IMPACT-WEIGHTED ACCOUNTS FRAMEWORK

June 2022

(Public consultation version)

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Current draft: Public Consultation June 2022

The IEF is facilitating a public consultation to gather feedback on the documents, improve their applicability and further grow the support for impact management and reporting.

All readers and experts are kindly invited to participate in the consultation. Please see here for a set of consultation questions we ask you to answer. In addition, all other suggestions for improvement are welcome through email (iwaf@impacteconomyfoundation.org).

About the Impact-Weighted Accounts Framework

Impact-Weighted Accounts (IWAs) are a way for organisations to quantitatively assess their *impact*: how they create value for all stakeholders. The uptake of compiling and publishing IWAs is a key step in the transformation of our economy into an impact economy: a sustainable economy that creates value for everyone.

The Impact-Weighted Accounts Framework (IWAF) helps organisations to compile IWAs by providing the key concepts, requirements and guidance. Readers new to the material are invited to first read the two accompanying documents: the Introduction to the Impact-Weighted Accounts Framework that presents the rationale behind IWAs, and the Conceptual Framework for Impact-Weighted Accounts that introduces the central concepts such as impact, the Integrated Profit & Loss and the Integrated Balance Sheet accounts.

Developing the Impact-Weighted Accounts Framework

The IWAF is incubated by the Impact Economy Foundation (IEF) together with thought leaders and leading practitioners in an inclusive and scientific manner. The IWAF is being developed in partnership with the Impact-Weighted Accounts Project from Harvard Business School, Singapore Management University, Rotterdam School of Management and Impact Institute.

Impact Economy Foundation

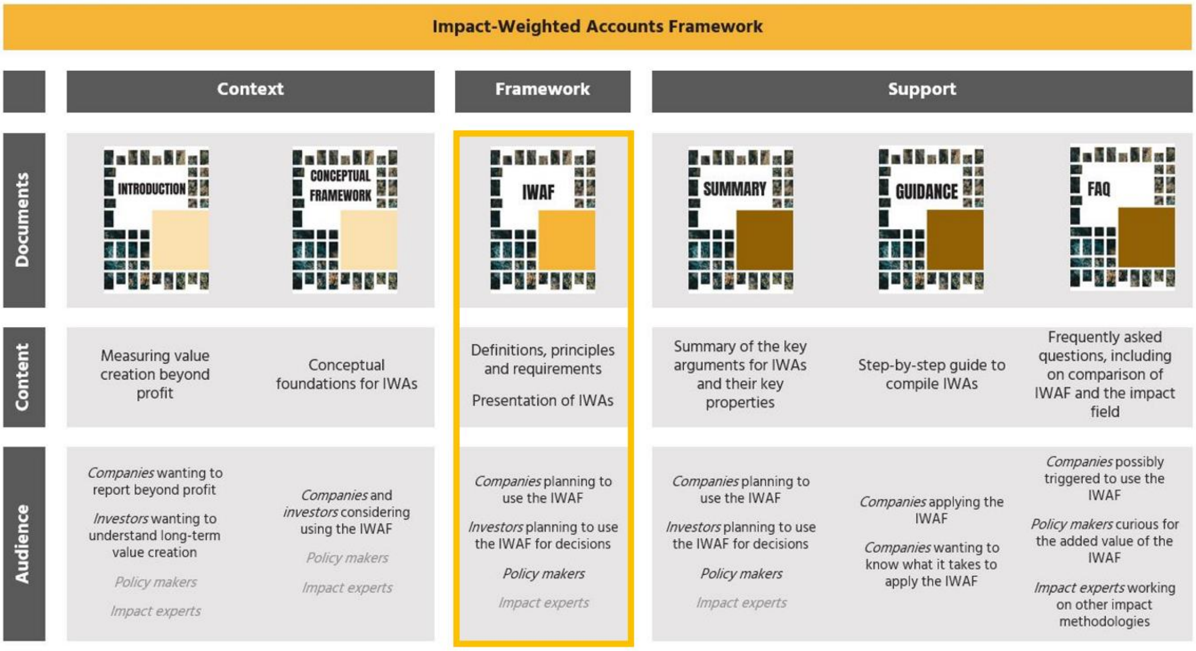

Figure 1: An overview of the different documents within the Impact-Weighted Accounts Framework. This document is the *Impact-Weighted Accounts Framework*

Authors and acknowledgements

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Introduction

Impact-Weighted Accounts

The overarching goal of the Impact-Weighted Accounts Framework (IWAF) is to guide organisations to create their own Impact-Weighted Accounts (IWAs) and enable the materialisation of the benefits for their key stakeholders.

IWAs are a set of comprehensive quantitative and valued accounts containing impact information about an organisation that it and its stakeholders can use to make informed integrated decisions.

IWAs reflect an organisation's positive and negative impacts on employees, customers, the environment and the broader society, and an organisation can report IWAs as line items that are integrated in the financial statements or through supplementary statements to the financial statements.

The target group of the IWAs are the organisation itself and all the stakeholders on which it has a material impact.

The general objectives of the Impact-Weighted Accounts Framework

The three general objectives are to:

- Introduce and clarify the concepts underlying the IWAF, which entails many concepts that are novel and under development in the field of impact measurement, valuation and accounting
- Guide the development of the IWAF by enabling stakeholders, users, experts and the IWAF Board to create a mutual understanding and, where possible, consensus on the foundations of the IWAF
- Enable the IWAF Board to make clear and informed choices about the foundations of the IWAF and to engage with stakeholders, users and experts about these choices.

Reading guide

This IWAF consists of three parts. Each provides a different type of guidance for practitioners wanting to compile IWAs.

Part 1 consists of General definitions, principles and requirements.

It provides general principles and requirements regarding annual IWAs that should be applied to all subsequent parts of the IWAF, unless explicitly stated otherwise.

Part 2 is about the presentation of IWAs based on Integrated Profit & Loss (IP&L) accounts.

It deals with how the statements of the IWAF should be presented in the annual IWAs. It sets out requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content.

Part 3 is about compiling the IWAs.

It describes the principles behind the first four of these stages (with the last one out of scope) and provides guidance for their execution. All general definitions, principles and requirements specified in prior IWAF documents are applicable to this IWAF document.

IWAF Part 1:

General definitions, principles and requirements

About this part

- *The scope of this part is to provide general principles and requirements regarding annual IWAs.*
- *All principles and definitions provided here apply to both subsequent parts of the IWAF, unless explicitly stated otherwise.*

1. Definitions

In the context of IWAs, the following definitions hold:

1.1. Impact-Weighted Accounts

1.1.1. **IWAs** are a set of comprehensive quantitative and valued accounts containing impact information about an organisation that it and its stakeholders can use to make informed integrated decisions.

1.1.2. **IWAs** can contain at least the following two types of accounts: IP&L Statement and Integrated Balance Sheet (IBaS).

1.1.3. **The annual IWAs of an organisation** are a set of statements derived from the IP&L accounts and/or the IBaS that provide an organisation and its stakeholders with the information required to evaluate the degree to which the organisation has realised its main organisational goals and societal functions during a given year and the degree to which it can continue to do so in the future.

1.1.4. Henceforth, by "**Impact-Weighted Accounts"** or **IWAs** we refer an organisation's **annual IWAs**.

1.2. Reporting organisation

1.2.1. A **reporting organisation** is an organisation that chooses to prepare and disclose annual IWAs. A reporting organisation can be a single organisation or a part of thereof, or it can comprise more than one organisation. A reporting organisation can (but does not necessarily have to) be a legal entity. The reporting organisation shall henceforth be referred to as **the organisation**.

1.2.2. Sometimes one organisation (parent) has control over another (its subsidiary). If a reporting organisation comprises both the parent and its subsidiaries, the reporting organisation's IWAs are referred to as "consolidated IWAs". If a reporting organisation is the parent excluding the subsidiaries, the reporting organisation's IWAs are referred to as "unconsolidated IWAs". If a reporting organisation consists of multiple organisations that are not all linked by a parent–subsidiary relationship, the reporting organisation's IWAs are referred to as "combined IWAs".

1.3. Stakeholders and welfare

1.3.1. Stakeholders are individuals affected by an organisation's business activities, as well as the individuals who can affect an organisation's value creation ability.

- IWAs are about how organisations create or reduce value for stakeholders.
- Stakeholders can be grouped under a limited set of stakeholder groups, relative to their relationship to the organisation under assessment.

1.3.2. **Value** is enjoyed by stakeholders and is created by assets and their use by stakeholders.

1.3.3. **Welfare** is the collection of the current and future value enjoyed by stakeholders. Welfare consists of various dimensions.

- Two welfare dimensions that are covered in the IWAF are "stakeholder wellbeing" and "stakeholder rights".
- All impacts in IWAs can be attributed to one of these welfare dimensions.

1.3.4. A complete set of **valuable outcomes** are the measurable indicators that together reflect the welfare of society.

1.3.5. **Primary valuable outcomes** are indicators related to wellbeing that is enjoyed, rights that are breached and/or outcomes associated with other welfare dimensions.

1.3.6. **Secondary valuable outcomes** are indicators related to the quality or quantity of assets that determine future primary value.

1.4. Impact and associated concepts

1.4.1. A **capital stock** is a set of related assets available for use by organisations, people and ecosystems.

- Capital stocks can be classified into various capitals.
- Capital stock can be owned by a specific stakeholder (e.g., an organisation or individual owns financial capital). Some capital stocks (e.g., the stock of clean air) are not owned by any stakeholder but are enjoyed by society-at-large (e.g., the stock of clean air).

1.4.2. **Capital flow** is the change in the quantity, quality or ownership of any asset in the total capital stock. Capital can be increased, decreased, transformed or transferred (between different stakeholders) through an organisation's activities.

1.4.3. **Impact** is the difference in a valuable and measurable outcome that affects the welfare of an organisation's stakeholder with respect to a reference scenario during a given timeframe.[1]

- The operations of an organisation are associated with many changes in outcomes that affect welfare. In the context of IWAs, impact is often referred to as something countable. Each of the changes in outcome is called "an impact", i.e., impact is used as something countable.
- The term "the impact of an organisation", is understood as the set of all impacts of the organisation.

1.4.4. **Material impact information** is information regarding an organisation's impact which, if it were omitted, misstated or obscured, could influence decisions that users (where in the context of IWAs that user can be the organisation or any relevant stakeholder) make based on an organisation's IWAs.

- Impact information is material if it significantly contributes to the financial value creation of the organisation, as well as when it significantly contributes to the welfare of other stakeholder groups involved. Material topics include all important first-order effects, and may go beyond, depending on the organisation and the intended users of the report.

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[1] In the context of calculations, one can focus on impact with certain properties, such as absolute and marginal impact, and direct and indirect impact. See IWAF Part 2 Section 1.1 for its definitions and use in IWAs.

2. General principles for IWAs

The general principles of the IWAF are based on various dilemmas that confront impact measurement and reporting. These principles tackle the current pitfalls and challenges of impact assessments and should enable organisations to make informed integrated decisions about impact.

Table 1: Topics and underlying principles

Topic	Principles			
Identification	Multi-dimensional	Materiality based	Welfare based	Value chain responsibility
Measurement	Impact-pathway based	Complete reference view		
Comparability	Valued in commensurable unit			
Aggregation	Only within welfare categories	Conservation of impact		
Presentation	Statements of IWAs			

2.1. Principle for impact identification in Impact-Weighted Accounts

2.1.1. **Multi-dimensional:** the organisation shall acknowledge multi-dimensionality of impacts by considering a wide range of potential impacts to be analysed. It shall assess impacts reflecting different forms of value (belonging to different capitals) and impacts that affect value for different stakeholders.

2.1.2. **Materiality-based:** the organisation shall include all material impacts by embracing the double materiality view. The organisation shall disclose and cover in narrative form cover any material aspects of the organisation's economic, environmental and social impact to welfare that are not quantified in the IWAs.

2.1.3. **Welfare-based:** the organisation shall disclose its impact on two welfare dimensions: (i) the wellbeing of people and (ii) on the respect of basic social and environmental rights.

2.1.4. **Value chain responsibility:** the organisation shall include all impacts for which it shares responsibility, even if the impact occurs directly only because of the operations of one of its related organisations (supplier, for example).This translates into the requirement of including both direct and indirect impact.

2.2. Principles for impact measurement in Impact-Weighted Accounts

2.2.1. **Impact-pathway-based:** the organisation shall measure and value its impact based on the use of impact pathways that are based on logic, (scientific) research, organisational information, and expert and stakeholder opinion.

2.2.2. **Complete reference view:** the organisation shall clearly describe the references used in impact calculations. The reference used shall represent absolute and marginal reference. When either is not present, the organisation must be able to justify it.

2.3. Principles for comparability in Impact-Weighted Accounts

2.3.1. **Valued in commensurable unit:** the organisation shall compile and disclose its IWAs that are valued in a commensurable unit, preferably a monetary unit. In addition, the method used to value impacts should be robust.

2.4. Principles for aggregation in Impact-Weighted Accounts

2.4.1. **Aggregation only within welfare categories:** the organisation shall not aggregate valued impacts across different welfare dimensions (for example, if one is positive and the other is negative) unless the impacts are also shown separately elsewhere. Negative impacts that belong to the stakeholder rights welfare dimension should not be netted against positive impact.

- As aggregation should not be used to hide important information. The organisation shall disclose IWAs that have sufficient distinction and shall (i) disclose impacts in sufficiently detailed impact categories, (ii) disclose impacts that are disaggregated with respect to types of impacts, capitals and welfare dimensions, and (iii) disclose impacts in their natural units alongside their commensurable valued units.

2.4.2. **Conservation of impact during attribution and aggregation:** the organisation shall disclose IWAs reflecting the impact that can be attributed to the organisation. The combination of all the impacts contained in the IWAs should reflect the overall contribution of the organisation to the welfare of society.

2.5. Other principles in compiling Impact-Weighted Accounts

2.5.1. **Consistency:** the organisation shall be consistent in compiling and disclosing IWAs with respect to the constant units, scale, assumption, choices, estimates and calculation approach and follow best practice of calculation methods where that has already been established. This allows the users of the report to compare the report over time.

2.5.2. **Sufficient resolution:** the organisation shall compile and disclose IWAs that have sufficient resolution to compare its performance with previous years and with other organisations.

2.5.3. **Best available approach:** the organisation shall make an ongoing effort to seek and aim for the best approach in assessing the scope of the impact statements, measuring and valuing its impact, and improving the reliability of its impact statements. Such efforts can target "incremental improvement" that occurs over time, or "breakthrough improvement" that occurs all at once.

2.5.4. **Conservative:** where a neutral approach is not feasible, the organisation shall use a conservative approach that aims to prevent bias towards the organisation itself. In other words, when two otherwise equally good choices are available, the approach that has the least favourable impact must be chosen ("the organisation must err on the side of caution").

2.5.5. **Verifiable:** the organisation shall compile IWAs in a verifiable manner, such that a third-party assurance provider can verify that (i) the calculations, (ii) the input data and (iii) the main assumptions are in accordance with the IWAF, or—where the IWAF leaves room for choice—what these (i.e., the calculations, input data and main assumptions) are based on.

2.5.6. **Proportional rigor:** the organisation shall compile IWAs with rigor by using data, methods and assumptions that are based on accepted and sound scientific or accounting methods. But the effort should be *proportional* to the materiality of the impact for the stakeholders and the capacity of the organisation to produce impact information.

2.6. Other principles in presenting Impact-Weighted Accounts

2.6.1. **General organisational goals and functions:** the organisation shall compile its IWAs that disclose the degree to which it fulfils its general organisational goals and functions: (i) the value it creates for each of its stakeholder groups, (ii) its sustainability in terms of operating within environmental and social boundaries and (iii) its contribution to sustainable development. The organisation's IWAs shall also disclose how it manages its integrated value creation potential and its ability to meet responsibilities to all stakeholders over time.

2.6.2. **Context-specific organisational goals and functions:** the organisation shall compile its IWAs that disclose the degree to which it fulfils other essential context-specific organisational goals and functions.

2.6.3. **Relevant:** in the IWAs, the organisation shall provide all the elements that are relevant to the decision-making purposes of all its stakeholders.

2.6.4. **Neutral:** the organisation shall disclose its IWAs in a way that is **neutral** in all material aspects by preventing bias in any material direction, and in particular bias favourable to the organisation itself.

2.6.5. **Reliable:** the organisation shall disclose its IWAs in a way that is free from material error.

2.6.6. **Best-in-class benchmarking:** The organisation shall do "best-in-class benchmarking" that mitigates the possibility that the impact of a product or industry is benchmarked to an exceptionally low threshold, thereby safeguarding the relevance of the information.

2.6.7. **Transparency:** the organisation shall demonstrate transparency about how the IWAs were compiled by disclosing sufficiently the sources of data, uncertainty, assumptions, limitations and omissions.

2.6.8. **Timely manner:** the organisation shall publish IWAs sufficiently soon after the reporting period and use input data that reflects its impact in the reporting period.

2.6.9. **Connectivity:** the organisation shall provide a connection between the reported IWAs and the information that it publishes publicly. This may include a value creation model that includes inter-relatedness and dependencies of material components that enables the organisation to create value [1].[2]

2.7. Governance principles

2.7.1. **Board approval:** the executive board of an organisation shall approve the IWAs.

2.7.2. **Stakeholder inclusivity:** the organisation shall consult a panel of stakeholders about the process and preliminary results of its IWAs.

2.7.3. **Incentive alignment:** the organisation shall consider the behaviour that is incentivised by the manner it discloses its IWAs to ensure it is aligned with its organisational goals and functions. Incentive alignment encourages consideration of the behaviour that is incentivised by the framework to ensure it is aligned with positive social and environmental impact, thereby making the information relevant.

[2] Based on Guiding Principle from: Value Reporting Foundation. (2021). International <IR> Framework [1]

3. General content requirements

The following content requirements regarding capital and stakeholder classification hold for all IWAs.

3.1. Capital classification

3.1.1. In its IWAs, the organisation shall use a capital classification that distinguishes six capitals *(Value Reporting Foundation Definition*) [1]:

- **Financial Capital** is the pool of funds available for an organisation to use in the production of goods or the provision of services. Additional funds may be obtained through financing.
- **Manufactured Capital** consists of manufactured physical objects that are available to an organisation for use in the production of goods or the provision of services.
- **Intellectual Capital** consists of organisational, knowledge-based intangibles, including intellectual property and "organisational capital".
- **Human Capital** consists of people's competencies, capabilities and experience, as well as their motivations to innovate, often within the realm of the organisation's activities.
- **Social Capital** refers to individual and collective wellbeing because of institutions and the relationships within and between communities, groups of stakeholders and other networks.
- **Natural Capital** consists of all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation.

3.1.2. The organisation shall define capital stocks in its IWAs in such a manner that each capital stock belongs to a single capital and a single stakeholder group, where that stakeholder group can (but need not) be its owner, but could also be society-at-large.

3.2. Stakeholder classification

3.2.1. In its IWAs, the organisation shall use one consistent classification of stakeholder groups.

3.2.2. The organisation can choose its own classification of stakeholder groups.

3.2.3. In the chosen classification, the organisation include the following stakeholder groups:

- **Organisation:** the organisation itself
- **Investors:** the investors (debt and equity) in the organisation under review
- **Employees:** the employees of the organisation under review
- **Suppliers:** the persons or organisations that provide products or services to the organisation under review
- **Clients (if applicable):** the persons or organisations that receive products or services from the organisation under review
- **Nature and its beneficiaries:** nature itself, to the degree that this has inherent value; in addition, all persons, communities and organisations that use or enjoy natural resources

- **Governments, local communities and other:** all governments, communities or other groups affected by these actions of the organisation or their value chain, including in particular, the employees of value chain partners

3.2.4. The organisation can group stakeholders together, presented under different names or broken down further.

- Specifically, suppliers, Nature and its beneficiaries and governments, the local community and others can be taken together as one stakeholder group sometimes referred to as "**society-at-large"** or "**society-as-a-whole"**.

3.3. Integrated Profit & Loss and Integrated Balance Sheet accounts

3.3.1. The IWAs shall cover an explicit period, such as the accounting year, which shall be mentioned in the introduction.

3.3.2. The IWAs shall include the IP&L accounts and derived statements.

3.3.3. The compiling and disclosing of statements based on the IBaS is optional.

4. General reporting requirements

It is the intention that organisation should be able to quality assure its IWAs by an assurance provider (both internally and externally). This is done to promote integrity and standardisation of the published IWAs. Therefore, the following general requirements about reporting IWAs should be followed when reporting IWAs.

4.1. Scope of Impact-Weighted Accounts

4.1.1. The organisation shall report annual IWAs that contain the following sections, where applicable:

- Introduction
- Statements based on the IP&L Statement
- Statements based on the IBaS
- Additional statements
- Notes
- Additional disclosures

4.2. Clarity requirements

4.2.1. **Prominent and repeated information:** the organisation shall consistently present the overview of its IWAs classified by positive and negative value, the capitals, the welfare dimensions and the stakeholder groups.

4.2.2. The reporting organisation shall display **distinguished information** (such as its name, reporting period and currency) in the introduction and for each statement and table.

4.2.3. The organisation shall disclose any **comparative information** of all amounts reported in IWAs from previous periods, both in the form of the elements of IWAs as well as in the notes.

4.2.4. If a different method is used to assess impact in the current period than in previous periods, the reporting organisation shall disclose this fact and explain the differences in sufficient detail; in this case, the reporting organisation can choose to present historical impact using the current method if this is explicitly mentioned.

4.2.5. The organisation shall use a **consistent format and layout** throughout the IWAs.

4.2.6. The organisation shall provide all information in a manner that is **understandable** by both expert and non-expert readers of the IWAs. Visual representation that facilitates the interpretation of the results and best fits the organisation is recommended.

4.3. Compliance with the IWAF

4.3.1. An organisation shall mention in its introduction to the IWAs on which version of the IWAF it bases its analysis. If this is not the most recent version, it shall justify its choice.

4.3.2. In its introduction to its IWAs, an organisation shall mention the level of its compliance with the IWAF.

4.3.3. If an organisation makes the statement in its IWAs that ***it is fully compliant* with the IWAF**, then it must be **verifiably compliant** with all parts of the IWAF, and this statement should be assured by a qualified third party.

4.3.4. If an organisation makes the statement in its IWAs that ***it is compliant in all material aspects*** with IWAF, then it must be **verifiably compliant with all parts of the IWAF**, except for aspects where this does not have a material impact on the accounts. Any deviations should be explicitly disclosed.

4.3.5. If an organisation makes the statement in its IWAs that ***it is based on the* IWAF** then it should be **verifiably compliant with the IWAF**, except for (i) matters of coverage and (ii) aspects where this does not have a material impact on the accounts. Limited coverage (meaning it does not cover all material aspects) should be balanced in this case so that more positive than negative impacts are not included and should also be based on a materiality assessment. Any deviations from the IWAF should be disclosed.

4.4. Notes

4.4.1. Where applicable, the organisation shall include the following items in the notes to the IWAs:[3]

- Accounting policy providing the general impact accounting principles
- Compliance with the IWAF
- Disclosures pertaining to the IP&L Statement, including non-aggregated and non-monetary values for the impacts
- Disclosures pertaining to the IBaS
- Disclosures pertaining to additional statements

4.5. Timing

4.5.1. The organisation shall report the IWAs according to a consistent schedule to provide on-time information.

[3] See IWAF part 2, Section 5 for more details on disclosures and their requirements.

5. General process of compiling Impact-Weighted Accounts

5.1.1. The organisation shall follow a general process to guide itself when compiling the IWAs, as presented in Figure 2.

5.1.2. The general process consists of four stages:

(i) Frame: initiate the assessment of the organisation's impact

(ii) Scope: define the objective and boundary of the organisation's IWAs assessment

(iii) Measure and Value: quantitatively measure all impact based on the scope defined in the previous stage

(iv) Apply: interpret and verify the process involved and the results; disclose these results internally and/or to the public; steer on increasing the positive impacts and decreasing the negative impacts

This last step is out of scope of this framework.

5.1.3. Details of each stage and its accompanying steps are discussed in IWAF Part 3.

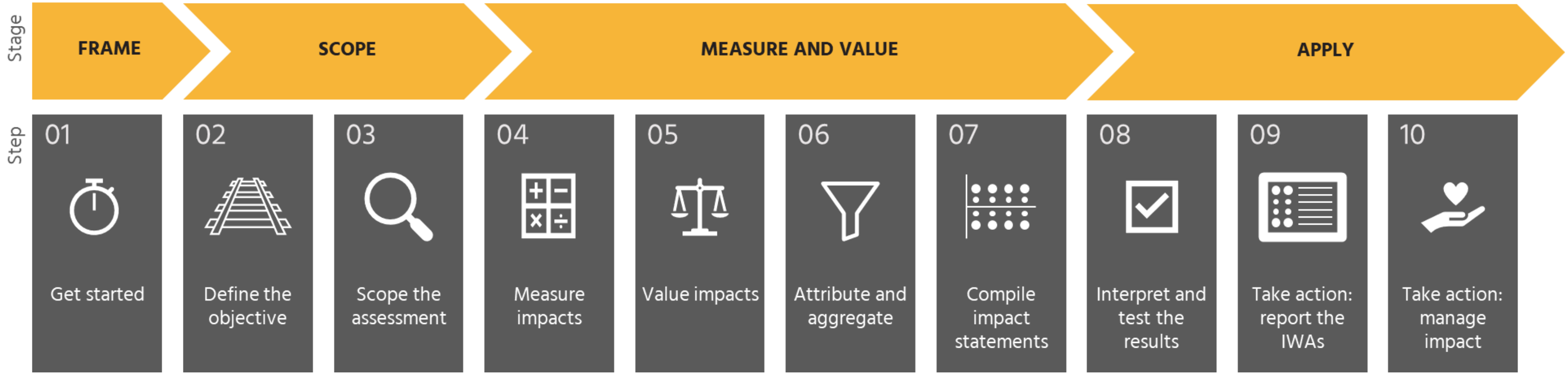

Figure 2: The four stages of compiling and using IWAs. Adapted from Natural Capital Coalition, 2016 [2].

IWAF Part 2:

Presentation of IWAs based on IP&L and IBaS accounts

About this part

- *An organisation's IWAs are a set of statements derived from the IP&L or the IBaS accounts. This part analyses these statements to ensure that they meet the general objectives of IWAs.*
- *Specifically, this part sets out overall requirements for the presentation of these statements, guidelines for their structure and minimum requirements for their content.*
- *It provides close guidance on statements associated with the IP&L Statement. However, the concept of the IBaS is not yet sufficiently developed so that similar guidance for the statements associated with the IBaS can be provided.*

1. Impacts and their classification in IWAs

Building on the definition of impact in IWAF Part 1, Section 1.4, the following concepts are derived to serve as building blocks for IP&L or the IBaS accounts.

1.1. Impacts and impact contribution

1.1.1. An **impact pathway** is a quantifiable chain of effect linking a specific activity of an organisation to its impact through a comparison of outcomes with those in the reference activity.

1.1.2. All impacts of an organisation can be related to its inputs or outputs of its activities through the impact pathway.[4]

1.1.3. **Positive impact** refers to a positive change of a capital stock, or a positive change in wellbeing of a stakeholder or a prevention of the breach of a right (as compared to the reference scenario).

1.1.4. **Negative impact** refers to a negative change of a capital stock, a negative change in wellbeing for a stakeholder or the breach of a right (as compared to the reference scenario).

1.1.5. **A direct impact of an organisation** is an impact caused directly by the organisation's own operations.

1.1.6. **An indirect impact of an organisation** arises outside the organisation itself whereby the organisation's activities exert a direct or indirect influence on the occurrence and/or size of that impact.

- Impact can arise from upstream value chain partners, downstream value chain partners, consumer stage and disposal, and other (not in the direct value chain, but still affected).
- Organisations can have different degree of responsibility for each of those impacts, and therefore can, in principle, have a different attribution factor. See IWAF Part 3, Section 4.3 for more details about impact attribution.

1.1.7. An **absolute impact** is the impact generated by an organisation's activities as compared to a no-alternative reference scenario in which no activities occur.

1.1.8. A **marginal impact** is the additional impact generated by the organisation's activities as compared to a scenario where alternative activities continue in the organisation's absence.

1.1.9. An impact is typically the direct impact of one organisation and the indirect impact of multiple organisations.

1.1.10. An **attributed impact** is a weighted impact that reflects the contribution of an organisation to the impact.

[4] More information regarding impact pathways can be found in IWAF Part 3, Chapter 4.

1.1.11. The **impact contribution** is a measure of the overall attributed impact of an organisation. It is a (linear) combination of the four types of impact: i.e., direct absolute impact, direct marginal impact, indirect absolute impact and indirect marginal impact.[5]

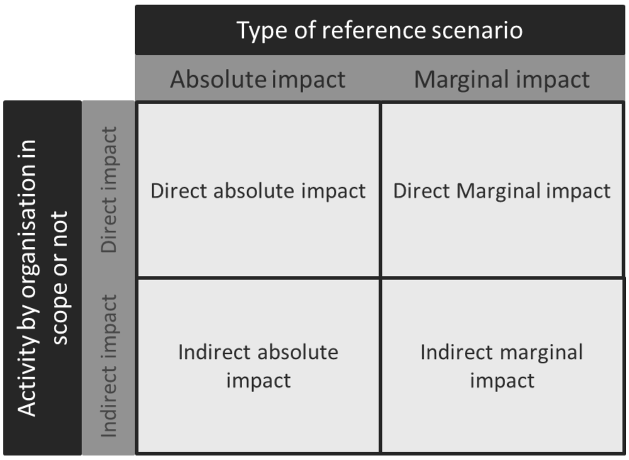

Figure 3: Four types of impact

- **Direct absolute impact** is an impact that is caused by the reporting organisation's own operations when compared to a no-alternative reference scenario in which no activities occur.
- **Direct marginal impact** is an impact that is caused by the reporting organisation's own operations when compared to an alternative reference scenario in which alternative activities would be expected to occur were the organisation to be absent.
- **Indirect absolute impact** is the impact that arises outside the organisation itself because of its actions, and where the scope of the organisation includes a direct or indirect influence on the occurrence and/or size of that impact. This impact is then compared to a no-alternative reference scenario in which no activities occur.
- **Indirect marginal impact** is the impact that arises outside the organisation itself because of its actions, and where the scope of the organisation includes a direct or indirect influence on the occurrence and/or size of that impact. This impact is then compared to an alternative reference scenario in which alternative activities would be expected to occur were the organisation to be absent.

1.1.12. There are three types of impact contribution:

- The **absolute impact contribution** that is a measure of the absolute direct and absolute indirect impact of an organisation
- The **marginal impact contribution** that is a measure of the marginal direct and marginal indirect impact of an organisation
- The **total impact contribution** (or just impact contribution) that is a measure that reflects all four types of impact

[5] More information regarding impact contribution and how to assess it can be found in IWAF Part 3, Chapter 4.

1.2. IP&L and IBaS accounts, and impact

1.2.1. The **IP&L** and the **IBaS** accounts form a list of impacts. Collectively, the **set of impacts** in the IP&L accounts and the IBaS accounts represents an accounting model of a materially complete set of valuable outcomes.[6]

- The combination of the IP&L and the IBaS accounts is referred to as “the accounts”.

1.2.2. The set of valuable outcomes that are material to the organisation—and thus the set of IP&L and IBaS accounts impacts required to provide an adequate accounting model—depend on the organisation’s business model and context.

1.2.3. Each **impact** can be classified as pertaining to (i) a single capital, (ii) a single stakeholder group or (iii) a single welfare dimension. Or the impact (iv) represents either a direct impact or an indirect impact, (v) relates to either an input or an output of the organisation’s activities and (vi) represents either a positive or negative impact (valence).

- This requires a mapping between the impacts in the IP&L and/or IBaS and the Sustainable Development Goals (SDGs). The mapping is preferably made at the SDG indicator level, or alternatively at the SDG target or SDG goal level.

1.2.4. In addition, each impact shall pertain to one or more **SDG**, where applicable.

- This requires a mapping between the impacts in the IP&L or IBaS and the SDGs. The mapping is preferably made at the SDG indicator level, or alternatively at the SDG target or SDG goal level.[7]
- In the case that the organisation maps impact to one or more SDGs, it is recommended that the reporting organisation disclose this choice and its justification.

1.2.5. Impacts are classified under the stakeholder group that best represents the individuals affected by the impact.

1.2.6. Capital changes are classified under the capital that the stock that is changed belongs to.

- However, if it is sufficiently certain that the capital change will lead to a further capital change after the assessment period, then that capital change can be classified under the capital of the future capital change.

1.2.7. Changes in wellbeing during the assessment period are classified under the capital relating to the asset that directly created the wellbeing.

1.2.8. Rights breaches related to

- Human, labour, or political right are classified under Social Capital to stress the social links in society that held up these rights

[6] Each of these accounts can efficiently be represented by a database where each impact is stored with its properties, such as stakeholder, capital, welfare dimension, or whether it is direct or indirect impact.

[7] The full list of the seventeen SDG goals and indicators can be found in Transforming our World: The 2030 Agenda for Sustainable Development [3].

- Occupational health and safety are classified under Human Capital to emphasise the relationship to health (a stock of Human Capital).
- Privacy is classified under Intellectual Capital to emphasise the relationship to data (a stock of Intellectual Capital).
- Environmental rights are classified under Natural Capital.

1.3. Impact groups and categories

1.3.1. The statements of the IWAs are based on the impacts in the IP&L and the IBaS accounts.

1.3.2. The statements may contain elements that are aggregated at a higher level than impact in the sense used in

1.3.3. Impacts in the accounts can be combined into **impact groups**.[8]

- Like impacts, impact groups pertain to a single capital, a single stakeholder group or a single welfare dimension.
- Impact groups may combine impacts that are derived from different impact pathways that share a common outcome.

1.3.4. Impact groups can be further combined into **impact categories.**

- Impact categories combine impact groups that affect multiple stakeholders[9] and/or capitals[10] in a comparable way.
- Like impact groups, impact categories share a single welfare dimension.

1.3.5. A **Standardised List of Impact Categories** is provided in Appendix A containing accounts that will be material to many organisations.

- This standardised list is not exhaustive.

1.3.6. **Impact contribution** as defined in 1.1.11 and 1.1.12 is a linear combination of two or more types of impact. It is therefore an indicator at impact group level.

1.3.7. **Impact contribution categories** can be defined by analogy to impact categories as combining effects on different stakeholders or capitals.

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[8] Examples of how impact groups are constructed from impacts are the following. 1) If an organisation performs several operations that each emit GHG, it can draw multiple impact pathways and have several impacts on contribution to climate change in the IP&L accounts ("Contribution to climate change from operation A", "Contribution to climate change from operation B", etc.). These can then be combined into an impact group (total) contribution to climate change. 2) An organisation may have a direct impact associated with contribution to climate change (i.e., associated with its own operations) as well as an indirect impact (e.g., associated with the activities of its suppliers). Combining these two gives an aggregate at impact-group level.

[9] An example of an impact category that includes impact groups focusing on different stakeholders is "effects on human health". It may contain effects on employees, consumers and society-at-large.

[10] An example of an impact category that includes impact groups focusing on different capitals is "client value of services". It may be classified as manufactured, human or intellectual capital, depending on the exact nature of the service.

2. IWAs based on Integrated Profit & Loss accounts

Some of the statements in the IWAs are derived from the IP&L accounts. They have the following properties:

2.1. Integrated Profit & Loss accounts, statements and derived statements

2.1.1. **IP&L accounts** are IWAs that contain all material information on the impact an organisation has had during a period, organised per capital, stakeholder group and welfare dimensions, and which are additive within each welfare dimension.

2.1.2. **The IP&L Statement** consists of an overview of all an organisation's IP&L accounts over a period.

2.1.3. **Derived statements from the IP&L accounts** are statements containing a subset of all IP&L accounts of an organisation over a period.

2.2. Full set of statements based on IP&L accounts

2.2.1. The **full set of general statements based** on the IP&L accounts consist of:

- IP&L Statement
- Stakeholder Value Creation Overview
- Sustainability Statement for External Costs
- Sustainability Statement for SDG Contribution

2.2.2. Each statement/overview in the IWAs reports specifically about the organisation's progress towards the four general organisational goals and functions, as given in IWAF Part 1, Section 2.1.4.

- Collectively, these relate to three of the four organisational goals and functions—see also Figure 4.

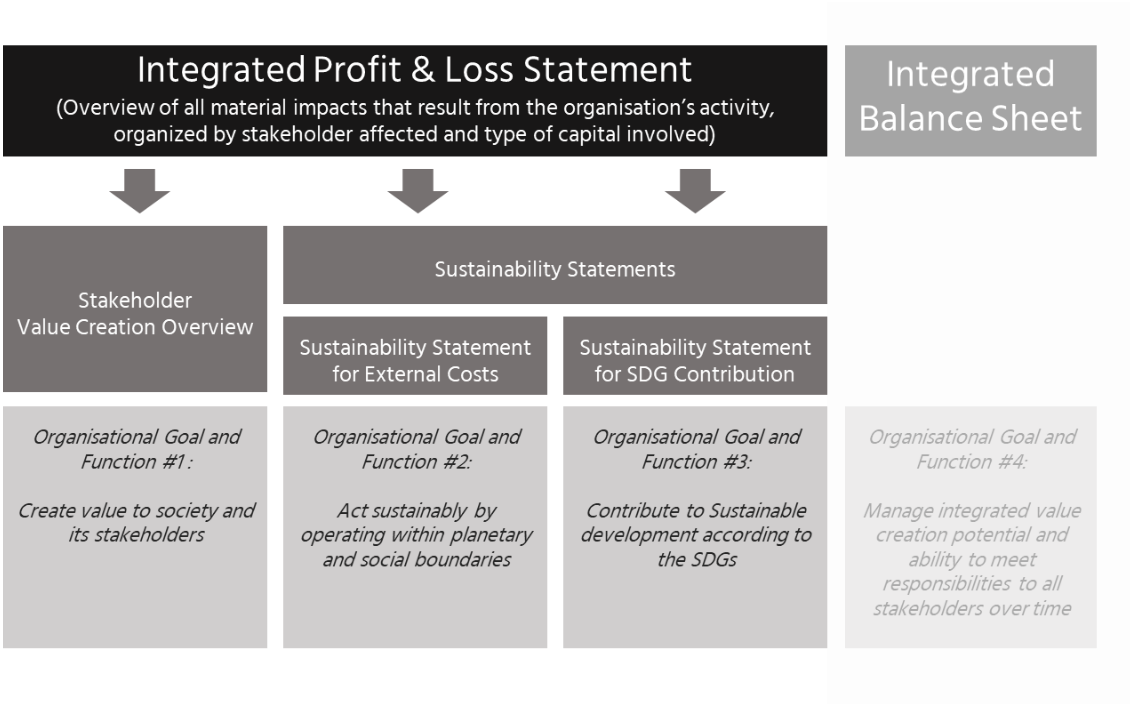


Figure 4: The IP&L Statement and derived statements

2.2.3. The Stakeholder Value Creation Overview, Sustainability Statement for External Costs and Sustainability Statement for SDG Contribution are all derived statements from the IP&L accounts.

2.2.4. An organisation shall disclose a full set of general statements on the IP&L.

2.2.5. In addition to the general statements, an organisation can include **additional statements** derived from the IP&L Statement providing impact information about context-specific goals and functions the organisation fulfils.

2.3. Integrated Profit & Loss Statement

2.3.1. **IP&L Statement** is a statement that presents in a table all material impacts of the organisation that were realised during the reporting period, and where the impacts are quantified, valued and attributed to the organisation and classified by capitals and stakeholders.

2.3.2. The figures presented in the IP&L Statement shall reflect the valued **impact contribution** of the organisation for each IP&L account.

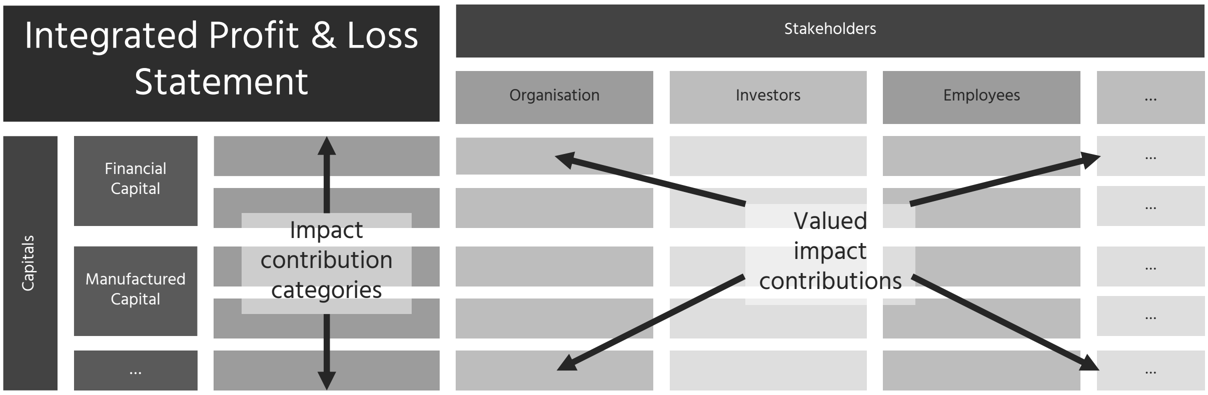


Figure 5: The presentation of the IP&L Statement as a table

Stakeholder groups and shown in the columns, while impact contribution categories are shown in the rows, organised by the capitals. The cells of the table contain valued impact contributions.

2.3.3. Regarding its presentation, a multi-capital, multi-stakeholder table shall be used. it is recommended to put the different stakeholders in the columns of the table and impact contribution categories ordered by capital in rows.

2.3.4. Each **cell in the table** contains the sum of each valued impact contribution of all IP&L account impacts belonging to the corresponding impact group, capital, stakeholder group and year.

2.3.5. Each **line (or row) in the table** contains an impact contribution category.[11]

[11] The following are examples of lines (rows) in the IP&L table. 1) For "Contribution to climate change" there is a non-zero value in the column for the stakeholder group "Society-at-large". There are zeros in all other columns (no relevant value for this stakeholder group). 2) For "Effects on human health", there are non-zero values in the columns for Employees, Consumers and Society-at-large, collectively providing information on the full impact contribution category.

Each table element in the IP&L Statement shall thus contain the sum of each valued impact contribution of all IP&L account impacts belonging to the corresponding impact group, capital, stakeholder group and year.

2.3.6. Each impact in the IP&L accounts shall be contained **exactly once** in one of the elements of the IP&L Statement: that is, each impact either forms one impact contribution on itself, or can be included with others into exactly one impact contribution.

2.3.7. The organisation shall include impact contribution categories associated with all impact categories contained in the **Standardised List of Impact Categories** in its IP&L Statement, with the exception that impact categories can be excluded if they are demonstrably not applicable or material to the organisation, in which case the organisation shall disclose this exclusion.

2.3.8. The organisation shall include all additional impact categories that are material to the organisation.

2.3.9. IP&L statement table elements shall be organised in such a manner that, where possible, negative impacts belonging to the stakeholder rights welfare dimension are **not netted** against positive impacts.

2.3.10. In the IP&L Statement and its notes, the organisation shall preferably disclose: (i) **absolute impact contribution,** (ii) **marginal impact contribution** and (iii) **total impact contribution.** Organisations may also choose to only disclose its **absolute impact contribution** if disclosing the total impact contribution is not feasible**.**

2.3.11. The IP&L Statement shall also provide the **sums** of the valued impact contributions per stakeholder and per capital over each year covered by the statement.

2.4. Stakeholder Value Creation Overview

2.4.1. **Stakeholder Value Creation Overview** is a table that is derived from the IP&L accounts and that reflects the overall value creation of the organisation per stakeholders through all the material impacts of the organisation's inputs and outputs.

2.4.2. There shall be a specific Value Creation Overview for **each of the stakeholders.**

2.4.3. Each **element** of the Stakeholder Value Creation Overview shall reflect an impact contribution category.

- Each element item shall be presented per stakeholder group and per year.
- Additionally, elements can be presented by whether they are associated with inputs or outputs in the impact pathway.
- Elements may be presented by individual capitals or aggregated over capitals.

2.4.4. Each impact in the IP&L accounts shall be contained **exactly once** in one of the elements of a value creation overview.

2.4.5. The **Stakeholder Value Creation Overview** shall also provide the **sums** of the valued impact contributions per stakeholder over each year contained in the statement.

2.4.6. In the Stakeholder Value Creation Overview, the organisation shall preferably disclose its **total impact contributions**. It may also choose to disclose the **absolute impact contributions** in the Stakeholder Value Creation Overview if disclosing the total impact contribution is not feasible**.**

2.5. Sustainability Statement for External Costs

2.5.1. A central aspect of the **sustainability** of an organisation is the degree to which it operates within environmental (planetary) and social boundaries.

2.5.2. Deviations from these boundaries can be measured by the **environmental and social costs** created by the organisation, which is a negative impact on a stakeholder through breaches of a stakeholder's rights.

2.5.3. The **Sustainability Statement for External Costs** is a statement tabulates information on the social and environmental costs to which the organisation contributed and/or for which it shares value chain responsibility.

2.5.4. Each **element** of the Sustainability Statement for External Costs shall reflect an impact contribution category.

2.5.5. Each negative IP&L account impact that belongs to the stakeholder rights welfare dimension and to Natural, Social and Human Capital shall be contained once in one of the line items of the IP&L Statement. All other IP&L accounts shall not be included in the Sustainability Statement for External Costs.

2.5.6. In the IP&L Statement, the organisation shall disclose its **absolute impact contributions**.

2.5.7. Each line item shall be presented per capital, per stakeholder group and per year.

2.5.8. The **Sustainability Statement for External Costs** shall also provide the **sums** of the valued impact contributions per stakeholder and per capital over each year covered in the statement.

2.6. Sustainability Statement for SDG Contribution

2.6.1. **Sustainability Statement for SDG Contribution** is a statement that tabulates the contribution of an organisation to the UN's SDGs.

2.6.2. The Sustainability Statement for SDG Contribution provides information about an organisation's contribution to the achievement of the SDGs.

2.6.3. The organisation shall compile a table, mapping each IP&L account to one or more SDG. See also IWAF Part 2, Section 1.2.4.

2.6.4. The organisation shall disclose its decision-making criteria when mapping its impact to the selected SDG.

2.6.5. Each **element** of the Sustainability Statement for External Costs shall reflect an individual impact contribution category per year.

2.6.6. Each IP&L impact that pertains to an SDG shall be contained once in one of the element items of the IP&L Statement. All other IP&L accounts shall not be included in the Sustainability Statement for SDG Contribution

2.6.7. In the Sustainability Statement for SDG Contribution, the organisation shall disclose its **marginal impact contributions**, as well as the difference between its marginal impact contribution in the reporting period and the previous period. If this is not possible, the organisation could disclose the difference between its absolute impact contribution in the reporting period and the previous period.

2.6.8. If an organisation's contribution to a specific SDG is less than that in the previous year, the organisation shall clarify the reason behind this decrease in the notes. In the impact context, the organisation shall explain actions it has taken to improve its contribution to specific SDGs, as well as indicate which SDGs it focuses on, and how this aligns with its vision, mission or key performance indicators.

2.7. Context-specific statements

2.7.1. In addition to the general statements, the IWAs can contain additional statements derived from the IP&L Statement providing impact information about context-specific goals and functions the organisation fulfils.

2.7.2. The organisation shall compile additional statements that (i) consist of logical subsets of the IP&L statement and (ii) adhere to the general principles and requirements of IWAF, unless regulatory or context-specific considerations require otherwise.

2.7.3. In case additional statements are not a subset of IP&L Statement or do not adhere to the general principles and requirements of the IWAF, the organisation shall disclose this and the motivation therefor.

3. IWAs based on the Integrated Balance Sheet

In addition to statements derived from the IP&L accounts, statements in the IWAs can also be derived from the IBaS accounts. But the following should be noted.

3.1. Integrated Balance Sheet

3.1.1. The concept of the IBaS is currently less developed than the IP&L Statement.

3.1.2. The statement associated with the IBaS reports on the fourth organisational goal as defined in IWAF Part 1, Section 2.1.4 (also see Figure 6).

3.1.3. Currently no statements derived from the IBaS have been defined. However, the concept of normative accounting provides several promising avenues for forward research paths.

3.1.4. Compiling and disclosing statements based on the IBaS is optional within the IWAF.

Figure 6: The IBaS and its relation to the IP&L and associated statements

4. Coverage requirements

4.1. Valuable outcomes

4.1.1. The IP&L and IBaS accounts used to compile the IWAs shall provide an accounting model of a complete set of valuable outcomes of the organisation in all material aspects.

4.1.2. If such a complete set is too burdensome for the organisation, or if obtaining results with acceptable uncertainties for users is unfeasible for some valuable outcomes, accounts for the particular valuable outcomes may be omitted *if* the organisation can demonstrate that in doing so no material negative impact is omitted, or that that the organisation discloses any accounts that are omitted. In all cases, it shall be disclosed in the introduction which valuable outcomes are not covered by the IWAs.

4.2. Impact type

4.2.1. The accounts used to compile the statements of the IWAs, and the scope of the impact pathways used to calculate each account, shall cover all material direct and indirect impacts of the organisation.

4.2.2. To calculate both absolute and marginal impact contributions, the scope of the impact pathways used to calculate each account shall cover all of the organisation's material absolute and marginal impacts.

- If calculating marginal impact contribution is too burdensome for the organisation, or if obtaining results with acceptable uncertainties for users is unfeasible, marginal elements may be omitted if the organisation can demonstrate that in doing so no material negative impact is omitted, or that it discloses any omitted marginal impacts that are expected to be negative and material. In all cases, it shall be disclosed in the introduction that all marginal impacts have been omitted.

4.3. Activities

4.3.1. The accounts and the scope of the impact pathways used to calculate each account shall cover the impacts of all material activities of the organisation.

4.3.2. The organisation can exclude activities if it can demonstrate that doing so leads to no material omission.

4.4. System boundaries

4.4.1. The organisation shall set the system boundaries of the impact pathways used to calculate each account, which shall be determined such that all material impacts are covered.

4.4.2. The organisation can limit system boundaries in specific impact pathways if including them would make calculating the impact pathway too burdensome or if obtaining results with acceptable uncertainties for users is unfeasible, and if the organisation can demonstrate that in doing so no material negative impact is omitted and that it discloses any material limitations to the system boundaries.

4.5. Welfare dimensions

4.5.1. The organisation shall include impacts on two welfare dimensions: Stakeholder wellbeing and Stakeholder rights.

4.5.2. The organisation may also include impacts on other welfare dimensions.

5. Disclosures related to the IWAs statements

The organisation shall include the following notes in the disclosures related to IWAs statements.

5.1. Coverage and boundaries

5.1.1. The organisation shall provide an overview of the coverage of the IP&L and IBaS accounts.

5.1.2. The organisation shall provide an overview of the system boundaries in the impact pathways used to calculate impact for the accounts.

5.2. Materiality assessment

5.2.1. The organisation shall provide a summary of the sources, methods and outcomes of the materiality assessment used to determine the inclusion of accounts and activities in the accounts.

5.3. General methodological disclosures

5.3.1. The organisation shall provide a summary of its methodological approach to measuring, valuing and attributing impact.

5.3.2. The organisation shall provide a summary of its methodological approach to compiling the accounts and associated statements.

5.4. General data-related disclosures

5.4.1. The organisation shall provide a summary of its main internal and external data sources.

5.5. General assumptions

5.5.1. The organisation shall provide an overview of all material general assumptions used in compiling the accounts.

5.6. Deviations and omissions

5.6.1. The organisation shall disclose any deviations from the IWAF in compiling the statements.

5.6.2. The organisation shall disclose any omissions, with a motivation and an indication of their materiality.

5.6.3. The organisation shall provide a description of general deviations and omissions and an overview of any impact specific deviations and omissions.

5.7. Qualitative information

5.7.1. For each material aspect for which quantitative or valued information has been omitted, qualitative information shall be provided.

5.8. General limitations

5.8.1. The organisation shall disclose any material general limitations to the statements.

5.9. General material context

5.9.1. The organisation shall include in a note any general context to the statements that is material for the user.

5.10. Process

5.10.1. The organisation shall include a summary of the process that was followed to compile the statements.

5.11. Impact-specific disclosures

5.11.1. The organisation shall provide impact-specific disclosures for each line item (impact contribution category) of the IP&L Statement (and if applicable, the IBaS) containing:

- Definition and scope of impact
- Impact assessment methodology containing a description of the impact pathway
- Overview of most important internal and external data sources
- Overview of material impact-specific assumptions
- Any deviation from the IWAF that is limited to that specific line item
- Any material limitations
- Qualitative information and context that is material to understanding the line item

5.11.2. In the notes to the IP&L Statement, the organisation shall include disaggregated information about its impact contributions in a more detailed manner than shown in the IP&L Statement by disclosing figures that:[12]

- Distinguish (unweighted) direct impact and indirect impact for each impact contribution category
- Make explicit the absolute and marginal parts of the total impact contribution (where the IP&L Statement did not show those separately)
- Provide the impacts in their natural (non-valued) units

[12] The organisation can choose the level of detail about the information it discloses in the notes.

5.12. Specific notes for derived statements to the IP&L

Where detailed notes are provided to the IP&L Statement, the statements that are derived from the IP&L Statement need fewer notes. The following principles apply:

Notes to the Stakeholder Value Creation Overview Statement

5.12.1. The organisation shall briefly reflect on its value creation in a future-oriented way. It shall explain its strategy to improve its value creation in the short, medium and long terms.

Notes to the Sustainability Statement for External Costs Statement

5.12.2. The organisation shall reflect briefly on its sustainability performance in a future-oriented way. It shall explain its strategy to minimise its external costs in the short, medium and long terms.

Note to the Sustainability Statement for SDG Contribution Statement

5.12.3. The organisation shall briefly reflect on its SDG contribution in a future-oriented way. It shall explain its strategy to improve its contribution to specific SDGs in the short, medium and long terms.

5.12.4. The organisation shall disclose the mapping table defined in IWAF Part 2, Section 1.2.4, at least at the level where line items to the IP&L are mapped to SDGs.

5.12.5. The organisation shall also explain the criteria it used in classifying accounts (or line items) to a specific SDG. When lack of clarity is possible, the organisation shall also disclose to which indicator or target it has mapped each line item.

5.13. Notes for other statements

5.13.1. Requirements for specific notes to other statements, including the IBaS, may be added to the above as their development progresses.

6. Location of disclosures

Regarding the location of the disclosures, the following principles hold:

6.1. Status of disclosures

6.1.1. The disclosures form an integral part of the annual IWAs.

6.2. General disclosures

6.2.1. The organisation shall provide general disclosures to the IP&L Statement and notes to the derived statements in the document that includes the annual IWAs.

6.3. Impact-specific disclosures

6.3.1. The organisation shall preferably provide impact-specific disclosures in the same document that includes the annual IWAs; alternatively, it can provide these disclosures in an annex.

6.4. Disaggregated results

6.4.1. The organisation shall preferably provide disaggregated results in the same document that includes the annual IWAs; alternatively, it can provide these disclosures in an annex.

IWAF Part 3:

Compiling IWAs

About this part

- *Organisations that compile, publish and use IWAs typically do so following a structured process with five stages: Frame, Scope, Measure and Value, Report and Act*
- *This part describes the principles behind the first four stages (with the last one out of scope) and provides guidance for their execution.*

1. Project stages for compiling the Impact-Weighted Accounts

1.1.1. In compiling IWAs, the organisation shall measure impacts quantitatively and report on them. To be able to do so, the organisation needs to understand what impacts it could assess and report on. Afterwards, it shall select the most relevant and important ones and then analyse them in detail.

1.1.2. Compiling, assessing and reporting IWAs typically follow a well-defined, four-stage process. Not all stages and steps will be followed to the same degree of detail in every reporting period, and the process can be more iterative than the model described below. Figure 7 provides an illustration of the process. Note that the tenth step depicted in the figure—when an organisation acts based on the results of its IWAs—is out of the scope of this framework.

1.1.3. The four stages of *compiling and reporting* IWAs are[13]:

1. Frame
2. Scope
3. Measure and Value
4. Apply

1.1.4. This chapter describes the principles behind each stage and provides guidance for their execution. The preliminary design approach for organisations to start compiling their IWAs categorised per topic is presented in Table 2.

1.1.5. The above four stages consist of nine steps that are followed by a tenth step, *Act: manage impact*, where the organisation manages its impact. The current IWAF does not give guidance for this step. Instead, the IWAF recommends only generally that organisations make their negative impacts zero and maximise their positive impacts, especially those that are material.

1.1.6. There are various guidance and frameworks that are available on how to manage impact, for example, Impact Management Project.

1.1.7. It needs to be acknowledged that the practice of managing impact and implementing impact information is not an instant step. but rather a gradual step that the organisation should take continuously.

[13] The fifth stage, "Act" (putting the IWAs into practice), is out of scope.

Table 2: Preliminary design approach

	Benefits of low	Benefits of high	Our recommendation
Identification of scope (How many impacts to include)	• Simplifies the assessment • Focuses on understanding the concept of impact assessment • Promotes buy-in for internal stakeholders • Reduces the risk to further scale-up	• Covers all relevant and material activities of an organisation • Increases understanding of an organisation's potential value creation • Provides sufficient information for integrated decision-making	Start low; aim high An organisation starts measuring impact on a specific topic to first get a grip on the concept and increases the scope gradually.
Measurement Type of impact to measure (Include absolute and/or marginal impact; direct and/or indirect impact.)	• Simplifies the assessment • Focuses on absolute impact only; provides an understanding of the value creation potential of only the organisation in scope • Focuses on direct impact only: reduces the risk of inaccuracy in estimating impacts outside the organisation (e.g., indirect impact) • Provides cost savings due to limited time allocated to data collection	• Adds the marginal, and provides an understanding of how the organisation in scope creates value as compared to other organisations, and gains insight to be better than best-in-class • Increases understanding of an organisation's potential value creation, not only through the direct outcomes but also indirect outcomes • Provides sufficient information for integrated decision-making	Start low; aim high An organisation starts focusing on the absolute impact. Indirect impact (in the value chain) is typically included from the start if it is material. Later, the coverage is gradually increased to include more impacts and eventually includes marginal analysis.
Whether or not to value monetarily	• Expresses impacts in their natural units that are recognisable by people (e.g., kg CO_2 emissions) • Reduces the risk of ethical discussion of putting price to goods/services that arguably should not be priced (e.g., have intrinsic value)	• Expresses impacts in a unit that is already widely used in the context of managing firms and investments • Allows comparison between impacts • Provides focus on revenues from products and services that contribute to a sustainable and equitable development • Emphasises that all business activities have social and environmental impact	High, accompanied by low It is recommended that all impacts in scope be expressed in monetary value. This information can be strengthened by also providing the accompanying information in a non-monetary value unit.
Aggregation	• Provides a complete list of measured impacts transparently	• Provides information in a more meaningful way, not only for internal integrated decision-making, but also for external communication • Allows for the identification and prioritisation of those impacts that management should focus on	High It is recommended that impacts in scope be aggregated in a meaningful way (i.e., not over-or under-aggregated). For transparency and sufficient distinction, it is also encouraged that the disaggregated information be disclosed.
Reporting	• Provides information to internal stakeholders only • Focuses only on retrieving information relevant for internal integrated decision-making • Reduces the risk of results being scrutinised	• Also provides information to external stakeholders • Increases transparency and enhances an organisation's reputation • Increases competitive advantage in the sector	Start low; aim high Ideally, impacts should be reported trans-parently to external stakeholders. However, organisations first need to understand the

Benefits of low	Benefits of high	Our recommendation
	• Allows for potential dialogue with affected stakeholders to better understand how the organisation can create value for them	information internally before it communicates it externally.

Table is inspired by Harvard Business School – Impact Weighted Accounts Project.

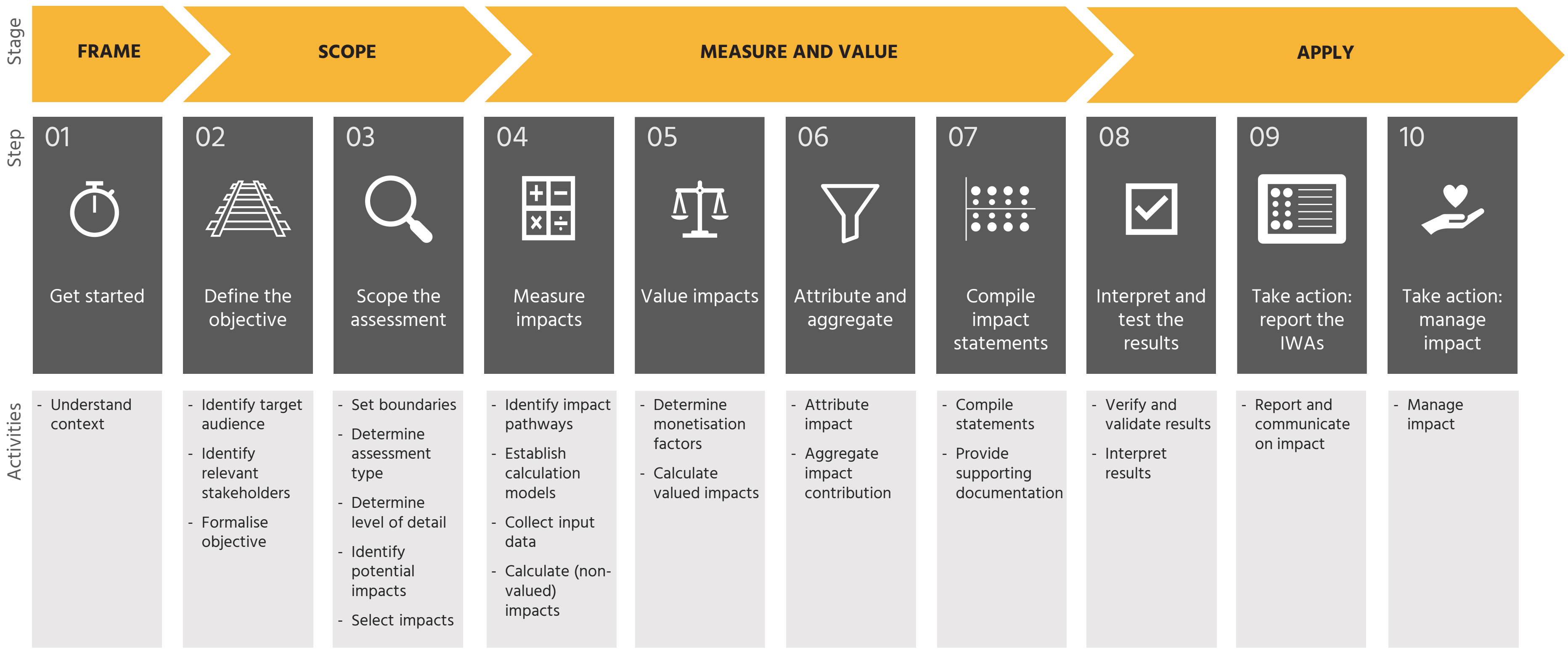


Figure 7: A schematic of the stages and steps in compiling and reporting IWAs. Adapted from Natural Capital Coalition, 2016 [2].

2. Stage 1: Frame

Frame comprises one step: "Get started". The following applies to this stage.

2.1. Step 1: Get started

Identify rationale

2.1.1. As a first step, the organisation shall identify (if it is the first time it is compiling IWAs) or revisit the **rationale** why it is important for it to understand its impact and report on its IWAs, and shall keep a record of the (revisited) rationale.

2.1.2. The organisation shall identify or revisit the **key users and audience** of its IWAs.

Understand context

2.1.3. Before compiling its IP&L each year, the organisation shall identify the wider context of its impacts.

2.1.4. The organisation shall set or revisit its **stakeholder classification** in line with the IWAF Part 1, Chapter 3.2.

2.1.5. The organisation shall formulate its **Value Creation Model**, which is a conceptual model of the process through which value is created, preserved or eroded. The organisation can use the guidance of the Integrated Reporting Framework in doing so.

3. Stage 2: Scope

Scope comprises three steps: "Define objective", "Scope the assessment" and "Select the impact to analyse quantitatively". The following applies to this stage.

3.1. Step 2: Define objective

Identify organisational goals and functions

3.1.1. The organisation shall reflect on the **three general organisational goals and functions** (value creation for all stakeholders; operating sustainably within environmental and social boundaries; contribution to sustainable development) as explained in IWAF Part 1, Section 2.6.1, and identify if it has prioritised any of these goals.

3.1.2. The organisation shall identify if there are any additional **context-specific organisational goals and functions** that it should include as an additional statement in its IWAs.

3.2. Step 3: Scope the assessment

Establish impact assessment methodology

3.2.1. The organisation shall set the **impact assessment methodology** it will use, specifying the main methodological principles, data sources, main characteristics of the reference scenarios it will use and the general assumptions across the assessment.

Set scope

3.2.2. The organisation shall set and document the **timeframe**, **business activities** and **value chains**.

3.2.3. The organisation shall set the target **coverage for activities**, **types of impact** and **types of impact contribution** to be covered.

3.2.4. The organisation shall set the **target system boundaries**.

3.2.5. The organisation shall identify a list all potentially **material impacts**, and where it shall recognise all items that meet the definition of an impact.

3.2.6. The list shall in all cases include **all impact categories** of the standardised impact list.

Select impacts for further analysis (based on materiality and feasibility)

3.2.7. The organisation shall conduct a **materiality assessment** based on its previous IWAs, other published IWAs in the sector, scientific research and a stakeholder panel.

3.2.8. The organisation shall establish **the set of outcome valuables**, so that it covers any impact that is material according to one of the following criteria: (i) the impact is material, based on **empirical data**, for example, based on scientific research or previous IWAs; (ii) the impact is **perceived** to be material by **at least one of its stakeholder groups**.

3.2.9. The organisation shall conduct a **feasibility assessment** and disclose how it has assessed feasibility, and which business activities, parts of the value chain or impact have been identified as unfeasible and therefore excluded.

3.2.10. The organisation shall aim not to exclude any material impact based on feasibility concerns. If impacts have to be excluded based on these concerns, the organisation shall mention it explicitly in the report as it can lead to inaccurate results.

4. Stage 3: Measure and Value

Measure and Value comprises five steps: "Define the impact pathways per impact"; "Measure impacts"; "Value impacts"; "Attribute and aggregate impacts" and "Compile the IWAs". The following applies to this stage.

4.1. Step 4: Measure impacts

Make impact pathway

4.1.1. An **impact pathway** is the quantifiable chain of effects linking an organisation's specific activity to its impact through a comparison of outcomes with those in the reference activity.

4.1.2. The impact pathway can show how certain outputs of organisational activity led to outcomes and then to impacts ("impacts mainly associated with outputs"). Other impacts are associated with the organisation's use of inputs. Both kinds of impact can be described through the impact pathways as shown in Figure 8.

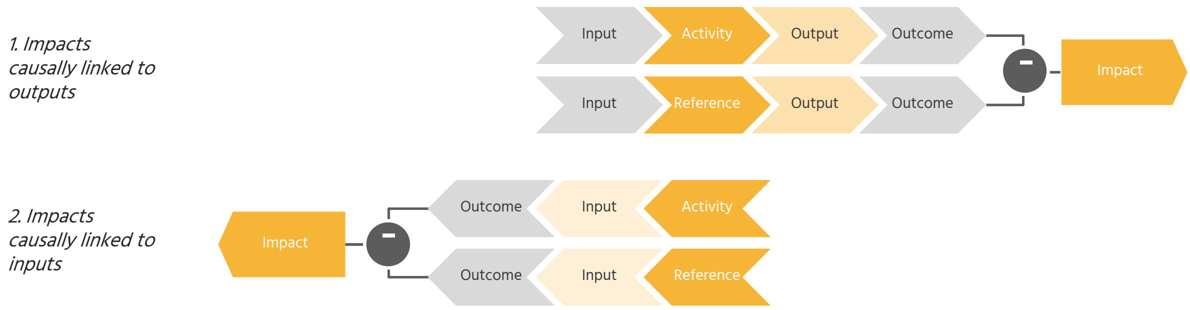


Figure 8: Impact pathways associated with outputs and with inputs

4.1.3. The building blocks of the impact pathway are shown in Figure 9. These are (realised or projected) activity, reference activity, input, output, outcome and impact.

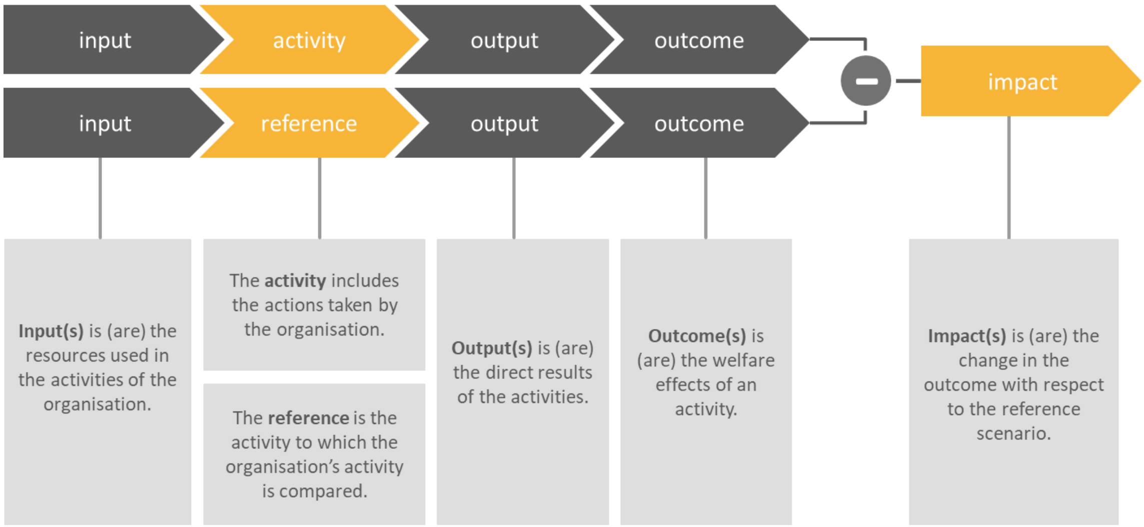


Figure 9: The impact pathway and its building blocks. This figure focusses on an impact that is associated mainly with an output. Impact pathways that are associated mainly with the use of impacts are also possible.

4.1.4. A **realised activity** is an activity the organisation has realised in the reporting period, while a **projected activity** is a forecasted activity the organisation will realise in the future.

4.1.5. A **reference activity** is an activity that would otherwise have occurred in the chosen timeframe had the organisation not undertaken the actual activity.

4.1.6. An **input** refers to the resources used in the organisation's activities.

4.1.7. An **output** is any direct effect of the organisation's activity that occurred during the reporting period and which is not an input.

4.1.8. An **outcome** of an organisation's activity reflects the direct or indirect welfare effects of the outputs.

4.1.9. An **impact** of an activity is the difference of a valuable outcome of a realised activity with respect to the counterfactual outcome in the reference activity.

4.1.10. For each IP&L account, impact will be quantified based on an explicit impact-pathway, which shall be documented.

4.1.11. The organisation shall define impact pathways in line with conventions in the sector and region it is active in, insofar as these exist and are applicable. It shall aim to apply the impact pathways consistently over multiple years, and periodically assess whether the impact pathways still exist.

Establish an accounting model

4.1.12. The organisation shall establish a set of IP&L accounts as an accounting model of its set of valuable outcomes.

4.1.13. The organisation shall establish IP&L accounts that are **mutually exclusive and collectively exhaustive** with respect to the set of valuable outcomes. In particular, the organisation shall ensure that IP&L accounts are **additive** in the sense that valued impacts across different IP&L accounts can be added without under- or double counting.

4.1.14. The organisation shall establish if its IP&L Statement will contain **total impact contributions** or **absolute impact contributions**, where the former is preferable.

4.1.15. In including its impacts, the organisation shall maintain **balance** by including both material positive and negative impacts. If the organisation includes the positive impact of a particular activity, then it shall also include any associated negative impact.

Acquire input data

4.1.16. The organisation shall use **recent primary data** whenever possible.

- The organisation shall use primary internal data that has or will receive **assurance** where possible.
- The organisation shall use external primary or statistical data that comes from a **reliable source** where possible.

4.1.17. If primary data is not available, the organisation may use secondary data sources.

4.1.18. The organisation shall only use secondary data that has **sufficient quality** (e.g., from reliable sources, such as peer reviewed academic research) and is **sufficiently applicable** in the business context (e.g., recent or referring to a comparable geographical scope).

4.1.19. Estimates are only allowed if no better data is available at reasonable cost.

4.1.20. If data from various sources is combined, the organisation shall take measures to guarantee data consistency.

4.1.21. The organisation shall transparently define and evaluate any data that has high **uncertainty** in terms of **sensitivity** to the IWAs. The organisation shall disclose **material assumptions, uncertainties and limitations** in the data resulting from input, calculations and estimates.

Calculate impact

4.1.22. The organisation shall build a model that is based on the calculation trees and impact pathways that have been previously built. This includes steps such as:

- Conversion from Input > Output > Outcome > Impact
- Conversion from Input > Outcome > Impact
- Conversion from Output > Outcome > Impact

4.1.23. The organisation should also build and calculate the impact for every reference scenario within the assessment.

4.1.24. The organisation should challenge the model built for validation. This can also be done by an external independent party that is an expert in this field.

4.2. Step 5: Value impacts

4.2.1. The IWAF specifies that the organisation must disclose impact contributions that are valued in a commensurable unit, preferably in a monetary unit.

4.2.2. A **valued impact** is an impact expressed in a quantitative unit that reflects the normative desirability of an impact from the perspective of a stakeholder.

- An impact is positive if a higher value has higher desirability
- An impact is negative if a higher value has lower desirability

4.2.3. A **monetarily-valued impact** is a valued impact where the unit used is monetary.

4.2.4. The IP&L Statement contains impacts that pertain to at least two **welfare dimensions**: (i) **stakeholder wellbeing** and (ii) **stakeholder rights**.

Valuation of impacts relating to stakeholder wellbeing

4.2.5. Impacts relating to the wellbeing dimension are **changes in wellbeing** or **changes in capital stocks**.

4.2.6. The organisation shall value Impacts corresponding to the wellbeing dimension according to an assessment of the **gains or losses in wellbeing for the stakeholders involved**.

4.2.7. In particular, the organisation shall value impacts relating to the wellbeing dimension through a **valuation function that maps to a unit representing the sum of individual wellbeing**.

4.2.8. Acceptable techniques for such a valuation function include "**1-on-1 Monetary valuation**, "**Revealed preference**", "**Stated preference**" and "**Subjective wellbeing**".

- **1-on-1 Monetary valuation**: impacts that are naturally expressed in monetary terms are expressed in valued terms in a trivial way. In other words, 1 Dollar of financial value is assumed to represent 1 Dollar-equivalent of wellbeing. The approach can be refined by explicitly considering that 1 Dollar can represent more wellbeing for one stakeholder than for another.
- Monetary valuation using **Revealed preference**: people's preferences are derived from their choices, using either empirical data to derive a proxy for the value of a particular product or through choice. This can be done in several ways: inferring preferences from market choices, using hedonic pricing to infer preferences, analysing (quasi-)natural experiments, conducting field experiments or incentivised laboratory experiments.
- Monetary valuation using **Stated preference**: in stated preference techniques, people are asked about their preferences and their willingness to pay for, or willingness to accept, non-market "goods" or "services".
- Monetary valuation using **Subjective wellbeing**: in this approach, people are asked about their subjective wellbeing (such as their satisfaction with their health or lives) and the reported measures are associated with variables that can explain this wellbeing using (large) population datasets and statistical techniques.

4.2.9. The organisation shall use a valuation function for impacts relating to the wellbeing dimension that weigh each individual stakeholder's wellbeing equally.

Valuation of impacts relating to stakeholder rights

4.2.10. Impacts on the stakeholder rights dimension are related to **breaches of rights**. Rights in scope include **human rights**, **labour rights** and **environmental rights**. These rights can also be interpreted as **social and planetary boundaries** within which the organisation must operate.

4.2.11. **Remediation costs** are a quantitative estimate of the cost that should be incurred to remediate the harm that is caused by unsustainable impacts. Remediation cost is an umbrella term, and contains elements of the following types of costs:

- **Restoration costs**: the cost of bringing people's wellbeing or environmental stocks to the state where there is no social or environmental impact.
- **Compensation costs**: the cost of compensating affected people for economic and/or noneconomic damage due to social and environmental impacts.
- **Prevention of re-occurrence costs**: the cost that would be incurred in the future to avoid the identified social and environmental impacts from occurring again.
- **Retribution costs**: the cost associated with fines, sanctions or penalties imposed by governments for certain violations of legal or widely accepted obligations.

4.2.12. The organisation shall value impacts in the stakeholder rights dimension according to the **costs that are needed to remediate rights breaches**.

4.2.13. In particular, the organisation shall value Impacts relating to impacts relating to the stakeholder rights dimension be valued with a valuation function that **maps to a unit that represents the remediation costs of the impact**.

4.2.14. When valuing impacts relating to stakeholder rights, the organisation shall acknowledge that breaches of rights may never be able to be fully remediated nor the cost of the breach completely valued entirely.

Requirements for valuation functions

4.2.15. If the organisation uses a **monetary unit** for impact valuation, the organisation shall value impact in **income equivalents** expressed in monetary terms (such as international dollar equivalents [Int.$-eq] or Euro [EUR-eq] equivalents).

- For wellbeing impacts, an income equivalent is the (average) income gain or loss that leads to the same increase or loss in wellbeing as the impact that is valued.
- For rights-breaches impacts, the income equivalent is equal to the remediation costs.

4.2.16. The organisation shall use input data from the **best available sources** to quantify the monetary value of each impact. This shall include the use of primary data whenever possible. Secondary data can be used if valid (peer reviewed or from a reliable source) and if choices made are justified. Only missing values shall be imputed, estimated or modelled. In addition, input data shall be impact specific.

4.2.17. The organisation shall describe the decision-making criteria in selecting the valuation approach. The assumptions across different data and methods shall also be consistent.

4.2.18. The valuation shall be **comparable** in terms of years, methods and the scenarios applied.

4.3. Step 6: Attribute and aggregate

Attribute impact over the value chain

4.3.1. The IWAF specifies that the organisation must disclose **attributed impacts**.

4.3.2. An **impact** is typically the **direct impact** of one organisation and the **indirect impact** of multiple organisations. **Impact attribution** refers to the distribution of impact that organisations are responsible for. An **attributed impact** is a weighted impact that reflects the contribution of an organisation to the impact.

4.3.3. The organisation shall attribute a share of each impact that it has created together with other organisations in its value chain or other organisations in its system.

4.3.4. Impact shall be attributed in such a manner that the **sum of the attributed impact** of each value chain player **shall be equal to the original impact** (**no double counting** or **undercounting**).

4.3.5. The organisation shall explain in the notes the criteria it applied in attributing impact.

Assess impact contribution

4.3.6. The IWAF specifies that the figures in the IP&L statement shall reflect the absolute or total **impact contribution** of the organisation for each IP&L account, where the **impact contribution** is a measure of the overall attributed impact of an organisation.

- The **absolute impact contribution** is a (linear) combination of direct and indirect absolute impact.
- The **marginal impact contribution** is a (linear) combination of direct and indirect marginal impact.
- The **total impact contribution** is a (linear) combination of all four types of impact.

4.3.7. The organisation can choose whether to disclose absolute or total impact contributions in the IP&L Statement.

4.3.8. In either case, the organisation shall use a method to calculate the impact contribution that satisfies the following principles:

- **Additivity of impact:** the impact contribution of two independent organisations should represent the sum of the impact contributions of both organisations.
- **Sensitivity to impact:** the impact contribution of an organisation should increase (or decrease) if any of its impacts increases (or decreases), and the other impacts remain constant.

- **Sufficient resolution:** the impact contribution should have sufficient resolution to show differences between organisations with differing impacts. The principle of *sufficient resolution* states that when two organisations have differing impacts (even if, on an absolute scale, these impacts may be similar), these differences should still be sufficiently clear in the impact contribution.
- **Co-responsibility:** impact is part of an organisation's impact contribution if, and only if, that organisation is co-responsible for that impact. Unless specifically qualified, when a statement in the remainder of the document refers to "Impact," it applies to all types of impact and the contribution of the impact.
- **Conservation of impact:** the sum of the impact contribution of all organisations (and other actors) should represent the total impact in society. The impact contribution should not be overcounted or undercounted. This only applies to the total impact contribution and the absolute impact contribution.

Calculate other aggregate

4.3.9. The figures presented in the IP&L can be **aggregated** to at most the level of the impact class.

4.3.10. The figures presented in derived statements can be aggregated **per stakeholder**, **per capital** and **per period**.

4.3.11. Impacts shall **not be aggregated across welfare dimensions unless** they are also disclosed in a disaggregated manner elsewhere in the general tables.

4.3.12. Line items shall be organised in such a manner that negative impacts belonging to the stakeholder rights welfare dimension are **not netted** against positive impacts.

4.3.13. In the process of aggregation, the organisation shall **not double count** any impacts.

4.3.14. Impacts can be aggregated and netted within the stakeholder wellbeing welfare dimension when the net effect is most informative to the stakeholders in question and all impacts belong to the same stakeholder group. Such impacts can also be aggregated across stakeholder groups if the disaggregated figures are also provided elsewhere.

4.3.15. Impacts can be aggregated within the stakeholder rights welfare dimension if all impacts have the same valence.

4.3.16. Negative impacts in the stakeholder rights dimension shall not be netted against positive impacts.

4.4. Step 7: Compile impact statements

4.4.1. The organisation shall compile the IWAs that consist of IP&L and IBaS accounts.

4.4.2. For the IP&L accounts, each element stated in the IWAF Part 2, Chapter 2 should be compiled: (i) IP&L Statement, (ii) Stakeholder Value Creation Overview, (iii) Sustainability Statement for External Costs and (iv) Sustainability Statement for SDG Contribution.

4.4.3. For the IBaS accounts, the organisation shall compile an IBaS.

4.4.4. The organisation shall disclose the non-monetarily-valued results (next to presenting monetarily-valued results) at least in the notes of IWAs.

5. Stage 4: Apply

Report comprises two steps: "Interpret and test the results" and "Report". The following applies to this stage. .

5.1. Step 8: Interpret and test the results

Verify numbers: internal quality control and/or external audit

5.1.1. The organisation (i) shall list all input data, estimates, models, assumptions, calculations, imputations or estimates, limitations and decisions taken that are used, (ii) shall be able to **verify** data sources and methods used, (iii) shall be able to **re-perform** or to **trace** information back to its source, and be able to **confirm** its **faithful representation**.

5.1.2. The organisation shall determine whether the results satisfy the required level of quality in terms of **reliability**, **specificity** and **accuracy**.

5.1.3. The organisation shall be able to justify all results (and show the criteria meets the quality shown in the previous principle) including the decisions and assumptions made throughout the process to achieve the quality mentioned in 5.1.2.

5.1.4. If the result is audited externally, an assurance provider shall be able to assess impact measurement, valuation and presentation against the criteria provided in the IWAs.

5.2. Step 9: Report the IWAs

Make reports for the IWAs

5.2.1. The organisation shall comply with the General Reporting Requirements as outlined in IWAF Part 1, Chapter 4.

References

[1] IIRC, “International <IR> Framework,” International Integrated Reporting Council, 2021. [Online]. Available: https://www.integratedreporting.org/resource/international-ir-framework/

[2] Natural Capital Coalition, “Natural Capital Protocol,” 2016. [Online]. Available: https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=training_material

[3] UN, “Transforming our world: the 2030 Agenda for Sustainable Development,” *Transforming our world: the 2030 Agenda for Sustainable Development*. https://sdgs.un.org/2030agenda (accessed May 25, 2022).

[4] OECD, “National Accounts of OECD Countries,” Organisation for Economic Co-operation and Development, Text Volume 2022, Issue 1, 2019. Accessed: May 23, 2022. [Online]. Available: https://www.oecd-ilibrary.org/economics/national-accounts-of-oecd-countries_2221433x

APPENDICES

About this part

- *This part describes additional information that is useful in compiling IWAs, such as a standardised list of impact categories, recommended monetisation factor list and suggested reliable sources for compiling the IWAs.*

A. Standardised list of impact categories

The set of impacts that are material to the organisation and thus appear in the IWAs depends on the type of business activity of that organisation. Table A.1 provides the standard list of impact categories that are relevant to many types of organisations. It is suggested that these impact categories should always be included in IWAs if these are material to the organisation. Note that this list is not exhaustive.

The list specifies the type of capital and the stakeholders with which an impact category is associated. When using a different classification of stakeholder groups, the organisation shall modify the list accordingly. The list also provides the possible valences for the accounts in the impact categories. Note that the valence of impacts financial capital impacts is defined from the stakeholder external to the organisation in scope. In addition, the list indicates whether an impact is typically an input or an output and to which welfare dimension the impact relates.

Table A.1: Key impact categories

Impact	Description	Capital	Stakeholder	Associated with input/output	Valence (for absolute impact)	Welfare category	Attribution category
Profit	Profit made by organisation	Financial	Organisation; Investors	Output	Positive	Wellbeing	1
Salaries	Remuneration and other comprehensive benefits paid to employees by the organisation	Financial	Employees	Output	Positive	Wellbeing	1
Interest payments	Interest payments to an organisation's lenders and bond holders	Financial	Organisation; Investors	Output	Positive	Wellbeing	1
Taxes	Taxes paid to the government by the organisation	Financial	Governments, local communities and other	Output	Positive	Wellbeing	1
Payments to suppliers	Payments to suppliers by the organisation	Financial	Suppliers	Output	Positive	Wellbeing	1
Payments from clients	Payments from clients to the organisation	Financial	Clients	Input	Negative	Wellbeing	1
Cost of capital	The cost of the capital that is provided to the organisation by equity holders, bond holders and others	Financial	Investors	Input	Negative	Wellbeing	1
Change in fixed assets	A change in the fixed assets of the organisation (e.g., due to new investments, divestments or depreciation)	Manufactured	Organisation; Investors	Output	Positive or Negative	Wellbeing	1
Client value of products	Value to clients of products sold by the organisation	Manufactured	Clients	Output	Positive	Wellbeing	2
Client value of services	Value to clients of services sold by the organisation	Financial / Manufactured / Intellectual / Human	Clients	Output	Positive	Wellbeing	2
Value of input materials	Value of input materials supplied by suppliers to the organisation	Manufactured	Suppliers	Input	Negative	Wellbeing	1
Creation of intellectual capital	Creation of intellectual capital such as new knowledge and technology by the organisation	Intellectual	Organisation; Investors	Output	Positive	Wellbeing	1

Impact	Description	Capital	Stakeholder	Associated with input/output	Valence (for absolute impact)	Welfare category	Attribution category
Wellbeing of employment	Additional wellbeing experienced by employees resulting from their employment at the organisation	Human	Employees	Output	Positive	Wellbeing	2
Value to employees arising from training and experience	Increase in skills and associated Human Capital of employees arising from their employment at the organisation	Human	Employees	Output	Positive	Wellbeing	2
Effects on human health	Various effects on human health associated with the operations and products of the organisation	Human	Employees; Clients; Governments, local communities and other	Output	Positive or Negative	(Mostly) wellbeing	2 or 3[14]
Occupational health and safety incidents	The effects of occupational health and safety incidents that occurred during the operations of the organisation	Human	Employees	Output	Negative	Rights	2
Time invested by employees	The value of time invested by employees to work for the organisation	Human	Employees	Input	Negative	Wellbeing	1
Contribution to / limitation of climate change	Emission or absorption of greenhouse gasses (GHG) during the operations of the organisation	Natural[15]	Nature and its beneficiaries	Output	Negative or positive	(Mostly) rights	2 or 3
Contribution to / limitation of pollution	Emission or absorption of pollutants to or in air, soil and water during the operations of the organisation	Natural[15]	Nature and its beneficiaries	Output	Negative or positive	(Mostly) rights	2 or 3

[14] Category 2 if the effects on health/emissions/… can directly be attributed to one organization, category 3 if not (e.g., if they occur in the consumer use phase).

[15] All negative natural capital impacts also (indirectly) lead to negative effects on human health (Human Capital) and human economic activity (Financial Capital). As these effects are in first order (directly) on the environment, these impacts are classified as Natural Capital. In the context of Life-Cycle Assessments, these effects are reflected as midpoint indicators rather than endpoint indicators.

Impact	Description	Capital	Stakeholder	Associated with input/output	Valence (for absolute impact)	Welfare category	Attribution category
Contribution to / limitation of availability of scarce natural resources	The effects of increasing or decreasing scarcity of natural resources resulting from the operations of the organisation	Natural[15]	Nature and its beneficiaries	Output	Negative or positive	(Mostly) rights	2 or 3
Contribution to / limitation of poverty	The effects of increased or decreased poverty resulting from the operations of the organisation	Social	Employees; Clients; Governments, local communities and other	Output	Negative or positive	(Mostly) rights	2 or 3
Contribution to / limitation of human rights violations	(Indirect) contribution to human rights violations, or preventing others from engaging in this	Social	Employees; Clients; Governments, local communities and other	Output	Negative or positive	(Mostly) rights	2 or 3

B. Attribution methodology

In this appendix, a method for performing (re-)attribution of impacts within a value chain is explained. Indirect impacts that are not part of the value chain itself is out of scope of this guidance.

B.1. Classification of impact category in attribution

B.1.1. As explained in IWAF Part 3, Section 4.3: Step 6 Attribute and aggregate,[16] when organisations include indirect impact in their impact assessments, they need to *attribute* the impact over the value chain partners involved.

B.1.2. Assessing the concept "impact contribution" is a way to do so. Impact contribution is a linear combination of four types of impact: direct absolute impact, indirect absolute impact, direct marginal impact and indirect marginal impact.

B.1.3. The IWAF gives four principles to follow during attribution: conservation of impact (during attribution and aggregation), additivity of impact, sufficient resolution and co-responsibility.

B.1.4. These principles do not provide a unique way to calculate the impact contribution based on the four types of impact. Specifically, there is no unique way to define the coefficients of the linear combination.

B.1.5. The following gives a suggested approach that respects each of the four principles, but does not do so in a unique way.

Internal and external impacts

B.1.6. The principle of value chain responsibility dictates that an organisation needs to incorporate impacts from its value chain partners into its impact assessment; however, it does not state that it needs to include *all* the impacts of its value chain partners.

B.1.7. The IWAF allows its users to define "mind your own business impacts" that are not included in impact assessments of value chain partners (i.e., that are not attributed), as well as "shared responsibility impacts", where inclusion and attribution does take place.

B.1.8. Impacts of the first type (*mind your own business*) are referred to as "internal". Stakeholders affected have freely agreed to the action or transaction leading to the impact, and the organisation causing the impact (as far as it is not the organisation affected) received financial costs or benefits proportional to the impact on the affected stakeholder.

B.1.9. Impacts that are not internal are external and are also referred to as *externalities*, and comprise the second category (*shared responsibility*).

[16] See also Conceptual Framework of Impact-Weighted Accounts, Section 7.3: Principle: Conservation of impact during attribution and aggregation.

B.1.10. In reality, impacts are often partly internal and partly external. For practical purposes, impacts are classified as follows:

- Predominantly internal impacts, if the internal component is clearly the largest part
- Predominantly external impacts, or externalities, if the external component is clearly the largest part

Where feasible, impacts that have substantial internal *and* external components should be split into two—a predominantly internal impact and a predominantly external impact.

Attribution of internal and external impacts

B.1.11. It is generally assumed that organisations have full responsibility for impacts that are internal.

B.1.12. It is assumed that organisations have primary responsibility for externalities they cause. However, they do share some of the responsibility with their value chain partners.

B.1.13. Consequentially, organisations have a (secondary) responsibility for the externalities that are caused primarily by another responsible organisation in the value chain.

B.1.14. As opposed to the situation above, in the specific situation when a primarily-responsible organisation cannot be defined, the impact is still a shared responsibility of the collective value chain.

B.1.15. In view of the above, the IWAF suggests three categories of impacts. One for internal impacts and two for external impacts (depending on whether a primarily responsible can be identified).

B.1.16. For each of the three categories, the IWAF provides a suggested attribution approach. See also Table B.1.

B.1.17. **Category 1:** consists predominantly of internal effects. For this type of impact, responsibility resides only with the organisation that creates them in the first place and there is no need to apportion responsibility. The organisation whose own operations caused the impacts gets all the impact: other organisations get none. Only direct impact is considered in the impact contribution.

B.1.18. **Category 2:** comprises externalities that have primary responsibility and value chain responsibility. Externalities that occur during the operations of one of the organisations in the value chain form a second category. These impacts need to be re-attributed. In doing so, it is important that the organisation at whose operations the impacts occur always gets the largest share. Its value chain partners should also get a share, but the total the impact should sum to 100%. Practically, this can be done by attributing in two steps:

- In a first step, 50% of the impact should be attributed to the organisation to whose operations this is linked.
- In a second step, the other 50% of the impact should be distributed among all others in the value chain, based on how influential they are. (See IWAF Part 3, Section 4.3 for a suggested approach for this step.)

B.1.19. **Category 3:** comprises effects without primary responsibility. For certain impacts at a consumer level, there is no organisation that is primarily responsible. While these impacts are clearly relevant for various supply chain actors, they cannot be assigned a primary responsibility as in Category 2. Instead, they are fully re-attributed over the value chain. For these Category 3 impacts, direct impact cannot be defined; only indirect impact contributes to the impact contribution.

Table B.1: Summary of responsibility of actors in the value chain based on impact category

Type of impact	Responsibility	Attribution
Category 1: Predominantly internal effects	Resides only with the organisation; no need to re-distribute	No re-attribution over value chain
Category 2: Externalities with primary responsibility and value chain responsibility	Shared among value chain partners Most responsibility assigned to the organisation where the impact occurs	Impact equivalence • 50% attributed to organisation at which the impact initially occurs • 50% re-attributed over value chain
Category 3: Effects without a primary responsibility	Shared among value chain partners: not possible to identify a specific partner to assign primary responsibility to	Fully attributed over value chain

B.2. Suggested formula to determine impact contribution

B.2.1. As specified in the previous section, the impact for Category 2 and 3 impacts should be (re-) attributed over value chain partners. Impact for Category 1 simply "stays" with the organisation where it was first created.

B.2.2. The principle of co-responsibility indicates that this should be done in line with the degree to which organisations are responsible for the impact.

B.2.3. A pragmatic implementation links the degree of influence of an organisation in the value chain to value added (or added value):[17] a large share of added value in a value chain represents a large degree of influence. The advantage of using this factor is that this is a well-known and well-documented indicator.

B.2.4. During this implementation, value chain impact is considered as indirect impact. Full value chain impact is re-distributed across the various organisations (including those that contribute to it in the first place). Thus, value chain impact is multiplied by the share of value added of the

[17] "Value added reflects the value generated by producing goods and services and is measured as the value of output minus the value of intermediate consumption. Value added also represents the income available for the contributions of labour and capital to the production process." OECD (2018), National Accounts of OECD Countries. [4]

organisation under review to the value added by all organisations that contribute to the indirect impact.

B.2.5. Once the organisation knows the degree of influence of each impact (both absolute and marginal), and the added value within the value chain, the following formula for each impact in each category can be applied when calculating the attributed impact.

- **Category 1:** consists predominantly of internal effects

$$Impact\ Contribution = \sum (Direct\ Impact_i)$$

i = Absolute impact, marginal impact

- **Category 2:** comprises externalities with primary responsibility and value chain responsibility

$$Impact\ Contribution = \sum \left(\frac{1}{2}\ x\ Direct\ Impact_i + \frac{1}{2}\ x\ \frac{AV\ of\ reporting\ organisation}{Total\ AV\ in\ value\ chain}\ x\ Value\ Chain\ Impact_i\right)$$

i = Absolute impact, marginal impact
AV = Added Value

- **Category 3:** comprises effects without primary responsibility

$$Impact\ Contribution = \frac{AV\ of\ reporting\ organisation}{Total\ AV\ in\ value\ chain} + \sum (Value\ Chain\ Impact_i)$$

i = Absolute impact, marginal impact
AV = Added Value

The suggested formula satisfies the five principles for attribution

B.2.6. It can be shown that the suggested formula satisfies the five principles for attribution.

B.2.7. The leading principle is Conservation of impact during attribution and aggregation: The sum of the impact contribution of all organisations (and other actors) should represent the total impact in society. The impact contribution should be neither overcounted or undercounted. The attribution step should not give rise to an increase or decrease in total impact.

B.2.8. The formula satisfies conservation of impact (during attribution and aggregation) trivially for Category 1 impacts. For Category 2 we show this within a value chain. It is then automatically satisfied for society as a whole, where impact is created in multiple value chains. Conservation of impact is satisfied as half of the total impact of a group of organisations is attributed to the organisation that creates the impact in the first place, while the second half of the impact is redistributed among all organisations. In total, there is the same amount of impact before and after attribution. A similar argument can be made for Category 3 impacts, where all impact is redistributed.

B.2.9. The first supporting principle is additivity of impact: *the impact contribution of two independent organisations should represent the sum of the impact contributions of both organisations*.

B.2.10. Additivity of impact is satisfied trivially for two organisations that are not part of the same value chain. For organisations that are part of the same value chain, one can apply the formulas to them as a combination. The direct impact is simply the sum of the direct impacts of the individual organisations. In the terms that redistribute impact, the factor with the added value sums for the two organisations, while the factor with the total value chain impact remains constant. This combines to give the sum of the original impact contributions.

B.2.11. The second supporting principle is sensitivity to impact: *the impact contribution of an organisation should increase (or decrease) if any of its impacts increases (or decreases) and the other impacts remain constant*.

B.2.12. Sensitivity to impact is satisfied as all the factors that multiply impact in the linear combinations are strictly positive.

B.2.13. The third supporting principle is sufficient resolution: *the impact contribution should have sufficient resolution to show differences between organisations with differing impacts*. The principle of sufficient resolution states that when two organisations have differing impacts these differences should be sufficiently clear in the impact contribution.

B.2.14. Sufficient resolution is satisfied by assessing both absolute and marginal impacts. While the absolute impacts of two organisations with similar activities (and who appear in each other's reference scenario) might be similar, any relevant differences are present in the marginal impact and this is indeed part of the impact contribution.

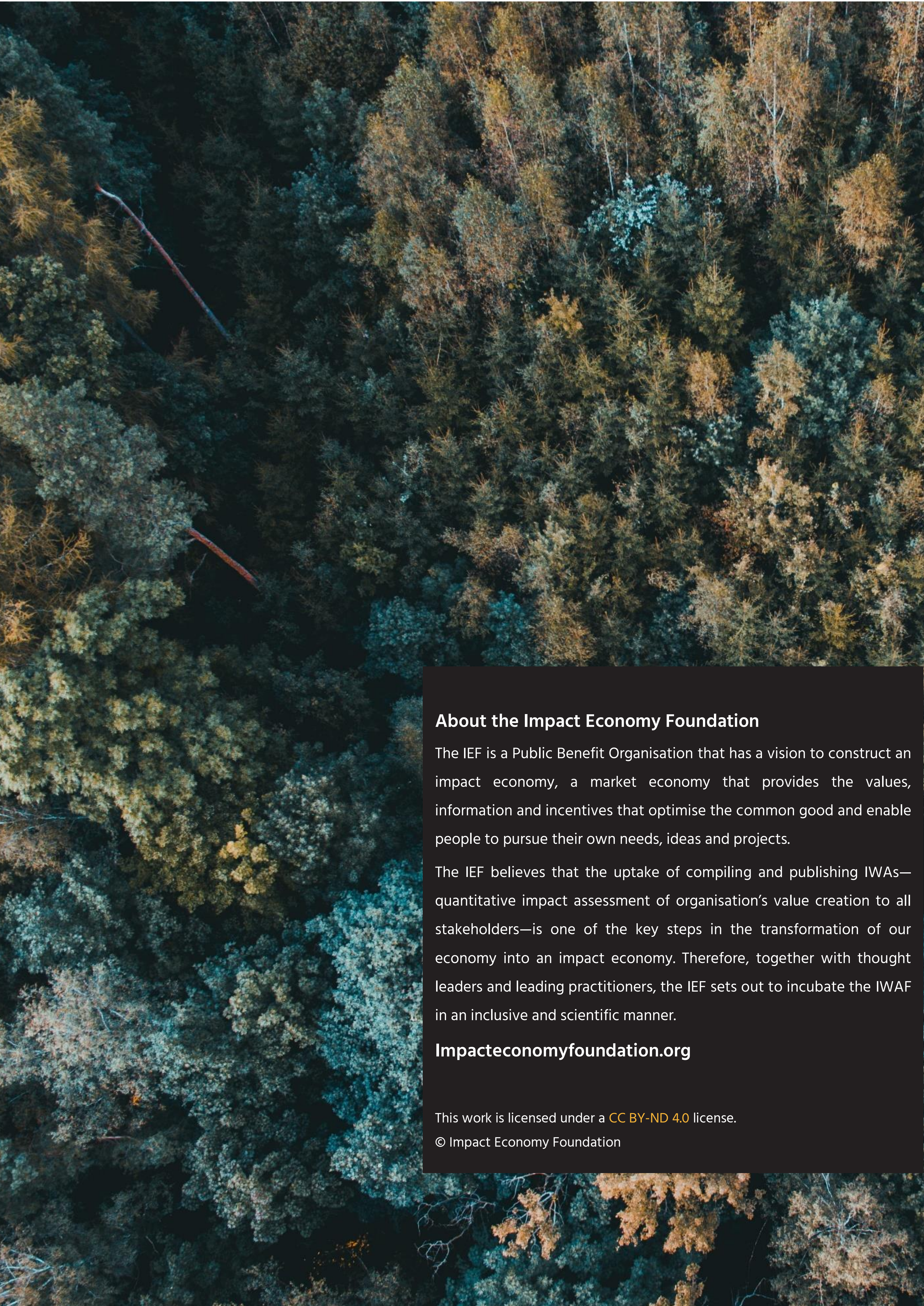
B.2.15. The fourth supporting principle is co-responsibility: *impact is part of an organisation's impact contribution if, and only if, that organisation is co-responsible for that impact*.

B.2.16. Co-responsibility is satisfied through the link with value chain responsibility. The IWAF takes the position that organisations are co-responsible for impacts in their value chains (both upstream and downstream). This is made explicit in impact contribution by assessing value chain impacts for externalities (Categories 2 and 3), for example, those impacts where organisations are thought to be co-responsible.

Index – IWAF abbreviations

Abbreviations not used in headings

CSRD	Corporate Sustainability Reporting Directive
DALYs	Disability-adjusted Life Years
ESG	Environmental, Social, and Governance
ESS	Ecosystem services
-eq	equivalent
FTE	Full-time equivalent
GHG	Greenhouse gases
GRI	Global Reporting Initiatives
IBaS	Integrated Balance Sheet
IEF	Impact Economy Foundation
IIRC	International Integrated Reporting Council
IP&L	Integrated Profit & Loss
IWAs	Impact-Weighted Accounts
IWAF	Impact-Weighted Accounts Framework
SDG	Sustainable Development Goal
TEEB	The Economics of Ecosystems and Biodiversity
VSL	Value of Statistical Life



About the Impact Economy Foundation

The IEF is a Public Benefit Organisation that has a vision to construct an impact economy, a market economy that provides the values, information and incentives that optimise the common good and enable people to pursue their own needs, ideas and projects.

The IEF believes that the uptake of compiling and publishing IWAs—quantitative impact assessment of organisation's value creation to all stakeholders—is one of the key steps in the transformation of our economy into an impact economy. Therefore, together with thought leaders and leading practitioners, the IEF sets out to incubate the IWAF in an inclusive and scientific manner.

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