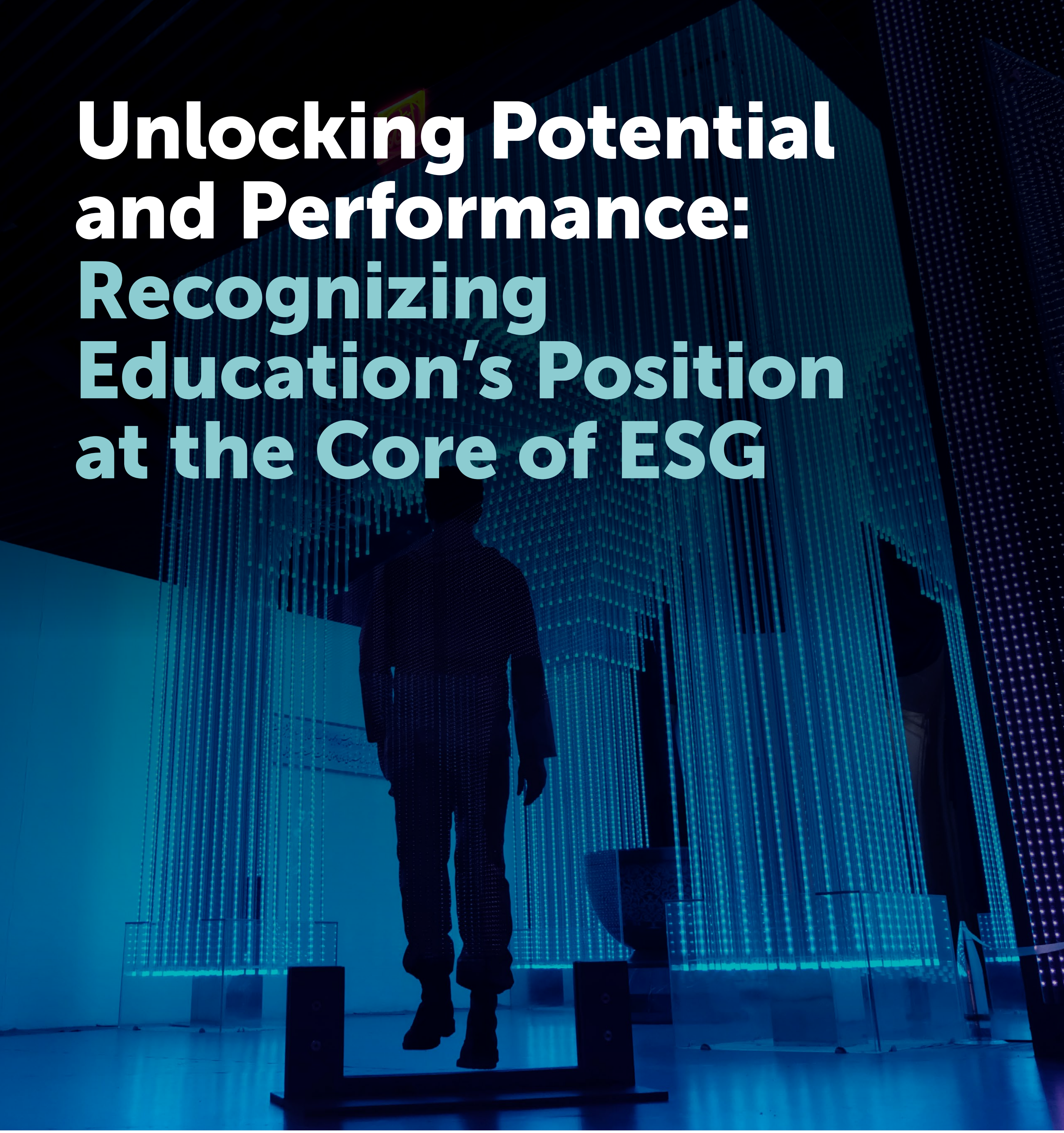

Unlocking Potential and Performance: Recognizing Education's Position at the Core of ESG

A Global Business Coalition for Education Report

September 2022

Global Business Coalition For Education

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Inside cover: Photo by Hoan Ngoc on Pexels

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Executive summary

Investment in education has the power and ability to both improve society and drive business results.

Investment in education, human development, and training is an investment in today and future generations. Positioning education at the core is a useful and impactful way to advance the objectives of companies and investors seeking to achieve better financial outcomes and improve Environmental, Social, and Governance (ESG) performance and credibility.

Currently, ESG is facing a crisis centered around the question of whether it is a risk framework or a method for improving performance with positive environmental, social, and economic outcomes. This debate has gained further attention with comments from industry leaders and CEOs, questioning the legitimacy and reliability of ESG. "Greenwashing" claims and government inquiries into "green practices" of companies and investors have exposed ESG to increased pressure and scrutiny. To ensure that ESG continues to improve and provide the critical direction needed to advance environmental and social performance, companies need clear, quantifiable metrics to measure how they are addressing key issues. Directly linking education and ESG produces more definitive methods for measuring social progress and, in turn, provides more depth for those looking to evaluate corporate ESG efforts.

As the importance of ESG continues to evolve, companies have the potential to identify and refine material ESG concerns, advance sustainability objectives, and mitigate short- and long-term corporate risk through investment in educational initiatives that focus on lifelong learning. This will not only help to improve ESG performance but will also provide the financial resources needed to address the global educational crisis.

In the last few years, the COVID-19 pandemic has deepened the global learning crisis and contributed to a significant talent gap in the workforce. The pandemic increased the global digital divide; decreased access to education, particularly in underserved and minority communities; and laid bare the need for greater skills-based training. By 2030, there will be a "human talent shortage" of more than 85 million people.[1] Meanwhile, countries face stagnant growth, widening social and economic inequality threatening security and safety, supply chain disruptions, and intensifying climate change. Addressing any of these challenges is impossible if young people lack basic developmental milestones and skills needed to provide effective contributions in the workforce. These issues should be central to any company looking to establish a comprehensive approach to ESG.

In this report, we offer a new approach to educational investment that focuses on the link between education and ESG. We propose the development of a new blueprint designed to yield benefits for companies and investors produced at the intersection of education and ESG. We also make a case for the materiality of education to businesses and investors and call upon stakeholders to join us in developing ESG programs guided by education and integrating educational programming into strategies with appropriate metrics to ensure investments have the intended impacts. Throughout this report, we will use "education" as a term reflecting all levels of education, ranging from the early years to adulthood, embracing the broader context of human development and training later in life.

By applying this new blueprint to the core of business, over time we will provide companies with access to tools that can help standardize social impact analysis, the means to report on social progress more effectively, and the ability to better assess and evaluate ESG-related risks. This approach will also unlock the full potential of education as it relates to myriad ESG issues and mitigate ESG-related risks while improving business performance. There are further implications of this approach to ESG, providing rating agencies, reporting frameworks, and financial analysts with the necessary tools to collect, analyze, and rate companies based on their commitment to education and broader impact on society.

The Challenge

As ESG grows in both prominence and relevance, it is increasingly important to clarify its value in reducing risk and improving environmental and social performance.

Setting the scene

Over the past several years, faced with mounting pressure from regulators, investors, customers, and employees, companies have increased ESG efforts to create and sustain value. These efforts have aimed to improve corporate performance, enhance perception, and mitigate short- and long-term risk.[2] Many companies have adopted "ESG" as an umbrella term encompassing corporate sustainability, philanthropy, and social impact programs, reflecting a framework for measuring, and assessing the sustainability of an organization. ESG has also served as a tool to identify nonfinancial risks and opportunities with the intention to enhance long-term, risk-adjusted returns.

As ESG has gained traction, an increasing number of organizations are being accused of using it to provide an illusion of sustainable operations while making a negligible impact on the issues they set to address. For example, "greenwashing" has become a term used to describe the practice of marketing efforts around environmental progress despite an absence of real action. Some have questioned whether ESG is simply a risk analysis tool for investors or a framework for driving progress. The skepticism has led to a heightened spotlight around ESG claims and raised the importance of ensuring that companies have clear, consistent, and meaningful metrics for reporting progress.

Historically, environmental metrics have allowed for better quantitative assessment, and companies have enjoyed the clarity of accounting protocols, the availability of disclosure frameworks, and a robust body of research related to environmental and climate-related risks. Similarly, governance metrics have been widely accepted to measure a company's commitment to basic practices, standards, and ethical norms.

In comparison, the social pillar of ESG lacks the same level of rigor, resources, and standardization that leaves many companies and nongovernmental organizations (NGOs) defining, measuring, and reporting social impact differently. Investors are offered lean or inconsistent data that cannot support financial risk analysis and can lead to incomplete assessments of corporate performance on social issues. Existing metrics, such as the United Nations Sustainable Development Goals (UN SDGs) have attempted to solve this, but the UN SDGs have limitations, as they are primarily designed to track national, population-level statistics.

At first, the underdevelopment of standardization and robust social metrics may appear as a challenge for the ESG movement. But it presents an opportunity to harness the well-developed field of education and human development as a central foundation for a robust ESG social pillar. Education, human development, and training — which encompass policies, programs, and activities ranging from early childhood development and literacy to formal education for marginalized groups and skills for the workforce — present tangible corporate actions and well-researched, quantifiable impact metrics for evaluating performance. This allows for purposeful corporate action with measurable impact across all three pillars of ESG.

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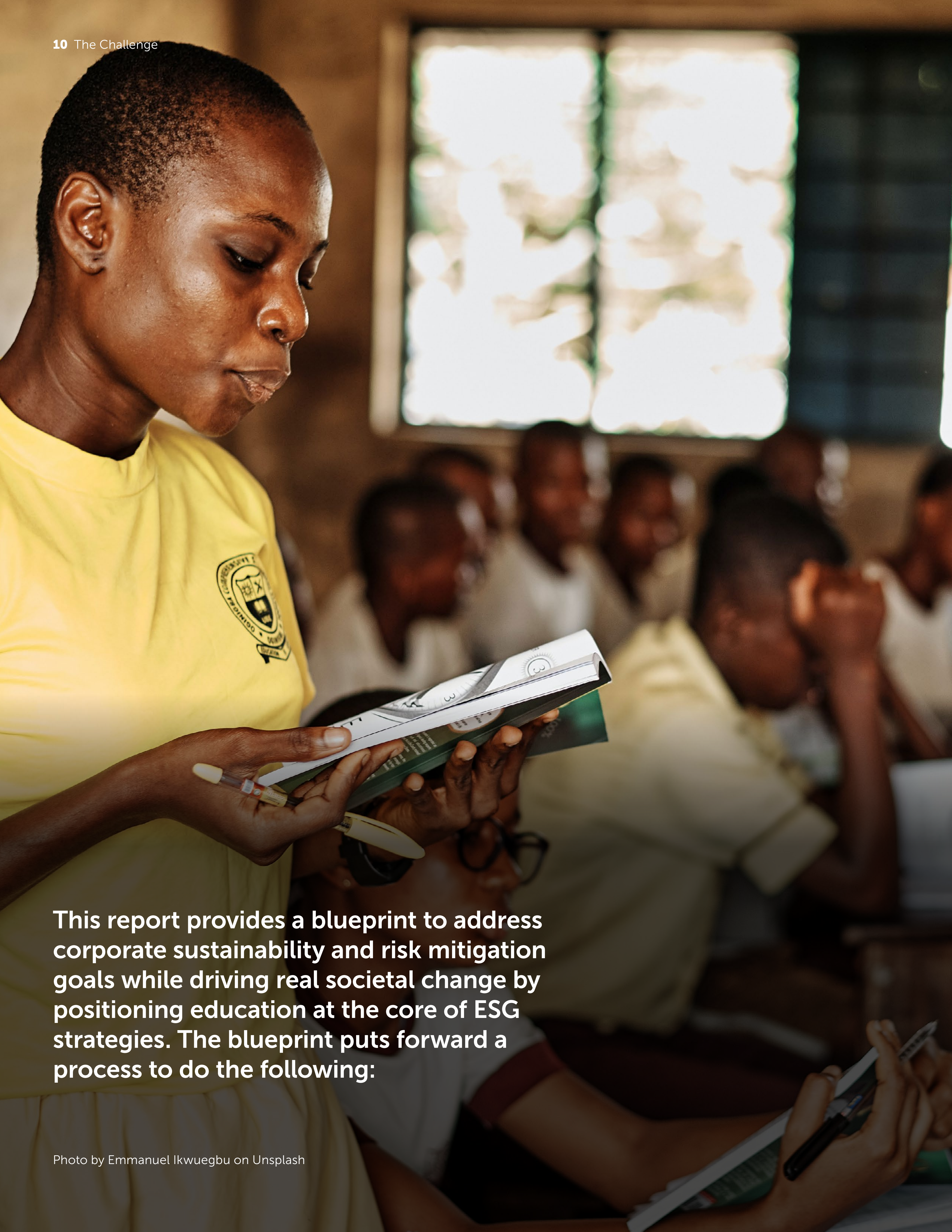
Education Equity: Transforming ESG for Meaningful Impact

In rich and poor countries alike, education is under-resourced and underperforming, posing risks to not only the business community, but the global economy and society at large. At present, more than 1 out of every 2 young people are not on track to have the most basic skills for employment by 2030. Worldwide, 260 million children are currently out of school, and the pandemic has resulted in 7 out of 10 children in lower-income countries unable to read basic text at age 10.[3]

As companies struggle to recruit and retain talent, build diverse workforces, identify new markets for expansion, and ensure the sustainability of supply chains, the current trends in education, if left unaddressed, will intensify the pressures and risks companies face. Given the strong, positive correlations between quality education and economic growth, health outcomes, inequality, stability, and climate action, education is the key to unlocking nonfinancial factors that hinder business sustainability.

In the current corporate landscape, companies traditionally committing to education as a social impact priority are finding it difficult to justify and integrate these efforts under new ESG frameworks linked to risk mitigation and sustainability. Similarly, ESG professionals do not, at first glance, view acting on education as a leverage point to advance their environmental or governance objectives. While current disclosure metrics provide some structure for reporting, they do not deliver the means to contextualize how corporate efforts are connecting to fundamental social progress. This has created an environment where companies tend to focus on diversity, equity, and inclusion (DEI) and human capital management (HCM) disclosure metrics without taking account of tangible education, development, and training actions that drive the metrics and greater long-term change.



This report provides a blueprint to address corporate sustainability and risk mitigation goals while driving real societal change by positioning education at the core of ESG strategies. The blueprint puts forward a process to do the following:

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1

Identify material issues for a company.

2

Develop simple, evidence-based actions and policies rooted in education and training.

3

Monitor impact through clearly defined and robust metrics.

4

Articulate measurable impact across ESG priorities contributing to real social change.

Positioning the “S” in ESG as a function of diverse education and training policies and investments addresses the global education crisis while reducing risks that can threaten corporate financial and non-financial success.

Starting with Corporate Priorities: The Materiality of Education

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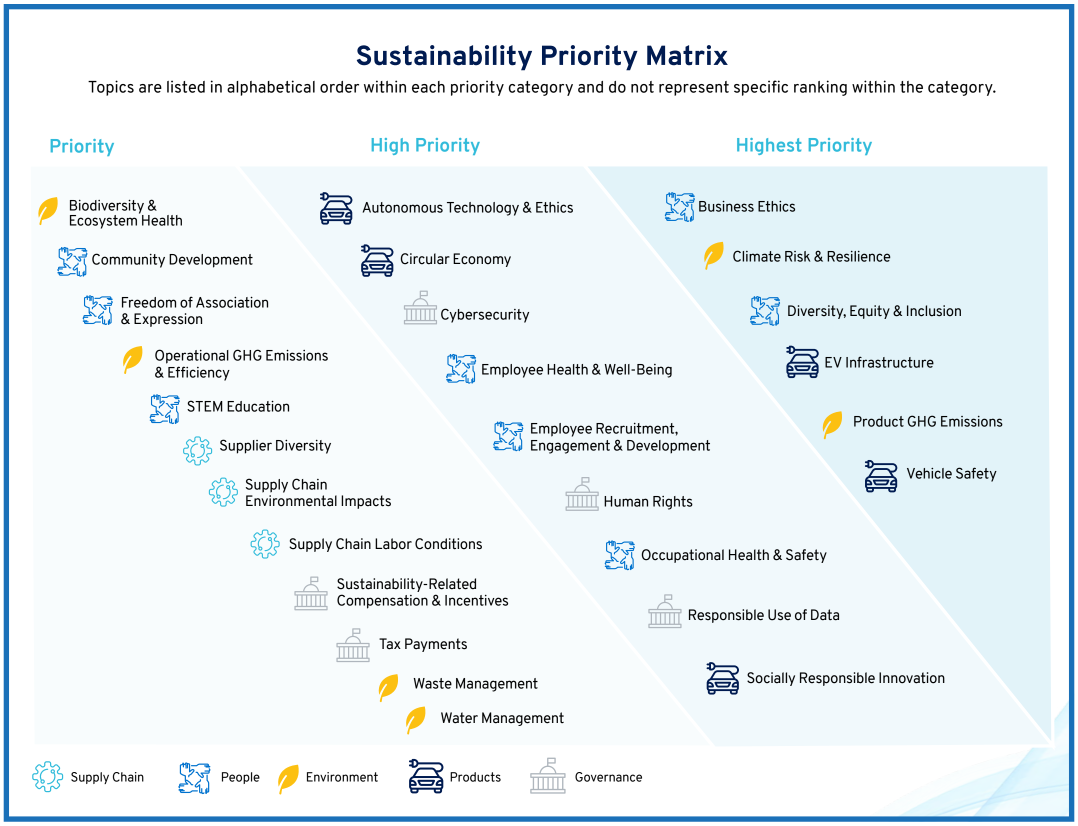
Materiality Analysis

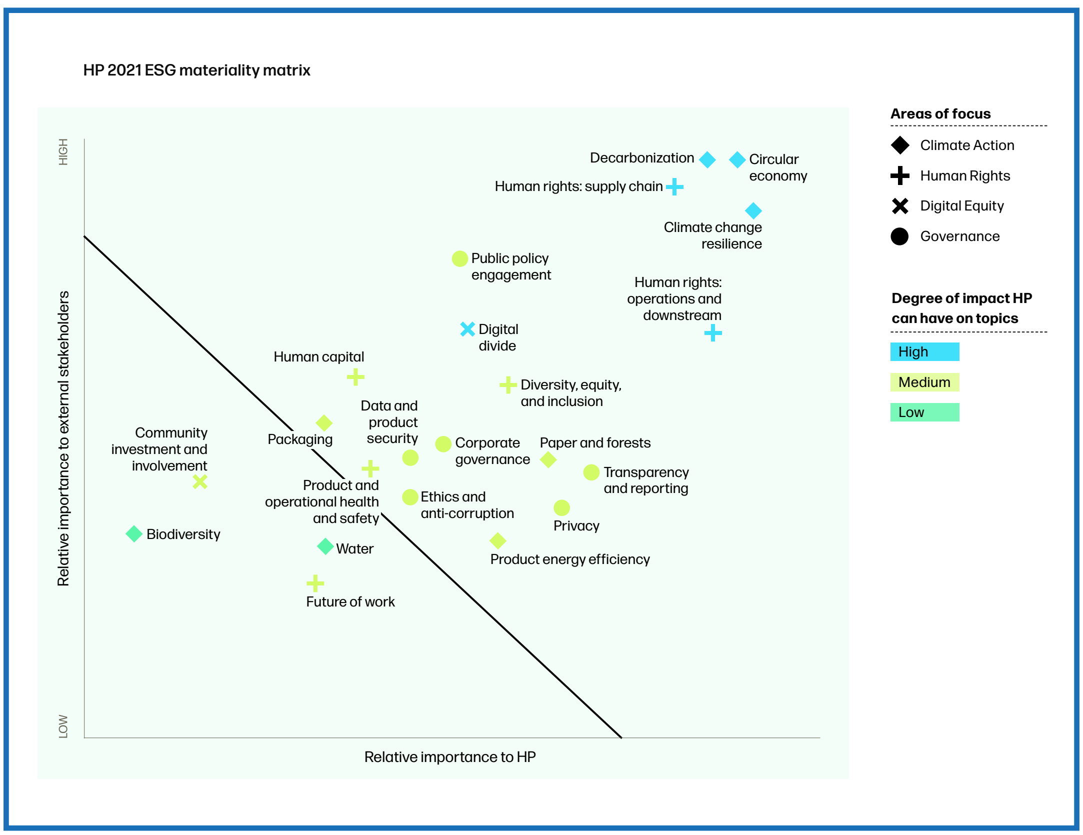
Materiality analysis is an essential tool for companies developing ESG strategies. The method is used to identify the most relevant and material issues for a company to focus on based on each issue's value to the business and importance to stakeholders. Guided by disclosure frameworks like the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), these assessments can help companies and investors identify opportunities for impact, financial returns, and improved performance.

For many companies, education is a material issue by itself as well as a determining factor in many other material topics companies seek to address. To effectively connect education and ESG in an actionable framework, it first requires understanding how education contributes to many of the most common material issues that companies face and how that connection impacts broader economic, environmental, and societal concerns. Positioning education as a strong component of effective ESG strategies allows for the opportunity to apply education-based policy and program actions to a complex suite of challenges facing both companies and investors. In turn, business can meaningfully address issues ranging from human rights across the supply chain, environmental performance, and diversity and inclusion.

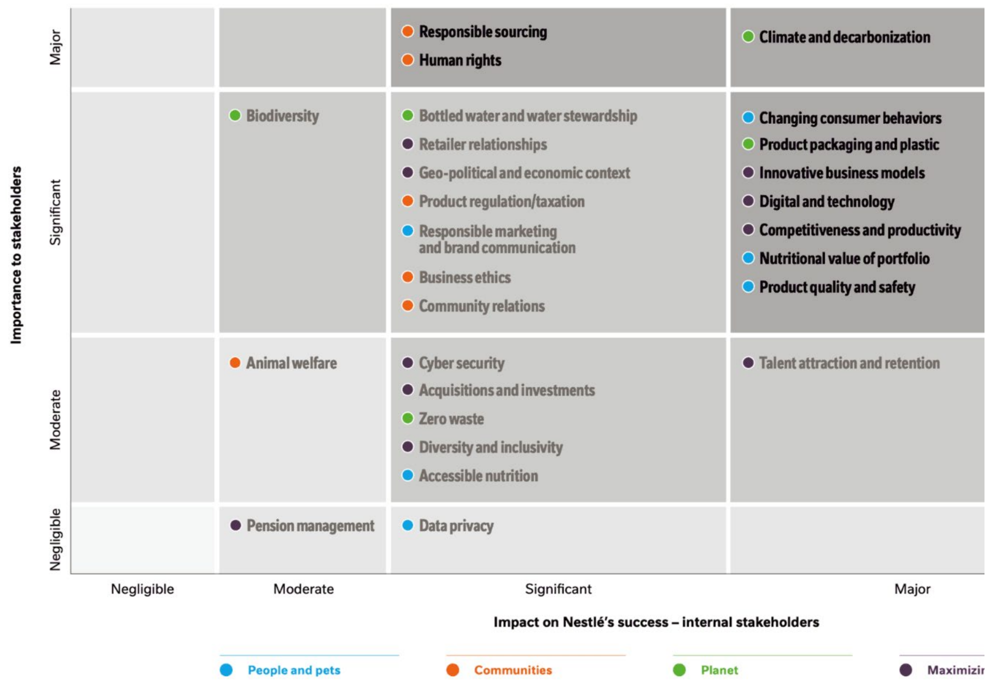
As an example, the following analysis highlights the most common material issues across selected industries, including software, IT, oil and gas, financial services, and hospitality. It then underscores the material impact education can have on each of these issues from a risk reduction and opportunity perspective.



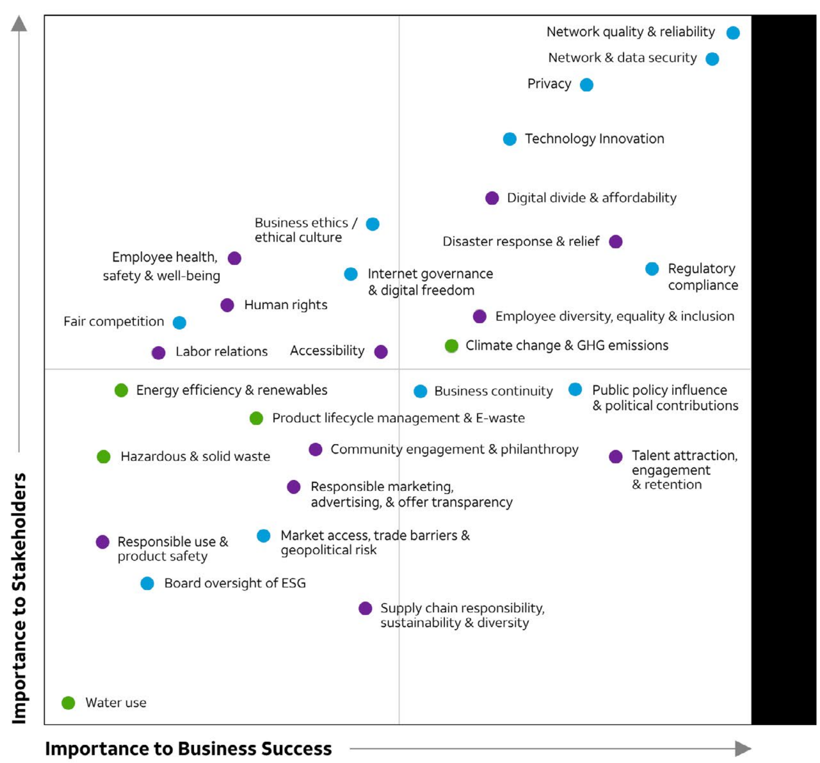
GM Sustainability Report (2021)



HP Sustainable Impact Report (2021)



Nestle Materiality- identifying key sustainability issues



AT&T AT&T Materiality Matrix (December 2021)

Human Capital Management (HCM)

A growing number of employers are struggling to find talent, which leads to delays in production, longer response times, and an increased burden on current staff. In 2022, 75% of companies have reported talent shortages and difficulty hiring — a 16-year high. Diverse talent pipelines are critical across industries, and an educated and skilled workforce is key for a company's growth and innovation. Developing companies' current and future workforce is not just a social imperative, but a significant catalyst to business growth. In addition, the U.S. Securities and Exchange Commission (SEC) has been increasing pressure on businesses to provide regular reporting on ESG strategies and programs, consistent with investor interest in assessing ESG-related risk. In November 2020, the SEC began requiring public companies to disclose information on the number of employees and employee demographics as part of their human capital. These disclosures include metrics and objectives relating to talent acquisition, training, retention, engagement, and DEI.

The composition of skills needed for the workforce is also shifting more toward soft and technical skills. For example, a PwC survey found that 77% of CEOs struggle to find the creativity and innovation skills they need.[13] Another survey by Manpower suggests similar skills are in demand, including reliability, self-discipline, adaptability, critical thinking, and problem-solving.[14]

Pre-pandemic estimates suggested the global economy will have a shortage of 40 million workers with higher education and 45 million workers with secondary education, while there would be a surplus of 95 million low-skilled workers.[15] Skilling and reskilling will be a constant issue in the future of industry and the green transition. Estimates suggest 16 million more workers will be needed to meet the increasing demand for more efficient appliances, electric and fuel cell vehicles, building retrofits, and energy-efficient construction.[16]

Corporate investment in education and training is a fundamental tool for addressing talent development, providing the skills needed in the short and long term, and delivering on the key metrics associated with HCM. As more companies provide education and vocational training to their employees, communities, and other stakeholders, they gain a competitive advantage, advance new markets, and improve their ESG

3 of every 4 companies have reported talent shortages and difficulty hiring – a 16-year high.[4]

performance. Higher education and upskilling can solve more immediate needs for talent. But addressing systemic issues, particularly regarding the high-demand soft skills that are increasing in demand, requires earlier foresight. For instance, a child's brain reaches 90% of its development by the age of 5 when most soft skills are acquired, making the future talent crises a product of limited early investments. Additionally, addressing equity gaps in education at all levels promotes a more diverse and skilled talent pool from which to build workforces.

By increasing investment in education, through training programs, internships, mentorship, and financial aid for continued studies, businesses can proactively address the growing talent shortages and better position themselves to address the increased focus on education, training, and employee demographics being advanced by ESG reporting frameworks. Reskilling programs, supporting preschool initiatives in key markets, and supporting apprenticeship programs for marginalized learners are a few examples of relevant programs. Given that many of these reporting frameworks require information on scope, number of hours, and type of education and training provided to employees, investment in education is clearly critical to addressing the concerns and requirements linked to effective HCM.

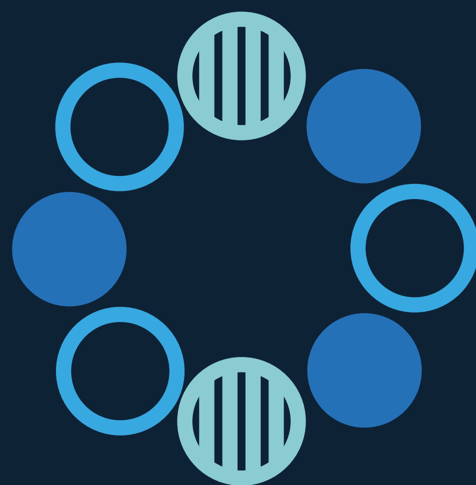
Diversity, Equity, and Inclusion (DEI)

To compete and grow, companies must focus on inclusivity in their workforce. They should proactively work on developing a diverse workforce that addresses both minority and gender diversity and prepare to make their work environment, products, and services equitably accessible to all. Businesses are expected to highlight their contribution, both inside and outside their organization, and report on their DEI efforts as part of their regular ESG reporting and disclosure. However, to promote more diverse workforces, boardrooms, and talent pipelines, younger generations first need to be given the opportunities and appropriate educational programs to gain the skills needed to participate in these positions.

Employees and job seekers, specifically millennials and Generation Z, are setting a high bar for employers. For example, a 2020 Glassdoor study found that 76% of employees and job seekers said a diverse workforce was an important factor in their job application process. Nearly 50% of Black and Hispanic respondents said they had quit a job after witnessing or experiencing discrimination at work. Further, 37% of them said they would not apply to work at a company with negative satisfaction ratings among people of color.[17]

Gender equality and women in leadership roles is another aspect of DEI. Currently, women represent less than 10% of positions as S&P500 CEOs, Fortune 500 CEOs, or heads of state.[18] Disability inclusion can also drive business and ESG performance. According to the Centers for Disease Control and Prevention (CDC), 25% of adults in the U.S live with a cognitive, physical, or emotional disability. However, people with disabilities are under-represented in the workforce, as their unemployment rate is twice that of people without disabilities. This is partly due to misconceptions and unconscious bias, lack of awareness, or managers who feel unprepared to accommodate employees with special needs.[19]

Building a diverse and inclusive workforce starts with equity in education. By the time young people are ready to enter the workforce, the degree to which they were included in a quality education determines the likelihood they will be successful in a company. Investing in the education of traditionally marginalized populations creates a



76% of employees and job seekers said a diverse workforce was an important factor in their job application process.[5]

greater pool of individuals with the skills and talents to contribute to a company's mission and ensure that they can meet the requirements of the jobs companies need to fill. With more than half of the out-of-school population consisting of girls and young women, addressing girls' education is another tool for developing a more gender-responsive workforce. Moreover, half of young people with disabilities are left out of school. But as companies support programs to include young people with disabilities in education and build pathways to inclusive employment, the impact on the business community is tremendous.

To effectively deliver meaningful DEI progress, companies need to develop educational opportunities for the most marginalized learners. For example, girls' education programs, mentorship, programs to prevent dropout for at-risk students, and apprenticeships for students with disabilities could directly address DEI in a meaningful way. Such investments will ensure that there is a diverse workforce capable of meeting the needs of employers in the future and will provide companies with additional evidence to help support their commitment to DEI that can be included in ESG reporting and disclosure.

Climate Change and Environmental Impact

As companies work to reduce their greenhouse gas emissions (GHG) and mitigate their environmental impact, they also need to assess how education can help them achieve those objectives. Corporate support of educational activities can significantly improve environmental performance and overall ESG outlook. There is ample evidence that simply educating girls can have a direct impact on climate change, with potential education-related emissions reductions reaching 85.4 gigatons globally by 2050. [20] Moreover, there is a strong correlation between education and a person's environmental concern, which can be translated into active changes to adapt to climate change.[21] A study of nearly 30 countries found that 37% of people with secondary education and 46% of those with tertiary education were concerned for the environment, compared with 25% of those who did not start secondary education.[22]

Beyond the clear benefits associated with improved emissions reduction, companies can also reap benefits associated with investments in environmental education. Providing environmental education to children in communities where business has an operational footprint has a ripple effect, with knowledge transferred to their families, inspiring action, and reducing vulnerability. One study found that intergenerational learning has proven to be an influential pathway for parental adoption of environmental concerns, ultimately changing harmful behavior.[23] Therefore, educating the children of a company's employees can contribute to minimizing the company's environmental impact. Further direct efforts to educate employees can also help promote greater success when looking to mitigate environmental impact and address climate concerns. For example, in April 2021, Deloitte launched a Climate Learning Program to inform and inspire its 330,000 employees to learn about the impact of climate change and empower them to address climate change by making responsible choices at home and work.[24]

By investing in both climate-specific and general environmental education, companies can have a real, lasting impact on efforts to reduce GHG and climate risks as well as on their broader environmental footprint. Effective environmental education that spans generations can increase understanding and awareness of key issues, like climate, and inform more effective support for critical programs and initiatives. Finally, these educational investments can inform the ways that companies discuss and disclose efforts to address climate change as part of their broader ESG programs.

Every additional year of schooling a girl receives on average, her country's resilience to climate disasters can be expected to improve by 3.2 points.[11]

76% of consumers say they will stop buying from companies that treat the environment, employees, or the community in which they operate poorly.[8]

More than 90% of a company's greenhouse gas emissions (GHG) are from the organization's supply chains.[9]

Digital Divide & Literacy

Companies are increasingly dependent on consumers' technological and digital literacy for their success. The digital transformation and emerging technologies such as Artificial Intelligence (AI), Blockchain, Web3, and others have pushed many organizations to embark on a digital transformation for both internal operations and customer engagements. Access to mobile phones, broadband, and online learning has made it possible to share information and ideas, leading to new markets and consumers. The need for companies to build digital skills within their staff and customers has never been greater.

However, household access to the internet is still extremely limited in the poorest countries, and about 14% of U.S households with school-age children do not have internet access.[25] The COVID-19 pandemic forced entire countries to adopt remote learning methods and accelerated the digital divide, with only 34% of primary, 41% of secondary, and 68% of tertiary education students having access to an internet-connected computer at home in 2020.[26]

With growing learning disparities and unequal access to technology and the internet, companies are expected to face market risks and higher costs associated with employee training, customer support, and a shrinking talent pool, specifically in "high-tech" and "green" industries. For example, efficient appliances, electric and fuel cell vehicles, and building retrofit industries, among others, will require 16 million more workers to meet the increasing demand for energy-efficient construction. Current predictions put the sustainable growth and potential of such industries at risk.

To avoid this reality, companies can leverage their expertise and resources to promote digital adaptation by offering educational programs and support to low-income and rural communities. By using educational institutions and schools as a focal point for promoting connectivity and digital inclusion, society benefits from digital inclusion in schools but also in commerce, with increased opportunities for consumers and markets to harness the benefits of technology for economic growth and participation in the workforce.

It has been estimated that by 2022 alone, everyone will need an extra 101 days of learning to keep pace with the changing world of work.[7]

The efficient appliances, electric and fuel cell vehicles, and building retrofit industries, among others, will require 16 million more workers to meet the increasing demand for energy-efficient construction.[12]

Supply Chain

Companies have been prioritizing global supply chain assessments to expand policies and strategies that address both environmental and social issues — specifically, human rights, child labor, and their environmental footprint. Increasingly, businesses are under pressure from governments and international organizations, such as the Organization for Economic Co-operation and Development (OECD), [27] to prevent human rights violations and adhere to relevant treaties and guidelines.

The International Labor Organization (ILO) estimates that 160 million children between 5–17 years old were engaged in child labor in 2021, of which about 79 million were in hazardous labor conditions. In many low- and middle-income regions, children are found carrying heavy loads; scavenging in garbage dumps; and enduring physical, emotional, and verbal abuse.[28] Across industries and geographies, companies have been subjected to government actions, such as investigations and fines, related to poor working conditions, abuse, and human rights violations in the workplace.

By supporting efforts to promote free and accessible education across the supply chain, companies can effectively protect human rights and ensure proper compliance with international laws and regulations. Simply increasing the duration of compulsory education can reduce child labor. In China, requiring one additional semester of schooling reduced the rate of child labor by 8%.[29] The proximity of schools to young people is also important. In Guatemala, each additional 10 minutes of travel time to school increases the chances a girl will be involved in child labor by 2.2%. [30] Studies also show that children enrolled in early childhood education programs are more likely to transition successfully to primary school rather than the workforce. The quality of education matters in eliminating child labor. A survey of out-of-school children across a number of countries cited lack of interest and engagement as a primary driver of not attending school.

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The availability and quality of education is among the most important factors in determining a person's path and participation in illegal work. By working in supply chain communities and with local governments to expand educational facilities and promote wider and earlier access, eliminating any fees and encouraging participation in school, including through cash and food incentives, can dramatically improve pressing issues in supply chains. Through resource and capital mobilization and a comprehensive approach to supply chain audits, companies can utilize their education and social impact programs, as well as their philanthropic efforts, to promote education for vulnerable communities, thereby strengthening supply chain resilience and avoiding controversies. These have clear implications for ESG ratings and overall performance and are a key performance indicator (KPI) for investors and rating agencies.

Regulatory Compliance and Transparency

In recent years, government agencies and regulators have enhanced their ESG-related disclosure rules and guidelines for publicly traded companies, and in many jurisdictions, these are already being used to investigate "greenwashing" claims and fiduciary-duty violations. Companies are now looking for relevant subject matter expertise to help them develop appropriate mechanisms and procedures for proper reporting and implementation.

In these efforts, education is key for deeper understanding of companies' ESG reporting needs and a solution to many of their challenges.

In March 2022, the SEC proposed rules on climate-related disclosure that would require publicly traded companies to provide additional disclosures on potential climate change risks and efforts to mitigate their environmental impacts. Companies would also be required to provide data on their Scopes 1 and 2 GHG emissions and energy consumption. Scope 3 emissions, generated by a company's suppliers and customers, may also be covered in these rules.[31]

Similarly, the European Union (EU) is finalizing the Corporate Sustainability Reporting Directive (CSRD), which will require large public-interest companies with more than 500 employees to disclose environmental and social matters starting in the 2024 fiscal year. The United Kingdom (UK) has established mandatory requirements for its largest UK-registered companies and financial institutions to disclose climate-related financial information in alignment with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).[32] These are just some examples of the push for greater reporting and disclosure that have been introduced recently. Many other jurisdictions are adopting similar conditions such as the new ESG reporting requirements in Hong Kong and Singapore.

In the sustainability and ESG space, recent studies have shown that while ESG has grown in prominence and importance, business schools and universities have not kept up, and the result has been a gap in the professional training that business leaders are receiving prior to entering the workforce. For example, LinkedIn's 2022 Green Economy Report

In 2022, shareholders have filed a record 529 resolutions related to ESG issues for the annual meetings of publicly traded U.S. companies, up 22% from the same point in 2021.[10]

found that the growth in demand for workers with green skills, including environmental sustainability expertise, has outpaced the growth in the supply of green talent. While job postings requiring green skills grew at 8% annually between 2017–2022, the share of green talent has grown only 6% in the same period.[33] Similarly, a recent Toronto Finance International (TFI) report found that 7 in 10 surveyed financial companies said the supply of sustainable finance professionals did not meet demands.[34] These are all significant reasons to justify the importance of the business community taking a more direct approach to investing in and supporting lifelong learning and educational efforts around the globe.

If companies are going to be able to meet the increasing demand for talent capable of understanding and addressing ESG requirements and regulations, they will need to invest in educational resources designed to ensure that secondary and post-secondary institutions are preparing students for that reality.

Ethics & Corruption

Corruption is one of the world's greatest challenges, and it disproportionately impacts poor communities and seriously hinders sustainable development. For companies, corruption disrupts economic growth, interferes with competition, and causes grave legal and reputational risks. Laws and regulations across the world push companies to establish robust anti-corruption measures, and the growing requirements of information transparency and accountability make companies subject to greater scrutiny. Already, companies face significant fines and enforcement actions, with adverse consequences on their balance sheet. Only in 2021, four companies suffered total fines of more than $300 million.[35]

An increasing number of investors evaluate companies' anti-bribery and anti-corruption efforts, as those systems reflect the overall quality of companies' business practices and management.[36] Corruption increases both the cost of business and the uncertainty of expected returns for investors. The World Economic Forum estimated that corruption losses represent more than 5% of global gross domestic product (GDP), equivalent to $3.6 trillion.[37]

For companies to achieve a desired reduction in corruption-related risk, education should be a top priority. Studies have demonstrated that societies with higher levels of education have less corruption, and those with higher levels of corruption realize lower levels of learning. The lack of primary education was one of the strongest predictors of corruption in a study across 123 countries.[38] The knowledge, skills, and behaviors that individuals acquire through education shape the future of society and business while helping them uphold public integrity and prevent corruption.

Investments in efforts to reduce corruption by business also align with the expectations of most of the major ESG reporting frameworks. Education provides companies with the means to demonstrate how they are preventing corruption systemically, as well as amongst their own employees, and how that corresponds to reduced risk for investors and stakeholders engaged with the company.

Photo by Tobit Nazar Nieto Hernandez on Pexels

Social Stability

Businesses are an integral part of society and have the capacity to take an active role in promoting a healthier business environment. Further, businesses cannot operate sustainably in an unstable environment rife with violence, protests, and conflicts.

Education also has the potential to promote broader social goals and is a key tool in the hands of businesses dedicated to a just society. For example, there is a direct correlation between education and crime reduction, youth employment reduction, and greater opportunities for previously incarcerated people. Research shows that increased college graduation rates correspond to a significant decrease in crime rates across more than 200 countries, and a 5% increase in the college graduation rate produced an 18.7% reduction in the homicide rate between 1998–2012.[39]

Another avenue for change is through corporate leadership. Business leaders are not only important to their company, but they are also often looked to as societal leaders as well. Eighty six percent of CEOs and board members see business and society as becoming more interconnected. Moreover, customers increasingly seek action from businesses to address social issues and concerns. Roughly 66% of consumers who want brands to take a stand on social matters say it is because they believe brands can create real change.[40] As businesses strategize to align values and efforts with consumer expectations, they should invest in organizations and initiatives that promote social stability.

Schools can help disseminate information about safety while also creating safer environments for young people. Communities that invest in such schools tend to have less crime and violence and greater social cohesion. Education in children's early years yields crime prevention benefits in their older years. Children who did not attend a government preschool program in Chicago were 70% more likely to be arrested for a violent crime by the age of 18. Increased levels of education reduce a country's risk of armed conflict. Each additional year of schooling

86% of employees are more likely to work for a company that demonstrates a commitment to the same issues they care about.[6]

decreases the chance of a young person engaging in violent conflict by 20%. Building bridges between schools, community organizations, and opportunities for young people can ensure a pipeline for positive civil, social, and economic participation.

The role of business in society is a key factor of business leadership, success, and sustainability, which should not conflict with growth or profitability. Businesses have the power to address social issues, and consumers are looking to businesses to speak up and act to do so. Education is significantly impactful, and businesses can invest in it to stabilize social issues, especially violence and crime.

Education investments, as efforts to promote greater community stability and safety, can be used to help illustrate a company's focus on community outreach and engagement. Since these efforts can be linked to quantifiable benefits that can be assessed year over year, they can help companies to demonstrate the efficacy of their actions and the benefit of their presence in a community over time.

Community Engagement

Companies are increasingly recognizing that their long-term business success relies on the health and well-being of the communities in which they operate. As a result, many of them choose to invest in the development of charitable giving programs as part of their commitment to corporate responsibility and to manage community-related risk. However, the challenge with effective corporate giving is in identifying issues and recipients that become targets for donation. It can become too easy to find charitable giving programs spread too thin — or invested in too many different issues — which, in turn, diminishes the value of the commitment. More and more businesses see this link and are identifying education as a key focal point for charitable giving. In a study of 250 companies, 28% of total corporate philanthropic giving went to education programs, making it the number one cause that businesses supported.[41]

By taking an education-first approach, companies can enhance their community involvement, improve the welfare and well-being of the community itself, and foster improved stakeholder engagement. For example, companies providing young people with affordable education or partnering to build a local school system can facilitate a stronger relationship with those affected the most while also gaining crucial insights into the community culture and its needs.

In turn, this can lead to the enhancement of the company's license to operate and overall ESG performance by mitigating disruptions and tensions surrounding production, greater local talent pool potential, and lower operational costs.

The Materiality of Education

Risks	Opportunities
Digital Divide & Literacy Failure to address the need for digital skills within companies' staff and customers poses operational and financial risk.	**Human Capital Management (HCM)** A strong education and training program, enhanced with genuine DEI and employee engagement efforts, provides opportunities to attract talent and quality human capital.
Supply Chain Companies can reduce human rights and child labor-related risks by providing educational benefits for key stakeholders across the value chain while also complying with international law.	**Diversity, Equity & Inclusion** To compete and grow, companies must focus on inclusivity in their workforce. Focusing educational efforts on historically marginalized communities can enhance DEI objectives and promote long-term impact.
Regulatory Compliance & Transparency Climate- and human-capital-related disclosure rules can expose companies to legal, reputational, and financial risks if not addressed properly. Corporate leaders should be educated in this emerging regulatory landscape.	**Climate Change & Environmental Impact** Education improves companies' environmental performance by raising awareness and facilitating educated decisions and practices.
Corruption Corruption disrupts economic growth, interferes with competition, and causes grave legal and reputational risks. Education shapes the future of society and business by training individuals to uphold public integrity and prevent corruption.	**Community Engagement** An education-first approach can strengthen companies' community involvement efforts while enhancing the company's license to operate and overall ESG performance.
Social Stability Businesses cannot operate sustainably in an unstable environment rife with violence, protests, and conflicts. These conditions lead to operational disruptions and market volatility.	

An Education ESG Blueprint for Action

As stakeholders increasingly pressure companies to invest in and advance ESG disclosure, the time is right to feature education as an effective solution for advancing ESG performance and addressing critical social and environmental challenges. While investing in education equity to address issues of material concern for businesses is logical, it must also be practical and be accompanied by relevant metrics to measure a company's impact.

The blueprint outlines the decision-making process for implementing education as a core driver of ESG performance while creating genuine social and societal value. It encompasses several basic steps:

1

Material issue identification:
Outline material issues of concern for the company and identify the highest-priority risks that can be mitigated through education engagement.

2

Strategic education solution:
Identify a set of actions and policies within companies that could proactively address these material issues, including tactics.

3

Metric identification: Apply a set of universal metrics that could be employed to measure the efficacy of the investment and outcomes of the programs themselves.

4

Impact generation: Quantify the impact of educational investment on ESG ratings, reporting frameworks, investor analytics, and broader business benefits.

The following two examples of material issues show that evidence-based education solutions can address the material issues for the company, while at the same time, contributing to quantifiable impact generation for society at large and ESG performance improvement.

Example One

Material Issue

- Projected talent gap in crucial emerging market by 2035
- Improved government relations in emerging markets

Strategic Education Solution

- Supporting the government with the implementation of a universal preschool initiative in communities of strategic interest; providing free preschool on-site for all employees

Metric Identification

- Number of children supported to complete one year of preschool

Quantifiable Impact Generation

- Economic growth: Every $1 investment yielding $17 in economic returns in the region
- Skills for the workforce: Workforce diversity with X thousand individuals prepared to enter the workforce with high-demand skills in problem-solving, self-efficacy, communication, analysis, and critical thinking
- Additional: Improved government relations; increased wages for local consumer spending; job creation for preschool teachers and auxiliary services
- ESG: Ability to highlight as part of a comprehensive community engagement and charitable giving program with quantifiable impacts and implications.

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Example Two

Material Issue

- DEI and gender equity in the workforce
- Reduction of carbon emissions

Strategic Education Solution

- Promotion of a regional girl's education initiative through a combination of scholarships, employee fundraising, and apprenticeships for girls

Metric Identification

- Number of girls supported to complete one year of secondary education

Quantifiable Impact Generation

- Wages: A 12% increase per year per girl enrolled in secondary school
- DEI: An increase in X thousand women on track to develop skills for executive positions
- Climate: Averting tons of carbon emissions (secondary completion)
- Health: Reduction in childhood malaria contraction; 5%–10% reduction in child mortality (per year of secondary school)
- ESG: Ability to demonstrate reduced climate risk and associated efforts to reduce overall emissions

While this framework can produce an almost infinite combination of possibilities, below are illustrative solutions, metrics, and impacts that can be achieved through a deliberate positioning of education as the driver of the social pillar of ESG strategies alongside evidence-based guidance:

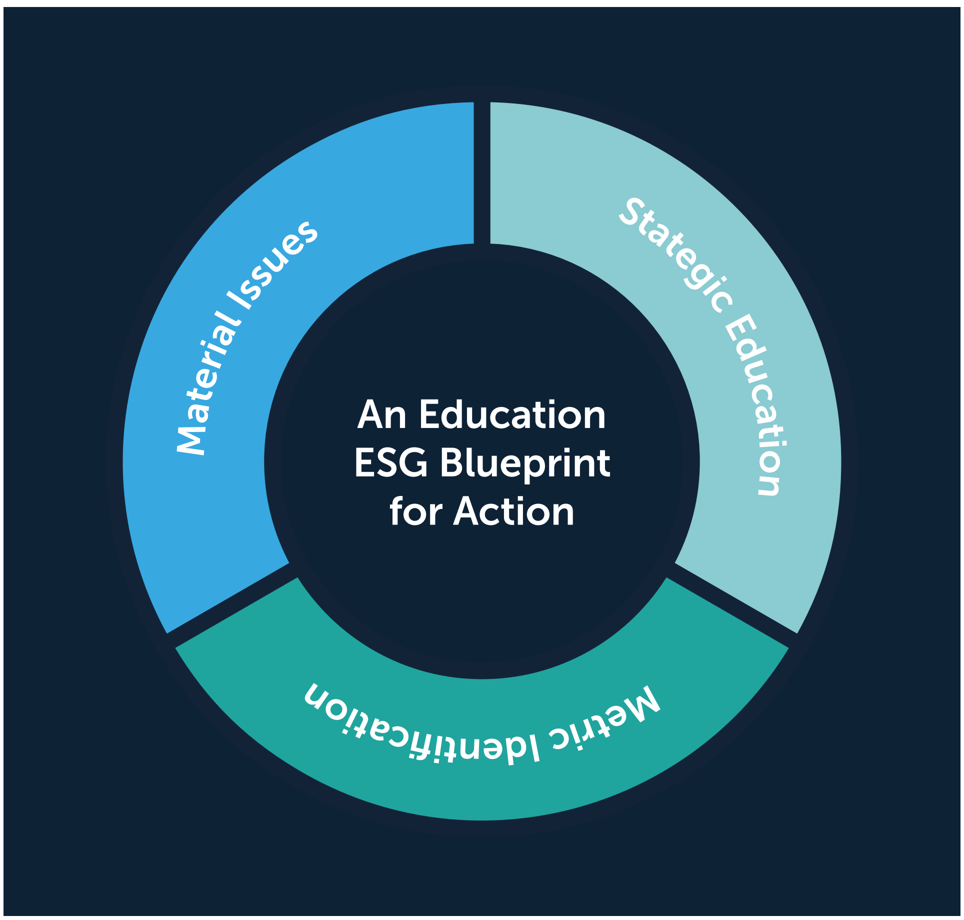
- **Material issues with evidence-based education solutions:** Beyond the material issues outlined in the previous sections, additional issues directly addressed by education activities span the economy and finances (consumer income stability, market growth); reputation (business confidence, long-term positive engagement in communities, government relations, etc.); and operations (talent pipeline, recruitment, retention, supply chain talent, resilience in regions of operation, employee accuracy and operating efficiencies, employee safety, innovation, turnover, ease of doing business, etc.).

- **Strategic education solution:** Strategic education solutions can engage various leverage points in a company. Solutions can focus on internal policies and human resource decisions, community relations, government relations, and employee engagement as well as implementing targeted initiatives. Solutions can include early childhood education, nutrition, digital inclusion, foundational literacy and numeracy, financial literacy, skilling and reskilling programs, teacher training, girls' education programs, education for underserved and marginalized populations, secondary education, higher education, vocational training, employee professional development, and more.

- **Metric identification:** To effectively connect education and ESG, it will be necessary to develop uniform metrics to measure performance that links social progress, risk mitigation, and business value. To do this, external partners and relevant subject matter experts will be engaged to help determine what those metrics should be. It is likely, however, that they will focus on several key categories in order to ensure alignment with both traditional educational advancement and ESG analysis. Those categories would include:

  - Environmental and social performance
  - Educational performance
  - Risk mitigation
  - Innovation
  - Corporate governance
  - Responsible business operations

- **Quantifiable impact generation:** By positioning education as the central thrust of the social dimension of ESG, companies have the unique benefit of generating wide-ranging impacts based on decades of evidence and documentation across high-, middle-, and low-income countries. By using this framework to make evidence-based links, it is possible that companies can undertake quantifiable and credible reporting on many economic, social, and development issues, including economic growth, wage creation, health outcomes, carbon emissions, child mortality, governance, anti-corruption, gender parity, job creation, innovation, employability, workforce skills, stability and security, environmental stewardship, household income, corporate governance, DEI, and more.



By establishing a consistent and universal framework for both applying educational investment as a tool for social and societal benefit and provides companies and investors with a road map for action.

Such an effort would also diminish, if not eliminate, the uncertainty and confusion associated with measuring social performance for investors, ESG raters, regulators, and myriad other stakeholders.

Summary & Conclusions

Education and investment in future generations can provide a useful and impactful approach for companies and investors to promote progress, achieve better financial outcomes, and improve ESG performance. There is growing evidence that education is material for businesses and investors. However, a paradigm shift is needed in order to link education and ESG more effectively, and the further development of a framework is an important first step.

To achieve these outcomes, the blueprint highlighted in this report can be a vehicle for driving more active engagement and investment in education programs and policies, unlocking broader ESG benefits, advancing sustainability objectives, and mitigating short- and long-term corporate risk.

The blueprint presented in this report is an initial framework for outlining the evidence-based aspects of education that can have a quantifiable impact on corporate performance and perception. Using it as a starting point to ensure success, a global framework for integrating ESG and education will need to be developed. That framework will also need to build upon commonly used and accepted measurement standards such as the GRI, the SASB, and the Principles for Responsible Investment (PRI).

Companies can then use this framework to unlock the full potential of education in mitigating ESG-related risks, identifying opportunities, and improving business performance. In turn, investors will enjoy more reliable and complete data with less burden on portfolio companies. Lastly, an educational lens to ESG analysis can provide rating providers, reporting frameworks, and financial analysts with the necessary tools to collect, analyze, and rate companies based on their impact on education. There are several implications for this new approach to ESG beyond helping companies drive meaningful impact. For example:

- **Financial institutions:** Based on the metrics and value generation of education activities and policies enacted by a company, financial institutions may wish to explore investable portfolio products to attract funding into companies proactively contributing to the next generation through education. This could include selecting several transformative social metrics that could comprise a bundled investor index.

- **Rating agencies:** As rating agencies standardize measures and adjust metrics to avoid greenwashing critiques, agencies may wish to select a set of measurable criteria across supply chain, workforce, communities, markets, policies, and DEI that could form the basis for a tool that monitors the performance of companies and benchmarks the quality of a company's activities through education.

- **Reporting frameworks:** Frameworks such as GRI, SASB, and even the UN SDGs can incorporate the metrics defined by this approach to ensure more consistent and relevant corporate disclosure on corporate investment in education and its implications for environmental and social progress. Such adjustments will further reinforce the benefits of those investments, adding credibility to the process.

- **Investors:** Based on the products that could be created, investors may wish to demand more credible indices and product development so that finance can be invested in companies making a more strategic investment in their ESG performance through education. In addition, the use of more consistent metrics for measuring social impact will provide investors with the tools needed to better assess social risk and, thus, inform investment decisions.

GBC-Education will be working with its stakeholders and partners to develop this framework, aiming to publish the reporting metrics, identify ways to integrate them with existing reporting and rating institutions, and work with companies to develop strong education programming and policies directly linked to metrics most relevant and material for a company's focus.

Getting Involved

Photo by Christina Morillo on Pexels

Join the Coalition and support our work on ESG and education.

We are launching a multi-year initiative to build out a common Education-ESG framework and advance shared standards and metrics and greater impact. We need and value your input:

- **Reach out to GBC-Education** with your thoughts and feedback on this report
- **Participate in our discussions** to develop and test our framework
- **Become a funding partner** and support our work to create tools and products for the business community

About GBC-Education

Our Team

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About the Global Business Coalition for Education (GBC-Education)

Theirworld's Global Business Coalition for Education (GBC-Education) is a movement of businesses committed to ending the global education crisis.

Established in 2012 by the global children's charity Theirworld, GBC-Education is a New York-based 501(c)(3) nonprofit organization that leverages the collective power of business, government, NGOs, and today's youth to achieve the goal of education and opportunity for all.

We are building a movement to end the global education crisis. As a coalition, we support companies to implement Environmental, Social, and Governance (ESG) activities that leverage impact to ensure all young people have the best start in life, a safe place to learn, and skills for the future.

About ESG & Our Education Initiative

Building upon GBC-Education's decade of work, we have spent the past two years working with companies to develop tools and resources to support more effective engagement in global education. These efforts span across their core business and social impact activities through our Business Investment for Education Impact initiative. We consolidate best practices, generate, and share evidence-based tools, and improve engagement between the public and private sectors. Through this initiative, we are mainstreaming education equity to drive performance across Environmental, Social, and Governance (ESG) priorities. The Business Investment for Education Impact initiative is a practical way for companies to mitigate risk, improve corporate performance, enhance corporate perception, and promote sustainability.

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