist stakeholders and from sceptical managers within the organisation, who both expressed philosophical reservations against monetising aesthetic aspects of forests (Herbohn 2005). In addition, organisational and institutional contexts can interact with both technical and social factors in obstructing the implementation of monetisation. External developments such as political pressures and resource constraints can limit the room for

experimentation within organisations and distract managers' attention away from implementing new accounting systems (Herbohn 2005). Contextual factors such as resource constraints seem to be particularly relevant in corporate settings, where take-over threats or economic downturns can result in a strong focus on financial cost control, thereby reducing the scope for dedicating resources to projects that might be seen to pay off only in the mid- to long-term.

Finally, frameworks developed among private companies (such as the Mutual profit and loss statement of the EoM foundation) are often developed for business operations on project level, and are very granular and difficult to aggregate and report, which is challenging for comparability. Valuation techniques try to address these problems, yet standards would be necessary to transcend from entity-level methodological decisions. This is where the logic of organisations such as the VBA and projects such as the Harvard IWAI comes to action. Only time will tell how successful they can really be in creating methodological standards without either wide market acceptance or institutional intervention.

Performance, materiality and purpose in practice

In this section we discuss how notions of sustainability-related materiality and concerns about social and environmental issues and externalities are applied in three core areas: investment practice, corporate governance and corporate decision-making. We assess current practice to understand whether the notion of corporate purpose is actually considered, and – if not – whether and how it would help to design more holistic performance measurement. We use the notion of the investment chain to review how information flows from companies to different capital market participants, and we review the incentive structures that are created through the practices that consider this information.

Since capital allocation from investors is key to enable corporate purpose at the organisational level, it is important to understand how the concept of performance is constructed by investors when they look at matters of social and environmental concern, and how this influences management and decision-making at the corporate level. We first examine notions of non-financial performance and materiality in investment practice through the relationships between asset managers and asset owners. We then shift the focus from investment practice to corporate governance, and in this we explore the role of boards in the adoption of corporate purpose and discuss the implications of this for the company's fiduciary duty. Finally, we examine how senior management can implement purpose-oriented policy and decision-making through-

out a company by focusing on the role of non-financial metrics in intra-organisational processes and incentive structures.

Rethinking performance along the investment chain

There are many actors that make up the investment chain, including a wide variety of investment intermediaries and advisors that create a complicated network of transactions in capital markets (Arjalies *et al.* 2017). Notwithstanding, much of the investment incentives are still set between asset owners, asset managers and companies. Asset owners are usually large capital owning entities (such as pension funds or sovereign wealth funds) who invest on behalf of a beneficiary population (such as pensioners or a specific government and its people). Asset managers usually manage funds of asset owners and high net-worth individuals. They do so through either active or passive investment strategies that make use of a mix of asset classes. Asset owners usually give asset managers an investment mandate to allocate their capital in a certain way: for example, with high risk and maximum returns, or as long-term, stable yield, or under consideration of specific sustainability concerns.

Financial markets participants have been a major driver of non-financial disclosure as both asset owners and asset managers increasingly seek to incorporate non-financial factors into their investment practices. Some investors seek to incorporate non-financial factors to reflect their moral concerns, and others use so-called sustainable or ESG investing practices to manage long-term risk within their portfolios. While the actual environmental and social impact of this investment practice is contested (Busch *et al.* 2016; Koelbel *et al.* 2020), the importance of financial markets as enablers of capital moving towards more sustainable and transformative businesses and innovation strategies cannot be underestimated. Controlling the allocation of significant amounts of financial capital (Hawley & Williams 2007), asset owners have been proclaimed as key drivers behind the efforts to integrate non-financial considerations into investment processes (Clark & Hebb 2005; Lachance & Stroehle 2021). This argument often cites the ‘universal ownership’ thesis (e.g. Hawley & Williams 2007), where large institutional investors have such highly diversified and global portfolios that they are inevitably exposed to large systemic risks, such as climate change, and therefore have an inherent fiduciary duty to track and address these in an effort to minimise their exposure and help create positive transformation.

Despite the growing interest in sustainable investing practice, many challenges remain. Firstly, there are major data problems. To incorporate sustainability-objectives into their capital allocation decisions, asset owners and asset managers need high-quality, consistent, and comparable non-financial metrics. Current ESG datasets are

subject to much criticism, as their scores vary widely (Chatterji *et al.* 2016; Berg *et al.* 2019) and their methodologies are opaque and change over time (Eccles & Stroehle 2018; Berg *et al.* 2020). While it is argued that the standardisation of non-financial metrics would be helpful for strengthening the reliability and validity of ESG performance assessments (Busch *et al.* 2016), there is doubt whether it will help investors identify purposeful and long-term sustainable business models. And while most large asset owners and asset managers have made some kind of commitment towards sustainability-related goals, actual capital allocation – especially in asset classes beyond public equity – often paint a much less earnest picture that lead to greenwashing concerns. For example, in July 2021, Bloomberg reported that the fund-classification rules of the SFDR led to a drop of US \$2 trillion in ESG-related funds in Europe – suggesting that many of those were previously labelled green without sufficient rigour in the underlying ESG assessment.¹³

Secondly, incentive structures in the financial markets are often not aligned with sustainable finance objectives. For this to change, clear mandates from asset owners to asset managers, including expectations towards the integration of ESG considerations and engagement practice are needed. Ideally, the contracted parties would set up some due diligence processes and reporting alongside these requirements as proof of their integration strategies. However, since asset managers usually deal with more than one asset owner at a time, due diligence processes are often flawed, and asset managers are given considerable freedom as to how to implement their mandate. There are also concerns about relatively short time-frames of mandates which clash with the long-term asset management logic of sustainable capital allocation. More and better disclosure from asset owners and asset managers regarding their sustainable investing activities could also lead to more stakeholder pressure and direct capital to those investors with the more ambitious sustainability targets.

Thirdly, for sustainable investments to not only avoid bad companies, but to actually induce change, capital allocation needs to be embedded in a broader notion of stewardship. Stewardship activities flank investment activities with stakeholder collaboration, advocacy, and particularly, engagement and voting (Eccles *et al.* 2021). In addition to encouraging corporate disclosure of non-financial metrics, asset managers therefore, increasingly engage with companies on questions regarding their long-term strategy and value creation. Academic evidence (Gond *et al.* 2018) suggests that effective and long-term ESG engagement can create important value for shareholders, particularly through three dynamics: (a) communicative dynamics – engagement enables the exchange of information between corporations and investors, creating

¹³ Bloomberg, 2021, European ESG Assets Shrank by \$2 Trillion After Greenwash Rules. <https://www.bloomberg.com/news/articles/2021-07-18/european-esg-assets-shrank-by-2-trillion-after-greenwash-rules>

‘communicative value’; (b) learning dynamics – engagement helps to produce and diffuse new ESG knowledge amongst companies and investors, creating ‘learning value’; and (c) political dynamics – engagement facilitates diverse internal and external relationships for companies and investors, creating ‘political value’. However, since the disclosure of material issues from companies is often minimal, engagement efforts from different investors at the same company can diverge strongly. This may limit the effectiveness of singular engagements on specific issues with companies, particularly if conversations are one-off and comparable to a box-ticking exercise. As a result, joined investor initiatives, such as Climate Action 100+, have become more popular to drive common engagement strategies on specific issues.

While corporate purpose is now also increasingly championed by the investment world,¹⁴ there is little evidence to suggest that purpose is used as an investment criteria, and materiality frameworks used by investors are often exclusively focussed on single materiality (i.e., which non-financial issues impact firm value and performance). Still, developments in capital markets suggest that sustainable investing is becoming more holistic and we argue that a purpose-lens could be helpful in supporting these trends. Firstly, impact investing strategies have grown significantly over the last years,¹⁵ specifically focusing on companies that provide solutions to problems of people and planet. Secondly, double materiality disclosure is increasingly mandated by regulatory frameworks, particularly within the EU,¹⁶ and investors can take this information into account more readily. And thirdly, due to the growing importance of stewardship,¹⁷ corporate purpose can offer a powerful lens to investors to holistically assess a company’s business model and potential for long-term value creation.

¹⁴Most prominently supported by BlackRock’s CEO Larry Fink, who stated in his 2019 letter to CEOs that ‘Purpose is not a mere tagline or marketing campaign; it is a company’s fundamental reason for being – what it does every day to create value for its stakeholders.’ And that it was BlackRock’s fiduciary duty to ‘help clients to invest for the long-term’. <https://www.blackrock.com/americas-offshore/en/2019-larry-fink-ceo-letter>.

¹⁵The Global Impact Investor (GIIN) Survey 2020, for example, suggest that impact investing has grown by 17% in 2020 alone. <https://thegiin.org/assets/GIIN%20Annual%20Impact%20Investor%20Survey%202020.pdf>

¹⁶See, for example, the European Commission’s proposal for the Corporate Sustainability Reporting Directive and its view on double materiality: https://ec.europa.eu/commission/presscorner/detail/en/QANDA_21_1806

¹⁷See, for example, the UK Stewardship Code from 2020 and its principle one in reference to ‘Purpose, strategy and culture’. https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf

Purpose and performance in corporate governance

As environmental and social concerns become more important for shareholders and stakeholders alike, there is increasing need and demand for corporate boards to outline how their companies are positioning themselves on these issues. If boards chose to engage with these issues, the importance of performance in relation to purpose is particularly relevant for them on three levels: (1) for the fulfilment of their fiduciary duty, (2) for the formulation and implementation of strategy and purpose, (3) for engagement with investors and for communication to stakeholders.

The board's fiduciary duty is a key piece in the consideration of the environmental and social performance and impact of a firm. While since the 1970s, fiduciary duty was overwhelmingly viewed as the board's responsibility to act in the interest of shareholders, this viewpoint has been overturned in recent years (Eccles & Youmans 2016). In the 2016 UK Corporate Governance Code, as well as in Section 172 of the UK Company's Act, the legal responsibility of boards is outlined as applicable to all stakeholders of their firms, not just to shareholders. While UK law is particularly progressive in this regard, changes are also seen elsewhere. A 2019 legal memo of the US law firm Wachtell, Lipton, Rosen & Katz, for example, underlines a broader notion of boards' responsibilities by discussing a significant decision of the Delaware Supreme Court interpreting the *Caremark doctrine*: The Court said to 'satisfy their duty of loyalty, ... directors must make a good faith effort to implement an oversight system and then monitor it themselves ... , the existence of management-level compliance programs is [therefore] not enough for the directors to avoid Caremark exposure'.¹⁸ This legal decision highlights the expanded notion of boards' responsibilities, even in the relatively more conservative legal system of the United States. Lipton (2019: 2), and outlines that directors must: 'recognize the heightened focus of investors on "purpose" and "culture" and an expanded notion of stakeholder interests ... and work with management to develop metrics to enable the corporation to demonstrate their value.'

The changing expectations of company boards and directors in the context of responsible stewardship and governance were further clarified by the Enacting Purpose Initiative (EPI),¹⁹ a research project which engaged board members on the role of purpose. The initiative's reports (2020; 2021) underline that boards increasingly recognise the mounting expectations they face to formulate a credible corporate purpose and strategy. They also recognise that it must go beyond a mere empty pledge, such as seen by the Business Roundtable in August 2019, where 181 CEOs pledged to a more

¹⁸ <http://www.wlrk.com/webdocs/wlrknew/WLRKMemos/WLRK/WLRK.26467.19.pdf>, last access Aug 2019

¹⁹ <http://www.enactingpurpose.org/>

holistic, stakeholder-oriented version of the 21st century corporation yet never adopted any meaningful changes thereafter. The EPI suggested a SCORE framework that highlights how boards can enact purpose through five core principles: Simplify purpose, Connect to strategy, Own purpose at the board level, Reward purpose and Exemplify it through practice (Eccles *et al.* 2020). The framework therefore highlights the importance of connecting purpose to both materiality and performance.

Current practice suggests, however, that boards seldomly link purpose with measurement. Because of this, many directors feel ill-prepared to address or discuss sustainability issues. Without clear objectives and targets, it is difficult to link purpose to strategy and to communicate progress in relation to purpose to investors and other stakeholders. It is therefore the link of purpose with materiality and non-financial data within an organisation which can help the board deal more confidently with the most material non-financial concerns. Some have suggested that the creation of a board-signed Statement of Purpose would be a good start for companies to control the narrative around who they think their significant stakeholders are (rather than just saying ‘all stakeholders’ matter) and what material issues the firm recognises and intends to make a priority in accordance with its purpose.²⁰ The Statement can also be used to communicate timelines (what the company understands as ‘long-term’) and be informed and evaluated by the use of non-financial metrics, allowing both alignment within the company and more targeted conversations with stakeholders outside the organisation.

The importance of purpose measurement for management decisions

As previously discussed, both financial and non-financial metrics play a critically important role in informing and guiding corporate decision making to achieve corporate purpose. While financial measures are routinely reviewed, it is important for businesses to also have a strategic approach to managing both non-financial targets in their own entity, as well as multi-capital accounting frameworks and impact valuation. Stroehle & Rama Murthy (2019: 10) therefore argue that many sustainability accounting frameworks

... have concentrated on the measurement of non-financial capitals. The management of these non-financial capitals is [however] a separate stream of research. Managing businesses to tackle societal and environmental concerns is explored as shared value or system value. Practice tools such as Future-Fit can help companies to pursue social and environmental goals and track extra-financial information for internal and external audiences.

²⁰Hermes Investment, 2019, <https://www.hermes-investment.com/ukw/wp-content/uploads/2019/08/statement-of-purpose-guidance-document-aug-2019.pdf>, last accessed October 2019.

The emphasis on embedding non-financial measurement into management frameworks directs attention towards ways in which non-financial metrics are being used within companies. A helpful concept in this context is the notion of management controls, which ‘include all the devices and systems managers use to ensure that the behaviours and decisions of their employees are consistent with the organisation’s objectives and strategies’ (Malmi & Brown 2008: 290), or in other words, the company’s purpose. Put differently, the sheer availability of non-financial metrics within organisations might inform behaviour but it does not automatically shape practices and, ultimately, decision-making: ‘While information systems may have an influence on behaviour, they are not specifically designed to hold organisation members accountable for their behaviour, nor do they relate behaviour to targets’ (Malmi & Brown 2008: 295). Hence, non-financial measures need to be embedded in control structures that incentivise managers to consider these metrics in their decisions-making.

If measures are chosen according to their materiality and linked to corporate purpose this can, for instance, be used to integrate relevant non-financial objectives into (individual) performance targets, which, if achieved, unlock additional compensation, benefits and promotion. Purpose then becomes an essential component of incentivising and evaluating managers and staff and ultimately analysing firm performance. Furthermore, material purpose targets can be integrated into key management processes, such as strategy development, capital expenditures and risk management. The recommendations of the TCFD, for instance, ask companies to disclose how climate-related risks and opportunities are considered in governance, strategy, and risk management processes.

Through these practices we observe that increased understanding and scholarship on embedding purpose through multi-capital frameworks into performance frameworks may see positive effects in decision making across the investment chain. These frameworks could result in better long-term decision making on corporate investments such as capital expenditures. The challenges arise in creating environments where a large proportion of firms commit to these expanded management frameworks, and asset owners and managers are incentivised to take these into consideration when making investment allocation decision. This entails an environment of rigour and transparency in evaluating purpose driven performance from corporate decisions through to asset owner level.

Conclusion

The performance principles of corporate purpose suggest that measurement needs to reflect whether companies take into account the growing significance of workers,

societies and natural assets both inside and outside a company's legal boundaries, and that performance should be evaluated in relation to attainment of corporate purposes and profits measured after providing for costs of rectifying failures to fulfil them. This paper examines the practicability, limitations and feasibility of these principles by arguing that they are linked to three separate measurement considerations. In a first instance, performance measurement needs to focus on the attainment of a problem solved, as set out through a company's purpose. These measures will be non-financial in their own entities as well as impact-related to understand whether a given business solution has (un)intended consequences. Second, purpose measurement must be linked to a notion of profitability (although adjusted) and therefore to the idea of single materiality and how the firm's value and performance is influenced by its surroundings. Third, purposeful companies need to take account of their externalities by absorbing the cost of maintenance in relation to natural and social assets, and by assessing and managing their impact in relation to their values to society.

We find that while the demand for non-financial reporting and disclosure is growing rapidly and progress to provide this information has been made both in regard to regulation and standardisation, considerable gaps and challenges persist for actors at various levels to link these measures and activities to purpose. Corporate purpose is still often seen and treated as a marketing tool: a high-level commitment to broad sustainability-related goals, yet without any tractable commitments made in its relation, nor any linked incentive structures. For purpose to be real it would have to be considered in the way investors allocate their capital sustainably, in the way boards set 'the tone at the top', formulate strategy goals and fulfil their fiduciary duties, and in the way managers are incentivised and evaluated.

Purpose without measurement runs the risk of being merely a mirage, or quickly side-lined as soon as a more important (financial) concern arises. With the framework we outline, we show that it is not impossible to establish measurement of purpose, in particular when performance in relation to purpose is linked to existing frameworks of measurement and notions of single and double materiality. Getting this implementation and measurement right is absolutely key, as we need to have good measurement of long-term value-creation and public accountability for corporate externalities if we want to successfully address the system-level challenges we are currently facing.

Acknowledgements

This research was commissioned and funded by the 'Future of the Corporation' programme of the British Academy. All related online content of the programme can be found under: www.thebritishacademy.ac.uk/programmes/future-of-the-corporation/research

References

- Antheaume, N. (2007), 'Full cost accounting: Adam Smith meets Rachel Carson?', in J. Unerman, B. O'Dwyer, & J. Bebbington (eds), *Sustainability accounting and accountability* (London, Routledge), 211-25. <https://doi.org/10.4324/NOE0415384889.pt3>
- Antheaume, N. (2004), 'Valuing external costs – from theory to practice. Implications for full cost environmental accounting', *European Accounting Review*, 13: 443–64. <https://doi.org/10.1080/0963818042000216802>
- Arjalies, D.-L., Grant, P., Hardie, I., MacKenzie, D.A. & Svetlova, E. (eds) (2017), *Chains of finance: How investment management is shaped* (Oxford, Oxford University Press). <https://doi.org/10.1093/oso/9780198802945.001.0001>
- Barby, C., Barekr, R., Cohen, R., Eccles, R.G., Heller, C., Mayer, C., Roche, B., Serafeim, G., Stroehle, J.C., Younger, R. & Zochowski, R. (2021), 'Measuring Purpose – An Integrated Framework', Oxford University White Paper. <https://doi.org/10.2139/ssrn.3771892>
- Barker, R. (2019), 'Corporate Natural Capital Accounting', *Oxford Review of Economic Policy*, 35: 68–87. <https://doi.org/10.1093/oxrep/gry031>.
- Barker, R. & Mayer, C. (2017), 'How Should a 'Sustainable Corporation' Account for Natural Capital?', *Saïd Business School Research Paper*, RP 2017-15, Oxford University. <https://doi.org/10.2139/ssrn.3040013>
- Beal, D., Eccles, R.G., Hansell, G., Lesser, R., Unnikrishnan, S., Woods, W. & Young, D. (2017), *BCG Total Societal Impact study. A new Lens for Strategy* (The Boston Consulting Group).
- Bebbington, J., Brown, J. & Frame, B. (2007), 'Accounting technologies and sustainability assessment models', *Ecological Economics*, 61: 224-36. <https://doi.org/10.1016/j.ecolecon.2006.10.021>
- Bebbington, J., Gray, R., Hibbitt, C. & Kirk, E. (2001), *Full Cost Accounting: An Agenda for Action* (London).
- Berg, F.; Kölbel, J. & Rigobon, R. (2019), 'Aggregate Confusion: The Divergence of ESG Ratings', MIT Aggregate Confusion Working Paper. <https://doi.org/10.2139/ssrn.3438533>
- Berg, F., Fabisik, K. & Sautner, Z. (2020), 'Is History Repeating Itself? The (Un)Predictable Past of ESG Ratings', European Corporate Governance Institute – Finance Working Paper 708/2020. <https://doi.org/10.2139/ssrn.3722087>
- Busch, T., Bauer, R. & Orlitzky, M. (2016), 'Sustainable Development and Financial Markets', *Business & Society*, 55: 303–29. <https://doi.org/10.1177/0007650315570701>
- British Academy (2019), 'Principles for Purposeful Business', British Academy Future of the Corporation Programme. <https://www.thebritishacademy.ac.uk/publications/future-of-the-corporation-principles-for-purposeful-business/>
- Chatterji, A.K., Durand, R., Levine, D. & Touboul, S. (2016), 'Do ratings of firms converge? Implications for managers, investors and strategy researchers', *Strategic Management Journal*, 37: 1597–614. <https://doi.org/10.1002/smj.2407>
- Clark, G.L. & Hebb, T. (2005), 'Why should they care? The role of institutional investors in the market for corporate global responsibility', *Environment and Planning A*, 37: 2015–31. <https://doi.org/10.1068/a38116>
- Cohen, R. (2018), *On Impact – A Guide to the Impact Revolution* (Park Communications, London).
- Eccles, R.G., Ioannou, I. & Serafeim, G. (2014), 'The Impact of Corporate Sustainability on Organizational Processes and Performance', *Management Science*, 60: 2835-57. <https://doi.org/10.1287/mnsc.2014.1984>
- Eccles, R.G., Johnstone-Louis, M., Mayer, C. & Stroehle, J.C. (2020), 'The Board's Role in Sustainability', *Harvard Business Review*, September-October 2020.

- Eccles, R.G., Mooij, S. & Stroehle, J.C. (2021), 'Four Strategies for Effective Engagement', *Responsible Investor*, 06/21. <https://www.responsible-investor.com/articles/four-strategies-for-effective-engagement>
- Eccles, R.G. & Stroehle, J.C. (2018), 'Exploring Social Origins in the Construction of ESG Measures', *Working Paper, Said Business School*. <https://doi.org/10.2139/ssrn.3212685>
- Eccles, R.G. & Youmans, T. (2016), 'Materiality and the Role of the Board', in International Corporate Governance Network (eds), *ICGN Yearbook 2016* (London), 41–2.
- Enacting Purpose Initiative (2020), 'Enacting Purpose in the Modern Corporation – A Framework for Boards of Directors' (Oxford, Oxford University).
- Enacting Purpose Initiative (2021), 'Enacting Purpose Report 2 – Directors & Investors: Building on Common Ground to Advance Sustainable Capitalism'.
- Frame, B. & Cavanagh, J. (2009), 'Experiences of sustainability assessment. An awkward adolescence', *Accounting Forum*, 33: 195–208. <https://doi.org/10.1016/j.accfor.2008.07.007>
- Frame, B. & O'Connor, M. (2011), 'Integrating valuation and deliberation. The purposes of sustainability assessment', *Environmental Science & Policy*, 14: 1–10. <https://doi.org/10.1016/j.envsci.2010.10.009>
- Friedman, M. (1970), 'The social responsibility of business is to increase its profits', *New York Times Magazine*, September 13.
- Gond, P., O'Sullivan, N., Slager, R., Homanen, M., Viehs, M. & Mosony, S. (2018), *How ESG engagement creates value for investors. An investor initiative in partnership with UNEP FU and UN Global Compact*. <https://www.unpri.org/download?ac=4637>, last accessed May 2019.
- Gordon, J.N. (2018), 'Is corporate governance a first-order cause of the current malaise?', *Journal of the British Academy*, 6(s1): 405–36. <https://doi.org/10.5871/jba/006s1.405>
- Gray, R. (1992), 'Accounting and Environmentalism: An Exploration of the Challenge of Gently Accounting for Accountability, Transparency and Sustainability', *Accounting, Organizations and Society*, 17: 399-425. [https://doi.org/10.1016/0361-3682\(92\)90038-T](https://doi.org/10.1016/0361-3682(92)90038-T)
- Hawley, J., & Williams, A. (2007), 'Universal Owners: Challenges and opportunities', *Corporate Governance: An International Review*, 15: 415–20. <https://doi.org/10.1111/j.1467-8683.2007.00574.x>
- Herbohn, K. (2005), 'A full cost environmental accounting experiment', *Accounting, Organizations and Society*, 30: 519–36. <https://doi.org/10.1016/j.aos.2005.01.001>
- Herren Lee, A. (2021), *A Climate for Change: Meeting Investor Demand for Climate and ESG Information at the SEC*. Retrieved from U.S. Securities and Exchange Commission website: https://www.sec.gov/news/speech/lee-climate-change#_ftn6
- ICMA (2021), *Overview and Recommendations for Sustainable Finance Taxonomies* (Zurich). Retrieved from International Capital Market Association website: <https://www.icmagroup.org/News/news-in-brief/icma-publishes-overview-of-taxonomies-for-sustainable-finance-and-recommends-success-criteria/>
- Impact Management Project (2020), 'Statement of Intent to Work Together Towards Comprehensive Corporate Reporting', summary of alignment discussions among leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB.
- Johnson, H.T. (1994), 'Relevance Regained: Total Quality Management and the Role of Management Accounting', *Critical Perspectives on Accounting*, 5: 259-67. <https://doi.org/10.1006/cpac.1994.1015>
- Johnson, H.T. & Kaplan, R.S. (1991), *Relevance Lost: Rise and Fall of Management Accounting*, (Boston, Harvard Business School Press).
- Khan, M., Serafeim, G. & Yoon, A. (2016), 'Corporate Sustainability: First Evidence on Materiality', *The Accounting Review*, 91: 1697-724. <https://doi.org/10.2308/accr-51383>

- Köbel, J.F., Heeb, F., Paetzold, F. & Busch, T. (2020), 'Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact', *Organization & Environment*, 33(4): 554–74. <https://doi.org/10.1177/1086026620919202>
- KPMG (2020), *The time has come: The KPMG Survey of Sustainability Reporting 2020*. <https://home.kpmg/xx/en/home/insights/2020/11/the-time-has-come-survey-of-sustainability-reporting.html> (last accessed September 2021)
- Lachance, S. & Stroehle, J.C. (2021), 'The Origins of ESG in Pensions: Strategies and Outcomes', Wharton Pension Research Council Paper, Wharton Business School. <https://doi.org/10.2139/ssrn.3900120>
- Latham & Watkins (2021), *Climate Disclosures and the SEC*. Retrieved from <https://www.lw.com/thoughtLeadership/Climate-Disclosures-and-the-SEC>
- Lipton, M. (2019), 'Spotlight on Boards', *Wachtell, Lipton, Rosen & Katz Legal Memo*, W/3352189, 6 August 2019.
- Mayer, C. (2018), *Prosperity – Better Business Makes the Greater Good* (Oxford, Oxford University Press).
- Malmi, T. & Brown, D. A. (2008), 'Management control systems as a package—Opportunities, challenges and research directions', *Management Accounting Research*, 19: 287–300. <https://doi.org/10.1016/j.mar.2008.09.003>
- OECD (2020), *Developing Sustainable Finance Definitions and Taxonomies* (Green Finance and Investment; Paris). <https://doi.org/10.1787/134a2dbe-en>
- Ramanna, K. & Kaplan, R.S. (2021), *How to fix ESG reporting* (Blavatnik School Working Paper No. 2021/043). Retrieved from <https://www.bsg.ox.ac.uk/research/publications/how-fix-esg-reporting>
- Serafeim, G., Zochowski, T.R. & Downing, J. (2019), *Impact-Weighted Financial Accounts: The Missing Piece for an Impact Economy* (Cambridge MA, Harvard Business School).
- Stroehle, J. C. & Rama Murthy, S. (2019), 'Integrating Frameworks for Multi-Capital Accounting, Reporting and Valuation'; *Saïd Business School White Paper*, Oxford University. <https://doi.org/10.2139/ssrn.3433090>
- Unerman, J., Bebbington, J. & O'Dwyer, B. (2018), 'Corporate reporting and accounting for externalities', *Accounting and Business Research*, 48: 497–522. <https://doi.org/10.1080/00014788.2018.1470155>
- Value Balancing Alliance (2021), *Methodology – Impact statement General Paper Version 0.1. VBA Consultation Paper* (Frankfurt).

Note on the authors

Judith Stroehle is Assistant Professor of Sustainability Governance at the University of St. Gallen in Switzerland. She was previously a Senior Research Fellow and the Programme Lead of the Oxford Rethinking Performance Initiative at Saïd Business School, University of Oxford. Her research focuses on the creation and use of concepts and measures for non-financial performance evaluation, sustainable accounting and finance to further responsible business practice.

judith.stroehle@unisg.ch

Kazbi Soonawalla is Senior Research Fellow at Said Business School, and Tutorial Fellow in Management at Keble College, University of Oxford. Her research focusses on financial reporting for capital markets, sustainability accounting, budgeting practices. She is interested in the information content of non-financial disclosures and reporting.

Marcel Metzner is a Research Affiliate at Said Business School, University of Oxford. His research focuses on the intersection between climate risk, strategic management, and accounting.

Appendix 1. Examples of corporate practice

<i>Name</i>	<i>Novo Nordisk</i>	<i>Olam</i>	<i>Mars</i>	<i>Value Balancing Alliance</i>
Organisation type	Publicly listed company	Publicly listed company	Private company	Association (c.V.)
Industry sector	Healthcare	Food	Consumer goods	Non-profit organisation
Purpose of the organisation	Driving change to defeat	Re-imagining global agriculture and food systems	Our Consumer is Our Boss	Integrating business into society and environment by developing a standardised impact measurement and valuation model that enables decision-makers to create and protect long-term value
Headquarter	Denmark	Singapore	USA	Germany
Countries in which the organisation is present	80	>60	80	Member companies operate globally
Organisation annual revenues	111,831 million Danish kroner	S\$30.5 billion	> \$35 billion	Annual budget of approximately €800 000
Total numbers of employees	43,202	74,500	125,000	15 plus extensive stakeholder network
Extra-financial measurement innovation	Application of the Future-Fit Business Benchmark, a measurement approach that translates system-level requirements of sustainability into clear organisation-level objectives, thereby offering a practical tool for assessing how companies contribute to solving societal key challenges as defined in the UN SDGs.	Integrated Impact Statement (IIS) that comprises both a Profit and Loss (P&L) and a Balance Sheet approach to measuring Olam's short- and long-term impacts and dependencies on various capitals, including human, social, and natural capital.	Mutual Profit & Loss (P&L) tool as an additional internal management account for measuring and managing performance across human, social, natural, and shared financial capital.	Development of a standardised Impact Measurement and Valuation (IMV) model to monitor, manage, and disclose the economic, environmental, human, and social value companies provide to society.

Appendix 2. List of interviews and focus groups

Expert interviews

Organisation: Deloitte. *Name:* Veronica Poole, Global Head of IFRS. *Interview date:* August 2019

Organisation: Deloitte. *Name:* Neil Stevenson, Director Deloitte UK. *Interview date:* August 2019

Organisation: Hermes Investment Management. *Name:* Dr Michael Viehs, Associate Director. *Interview date:* August 2019

Organisation: Impact Management Project. *Name:* Clara Barby, CEO. *Interview date:* September 2019

Organisation: International Integrated Reporting Council. *Name:* Charles Tilly, CEO. *Interview date:* September 2019

Organisation: The Prince's Accounting for Sustainability Project. *Name:* Jessica Fries, Professor of Accounting, Executive Chair. *Interview date:* August 2019

Organisation: University of Oxford. *Name:* Professor Robert Eccles, Visiting Professor of Management Practice and Founding Chairman of SASB. *Interview date:* August 2019

Organisation: University of Oxford. *Name:* Professor Richard Barker, Professor of Accounting. *Interview date:* August 2019

Organisation: Value Balancing Alliance. *Name:* Christian Heller, CEO. *Interview date:* September 2019

Observed focus groups

British Academy, London, Future of the Corporation Workshop on Measurement & Performance. *Date:* May 2019

British Academy, London, Future of the Corporation Workshop on Measurement & Performance. *Date:* June 2019

British Academy, London, Future of the Corporation Workshop on Principles. *Date:* September 2019

To cite the article: Stroehle, J.C., Soonawalla, K. & Metzner, M. (2022), 'Through the looking glass: tying performance and materiality to corporate purpose', *Journal of the British Academy*, 10(s5): 87–123.

<https://doi.org/10.5871/jba/010s5.087>

Journal of the British Academy (ISSN 2052–7217) is published by
The British Academy, 10–11 Carlton House Terrace, London, SW1Y 5AH
www.thebritishacademy.ac.uk

