CONCEPTUAL FRAMEWORK FOR IMPACT-WEIGHTED ACCOUNTS

About Impact-Weighted Accounts Framework (IWAF)
Impact-Weighted Accounts – or IWAs – are a way for organisations to quantitatively assess their impact: how they create value to 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 Account Framework (IWAF) helps organisations to compile IWAs by providing the key concepts, requirements, and guidance. This conceptual framework for Impact-Weighted Accounts introduces the key concepts It is to be read in conjunction with the other publications of IWAF.

<table>
<thead>
<tr>
<th>Context</th>
<th>Framework</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documents</td>
<td>Content</td>
<td>Audience</td>
</tr>
<tr>
<td>Measuring value creation beyond profit</td>
<td>Conceptual foundations for Impact-Weighted Accounts (IWAs)</td>
<td>Companies wanting to report beyond profit</td>
</tr>
<tr>
<td></td>
<td>Definitions, principles and requirements</td>
<td>Investors wanting to understand long-term value creation</td>
</tr>
<tr>
<td></td>
<td>Presentation of IWAs</td>
<td>Policy makers</td>
</tr>
<tr>
<td></td>
<td>Step-by-step guide to compile IWAs</td>
<td>Companies and investors considering to use IWAF</td>
</tr>
<tr>
<td></td>
<td>Comparison between IWAF and other standards</td>
<td>Policy makers</td>
</tr>
</tbody>
</table>

Companies applying IWAF
- Investors planning to use IWAF for decisions
- Policy makers
- Impact experts

Companies triggered to maybe use IWAF
- Policy makers curious for the added value of IWAF
- Impact experts working on other impact methodologies

Impact Economy Foundation
Incubating the Impact-Weighted Accounts Framework

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

Current draft – Towards a public consultation in April 2022

The current draft represents the progress as of February 2022. We are working towards an expert consultation in April 2022. More information on the consultation can be found on the website of IEF.

Authors and acknowledgements

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The working group would like to thank Charles Evers\(^6\), David Fernandez\(^2\), Mijntje Lückerath-Rovers\(^7\), Karen Maas\(^8,9\), Sander Onderstal\(^8,10\), Leen Paape\(^11\). Adrian de Groot Ruiz\(^12\), George Serafeim\(^2,8\), Dirk Schoenmaker\(^5,8\), Janis Teo Ruimin\(^4\), Arnold Tucker,\(^8,13\) Bart van Veen\(^1\) and Dick de Waard\(^8,14\) for their contributions.

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Cover image by Jakub Kriz

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Executive summary

Impact-Weighted Accounts

Impact-Weighted Accounts or IWAs are a set of comprehensive quantitative and valued accounts containing impact information about an organisation that they and their stakeholders can use to make informed integrated decisions.

IWAs consist of multiple statements, just as financial accounts do (income statement, balance sheet, etc.). All line items in the statements are impacts, such as contribution to climate change, wellbeing of employees, increase in social cohesion, etc.

The Impact-Weighted Accounts Framework

The Impact-Weighted Account Framework (IWAF) aims to support organisations to make Impact-Weighted Accounts. The framework covers five topics to ensure these accounts inform organisations on their integrated decisions. In the literature, we see notable examples of impact assessments – but we also identify a number of pitfalls. Due to these, it is often difficult for current approaches to be used for actual impact management.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Related pitfalls/challenges</th>
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</thead>
<tbody>
<tr>
<td>Identification</td>
<td>Impact measurement is based on assessing one or more impacts. The literature lists hundreds.</td>
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<td>• Practical guidance: how to get started selecting impacts for an assessment?</td>
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<td></td>
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<tr>
<td>Measurement</td>
<td>Without measurement, organisations can only make extremely limited claims about the size of impact and therefore only make intuitive decisions</td>
</tr>
<tr>
<td></td>
<td>• How to get started measuring impacts?</td>
</tr>
<tr>
<td></td>
<td>• Impact is defined as the difference an organisation makes. But the difference compared to what?</td>
</tr>
<tr>
<td>Comparability</td>
<td>Impacts are naturally expressed in wildly divergent units</td>
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<tr>
<td></td>
<td>• How to get meaningful insights on their relative sizes?</td>
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<td></td>
<td>• Some units are naturally expressed in monetary units – These risk being prioritised in decision making</td>
</tr>
<tr>
<td>Aggregation</td>
<td>• Lack of aggregation – difficult to make meaningful claims on total performance based on dozens of impact numbers</td>
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<tr>
<td></td>
<td>• Over aggregation – a single total impact metric can lead to the idea that it is OK to accept harm to some for the benefit of others. This view is often seen as problematic</td>
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<td></td>
<td>• Incorrect aggregation – may lead to double counting</td>
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</tbody>
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Principles of IWAF

Some elements of impact measurement and valuation are straightforward. All methods in the literature take a similar approach. In other cases, choices are to be made where there is no clear ‘right’ or ‘wrong’ solution. In these cases, the Impact-Weighted Accounts Framework gives guidance on how to move forward in a way that we believe is the most correct and consistent. These choices are captured in principles. These principles tackle the current pitfalls and challenges of impact assessments and should therewith enable organisations to make informed decisions on impact.

<table>
<thead>
<tr>
<th>Topics</th>
<th>Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification</td>
<td>Multi-dimensional Materiality based Welfare based Value chain responsibility</td>
</tr>
<tr>
<td>Measurement</td>
<td>Impact-pathway based Complete reference view</td>
</tr>
<tr>
<td>Comparability</td>
<td>Valued in commensurable unit</td>
</tr>
<tr>
<td>Aggregation</td>
<td>Only within welfare category Conservation of impact</td>
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<tr>
<td>Presentation of statements</td>
<td>Show the statements in IWAF</td>
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</tbody>
</table>

Core building blocks of Impact-Weighted Accounts

The two key building blocks of conventional financial reporting are the Profit and Loss Account and the Balance Sheet. In IWAs both are generalised into impact versions: showing value creation or destruction in multiple forms for multiple stakeholders.
Next to the IP&L (that contains all impact information over a year), Impact-Weighted Accounts also contain three statements that are derived from it. They do not contain new information but structure the impact information differently. Each of these statements specifically address an organisational goal: an objective that we believe all modern organisations should aim for.

- The Stakeholder Value Creation statement contains information on the goal to create value to society and all its stakeholders
- The Sustainability statement for external costs contains information on the goal to act sustainably within planetary and social boundaries
- The Sustainability Statement for SDG Contribution contains specific information on the goal to contribute to the Sustainable Development Goals (SDGs).

The Integrated Profit and Loss Account (IP&L)
- Generalises the financial profit and loss account
- Shows all information the organisation makes during a period (typically 1 year)
- Instead of a single bottom line (‘profit’), there are multiple bottom lines, each representing one of the impacts (spheres in the figure on the right)

The Integrated Balance Sheet (IBaS)
- Generalises the financial balance sheet
- Contains information on the impact an organisation had until a certain moment (typically assessed at the end of every year)
- The IBaS relates to the goal to manage value creation potential, specifically on the long term.
- As the IBaS is currently less developed than the IP&L, assessing it is not “compulsory” when compiling IWAs

The process and governance of compiling IWAs
Compiling the financial accounts of an organisation is not done in a day. It requires work and dedication. On the other hand, when following the right process, the steps to do so are clear. IWAF contains the
steps for organisations that aim to make their Impact-Weighted Accounts. The 10-step process is adapted from the work of the Natural Capital Coalition.

This document describes what Impact-Weighted Accounts of an organisation might look like in a final state. Organisations obviously do not need to get there all the way in year 1. An organisation is always encouraged to make their own impact journey. For instance, an impact journey typically starts with identifying internal challenge (e.g., within their own operations, value chain partner, etc.) and exploring ways to understand them by measuring impacts. This typically leads to small-scale internal reporting and decision-making. Only in the next stage, it then evolves to external publication and to integration of impact to be more central in the organisation.
Figure 1: The 10-step process to make Impact-Weighted Accounts.

Adapted from the Natural Capital Protocol\(^1\)

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\(^1\) Natural Capital Coalition (2016). Natural capital protocol principles and framework.
# Table of content

Executive summary ........................................................................................................ iii
Table of content ............................................................................................................... viii
1. Introduction .................................................................................................................. 1
2. Impact-Weighted Accounts in the tradition of impact assessment ................................ 5
3. Fundamental Concepts ............................................................................................... 8
4. Principles for impact identification in Impact-Weighted Accounts ............................... 14
5. Principles for impact measurement in Impact-Weighted Accounts .............................. 17
6. Principles for comparability of impact in Impact-Weighted Accounts ....................... 21
7. Principles for aggregation of impact in Impact-Weighted Accounts ......................... 25
8. Presentation of impact statements in Impact-Weighted Accounts ............................. 30
Appendices .................................................................................................................... 43
A. General characteristics of useful impact information ............................................... 44
B. Suggested classifications of capitals and stakeholders .............................................. 45
C. The Impact Pathway .................................................................................................. 49
D. Defined terms ............................................................................................................ 52
1. Introduction

What are Impact-Weighted Accounts?

- Impact-Weighted Accounts (IWAs) are a set of comprehensive quantitative and valued accounts containing impact information about an organisation that the organisation and their stakeholders can use to make informed integrated decisions.
- IWAs consist of multiple statements, just as financial accounts do (income statement, balance sheet, etc.). All line items in the statements are impacts, such as contribution to climate change, wellbeing of employees, increase in social cohesion, etc.

What are the Impact-Weighted Accounts Framework and its Conceptual Framework?

- Impact-Weighted Account Framework (IWAF) provides guidance to organisations to create their own Impact-Weighted Accounts.
- This Conceptual Framework presents the conceptual foundations underlying the Impact-Weighted Accounts Framework.

1.1. Impact-Weighted Accounts

1.1.1. Impact-Weighted Accounts are a set of comprehensive quantitative and valued accounts containing impact information about an organisation.

1.1.2. IWAs contain two types of accounts: the Integrated Profit & Loss Accounts and the Integrated Balance Sheet Accounts (see chapter 8).

1.1.3. The line items on the associated statements reflect the organisation’s positive and negative impacts on all its stakeholders, including employees, customers, the environment, and the broader society.

1.1.4. IWAs provide an organisation and its stakeholders 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.

1.1.5. IWAs can be used to make informed integrated decisions – decisions that help steer the organisation towards creating value for all its stakeholders.

- The main risk of IWAs is that integrated decisions are based on invalid information and result in the counter intentional effect of value degradation for stakeholders. Great care should therefore be taken to ensure that the data, calculations, and assumptions underlying IWAs are valid. A standardised approach to IWAs, as proposed in IWAF, is essential to be able to ensure validity of the information included in IWAs.

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2 See section 3.7 for a definition of value creation.
1.1.6. The target group of the Impact-Weighted Accounts are the organisation itself and all the stakeholders on which the organisation has a material impact.3
1.1.7. Comprehensiveness of the IWAs is determined by including all impacts that are material to any of an organisation’s stakeholders.

1.2. The case for Impact-Weighted Accounts in a nutshell

1.2.1. Organisations’ activities have a wealth of consequences. These include intended consequences (such as manufactured products, and consumers’ use of these products) as well as unintended consequences (such as emissions associated with production and the contribution of employment to the well-being of the employees).
1.2.2. Many of these consequences are associated with a change in welfare – and specifically one that would not have happened in the absence of the organisation’s activities.
1.2.3. These impacts can be positive (associated with an increase in welfare of a stakeholder) or negative (associated with a reduction in welfare).
1.2.4. Organisations do report on their financial results (through balance sheets and profit and loss accounts), but they typically do not report on impact in a comparable way.
1.2.5. At the same time, an increasing number of companies start to study impact.4 The goal is to report impact consistently, and to be able to fully take it into account when making management decisions. Impact-Weighted Accounts are designed to facilitate this.
1.2.6. Integrated decisions can only be taken based on useful impact information.
1.2.7. Specifically, useful impact information allows organisations and their stakeholders to compare and rank diverse options, according to their preferences, not only based on financial value creation for investors but also on considerations about welfare of other stakeholders.
1.2.8. To meet this purpose, useful impact information has general qualitative characteristics, shared with financial information, and various impact specific characteristics.

- The body of this document focusses on presenting and justifying impact-specific characteristics. The general characteristics are provided in Appendix A.

1.3. The Impact-Weighted Account Framework

1.3.1. IWAs aim to close the gap between reporting on financial value creation and stakeholder value creation. They are about disclosing impact in a manner that is comparable to financial accounts. To do so, IWAs consist of a set of accounts (“the impacts”) reflecting positive or negative impacts of the organisation on its stakeholders.

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3 See section 4.3 for more details on the role of materiality in IWAF.
1.3.2. The overarching goal of the Impact-Weighted Account 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 (as specified in 1.1.3).

1.3.3. IWAF aims to enable organisations to analyse impact information such that it can be used for management decisions. This requires the analysis to be of high quality, and to be structured such that it provides the right insights to management.

1.3.4. The Impact Economy Foundation and their partners aim to regularly publish an updated version of the Impact-Weighted Accounts Framework. This is to include the latest insights into requirements of IWAs and guidance for users. In addition, the versions will include updated tables of suggested parameters (for instance monetary valuation factors). Organisations are encouraged to use the latest version available. If they choose to use an older version (e.g., for continuity with earlier work), they shall clearly indicate this.

1.4. **Getting started with Impact-Weighted Accounts**

1.4.1. Growing the capabilities and organisational support to be able to compile, report and manage Impact-Weighted Accounts typically takes several years.

1.4.2. Organisations are encouraged to design their own impact journey.

1.4.3. An impact journey typically starts with identifying internal challenge (e.g., within their own operations, value chain partner, etc.). To overcome the challenge, the organisation needs to understand the challenge and its dependencies by measuring its impact which typically leads to small-scale internal reporting and decision-making.

1.4.4. Once the organisation understands the implication of what they get from impact measurement and reporting, it then evolves to a state in which thinking about impact is central in the organisation.

1.4.5. In any stage of organisation’s impact journey, the Impact-Weighted Accounts Framework can serve as inspiration on how to address impact challenges. It is a flexible framework in which organisations can follow the steps in their own pace based on their own needs. Specifically in the first year(s) it need not be strictly followed in all steps and requirements.

1.5. **About this document**

1.5.1. This document presents the conceptual foundations underlying the Impact-Weighted Accounts Framework.

1.5.2. Specific requirements and principles in IWAF itself supersede materials in this conceptual framework.
## 1.6. Objectives of this conceptual framework

1.6.1. The first objective of the conceptual framework is to introduce and clarify the concepts underlying IWAF. The framework entails many concepts that may be new to the user as they are novel, and some are still under development in the field of impact measurement, valuation, and accounting.

1.6.2. The second objective of the conceptual framework is to help users who compile and interpret IWAs to better apply IWAF by creating understanding of the concepts and guide users in matters where IWAF itself may not give an unambiguous answer.

1.6.3. The third objective of the conceptual framework is to guide development of IWAF itself by enabling stakeholders, users, experts and the IEF board\(^5\) to create a mutual understanding and, where possible, consensus on the foundations of IWAF.

1.6.4. The fourth and final objective of the conceptual framework is to enable the IEF board to make clear and informed choices about the foundations of IWAF and engage with stakeholders, users, and experts about these choices.

\(^5\) [www.impacteconomyfoundation.org](http://www.impacteconomyfoundation.org)
2. Impact-Weighted Accounts in the tradition of impact assessment

“If I have seen further it is by standing on the shoulders of Giants.” - Sir Isaac Newton, 1675

- IWAF is part of a rich tradition. It builds on many existing frameworks, methods, and research articles on impact assessment and beyond.
- IWAF acknowledges several pitfalls and dilemmas in the literature. It aims to address each of these as concretely as possible.
- See chapters 4-8 for specific guidance on five key topics:

<table>
<thead>
<tr>
<th>Identification</th>
<th>Measurement</th>
<th>Comparability</th>
<th>Aggregation</th>
<th>Presentation of statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 4</td>
<td>Chapter 5</td>
<td>Chapter 6</td>
<td>Chapter 7</td>
<td>Chapter 8</td>
</tr>
</tbody>
</table>

2.1. Practices in impact assessment

2.1.1. IWAF is part of a rich tradition. It builds on many existing frameworks, methods, and research articles on impact assessment and beyond. Where continuity is sought with existing conventions.

2.1.2. IWAF aims to enable its users to compile Impact-Weighted Accounts of the highest quality. To do so, principles, requirements and best practices are taken from the body of literature.

2.1.3. In addition, several pitfalls and dilemmas in the literature is acknowledged. IWAF aims to address each of these as concretely as possible.

2.2. Topics where IWAF gives specific guidance

2.2.1. Five topics have been identified where the literature indicates that practitioners need specific guidance to make impact assessments of high quality.

2.2.2. **Identification.** Questions from practitioners are centred around the observation that Impact measurement is based on assessing one or more impacts and that the literature lists hundreds.
  - Practical guidance: how to get started selecting impacts for an assessment?
  - Moral guidance: what is the responsibility of an organisation – how should this affect the scoping (selection of impacts)?

See chapter 4 for discussion.

2.2.3. **Measurement.** Without measurement, organisations can only make extremely limited claims about the size of impacts. This cannot be used to make decisions beyond the intuitive level. Questions from practitioners are centred around:
2.2.4. **Comparability.** Impacts are naturally expressed in wildly divergent units. This leads to questions from practitioners:
- How to get meaningful insights on the relative sizes of impacts?
- How to ensure equal attention to all impacts in decision making? Specifically, some impacts are naturally expressed in monetary units and these risk being prioritised.

See chapter 6 for discussion.

2.2.5. **Aggregation.** An impact assessment may include dozens of impacts. To make useful management information, some aggregation is necessary. Practitioners have questions around:
- To what level should impacts be aggregated? Lack of aggregation leads to difficult to make meaningful impact claims
- How to prevent over-aggregation? A single total impact metric can lead to the idea that a situation with harm to some is acceptable if it coincides with (larger) benefit of others.

See chapter 7 for discussion.

2.2.6. **Presentation of statements.** Impact-Weighted Accounts consist of multiple statements, just as financial accounts do (income statement, balance sheet, etc.). Practitioners have questions around:
- Which statements to show?
- How to relate that to ‘good performance’ of an organisation (i.e., the organisational goals and functions)?

See chapter 8 for discussion.

2.3. **References**

2.3.1. References that have strongly influenced this framework⁶ are:

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⁶ All of these references have the status of ‘informative references.’ As the field of impact measurement, valuation and accounting is still at an early stage and rapidly evolving, and the status of various documents and organisations are subject to change, it has been decided not to include references with the status of ‘normative references.’
• Natural Capital Coalition (2016). Natural capital protocol principles and framework.

2.3.2. Other relevant references include:
• Economics of Mutuality Lab. Putting Purpose into Practice: The Economics of Mutuality.
• IDEEA Group.
• Rethinking Capital. Applications of Normative Economics & Normative Accounting for Intangibles: Rethinking Capital’s Response to Bill Gates’ How to Avoid a Climate Disaster.
3. **Fundamental Concepts**

**Impact**
- Impact is the central element of Impact-Weighted Accounts.
- Impact is defined as the change 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.
- Impact can be positive or negative; absolute or marginal; direct or indirect (from the perspective of the organisation in scope); and intended or unintended.

**Stakeholders, capitals, and welfare**
- Organisations can have impact on different stakeholders (e.g., employees and nature and its beneficiaries), in the form of different capitals (e.g., Financial Capital and Human Capital) and referring to different welfare categories (e.g., well-being and respect of rights).
- Impact-Weighted Accounts explicitly monitors impact among these lines.

3.1. **Stakeholders**

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

3.1.2. Stakeholders can be grouped under a limited set of stakeholder groups, relative to their relationship to the organisation under assessment.

3.1.3. Stakeholders can include investors, employees, suppliers, clients, nature and its beneficiaries, governments, local communities, and others. See Appendix B for suggested definitions in the context of Impact-Weighted Accounts.

3.1.4. An organisation can determine which stakeholder to assess in its Impact-Weighted Accounts.

3.2. **Welfare**

3.2.1. **Welfare** is the collection of the current and future value enjoyed by stakeholders.

3.2.2. Welfare consists of various categories. A non-exhaustive list includes enjoyed hedonic well-being, the guarantee or non-guarantee of **stakeholder rights**, the creation of spiritual value, and equity and equality in outcomes.

3.2.3. Welfare creation comprises the value enjoyed by stakeholders during a timeframe and the change in expected future welfare during a set timeframe.

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7 See Natural Capital Coalition (2016). Natural capital protocol principles and framework, p.26. for more potential stakeholders to include.
3.3. **Capital Stocks and Flows**

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

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

- Control of or access to capital stocks can contribute to a stakeholder’s welfare

3.3.3. Capital stocks can be classified into various capitals. Capitals can be logically classified into six capitals: Financial, Manufactured, Intellectual, Human, Social, and Natural Capital. See Appendix B for more details.

3.3.4. 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 the activities of an organisation.

- For example, an organisation’s Financial Capital increases when it makes profit. Human Capital grows when employees receive rigorous training that helps them improve efficiency, move upward, or earn higher wages, among others.

3.4. **Impact**

Definition of impact

3.4.1. An impact is a change 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.

3.4.2. Here, the reference scenario is the set of activities and related outcomes that is assumed to happen in the absence of the organisation’s activities. Impacts reflect the difference in outcomes between the actual scenario (with the organisation) and the reference scenario.

3.4.3. Impact can be positive or negative; absolute or marginal; direct or indirect (from the perspective of the organisation in scope); and intended or unintended.

3.4.4. Impact can be assessed in both backward-looking (impact that an organisation has created in the past) and forward-looking manners (impact that an organisation forecasts to make in the future).

Positive and negative impact

3.4.5. Positive impact refers to a positive change of a capital stock, or otherwise an increase in stakeholder welfare (as compared to the reference scenario).

- For example, employment creates positive Human Capital impact for employees; salary paid creates positive Financial Capital impact for employees; taxes paid to government creates positive Financial Capital impact for society; provision of products and services creates...
3.4.6. **Negative impact** refers to a negative change of a capital, or otherwise a decrease in stakeholder welfare (as compared to the reference scenario).

- For example, environmental pollution results in negative Natural Capital impact for nature and its beneficiaries; human rights violations result in negative Social Capital impact for society; workplace health and safety incidents result in negative Human Capital impact for employees; payments for products or services are negative Financial Capital impact for clients; use of Natural Capital stocks (e.g., water) result in negative Natural Capital impact for nature and its beneficiaries. A loss (as opposed to a profit) at the end of the year represents negative Financial Capital for investors.

### Absolute and marginal impact

3.4.7. 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.

- For example, a bakery's absolute impact assumes that there are no alternative scenarios. That is no production of bread or other food by competitors or others.
- Positive/negative absolute impact is the impact associated with the growth/decline of capital stocks or welfare as perceived by the stakeholder relative to a no-alternative reference scenario.
- A simple example is the financial impact ‘net profit’ created by an organisation over the reporting year. For absolute impact, this is compared to the no-alternative reference scenario in which the reporting organisation is non-existent. In the reference scenario, there is no profit. Therefore, the absolute impact is simply the net profit reported in the financial statements.

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

- For example, a bakery's marginal reference scenario can be the production of bread in line with its average competitor in the same geographical area and can include (partial) employment of their employees in similar jobs.
- Positive/negative marginal impact is the relative growth/decline of capital stock or welfare, perceived by the stakeholder, because of the organisation's activities compared to an alternative where specific activities occur in the organisation's absence.
- Note that a negative absolute impact can be a positive marginal impact. This occurs when the (negative) outcome in the activity scenario is smaller than the negative outcome of the reference scenario. As an example, if an electric vehicle emits less greenhouse gasses per mile

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10 Examples outlined in this sub-section focus on positive absolute impact.
travelled than the reference (that may include gasoline-powered cars), its marginal impact on the climate is positive.

- Like the point above, an absolute positive impact can be a marginal negative one.

**Direct and indirect impact and the value chain**

3.4.9. A **direct impact** of an organisation is an impact caused directly by the organisation’s own operations.
- Examples include salaries paid to own employees (positive direct Financial Capital impact for employees) and carbon emissions of own operations (negative direct Natural Capital impact for nature and its beneficiaries).

3.4.10. An **indirect impact** of an organisation is caused indirectly by the organisation’s own operations.
- The cause of the impact is outside the organisation itself, but the activities of the organisation exert an influence on a pathway or system which causes the occurrence and/or size of that impact to change.

3.4.11. An indirect impact can be generated within the value chain (value chain impact) or within the system (system impact). Value chain impact refers to impact generated within the organisation’s value chain and system impact refers to impact generated outside the organisation’s value chain.
- Examples of value chain impact are contribution to employment (and associated salary payments) at a supplier (indirect Financial Capital impact for society-at-large); carbon emission from electricity generation at an electricity supplying company or at another supplier during the production of an input material (indirect Natural Capital impact for nature and its beneficiaries).
- An example of a system impact is the reduction of violations of human rights at other organisations through lobbying, standard setting or example setting.

**Four types of impact**

3.4.12. Two reference scenarios and two focus options for the organisation’s activity gives rise to four types of impact: direct absolute impact, direct marginal impact, indirect absolute impact, and indirect marginal impact.\(^{12}\)

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\(^{12}\) More explanation about these four types of impact is given in the Impact-Weighted Accounts Framework.
Figure 2: Four types of impacts

Intended and unintended impact.

3.4.13. An **intended impact** is the impact that an organisation purposefully makes with their activities.
- For example, organisations intend to create employment (positive Human Capital impact for employees), organisations pay salary to their employees (positive Financial Capital impact for employees).

3.4.14. An **unintended impact** is the impact that an organisation does not purposefully make with its activities, but that still arises as an effect of the activities. Unintended impact can be assessed by making use of impact pathways (see also section 7.2).
- For example, externalities that arise due to organisation’s activities, such as environmental pollution (negative Natural Capital impact for nature and its beneficiaries).

3.5. **Impact in the context of Impact-Weighted Accounts**

3.5.1. In the context of IWAs, impact is often referred to as something **quantifiable** – e.g., when referring to ‘an impact’ or ‘the impacts for a stakeholder.’ In this context, each of the impacts refers to a different change in outcome that affects the welfare of a stakeholder.
- Examples of impacts are contribution to climate change (negative contribution to the welfare of society at large) and the increase in well-being of employees associated with salary payments (positive contribution to the welfare of employees).

3.5.2. When referring to ‘**the impact of an organisation**’, this is understood as the set of all impacts of the organisation within all capitals on all stakeholders.

3.5.3. Impact-Weighted Accounts Framework – Appendix A provides a standardised list of impacts that are relevant for the Impact-Weighted Accounts of many types of organisations. When assessing a specific organisation, additional impacts can be added depending on the operations of the organisation (and the associated outcomes).
3.6. Impact assessment

3.6.1. **Impact assessment** is the process to measure and project impact of an organisation’s activities.

3.6.2. **Impact measurement** is the backward-looking process of quantitatively measuring impact to understand the past and current impact of an organisation’s activities.

3.6.3. **Impact projection** is the forward-looking process of quantitatively measuring impact to understand the future impact of an organisation’s activities.

3.7. Value creation

3.7.1. Value is created by an organisation through its business model. Through business activities and interactions, the business model transforms capital inputs to produce outputs and outcomes.\(^{13}\)

3.7.2. **Value creation** of an activity for a specific stakeholder is a situation in which that stakeholder is better off after the occurrence of the activity, while taking all the outcomes of the activity into account (versus those of the reference activity).

3.7.3. **Value reduction** of an activity for a specific stakeholder is a situation in which that stakeholder is worse off after the occurrence of the activity, while taking all the outcomes of the activity into account (versus those of the reference activity).

3.7.4. **Net value creation** of a set of impacts for a stakeholder is the aggregate value created by that set of impacts for that stakeholder.

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\(^{13}\) See Appendix D for definitions of inputs, outputs, and outcomes.
4. **Principles for impact identification in Impact-Weighted Accounts**

**Impact identification**
- Clear guidance on which impacts to include in an impact assessment is a requirement for IWAs to be suitable for making management decisions on.
- IWAF provides both practical guidance and moral guidance to practitioners

**Practical guidance: multi-dimensional**
- Impact assessments are to include multiple impacts, up to a few dozen. Each of these form their own ‘bottom line.’ This makes impact statements inherently multi-dimensional.
- Organisation should consider impacts belonging to different capitals and reflecting effects on different stakeholders.

**Practical guidance: materiality based**
- When selecting impacts, organisations should include all material impacts.
- IWAF takes the double materiality view. Impacts are material if they either affect the organisation’s financial position or the welfare of a stakeholder group.

**Moral guidance: welfare based**
- IWAs should both assess effects in the well-being category as well as in the respect of rights category.

**Moral guidance: value chain responsibility**
- IWAF expresses the view that organisations can be (co-)responsible for impact associated with the operations of their value chain partners.
- This translates to the requirement to include both direct and indirect.

### 4.1. Relevance of impact identification

#### 4.1.1. Impact measurement is based on assessing one or more impacts and that the literature lists hundreds.

#### 4.1.2. Without a clear process on which impacts are to be assessed, and which ones are not, the results of impact assessment are too dependent on the person or team doing the analysis. In that case, IWAs cannot be used to take management decisions.

#### 4.1.3. IWAF provides practical guidance, answering the question how to get started selecting impacts for an assessment. The principles ‘Multi-dimensional’ and ‘Materiality-based’ are leading here.
4.1. Additionally, IWAF provides moral guidance. This answers the questions what the responsibility of an organisation is, and how this should affect the scoping (i.e., selection of impacts). The principles ‘Welfare-based’ and ‘Value-chain responsibility’ are leading here.

4.2. **Principle: Multi-dimensional**

4.2.1. As introduced in section 1.1, Impact-Weighted Accounts consist of Accounts, just as financial accounts do (income statement, balance sheet, etc.).

4.2.2. One account can include multiple impacts (up to a few dozen). Each of these form their own ‘bottom line’. This makes impact statements inherently multi-dimensional.

4.2.3. In the scoping phase of an impact assessment, organisations should acknowledge the multi-dimensionality by considering a wide range of potential impacts to be analysed.

4.2.4. In particular, organisations should assess impacts reflecting different forms of value (belonging to different capitals) and impacts that affect value for different stakeholders. This principle relates to *Principle 1: Consider all forms of capital and include all relevant capitals* of Capital Coalition (2021).\(^{14}\)

4.2.5. Appendix B gives suggested lists of capitals and stakeholders to assess, and Impact-Weighted Account Framework – Appendix A gives a list of standard impacts to consider. Note that this list is not exhaustive.

4.3. **Principle: Materiality based**

4.3.1. As discussed above, an impact assessment can include up to a few dozen impacts. These impacts need to be selected from an even longer list.

4.3.2. Impact assessments should include all material impacts.

4.3.3. The Impact-Weighted Accounts Framework embraces the *double materiality view*.\(^{15}\) An impact is material if either: (i) the impact materially affects the future earning potential of the company, or (ii) the impact materially affects the welfare of one or more (external) stakeholder groups.

4.3.4. An impact is assessed as material when it either: (i) is material based on empirical data, for example, based on scientific research or previous IWAs, or (ii) is perceived to be material by at least one of its stakeholder groups.

4.3.5. The longlist of impacts undergoes a prioritisation process from a multi-stakeholder perspective.

4.3.6. Regarding assessing materiality, IWAF does not provide (much) guidance. The user is referred to other existing frameworks, such as, GRI (stakeholder focus)/Value Reporting Foundation (<IR> Framework)/IFRS (enterprise value)/etc.

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4.4. **Principle: Welfare based**

4.4.1. As opposed to some other impact assessments, IWAF takes the position that (aggregated) human wellbeing is *not* the only thing that matters.

4.4.2. Violating the rights of a stakeholder is seen as problematic – Even if it only leads to a limited decrease in human wellbeing.

4.4.3. Violating rights of one stakeholder can never be justified with an increase in wellbeing of another stakeholder.
   - That is, claims such as “the pollution is acceptable as long as the company provides enough employment” should never be made based on IWAF.

4.4.4. Of the welfare categories defined in section 3.2, users of IWAF should include the respect of rights category in addition to the well-being category.

4.4.5. Inclusion of other welfare categories (e.g., the spiritual category, the equity and equality category) is currently out of scope of this framework.

4.5. **Principle: Value chain responsibility**

4.5.1. **Value chain responsibility** is the view that some impact is the responsibility of multiple organisations in a value chain, even if the impact only directly occurs because of the operations of one of these organisations.
   - The value chain of a product or service is the set of organisations that supply (intermediate) goods and services to each other to produce a finished product or final service.
   - The value chain of an organisation is the combined total of all value chains of all products and services to which an organisation contributes.
   - This value chain contains both direct and indirect clients and suppliers of an organisation.

4.5.2. In impact assessments, value chain responsibility translates to the requirement to include both direct and indirect impact.
   - Within indirect impact, organisations should specifically include value chain impact where material.
   - The inclusion of system impact is not a requirement.

4.5.3. This principle links to *Principle 2: Take into account the surrounding system and its interconnections* of Capital Coalition (2021).16

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5. **Principles for impact measurement in Impact-Weighted Accounts**

<table>
<thead>
<tr>
<th>Impact measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Without accurately measuring the size of impacts, it is not possible to make informed management decisions</td>
</tr>
<tr>
<td>• IWAF guides practitioners by providing a frame to measure impacts</td>
</tr>
</tbody>
</table>

**Principle: impact-pathway based**

• A consistent methodology to define and measure (or project) impact is through an impact pathway. IWAF requires that these are consistently used in impact assessments.

**Principle: complete reference view**

• Impact in impact pathways is defined with respect to a reference
• Analysis of both absolute impact and marginal impact is required to make informed management decisions.
• When presenting the analysis, IWAF requires organisations to clearly describe the references used.

5.1. **Relevance of impact measurement**

5.1.1. Without accurately measuring the size of impacts, it is not possible to make informed management decisions. IWAF therefore aims to give guidance on this step.

5.1.2. IWAF poses that impacts can be consistently measured using the impact pathway logic. This is reflected in the impact pathway principle.

5.1.3. Organisations that use the impact pathway, find that impact is defined with respect to a reference. There does not seem to be a unique ‘correct’ reference that should always be used for comparison

• As an example, greenhouse gas emissions in the greenhouse gas protocol simply state the number of emissions associated with an organisation (within scopes 1, 2 and 3). Technically, this means that they are compared to a no-activity reference.
• Under this logic, one can only claim a positive effect on the climate if one sequesters carbon.
• At the same time, many organisations (e.g., producers of electric vehicles) claim to have a positive effect on the climate while still having net emissions. They do so when their emissions are lower than those in the alternative. That is, they compare to an explicit reference that contains these alternatives.
• It is obvious that claims of either type should be clearly marked and cannot be compared to claims of the other type.

5.2. **Principle: Impact-pathway based**

5.2.1. A consistent methodology to define and measure (or project) impact is through an impact pathway. IWAF requires that these are consistently used in impact assessments.

5.2.2. An **impact pathway** is the quantifiable chain of effects linking a specific activity of an organisation to its impact through a comparison of outcomes with those in the reference activity.
   - An activity can have multiple inputs, outputs, outcomes, and impacts.
   - A single impact can have contributions from different activities.
   - For example, organisations may emit carbon through a range of activities, each having their own impact pathway.

5.2.3. Impact pathways make explicit that value creation is not directly about the activities (or intentions) of an organisation. And neither do the inputs (materials and other means used) or outputs (what an organisation can directly control) tell the full story. Instead, the impact pathway always connects these to outcomes – which is how the welfare of stakeholders is specifically affected.

5.2.4. In addition, the impact pathway makes explicit that impacts are always defined with respect to a reference.

**Impact pathways**

5.2.5. Impact pathways link the activities of an organisation to its inputs, outputs and outcomes. In the context of impact pathways, impact is defined as the difference of outcomes associated with the actual activities and the outcomes of the reference.

5.2.6. There are two sources of impacts. First is where the outcomes are causally linked to outputs, and second is one where they are linked to inputs. These are associated with the occurrence of direct impacts.

5.2.7. The impact pathway for the first one is shown in Figure 3 below. The activity and the reference both require input and generate outputs. The outputs are linked to outcomes and impact is the difference of outcomes.¹⁷

![Figure 3: Impact pathway for direct impacts causally linked to outputs of activities](image)

5.2.8. This impact pathway can both be used for intentional outputs (e.g., the organisation produces goods and delivers these to consumers) and their outcomes (e.g., the consumers experience well-

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¹⁷ See Appendix C for definitions of the elements of the impact pathways.
being from using the goods), as well as for unintentional outputs (e.g., the organisation emits pollutants) and their outcomes (e.g., the pollutants lead to environmental damage).

5.2.9. The direct impact pathways of the second type are shown in Figure 4 below. The relevant outcome is that inputs used in activities are no longer available to the stakeholders that used to control them.

![Figure 4: Impact pathway for direct impacts causally linked to inputs of activities](image)

5.2.10. Impacts that are described through the second type of direct impact pathways are associated with a reduction of a capital stock available to a stakeholder. This in turn reduces the welfare of the stakeholder. These impacts are therefore always negative impacts.\(^\text{18}\)

Impact pathways for indirect impact

5.2.11. Indirect impact reflects impacts that are associated with the outcomes of activities of another organisation ("partner") than the one central in the assessment ("the organisation"). Still, the activities of the organisation do affect these outcomes.

5.2.12. The impact pathway in Figure 5 makes this explicit. It shows the output of one organisation within the whole value chain as an input of another (the partner).

- If the partner is a downstream value chain partner (business client), products produced or services delivered by the organisation can be inputs for the partner in Manufactured, Intellectual or Human Capital.
- If the partner is an upstream value chain partner (supplier), the payments of the organisation for the products or services the supplier provides can be seen as inputs for the partner in Financial Capital.

![Figure 5: Indirect impact pathway](image)

5.3. **Principle: Complete reference view**

5.3.1. Impact in impact pathways is defined with respect to a reference

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\(^{18}\) Unless a similar reduction occurs in the reference scenario. In that case, impact can be zero or even positive (as impact is defined as the difference in outcomes in activity and reference)
5.3.2. As defined in section 3.4, two relevant references are the absolute reference and the marginal reference

- The absolute reference is a scenario in which no activities occur. Impacts defined relative to this reference are called absolute impact.
- The marginal reference is a scenario where alternative activities occur in the organisation’s absence. Impacts defined relative to this reference are called marginal impacts.

5.3.3. IWAF takes the position that both analysis of absolute impact and marginal impact provides valuable information in an impact assessment and information on both can be used to make informed management decisions.

5.3.4. In addition, IWAF requires organisations to clearly describe the references used in impact calculations.
6. Principle for comparability of impact in Impact-Weighted Accounts

Comparability of impacts
- Impacts are naturally expressed in a wide range of units. This makes comparison amongst each other difficult and is a barrier to effective impact management.

Principle: valued in commensurable unit
- IWAF requires that impacts are (monetarily) valued wherever possible.
- The well-being category and the respect of rights category each have their own approach to (monetary) valuation.

6.1. Relevance of comparability of impacts

6.1.1. Users of IWAF can use the impact pathway to measure impacts. This results in quantitative values for the impact. After the measurement step, impacts are all expressed in their own units.

6.1.2. An issue with impact is that they all have their own quantities and are measured in their own units:
- Kilotons of CO2 emissions (for climate change)
- DALYs lost (for health & safety accidents)
- Wellbeing points gained (for wellbeing of work)
- Dollars or other currencies (for i.e., payments from clients and profits)

6.1.3. This leads to a lack of comparability. It is not possible to say that one impact is more pressing than another. 19

6.1.4. This lack of comparability creates a barrier to properly integrate (non-financial) impacts that are material but incomparable in the decision-making process. Whereas currently, the number of organisations/investors who integrate sustainability criteria into their decision-making are growing. 20

6.1.5. Ultimately, this barrier makes it difficult for organisations to effectively manage all impacts based on their importance to creating value for stakeholders.

6.1.6. IWAF guides practitioners by requiring that impacts are monetarily valued wherever possible. This provides all impacts expressed in an identical (monetary) unit and restores comparability.

6.1.7. IWAF specifically supports practitioners by providing suggested approaches for the monetary valuation of both the well-being and the respect of rights category.

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19 Apart from resorting to qualitative arguments, as might have been done when assessing materiality.
6.2. **Principle: Valued in commensurable unit**

6.2.1. Impact valuation is an assessment of the normative desirability of an impact from the perspective of a stakeholder in a common quantitative unit that reflects that impact’s value to that stakeholder; the common unit is often monetary.

6.2.2. IWAF requires that impacts are valued wherever possible. In addition, this valuation should be done in a commensurable unit. This unit is monetary unless there are strong reasons to choose another unit.

6.2.3. In addition, IWAF requires that robust techniques are used to value impacts.

- Suggestions for valuing impacts of the well-being and of the rights category are provided below.

**Definitions of impacts with regards to valuation**

6.2.4. A **non-valued impact** is an impact expressed in its natural units.

- Examples of natural units are emission volumes (e.g., kg CO₂), Disability Adjusted Life Years (DALYs), well-being points, etc.

6.2.5. 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 of the non-valued impact leads to a higher value of the valued impact.
- An impact is negative if a higher value of the non-valued impact leads to a lower value of the valued impact.

6.2.6. A **monetarily valued impact** is a valued impact of which the unit used is monetary.

- Consistent use of the same unit for all impacts has the benefit that all impacts become comparable. For example, a Dollar value for the Contribution to climate change impact can be compared to the Dollar value of the Income tax payments impact.

**Valuation of the well-being category**

6.2.7. Impacts relating to the well-being category are changes in well-being of stakeholders because of an organisation’s activities.

- Examples are increase in well-being through employment at the reporting organisation and through social contact facilitated by the organisation.
- Increases in Financial Capital for a stakeholder (e.g., salaries for employees and payments to suppliers) are also associated with the well-being category.²²

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²¹ Sometimes also referred to as a monetised impact

The value of products and services that (end) customers enjoy, is also part of the well-being category.

6.2.8. Impacts relating to the well-being category can be valued collectively through a valuation function that maps to a unit representing the sum of individual well-being.

6.2.9. Impacts corresponding to the well-being category are valued by an assessment of the gains or losses in well-being for the stakeholders involved.

- Therefore, the monetarily valued impacts are technically expressed in Dollar-equivalents (or Euro-equivalents, etc.) of well-being.

6.2.10. Some impacts can be valued very simply (‘1-on-1’ Monetary valuation), while others must be valued with monetary valuation techniques: ‘Revealed Preference’, ‘Stated Preference’ and ‘Subjective Well-being’.

- 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 well-being.

- 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 numerous 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 Well-being: in this approach, people are asked about their subjective well-being (such as their satisfaction with their health or lives) and the reported measures are associated with variables that can explain this well-being using (large) population datasets and statistical techniques.

Valuation of the stakeholder rights category

6.2.11. Impacts on the stakeholder rights category are related to breaches of rights.

- Rights in scope include human rights, labour rights (together covering the social domain) and environmental rights (covering the natural domain).

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23 The approach can be refined by explicitly considering that 1 Dollar can represent more well-being for one stakeholder than for another.

• Examples in the social domain include occurrence of forced labour in the value chain (related to the right to just and favourable conditions of work) and underpayment (i.e., payment below a living wage, related to the right to an adequate standard of living).

• Examples in the natural domain include various forms of pollution (related to the right to a safe, clean, healthy, and sustainable environment) and depletion of scarce abiotic resources (related to the right to have access to the natural resources of the earth).

6.2.12. **Remediation costs** are quantitative estimates of the costs that should be incurred to remediate the harm that is caused by unsustainable impacts.

6.2.13. Remediation cost is an umbrella term, and contains elements of the following:25

- **Restoration costs**: The cost of bringing people’s wellbeing or environmental stocks to the state where the unsustainable impact had not occurred.

- **Compensation costs**: The cost of compensating affected people for economic and/or non-economic 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.

6.2.14. Impacts on the rights category can be valued using the remediation costs.

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25 Guidance on how to specifically select these elements is provided in the Impact-Weighted Accounts Framework.
7. **Principles for aggregation of impact in Impact-Weighted Accounts**

**Impact aggregation**
- An impact assessment can include up to a few dozen impacts. And each of these impacts may have contributions from multiple impact pathways (and may be measured and valued separately).
- Without any form of aggregation, one cannot see the forest for the trees
- At the same time, aggregation can lead to the loss of valuable information and can lead to undesirable decisions.

**Principle: aggregation only within welfare categories**
- IWAF holds the view that some aggregation is necessary, but that it is guided by clear rules.
- The most important rule is not to aggregate elements of different welfare categories.
- This prevents the view that some form of violation of stakeholders’ rights (e.g., through polluting the environment is justifiable on well-being grounds (e.g., by creating employment).

**Principle: Conservation of impact during attribution and aggregation**
- Attribution applies when an organisation combines numbers for direct impact (i.e., that of their own operations) and indirect impact (e.g., that of their value chain partners).
- Naïve summation of direct and indirect impact leads to overcounting. This makes the impact information less suitable to base decisions on.
- Instead, direct, and indirect impact are combined into an ‘impact contribution’ that is a linear combination of the two, in such a way as to conserve impact during attribution and aggregation.

7.1. **Relevance of aggregation of impacts**

7.1.1. As discussed under the principle ‘multi-dimensional,’ an impact assessment typically includes up to a few dozen impacts.

7.1.2. In addition, each of these impacts can be measured in each of the four types defined in 3.4.12: direct absolute impact, direct marginal impact, indirect absolute impact, and indirect marginal impact. Some of these elements have contributions from multiple impact pathways (e.g., multiple manufacturing steps in a production facility can each have a different effect on pollution. In principle each of these can be described by impact pathways.)

7.1.3. It is difficult to make meaningful decisions based on such a large set of impact numbers. To do so, a form of aggregation is necessary.
7.14. At the same time, over-aggregation has problems of its own. A single “total impact” metric can lead to the idea that harm to some is acceptable if there are benefits for others. IWAF considers this a very problematic view and beliefs that this can lead to dangerous management decisions. Practitioners should be given an attribution approach that does not (implicitly) endorse this view.

7.15. IWAF holds the view that some aggregation is necessary, but that it is guided by clear rules. The principle of aggregation only within welfare categories applies here.

7.16. The principle of ‘Value chain responsibility’ adds another complication. The impact of one organisation is part of their own impact assessment (as direct impact), but also of the impact assessments of their value chain partners (as indirect impact). If each organisation naively sums direct and indirect impact, this leads to substantial overcounting. The impact data can then not be used well in management decisions, as some impacts get more than proportional weight.

7.17. IWAF offers attribution of (direct and indirect) impact as a solution to this dilemma. If the user chooses to aggregate direct and indirect impact into a single number, that should be done by first applying an attribution factor. The attribution factor should be chosen such as to comply with the principle of conservation of impact during attribution and aggregation. The resulting number is referred to as the impact contribution of the organisation.

7.2. Principle: Aggregation only within welfare categories

7.2.1. Impact aggregation is the process of combining the values associated with multiple impacts within into a single number. This relates to Principle 4: Present values at an appropriately granular level for the decision being made of Capital Coalition (2021). See Table for practices of aggregation and examples.

7.2.2. Impact aggregation in Impact-Weighted Accounts should be done with caution. In particular, IWAF advises against aggregation into a single impact number (“Total impact”).

7.2.3. In general, impacts should not be aggregated across welfare categories in the IWAs, unless they are also disclosed in an explicit disaggregated manner elsewhere in the general tables.

7.2.4. Specifically, negative impacts in the stakeholder rights category should not be netted against positive well-being impacts in the IWAs, unless they are also disclosed in a disaggregated manner elsewhere in the general tables.

7.2.5. Additionally, IWAF urges caution when aggregating impacts that affect different stakeholders into a single number.

### Table 1: types of aggregation and the recommendation in IWAF

<table>
<thead>
<tr>
<th>Type of aggregation</th>
<th>Example</th>
<th>Recommendation in IWAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple cases of the same impact coming from different impact pathways</td>
<td>Contribution to climate change (through carbon emissions) from two different manufacturing steps (both part of own operations)</td>
<td>Can be aggregated together</td>
</tr>
<tr>
<td>A direct and an indirect manifestation of the same impact</td>
<td>Contribution to climate change from emissions in own operations and from emissions at a supplier</td>
<td>Direct and indirect impact can be combined using an attribution factor (see next principle)</td>
</tr>
<tr>
<td>Different impacts to the same stakeholder and of the same welfare category</td>
<td>Air, soil, and water pollution into a single category ‘pollution’</td>
<td>Acceptable to aggregate, although individual categories often hold vital information</td>
</tr>
<tr>
<td>A related positive and negative impact (often: part of two different welfare categories)</td>
<td>Contribution to climate change (though carbon emissions) and limitation of climate change (through participation in ‘Golden Standard’ projects)</td>
<td>Report each of these separately</td>
</tr>
<tr>
<td>All impacts to one stakeholder (over different capitals)</td>
<td>Salaries, value of time, well-being of employment, … (to the stakeholder group employees)</td>
<td>Sums can be shown in tables if each of the elements are also shown separately</td>
</tr>
<tr>
<td>All impacts of one capital (for different stakeholders)</td>
<td>Salaries, payments to suppliers, net profit, … (Financial Capital)</td>
<td>Sums can be shown in tables if each of the elements are also shown separately</td>
</tr>
</tbody>
</table>

### 7.3. Principle: Conservation of impact during attribution and aggregation

Direct and indirect impact

7.3.1. An organisation can have direct and indirect impact as defined in section 3.4. Note that the direct impact of one organisation can be the indirect impact of another organisation (or of multiple other organisations).

7.3.2. Organisations that aim to use impact to make integrated management decisions, should combine information about direct and indirect impact.

- This is because integrated decisions can both reflect improving one’s own impact (e.g., through more energy-efficient production, or a new HR policy that affects the own employees), or improving indirect impact (e.g., selecting a different supplier that has better environmental performance, or by enabling a corporate client to produce cleaner by setting up a shared innovation programme).
• If they want to combine information about direct and indirect impact into a single number (per impact), the simple sum of direct and indirect impact is an option to do so.

• This simple sum has the disadvantage that it often overcounts impact: a certain amount of impact is reported multiple times (once as direct impact and multiple times as indirect impact).

• Overcounting is most clearly an issue for positive impacts. If multiple organisations collectively claim a positive impact (e.g., associated with employment not only of themselves, but also of their partners), they are collectively sketching a too positive picture.

• Overcounting also makes that any impact trade-offs cannot be made effectively. In the previous example of overcounting the impact on employment, governments that (indirectly) subsidise organisations to contribute substantially to employment, might end up unintentionally and unwantedly subsidising the same employment more than once.

Impact attribution

7.3.3. If impact is attributed before adding direct and indirect elements together, the overcounting effect can be prevented. Here, impact attribution refers to the distribution of impact that organisations are responsible for.

7.3.4. An attributed impact is a weighted impact that reflects the contribution of an organisation to the impact. This concept links to Principle 3: Apply an appropriate level of attribution based on your degree of influence of Capital Coalition (2021).27

7.3.5. An attributed impact is typically larger for direct impacts than for otherwise similarly sized indirect impacts.

7.3.6. A particularly desirable feature of an impact attribution approach is that the total size of the attributed impacts to each of the stakeholders equals the size of the initial impact, such that double counting or undercounting is avoided. Impact contribution as defined below has this property.

Impact contribution

7.3.7. The impact contribution is a measure of the overall attributed impact of an organisation. It is a (linear) combination of direct and indirect impact. 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 of all four types of impact.

Principles on how to assess impact contribution

7.3.8. The weights in the linear combination that forms the impact contribution is chosen such as to prevent overcounting and to make it a suitable metric to steer management decisions on.

7.3.9. 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 not be overcounted or undercounted. The attribution step should not give rise to an increase or decrease in total impact.

7.3.10. There are four supporting 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 these differences should 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.
8. Presentation of impact statements in Impact-Weighted Accounts

Presentation of impact accounts

- A natural way is to present impact information based on impact statements. Each of these statements presents a sub-set of the impacts assessed in a structured way.
- Statements are designed such that they can be used for basing management decisions on. In particular, statements in IWAs reflect how well the organisation performs with regards to organisational goals and functions.
- In IWAF, the statements closely follow the statements of financial accounting.

Integrated Profit and Loss (IP&L) Statement

- The IP&L reflects the value creation of the organisation in the year analysed.
- It contains all impacts that have been assessed during the measure and value steps.
- Impacts can be grouped according to capital involved or stakeholder affected.
- IWAs also contain three statements that are derived from the IP&L: the Stakeholder Value Creation Statement, the Sustainability Statement for External Costs, and the Sustainability Statement for SDG Contribution.

Integrated Balance Sheet (IBaS) Statement

- Integrated Balance Sheet is a statement to inform the users of Impact-Weighted Accounts of assets and liabilities that affect their ability to create integrated value for all stakeholders and their responsibilities towards its stakeholders.
- The Integrated Balance Sheet reflects the situation at the end of the year.

8.1. Relevance of presentation of impact statements

8.1.1. The steps so far have given rise to a set of quantified and valued impacts that have been aggregated up until a level where they can be used for making integrated decisions.
8.1.2. It is still open how to present the result in such a way as to enable management to actually make these decisions – and to tell a compelling story to other readers.

8.1.3. A natural way is to present impact information based on impact statements. Each of these statements presents a sub-set of the impacts assessed in a structured way. This of course begs the question which impact statements to present.

8.1.4. IWAF takes inspiration from two sources when proposing impact statements to use. Firstly, that the impact statements mirror financial statements closely, and secondly, that the statements can be used to assess the performance of the organisation to four key organisational goals and functions (further discussed below).

- Create value to society and its stakeholders
- Act sustainably by operating within planetary and social boundaries
- Contribute to sustainable development according to the Sustainable Development Goals (SDGs).
- Manage integrated value creation potential and ability to meet responsibilities to all stakeholders over time

8.2. **The impact statements in brief – Inspiration from financial statements and organisational goals and functions**

8.2.1. When reporting impact information according to IWAF, the information is presented based on statements that mirror financial statements. Two of the key statements in financial accounting are the (yearly) Income Statement (also referred to as the Profit and Loss Statement) and the Balance Sheet.

8.2.2. The impact counterpart of the Profit and Loss Statement is the Integrated Profit and Loss (IP&L) Statement.

8.2.3. The impact counterpart of the Balance Sheet is the Integrated Balance Sheet (IBaS) Statement

- The statements are called ‘integrated’ because the IP&L and IBaS combine financial, social, natural, and other capitals in an integrated manner. In addition, the statement integrates the impact on different stakeholders.

8.2.4. The IP&L Statement and the IBaS Statement form the core of the presentation of the annual Impact-Weighted Accounts of an organisation over a certain year.

- The inclusion of these statements already provides information on alignment with one of the organisational goals and functions: to manage integrated value creation potential and ability to meet responsibilities to all stakeholders over time.

8.2.5. In addition, IWAs contain three statements that are derived from the IP&L: the Stakeholder Value Creation Statement, the Sustainability Statement for External Costs, and the Sustainability Statement for SDG Contribution.
The inclusion of these statements is mostly inspired by alignment with organisational goals and functions, as discussed below.

These Statements do not contain any information not already present in the IP&L, but merely restructure the information in such a way that it gives more attention to certain considerations for integrated decision making and reporting.

8.2.6. Impact-weighted accounts can be provided separately from or integrated with financial accounts.

8.3. Organisational goals and functions

8.3.1. The traditional view on an organisation’s goal can be traced back to 1970, when economist Milton Friedman stated that ‘the social responsibility of the firm is to increase its profits’. 28

8.3.2. However, over time focus has shifted towards longer-term value creation for (all) stakeholders. 29 An increasing number of organisations believes that solely focusing on shareholder values is not sustainable overall. 30

8.3.3. Impact-Weighted Accounts are designed for organisations that share this view.

8.3.4. Specifically, Impact-Weighted Accounts provide impact information about the following four general organisational goals and functions, which are regarded to apply to every organisation

Create value to society and its stakeholders

8.3.5. IWAF is built on the belief that the first general organisational goal and function is to create value to society. More specifically, to create value to each of its stakeholders. These include not only investors, but also clients, employees, governments, and communities.

• An organisation creates value to a stakeholder if it increases the welfare of that stakeholder on each welfare category.

• In evaluating whether value is created, an organisation may aggregate various impacts on individual stakeholders to impacts on stakeholder groups as long as no material information is hidden in this way.

8.3.6. This goal has both an absolute and a marginal component. Ideally an organisation creates value to all its stakeholders in an absolute sense, and to a higher degree than realistic alternatives.

Act sustainably by operating within planetary and social boundaries

8.3.7. The second general organisational goal and function of an organisation is to be sustainable by operating within the environmental and social boundaries.


8.3.8. An organisation operates within the planetary (environmental) boundaries if it creates no environmental harm nor breaches any environmental rights.

8.3.9. An organisation operates within the social boundaries if it respects all human and other essential rights.

8.3.10. Deviations from environmental and social boundaries can be captured by the environmental and social external costs an organisation imposes on its stakeholders.

8.3.11. Given the nature of planetary boundaries and rights, this goal is absolute: an organisation is only sustainable if it respects these boundaries in an absolute sense.

8.3.12. Note that by combining this goal with the previous one an organisation can ensure that it does not create value for one stakeholder at the expense of the rights of another stakeholder.

Contribute to sustainable development according to the SDGs

8.3.13. The third general organisational goal and function of an organisation is to contribute to sustainable development as defined by the United Nations’ Sustainable Development Goals (SDGs).

8.3.14. This goal is marginal to the current state: an organisation should contribute to a reduction of negative sustainability impacts and an increase of positive sustainability impacts.

Manage integrated value creation potential and ability to meet responsibilities to all stakeholders over time

8.3.15. The fourth general organisational goal and function of an organisation is to manage integrated value creation potential and ability to meet responsibilities to all stakeholders over time.

8.3.16. This goal is absolute: an organisation should respect its stakeholders (and their rights) and create value for them over time rather than make short term gains at the expense of its stakeholders.

8.3.17. Note that this goal reflects how well the organisation has performed on the first three goals over a longer term and how it can achieve better outcomes for each goal in the future.

The possibility to add additional goals and functions

8.3.18. In addition to the above organisations may have goals and functions that are specific to its context:
  - Specific to the organisation, such as an organisational mission
  - Specific to the jurisdiction of the organisation
  - Specific to the region(s) the organisation is active in
  - Specific to the sector of the organisation

8.3.19. An organisation can choose to provide additional statements pertaining to these context-specific goals, to provide relevant information about its context-specific goals and functions. Such information about additional goals and functions may or may not be required to meet regulation.
8.4. From organisational goals and functions to statements that report progress

8.4.1. The Impact-Weighted Accounts can be used to report specifically on the progress of the organisation towards the four general organisational goals and functions.

8.4.2. Figure 6 shows the relationship between the different statements and the organisational goals and functions.

![Diagram showing the relationship between the different statements and the organisational goals and functions.]

**Figure 6:** Statements of the Impact-Weighted Accounts and their relations to four organisational goals and functions

8.4.3. This way of presenting IWAF also relates to Principle 5: Specify and address key differences in impacts and dependencies amongst all stakeholders of Capital Coalition (2021).

8.5. Integrated Profit & Loss Statement

8.5.1. The **Integrated Profit & Loss (IP&L) Statement** is a statement that contains all assessed impacts over the year analysed in quantified, valued, and attributed form.

- It is often presented in the form of a list that shows all material impacts of the organisation during the reporting period. The impacts can be classified by capitals and/or stakeholders.

8.5.2. For each impact, the IP&L accounts can contain information on each of the four types as defined in 3.4.12.

8.5.3. Derived statements from the IP&L Statement are statements containing a subset of all Integrated Profit & Loss Accounts of an organisation over a time period.

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8.6. **Stakeholder Value Creation Overview**

8.6.1. The **Stakeholder Value Creation Overview** is a statement that is derived from the IP&L, which reflects the overall value creation of the organisation for each of its stakeholders through all the material impacts of the organisation’s inputs and outputs.

- The overview can be presented by stakeholder and distinguish impacts created by the organisation’s inputs and outputs.
- After making the IP&L Statement, no new calculations at impact level are necessary to establish the Stakeholder Value Creation statement – impacts can be based on the same information. The same holds for the other statements discussed below: Sustainability Statement for External Costs and SDGs Contribution Statement.

8.6.2. The Stakeholder Value Creation Overview specifically addresses the first general organisational goal and function of an organisation as defined in section 8.1: to create value for each of its stakeholders.

8.7. **Sustainability Statements**

8.7.1. Two central aspects of the **sustainability** of an organisation are the degree to which it operates within planetary (environmental) and social boundaries and the degree to which it contributes positively to the United Nations’ Sustainable Development Goals.

8.7.2. These aspects relate to the second and third general organisational goals and functions of an organisation as defined in section 8.1. The Impact-Weighted Accounts Framework acknowledges these goals by including two derived statements based on the Integrated Profit & Loss Accounts.

**Sustainability Statement for External Costs**

8.7.3. The **stakeholder rights’ welfare category** captures the degree to which an organisation respects the environmental and human rights of current and future generations.

8.7.4. Effects that violate these rights can be measured by the **environmental and social costs** created by the organisation.

8.7.5. An **environmental or social cost** is a negative impact on a stakeholder through the breach of a right of that stakeholder.

8.7.6. These costs are also referred to as external costs. They reflect a market failure where production and/or consumption activities impose the additional hidden costs on others (e.g., the environment, society) without including these hidden costs in the market price of the product or service.

- For example, if during the production process of a product pollution is released into the air, the cost of the pollution for the environment or for the health of individuals is not reflected in the price of the product. Therefore, the costs are external.
8.7.7. The **Sustainability Statement for External Costs** is a statement which provides information on the absolute social and environmental costs to which the organisation contributed and/or for which it shares value chain responsibility.

- It is suggested that an organisation structures the statement by capital and by stakeholder.
- The organisation is advised to present its external costs in both the original unit in which it is measured as well as in the monetarily valued unit.
- The Sustainability Statement for External Costs provides information about an organisation’s willingness and ability to minimise the external costs of its activities and to overcome them.

8.7.8. The **Sustainability Statement for External Costs specifically focuses on absolute impact.**

- This reflects the view that external costs are problematic, even if they also occur in the marginal reference.

8.7.9. The **Sustainability Statement for External Costs specifically addresses the second organisational goal and function as defined in section 8.1: to be sustainable, in the sense that it operates within the planetary (environmental) and social boundaries.** Here, an organisation operates within the planetary boundaries if it creates no environmental harm nor breaches any environmental right, and it operates within the social boundaries if it respects all human and other essential rights.

**Sustainability Statement for SDG Contribution**

8.7.10. The **Sustainability Statement for SDG Contribution** is a statement which shows the contribution of an organisation to the UN's Sustainable Development Goals (SDGs) through its impact on each of the SDGs.

8.7.11. It is suggested that the **Sustainability Statement for SDG Contribution focusses on marginal impact.**

- This reflects the how the organisation contributes to the SDGs on top of a reasonable alternative to their operations as captured in the marginal reference.

8.7.12. The **Sustainability Statement for SDG Contribution specifically addresses the third general organisational goal and function of an organisation as defined in section 8.1: to contribute to sustainable development as defined by the United Nations’ Sustainable Development Goals.**

- For the Sustainability Statement for SDG Contribution, a mapping between the impacts in the IP&L and the SDGs is made. The mapping is preferably made at the SDG indicator level, or alternatively at the SDG target or SDG goal level.
- The full list of 17 SDG goals and associated indicators can be found in United Nations. (2015a). General assembly resolution 70/1 – Transforming our world: the 2030 agenda for sustainable development.
- The Sustainability Statement for SDG Contribution is particularly useful when tracked over time (to show how contribution evolves over time as the organisation steers on specific
SDGs), or when an organisation enables comparison of its contribution to the SDGs to a relevant benchmark in its sector.

- 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 KPIs.
- 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.

### 8.8. Integrated Balance Sheet

8.8.1. **Integrated Balance Sheet** is a statement to inform the users of Impact-Weighted Accounts of assets and liabilities that affect their ability to create integrated value for all stakeholders and their responsibilities towards its stakeholders.

8.8.2. The Integrated Balance Sheet reflects the situation at the end of the year.

8.8.3. The Integrated Balance Sheet relates to the fourth general organisational goal and function of an organisation: to manage integrated value creation potential and ability to meet responsibilities to all stakeholders over time.

- This statement is an additional statement at the same level as the Integrated Profit and Loss statement.

> Now, the concept of the Integrated Balance Sheet is still under development. Therefore, inclusion of an Integrated Balance Sheet is not seen as a requirement for Impact-Weighted Accounts.

### 8.9. Additional context-specific statements

8.9.1. In addition to the general statements that are part of the Impact-Weighted Accounts of each organisation, the Impact-Weighted Accounts can contain additional context-specific statements that disclose impact information about context-specific goals and functions the organisation fulfils.

8.9.2. Such statements can be based on information contained in the IP&L accounts and/or IBaS accounts.

### 8.10. Presentation of aggregated results and disclosures

8.10.1. Given the many dimensions of impact-weighted accounts, the organisation can aggregate several types of impact in its presentation of the main statements.
8.10.2. For transparency and sufficient distinction, in the notes of the IP&L and IBaS statements, the organisation is encouraged to disclose the disaggregated information (both absolute and marginal impact) as well as the non-monetarily valued impact information expressed in natural units.

- As derived statements related to impact during the reporting period are based on the IP&L statements, it is sufficient to disclose this information in the notes of the IP&L statement only.

The process to compile Impact-Weighted Accounts
Organisations that aim to compile Impact-Weighted Accounts can follow a structured process of five phases with a total of ten steps.

The stages are ‘Frame’, ‘Scope’, ‘Measure and Value’, and ‘Apply’.

9.1. The process to compile Impact-Weighted Accounts

9.1.1. The process of compiling and using IWAs can be organised in four stages with in total ten steps as shown schematically in Figure 7.

9.1.2. The five topics on which IWAF gives specific guidance each relate to one of the steps:
- Impact identification is associated with the step ‘set scope’
- Impact measurement is associated with the step ‘measure impacts’
- Comparability of impacts is associated with the step ‘value impacts’
- Aggregation of impacts is associated with the step ‘attribute and aggregate’
- Presentation of impacts is associated with the step ‘compile impact-weighted accounts’

9.1.3. Before and after these four steps are steps where IWAF gives more practical rather than principled guidance.

9.1.4. Figure 7 reflects the ‘end state’ of an organisation compiling IWAs. In the first years of working with IWAs, organisations can decide to follow the steps in their own pace based on their needs to fits their impact journey.
Figure 7: The process of compiling and using IWAs in five stages.

Adapted from Natural Capital Coalition, 2016

9.2. **Stages of compiling IWAS**

**Frame stage**

9.2.1. This stage aims to initiate the assessment of an organisation’s impact.

9.2.2. In this stage, the reasoning why the organisation measures and reports its impact is formed.

9.2.3. Reasons for an organisation to measure and report on impact can be to reflect on its theory of change, to track progress with respect to its (sustainability) goals or to identify potential business applications of steering on impact.

**Scope stage**

9.2.4. This stage aims to define the objective and boundary of the IWAs assessment of the organisation.

9.2.5. In particular, materiality and feasibility assessments are important parts of the scoping stage. These preliminary assessments ensure that the impact assessment itself results in valuable insights for both the organisation and other users of the IWAs.

**Measure and value stage**

9.2.6. This stage aims to quantitatively measure all impact based on the scope defined in the previous stage.

9.2.7. This entails creating impact pathways for each impact in scope, collecting data, and creating quantitative models to measure and value impact.

9.2.8. In addition, the concept of value chain responsibility is practiced where quantified and valued impacts are attributed to the organisation based on its influence on each impact in the value chain.

9.2.9. Quantified and valued impacts can be aggregated to produce more useful and understandable impact information. However, aggregation should be done carefully and in such a way that it will not produce misleading information for the users. For example, netting positive impact with negative externalities shall be avoided.


**Apply stage**

9.2.11. This stage aims to interpret and verify the process, the results and to take actions on two things: 1) to disclose these results internally or to the public; 2) to manage impacts.

9.2.12. For reporting the IWAs, the verification and testing step ensures that all impact information that is about to be disclosed satisfies the criteria of useful impact information outlined in Appendix A.
9.2.13. Specifically, the organisation has to demonstrate the connectivity of its impact information. The report should show how the components in the presented impact information are inter-related and dependent on its comprehensive value creation model.33


9.2.15. In addition to reporting, useful impact information in the IWAs can influence management’s actions that have an effect on the organisation’s KPIs and strategy. As such, IWAs can help the organisation to optimise its value creation to its stakeholders and ensure it is sustainable.

9.2.16. Currently, IWAF focusses on guiding organisations in the first nine steps. IWAF recommends organisations to make negative impacts zero and maximise positive impacts of the organisation, especially those which are material.

9.2.17. Therefore, for step 10: Manage impact, there are some available guidance and frameworks on how to manage impact that organisations can follow, for example, Impact Management Project.

9.2.18. 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.

9.3. **Governance**

Good governance

9.3.1. Good governance is essential to the compilation, reporting and use of IWAs, including the following elements: (i) integrity and adherence to the organisation’s values, (ii) involvement of the organisation’s relevant stakeholders when compiling and reporting the IWAs, (iii) oversight and accountability of the board of directors of the organisation, (iv) ensuring that the organisation has the competences and capabilities required to compile IWAs.

A. General characteristics of useful impact information

IWAs are about assessing and reporting impact information. This requires that the information presented is useful. This section provides the qualitative characteristics of useful impact information.

A.1. Useful impact Information

A.1.1. Useful impact information has general qualitative characteristics, shared with financial information, and various impact specific characteristics.

A.1.2. The impact-specific characteristics have been shared throughout this document. The impact-specific ones are discussed below.

A.2. General characteristics

Useful impact information is:

A.2.1. Relevant: it can be used to have influence in the decisions of users.\textsuperscript{34}

A.2.2. Faithful: it provides an accurate representation of the economic and societal phenomena and their impacts. For this purpose, impact information needs to be complete, neutral, and free from material errors, where a piece of information is material if its omission or misrepresentation would affect the decision of a relevant stakeholder group of the organisation.

A.2.3. Comparable: it enables comparison of the impact between various companies.

A.2.4. Consistent: it enables comparison with information provided by an organisation in previous years.\textsuperscript{34}

A.2.5. Rigor: it provides users with information that is retrieved from robust data, methodology and is fit for purpose.\textsuperscript{34}

A.2.6. Verifiable: it enables an independent verification of the data, calculations and assumptions used to compile the information.\textsuperscript{34}

A.2.7. Timely: it provides users with the information they need when they are making decisions.

A.2.8. Understandable: it enables users to comprehend the information sufficiently for their decision making.

\textsuperscript{34} Adapted from Capitals Coalition. (2020). Draft TEEB for Agriculture and Food: Operational Guidelines for Business.
B. **Suggested classifications of capitals and stakeholders**

B.1. **Stakeholders Classification**

B.1.1. All impacts in Impact-Weighted Accounts can be structured according to the stakeholder whose welfare is affected.

B.1.2. There does not seem to be an internationally accepted standard for the classification of stakeholder groups. The list below can be used but should not be seen as a requirement for IWAs.

Table B.1: Example of stakeholder groups

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation</td>
<td>The organisation under review</td>
</tr>
<tr>
<td>Investors(^{35})</td>
<td>The investors (debt and equity) in the organisation under review</td>
</tr>
<tr>
<td>Employees</td>
<td>The employees of the organisation under review</td>
</tr>
<tr>
<td>Suppliers</td>
<td>The persons or organisations who provide products or services to the organisation under review</td>
</tr>
<tr>
<td>Clients</td>
<td>The persons, organisations, or people who receive products or services from the organisation under review</td>
</tr>
<tr>
<td>Nature and its beneficiaries(^{36})</td>
<td>Nature itself, to the degree that this has inherent value. In addition, all persons, communities, and organisations that use or enjoy natural resources</td>
</tr>
<tr>
<td>Governments, local communities, and other</td>
<td>All governments, communities or other groups affected by the actions of the organisation or their value chain; in particular, it includes the employees of value chain partners</td>
</tr>
</tbody>
</table>

B.2. **Capitals Classification**

B.2.1. Impacts in Impact-Weighted Accounts can be structured according to the capital they belong to.

B.2.2. A popular capital classification is the six-capital classification as proposed by the Value Reporting Foundation.\(^{37}\) In the context of IWAs, it is suggested that some definitions are extended to make value creation to stakeholders outside the organisation itself more explicit. A suggestion is provided below.

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\(^{35}\) Investors are residual claimholders of an organisation. Hence, all impact has effect on the investors.

\(^{36}\) Nature and its beneficiaries, governments, local communities, and others are often grouped together and referred as ‘society-at-large.’

B.2.3. **Financial Capital** (Value Reporting Foundation definition) 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.

- Financial Capital is owned by a specific stakeholder in almost all instances. Only a limited number of processes, restricted to the financial sector, lead to the creation of new money. As a result, almost all Financial Capital flows preserve the total amount of Financial Capital. These flows relate to the exchange of Financial Capital among stakeholders.
- In the context of IWAs, flows of Financial Capital from external parties towards the organisation in scope are labelled as negative impact for the external stakeholders. Flows from the organisation to external parties are labelled as positive impact for the external parties.

<table>
<thead>
<tr>
<th>Financial Capital stocks</th>
<th>Financial Capital flows</th>
<th>Associated impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money owned by the organisation in scope</td>
<td>Salaries</td>
<td>Positive impact for employees</td>
</tr>
<tr>
<td>Money owned by clients of the organisation</td>
<td>Payments from clients</td>
<td>Negative impact for clients</td>
</tr>
</tbody>
</table>

**Table B.2:** Examples of Financial Capital stocks and flows

B.2.4. **Manufactured Capital** (Value Reporting Foundation definition) consists of manufactured physical objects that are available to an organisation for use in the production of goods or the provision of services.

- In the Value Reporting Foundation scope, this reflects the assets used for production (property, plant, and equipment). It is often referred to as manufacturing capital.
- In the context of the IWAs, a broader inclusion is required. Manufactured Capital also includes the tangible assets of intermediate and finished products.
- Business activity critically involves transfer of Manufactured Capital between stakeholders.

<table>
<thead>
<tr>
<th>Manufactured Capital stocks</th>
<th>Manufactured Capital flows</th>
<th>Associated impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant, and equipment</td>
<td>Client value of products</td>
<td>Positive impact for clients (who receive the products)</td>
</tr>
<tr>
<td>Finished products</td>
<td>Value of the goods delivered by suppliers</td>
<td>Negative impact for suppliers (that deliver the products)</td>
</tr>
</tbody>
</table>

**Table B.3:** Examples of Manufactured Capital stocks and flows

B.2.5. **Intellectual Capital** (Value Reporting Foundation definition) consists of organisational, knowledge-based intangibles, including intellectual property and “organisational capital.”
• In the context of IWAs, Intellectual Capital also includes intangible assets associated with the brand and reputation that an organisation has developed. In addition, (the value of) advisory services is included under Intellectual Capital.

**Table B.4: Examples of Intellectual Capital stocks and flows**

<table>
<thead>
<tr>
<th>Intellectual Capital stocks</th>
<th>Intellectual Capital flows</th>
<th>Associated impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filed patents</td>
<td>Development of immaterial assets and technology</td>
<td>Positive impact for company and investors (as it creates future earning potential)</td>
</tr>
<tr>
<td>Intangible assets (e.g., knowledge, brand)</td>
<td>Amortisation of intangible assets</td>
<td>Negative impact for company and investors (as it decreases the current value of the intangibles)</td>
</tr>
</tbody>
</table>

**B.2.6. Human Capital (Value Reporting Foundation definition)** consists of people’s competencies, capabilities and experience, and their motivations to innovate, often within the realm of the organisation’s activities.

• In addition, in the context of IWAs, elements of well-being are listed under Human Capital if they occur at the level of individual people. Time investment of people is a Human Capital input.

**Table B.5: Examples of Human Capital stocks and flows**

<table>
<thead>
<tr>
<th>Human Capital stocks</th>
<th>Human Capital flows</th>
<th>Associated impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job competences of a trained worker</td>
<td>Creation of Human Capital (e.g., new competences through training)</td>
<td>Positive impact for employees* (as they have higher earning potential reflected in higher salaries) and company and investors (as the trained worker contributes more to future earnings of the company)</td>
</tr>
<tr>
<td>Health of a worker</td>
<td>Workplace health and safety incidents</td>
<td>Negative impact for employees</td>
</tr>
</tbody>
</table>

**B.2.7. Social Capital (Value Reporting Foundation definition)** refers to individual and collective well-being as a result of institutions and the relationships within and between communities, groups of stakeholders and other networks.

• In the context of IWAs, well-being effects are often listed under Social Capital if they only occur at the level of groups.

• In additions, violations of human rights are included under negative social outcomes (even though they also affect well-being at the individual level).
### Table B.6: Examples of Social Capital stocks and flows

<table>
<thead>
<tr>
<th>Social Capital stocks</th>
<th>Social Capital flows</th>
<th>Associated impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social trust in a community</td>
<td>Child labour in the value chain (and the corresponding loss of well-being and social trust)</td>
<td>Negative impact for the respective employees* and communities</td>
</tr>
<tr>
<td>Brand value associated with a company</td>
<td>Increase in brand value of the company</td>
<td>Positive impact for company and investors (as the brand value represents future earning potential)</td>
</tr>
</tbody>
</table>

### Table B.7: Examples of Natural Capital stocks and flows

<table>
<thead>
<tr>
<th>Natural Capital stocks</th>
<th>Natural Capital flows</th>
<th>Associated impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean air</td>
<td>Carbon sequestration</td>
<td>Positive impact for society-as-a-whole (reduces the stock of CO₂ through planting trees)</td>
</tr>
<tr>
<td>Clean water</td>
<td>Use of scarce water</td>
<td>Negative impact for society-as-a-whole (reduces the stock of available clean water)</td>
</tr>
</tbody>
</table>

**B.2.8. Natural Capital** (*Value Reporting Foundation definition*) 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.

- In the context of IWAs, it contains living (biotic) and non-living (abiotic) natural resources, including scarce resources, climate and ecosystems that provide benefits to current and future generations (‘ecosystem services’).
C. The Impact Pathway

C.1.1. The building blocks of the impact pathway are shown in Figure D.1. These are (realised or projected) activity, reference activity, input, output, outcome, and impact.

C.1.2. 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 or might realise in the future.

C.1.3. A reference activity is an activity that would have otherwise occurred in the chosen timeframe had the organisation not undertaken the actual activity.

- The reference activity makes explicit that some capital flows and generation of well-being also take place in the absence of the operations of the organisation. The reference scenario explicitly follows these flows.
- After calculating the outcomes of both the realised (or projected) and reference activities, only the difference of the two is accounted for as an impact.

C.1.4. An input refers to the resources used in the organisation’s activity.

- Inputs mostly reflect voluntary and positive capital changes to the organisation, while they reflect negative capital flows to stakeholders. Stakeholders that deliver input to the organisation typically get something in return.
- Examples are materials used (negative Manufactured Capital flow for suppliers – but they are compensated for it with payments), the working time the employees put in (negative Human Capital flow (value of time) for employees – but they are compensated for it with salaries and other benefits) and payments by clients (negative Financial Capital flow for clients – but they get a product or service in return).
- As mentioned in 7.2.3, inputs can lead directly to outcomes. As an example, consider the use of the non-renewable material aluminium in manufacturing processes. A direct result of using...
the input material is a (slight) contribution to the depletion of the global resource. This results in lower availability for future generations.

C.1.5. **An output** is any direct effect of the organisation’s activity that occurred during the reporting period and is not an input.

- Outputs are typically under the direct influence of the organisation. They include delivered products or services, but also include (intended and unintended) by-products that resulted from the processes of the organisation’s activities.
- While inputs, from the stakeholders’ perspective, always appear as negative flows, outputs can either be positive (if they increase capital stocks or well-being of a stakeholder) or negative impacts (if they reduce capital stocks or well-being).
- Examples are delivered products (intended positive flow of Manufactured Capital to clients), salaries (and other elements of comprehensive benefits) paid to employees (intended positive Financial Capital flow for employees) or greenhouse gases emitted (unintended negative Natural Capital flow for Nature and its beneficiaries).

C.1.6. **An outcome** of an activity of the organisation reflects the direct or indirect welfare effects of the outputs.

- These effects can arise as a result of the use of inputs or as a result of the outputs of the organisation.
- Unlike inputs and outputs, outcomes are usually not under the direct control of the organisation. Again, outcomes can be both intended and unintended.
- For each of the examples in 7.2.7 and 7.2.8, there is a well-being effect associated with the capital flows to and from stakeholders, which is an outcome that is directly associated with the inputs and outputs. For example, the additional effect of climate change associated with greenhouse gas emissions leads to violations the rights of people and communities (e.g., the right to a safe, clean, healthy, and sustainable environment).

C.1.7. **An impact of an activity** is the difference of an outcome of a realised (or projected) activity with respect to the counterfactual outcome in the reference activity.

- Impact is realised when there is a change in the realised outcome as compared to its reference during the reporting period of the organisation.
- An example is the difference in well-being associated with the (actual) salary payments and those in the reference scenario (relatively positive/negative Financial Capital impact for employees).
- An impact of the organisation’s activity can also occur after the reporting period (e.g., greenhouse gas emissions now lead to climate change in the future). This impact needs to be

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projected and also quantified accordingly in the IWAs. For example, the benefits of providing education often materialise in future years. Similarly, emissions of pollutants often lead to changes in ecosystems and biodiversity after a certain period of time.
## D. Defined terms

This section seeks to provide the working academic definitions for terms that have been used in this document.

**Table D.1: Glossary with the formal definitions for academic term used in this document**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>Used in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact-Weighted Accounts</td>
<td>A set of comprehensive quantitative and valued accounts containing impact information about an organisation (or organisation) that organisations and their stakeholders can use to make informed integrated decisions.</td>
<td>Section 1.1</td>
</tr>
<tr>
<td>Integrated Profit &amp; Loss Accounts</td>
<td>Impact-weighted accounts that contain all material information of the impact an organisation has had during a period, organised per capital, stakeholder group and welfare dimension, and which are additive within each welfare dimension</td>
<td>Section 1.1; Section 8.5</td>
</tr>
<tr>
<td>Integrated Balance Sheet Accounts</td>
<td>An overview all Integrated Balance Sheet impacts of an organisation at the end of a given time period.</td>
<td>Section 1.1; Section 8.8</td>
</tr>
<tr>
<td>Useful impact information</td>
<td>Impact information that is used for integrated decision making of the organisation and its stakeholders. Useful impact information enables stakeholders to compare and rank distinct options, according to their preferences, where such preferences are not only based on financial value creation for investors but also on the creation or reduction of welfare of other stakeholders</td>
<td>Section 1.2</td>
</tr>
<tr>
<td>Informative Reference</td>
<td>A document which IWAF acknowledges and provides additional information to strengthen the understanding of this framework. The nature of this reference is descriptive.</td>
<td>Section 2.3</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>individuals affected by an organisation's business activities, as well as the individuals who can affect an organisation's value creation ability.</td>
<td>Section 3.1</td>
</tr>
<tr>
<td>Welfare</td>
<td>The collection of the current and future value enjoyed by stakeholders. Welfare consists of various categories. Two categories are suggested to be included in any case: well-being and respect of basic rights.</td>
<td>Section 3.1</td>
</tr>
<tr>
<td>Capital Stocks</td>
<td>The collection of resources (i.e., assets) available for future production, service provision, consumption, and other use by organisations, people, and ecosystems</td>
<td>Section 3.3</td>
</tr>
<tr>
<td>Capital Flow</td>
<td>A change in a set of capital stocks within a given timeframe in terms of the quantity or quality of any asset in the total stock or in terms of the ownership of an asset. Capital can be increased, decreased, transformed, or transferred (between different stakeholders) through the activities of an organisation.</td>
<td>Section 3.3</td>
</tr>
<tr>
<td>(Formal) Impact</td>
<td>A change 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. Impact can be positive or negative, intended, or unintended, and can be assessed both backward-looking and forward looking; it can be direct or indirect (from the perspective of the organisation)</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
<td>Used in</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>organisation in scope) and it can be absolute or marginal (based on OECD, 2019)[39].</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reference scenario</td>
<td>The set of activities and related outcomes that is assumed to happen in the absence of the organisation. Impacts reflect the difference in outcomes between the actual scenario (with the organisation) and the reference scenario.</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Positive Impact</td>
<td>An impact associated with a growth of capital stocks, or a creation of well-being as perceived by the stakeholder experiencing the effect</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Negative Impact</td>
<td>An impact associated with the decline of capital stocks or an erosion in well-being as perceived by the stakeholder experiencing the effect.</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Absolute Impact</td>
<td>The impact generated by an organisation’s activities when compared to a no-alternative reference scenario in which no activities occur. Consider the example of a bakery. Its absolute reference scenario would not include alternative ways to make bread or alternative employment for the bakery's employees.</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Marginal Impact</td>
<td>The impact in which the organisation’s activities are compared to an alternative reference scenario in which alternative activities would be expected to occur where the organisation is absent.</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Reporting organisation</td>
<td>An organisation that chooses to prepare and disclose annual Impact-Weighted Accounts. A reporting organisation can be a single organisation or a part of an organisation or can comprise more than one organisation. A reporting organisation can but does not necessarily be a legal organisation.</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Direct Impact</td>
<td>Impact caused directly by the organisation’s own operations</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Indirect Impact</td>
<td>Impact that arises outside the organisation itself as a result of its actions, and where the activities of the organisation includes a direct or indirect influence on the occurrence and/or size of that impact</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Value chain impact</td>
<td>A form of indirect impact that is generated somewhere in the organisation’s value chain (either upstream or downstream)</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>System impact</td>
<td>A form of indirect impact that is generated outside the organisation’s own value chain</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Intended impact</td>
<td>The impact that an organisation purposefully makes with their activities</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>Unintended impact</td>
<td>The impact that an organisation does not purposefully make with its activities</td>
<td>Section 3.4</td>
</tr>
<tr>
<td>The impact of an organisation</td>
<td>The set of all impacts of the organisation within all capitals on all stakeholders.</td>
<td>Section 3.5</td>
</tr>
<tr>
<td>Impact measurement</td>
<td>The backward-looking process of quantitatively measuring impact to understand the past and current impact of an organisation’s activities.</td>
<td>Section 3.6</td>
</tr>
<tr>
<td>Impact projection</td>
<td>The forward-looking process of quantitatively measuring impact to understand the future impact of an organisation’s activities.</td>
<td>Section 3.6</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>Used in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact assessment</td>
<td>The process to measure and project impact of an organisation’s activities                                                                --------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>Section 3.6</td>
</tr>
<tr>
<td>Value creation</td>
<td>A situation in which that stakeholder is better-off after all the consequences of the activity are considered than without it.</td>
<td>Section 3.7</td>
</tr>
<tr>
<td>Value erosion</td>
<td>A situation in which that stakeholder is worse-off after all the consequences of the activity are considered than without it.</td>
<td>Section 3.7</td>
</tr>
<tr>
<td>Net value creation</td>
<td>The aggregate value created by that set of impacts for that stakeholder</td>
<td>Section 3.7</td>
</tr>
<tr>
<td>Double materiality view of an impact</td>
<td>An impact is material if either: (i) the impact materially affects the future earning potential of the company, or (ii) the impact materially affects the welfare of one or more (external) stakeholder groups</td>
<td>Section 4.3</td>
</tr>
<tr>
<td>Value chain responsibility</td>
<td>The view that some impact is the responsibility of multiple organisations in a value chain, even if the impact directly occurs as a result of the operations of just one of them.</td>
<td>Section 4.5</td>
</tr>
<tr>
<td>The value chain of a product or service</td>
<td>The set of organisations that supply (intermediate) goods and services to each other in order to produce a finished product or final service.</td>
<td>Section 4.5</td>
</tr>
<tr>
<td>The value chain of an organisation</td>
<td>The combined total (i.e., union) of all value chains of all products and services to which an organisation contributes.</td>
<td>Section 4.5</td>
</tr>
<tr>
<td>Impact pathway</td>
<td>A quantifiable chain of effects and counterfactual effects linking a specific activity of an organisation to its (non-valued and valued) impact</td>
<td>Section 5.1</td>
</tr>
<tr>
<td>Impact valuation</td>
<td>An assessment of the normative desirability of an impact from the perspective of a stakeholder in a common quantitative unit that reflects that impact’s value to that stakeholder; the common unit is often monetary</td>
<td>Section 6.1</td>
</tr>
<tr>
<td>Non-valued impact</td>
<td>An impact expressed in its natural units.</td>
<td>Section 6.1</td>
</tr>
<tr>
<td>Valued impact</td>
<td>An impact expressed in a quantitative unit that reflects the normative desirability of an impact from the perspective of a stakeholder</td>
<td>Section 6.1</td>
</tr>
<tr>
<td>Monetary valued impact</td>
<td>The valued impact where the unit used is monetary</td>
<td>Section 6.1</td>
</tr>
<tr>
<td>Remediation costs</td>
<td>A quantitative estimate of the cost that should be incurred to remediate the harm that is caused by unsustainable impacts</td>
<td>Section 6.1</td>
</tr>
<tr>
<td>Impact aggregation</td>
<td>The process of combining the values associated with multiple impacts within the same welfare category and belonging to the same stakeholder group into a single number</td>
<td>Section 7.3</td>
</tr>
<tr>
<td>Impact Attribution</td>
<td>The step which consistently distributes a share of the impact value to each of the stakeholders considered co-responsible for the occurrence of that impact</td>
<td>Section 7.4</td>
</tr>
<tr>
<td>Attributed impact</td>
<td>A weighted impact that reflects the contribution of an organisation to the impact.</td>
<td>Section 7.4</td>
</tr>
<tr>
<td>impact contribution</td>
<td>A measure of the overall attributed impact of an organisation</td>
<td>Section 7.4</td>
</tr>
<tr>
<td>The Annual Impact-Weighted Accounts of an organisation</td>
<td>Set of statements including the Integrate Profit and Loss or the Integrated Balance Sheet that provide an organisation and its stakeholders 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.</td>
<td>Section 8.2</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
<td>Used in</td>
</tr>
<tr>
<td>------</td>
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<td>---------</td>
</tr>
<tr>
<td>The Integrated Profit &amp; Loss (IP&amp;L) Statement</td>
<td>A statement that consists of an overview all Integrated Profit &amp; Loss impacts of an organisation over a time period. It presents all material valued impacts of the organisation, classified by the Capitals and stakeholders, which were realised during the reporting period.</td>
<td>Section 8.5</td>
</tr>
<tr>
<td>Derived statements from the IP&amp;L Statement</td>
<td>Statements containing a subset of all Integrated Profit &amp; Loss impacts of an organisation over a time period.</td>
<td>Section 8.5</td>
</tr>
<tr>
<td>Stakeholder Value Creation Overview</td>
<td>A table that is derived from the IP&amp;L that reflects the overall value creation of the organisation for each of its stakeholders through all the material impacts of the organisation's inputs and outputs.</td>
<td>Section 8.6</td>
</tr>
<tr>
<td>Sustainability Statement for External Costs</td>
<td>A statement which provides information on the absolute social and environmental costs to which the organisation contributed and/or for which it shares value chain responsibility.</td>
<td>Section 8.7</td>
</tr>
<tr>
<td>Sustainability Statement for SDG Contribution</td>
<td>A statement which shows the contribution of an organisation to the UN's Sustainable Development Goals (SDGs) through its marginal impact on each of the SDGs</td>
<td>Section 8.7</td>
</tr>
<tr>
<td>The Integrated Balance Sheet Statement</td>
<td>A statement to inform the users of Impact-Weighted Accounts of assets and liabilities that affect their ability to create integrated value for all stakeholders and their responsibilities towards its stakeholders</td>
<td>Section 8.8</td>
</tr>
<tr>
<td>Financial Capital</td>
<td>(Value Reporting Foundation definition) The pool of funds that is available to an organisation for use in the production of goods or the provision of services, and is obtained through financing, such as debt, equity, or grants, or generated through operations or investments</td>
<td>Appendix B.2</td>
</tr>
<tr>
<td>Manufactured Capital</td>
<td>(Value Reporting Foundation definition) Manufactured Capital consists of manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment, and infrastructure (such as roads, ports, bridges and waste and water treatment plants).</td>
<td>Appendix B.2</td>
</tr>
<tr>
<td>Intellectual Capital</td>
<td>(Value Reporting Foundation definition) Intellectual Capital consists of organisational, knowledge-based intangibles, including intellectual property, such as patents, copyrights, software, rights, and licenses; and “organisational capital” such as tacit knowledge, systems, procedures, and protocols.</td>
<td>Appendix B.2</td>
</tr>
<tr>
<td>Human Capital</td>
<td>(Value Reporting Foundation definition) Human Capital consists of people's competencies, capabilities and experience, and their motivations to innovate, including their: alignment with and support for an organisation's governance framework, risk management approach, and ethical values; ability to understand, develop and implement an organisation's strategy; loyalties and motivations for improving processes, goods, and services, including their ability to lead, manage and collaborate.</td>
<td>Appendix B.2</td>
</tr>
<tr>
<td>Social Capital</td>
<td>(Value Reporting Foundation definition) Social Capital consists of the institutions and the relationships within and between communities,</td>
<td>Appendix B.2</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
<td>Used in</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
<td>Used in</td>
</tr>
<tr>
<td>groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Capital</td>
<td>(Value Reporting Foundation definition) 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.</td>
<td>Appendix B.2</td>
</tr>
<tr>
<td>Realised activity</td>
<td>An activity the organisation has realised in the reporting period</td>
<td>Appendix C</td>
</tr>
<tr>
<td>Projected activity</td>
<td>A forecasted activity the organisation would realise in the future.</td>
<td>Appendix C</td>
</tr>
<tr>
<td>Reference activity</td>
<td>A specified counterfactual activity to the activity undertaken by the organisation that would have occurred in the chosen timeframe had the organisation not undertaken the activity</td>
<td>Appendix C</td>
</tr>
<tr>
<td>Input</td>
<td>A direct effect of an activity of the organisation that occurred during the reporting period. It is a voluntary and positive capital flow towards the organisation.</td>
<td>Appendix C</td>
</tr>
<tr>
<td>Note: From the perspective of external stakeholders, inputs are negative capital flows (reducing their stock of capital). As such, they appear as negative impacts in the IP&amp;L Statement. They are never listed as external costs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output</td>
<td>Any direct effect of the organisation's activity that occurred during the reporting period and is not an input.</td>
<td>Appendix C</td>
</tr>
<tr>
<td>Outcome</td>
<td>A direct or indirect effect of the organisation's activities over the reporting period</td>
<td>Appendix C</td>
</tr>
<tr>
<td>impact of an activity</td>
<td>The difference of an outcome of a realised activity with respect to the counterfactual outcome in the reference activity.</td>
<td>Appendix C</td>
</tr>
</tbody>
</table>
About the Impact Economy Foundation

The Impact Economy Foundation (IEF) is a Public Benefit Organisation which 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 Impact Economy Foundation (IEF) believes that the uptake of compiling and publishing Impact-Weighted Accounts – 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, the Impact Economy Foundation sets out to incubate the Impact-Weighted Account Framework (IWAF) – together with thought leaders and leading practitioners in an inclusive and scientific manner.

Impacteconomyfoundation.org