IMPACT-WEIGHTED ACCOUNTS FRAMEWORK

Impact
Economy
Foundation

Summary

Public consultation version
June 2022

CURRENT DRAFT PUBLIC CONSULTATION

Public Consultation from 2 June – 9 September 2022

- The Impact Economy Foundation (IEF) is facilitating a public consultation to gather feedback on the IWAF documents, improve their applicability and further grow the support for impact management and reporting.

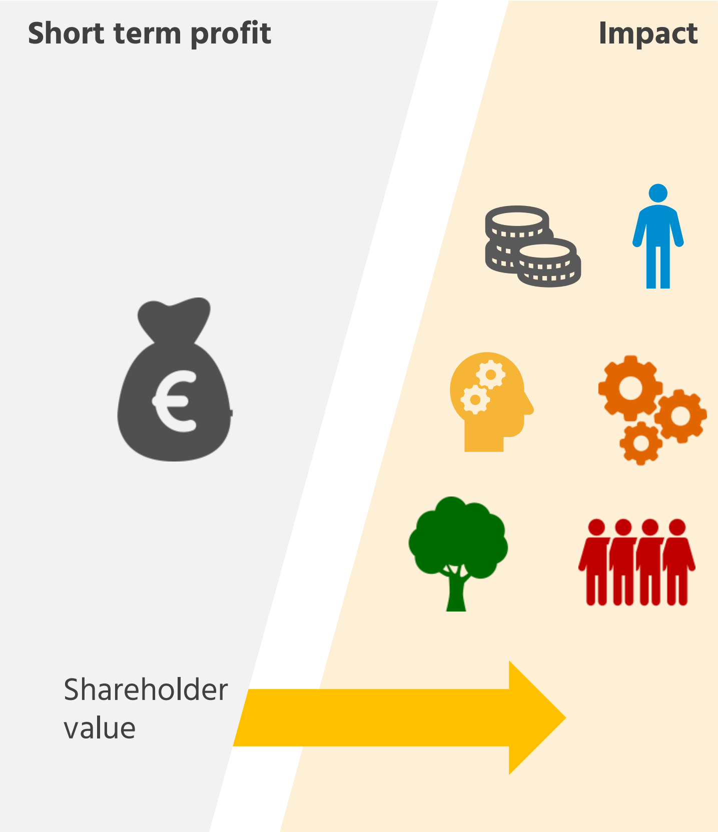
- All readers and experts are kindly invited to participate in the consultation. Please see here for a set of consultation questions we ask you to answer. In addition, all other suggestions for improvement are welcome through email (IWAF@impacteconomyfoundation.org).

- Please see the IEF website for more information about the public consultation and all documents of the IWAF

The IWAF is written on behalf of the Impact Economy Foundation by a.o., experts from Harvard Business School, Singapore Management University, Rotterdam School of Management and Impact Institute

EXECUTIVE SUMMARY

WHY IS IMPACT MEASUREMENT ESSENTIAL?



- Current financial value is created **at the expense** of society and the environment.
- Organisations **cannot continue** to do so. Their licence to operate requires them to create sustainable value.
- Without measurement, management is impossible.
- However, measuring sustainable value creation is challenging:
  - How to **reliably measure** and compare (non-financial) value?
  - How to **engage stakeholders** and ensure organisations act?
- Sustainable value can be **measured through *impacts*.** Impacts show how activities affect welfare in society; they can reflect different types of value ("six capitals") and include effects on different stakeholders.

WHAT DOES THE IMPACT-WEIGHTED ACCOUNTS FRAMEWORK ADD?

- The **goal of the Impact-Weighted Accounts Framework (IWAF)** is to guide organisations on **creating their own Impact-Weighted Accounts (IWAs)** and to enable the materialisation of the **benefits for their key stakeholders**. We make the approach on how to do so **publicly available**.
- It is holistic, transparent and comparable through consistent monetary valuation and, **tailored to each organisation's capacity**.
- It helps organisations start realising their **responsibility to quantity and internalise their externalities**: unwanted effects of their economic activities on social and environmental values.
- It is **complementary** to other frameworks (e.g., Natural Capital Protocol, Greenhouse Gas Protocol).
  - They **re-enforce each other** and should exist next to one another.
  - It also **does not require additional work** on top of existing regulations.

IWAF is written on behalf of the Impact-Economy Foundation by a.o., experts from:

Impact Economy Foundation

HARVARD | BUSINESS | SCHOOL
Impact-Weighted Accounts

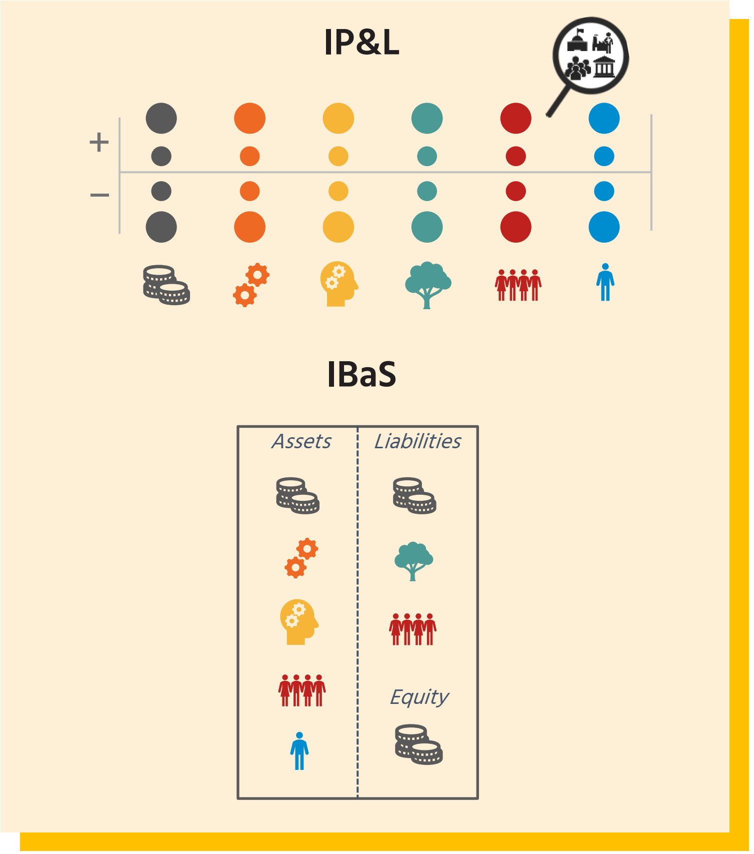
SMU
SINGAPORE MANAGEMENT UNIVERSITY

RSM
ERASMUS UNIVERSITY
ROTTERDAM SCHOOL OF MANAGEMENT
ERASMUS UNIVERSITY

IMPACT INSTITUTE

HOW CAN COMPANIES MAKE INTEGRATED DECISIONS?

- **IWAs** supplement traditional financial accounts with positive and negative impacts on stakeholders such as employees, customers, the environment and the broader society through quantitative and valued accounts:
  - The **Integrated Profit & Loss** (IP&L) extends the "normal" P&L. It shows all impacts on stakeholders in one year.
  - The **Integrated Balance Sheet**[1] (IBaS) extends the "normal" balance sheet. It shows impact assets and liabilities.
- IWAs provide guidance to companies on purposeful and intentional impact that benefit society, while ensuring their own licence to operate.
- The IWAF aims to fill the gap of a missing international standard that ensures complete and consistent IWAs.



The figures represent a hypothetical example

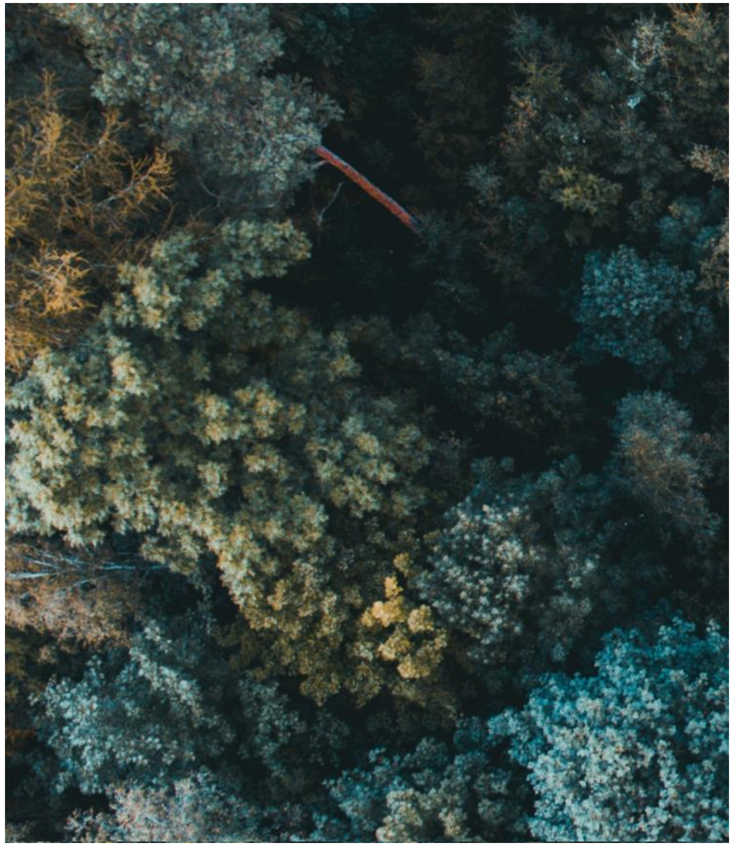
[1] The concept of the IBaS is under development. Therefore, the IWAF currently does not provide specific guidance on compiling IBaS accounts. When the concept has matured, recommendations on how to compile IBaS will be added.

WHAT DOES THE IMPACT-WEIGHTED ACCOUNTS FRAMEWORK ADD?

- The **IWAF** supports organisations to make IWAs.
- The IWAF gives specific guidance on **how to measure** impact such that it can be used to make management decisions.
- The IWAF builds on the current impact literature and identifies 5 topics for specific guidance.
- **10 principles** answer common challenges and ensure IWAs inform integrated decisions.

Topics	Principles
Identification Which impacts are my responsibility?	**Multi-dimensional** Impacts can reflect different forms of value and value for different stakeholders
	Materiality based An impact is material if it affects future earnings or if it affect welfare of stakeholders
	Welfare based IWAF includes at least two welfare categories: wellbeing and the respect of rights
	Value chain responsibility Organisations have a responsibility for the impact of their value chain partners
Measurement How do I measure societal impacts?	**Impact-pathway based** Impact is about outcomes – how the welfare of stakeholders is affected
	Complete reference view Impact is defined with respect to a specific reference scenario
Comparability What are the relative sizes of impacts?	**Valued in commensurable unit** Monetary valuation allows impacts to be compared
Aggregation How to make sense of many impacts?	**Only within welfare categories** Negative impacts (of the rights dimension) shall not be netted against positive impacts
	Conservation of impact Impact contribution ensures total impact is counted exactly once.
Presentation How to comprehensively present impacts?	**Statements of IWAs** Integrated Profit & Loss, Integrated Balance Sheet and derived statements

THIS DOCUMENT



01 The case for Impact-Weighted Accounts and the Impact-Weighted Accounts Framework

02 Principles of the Impact-Weighted Accounts Framework

03 Workflow and building blocks to make Impact-Weighted Accounts

04 Documents of the Impact-Weighted Accounts Framework

The case for Impact-Weighted Accounts and the Impact-Weighted Accounts Framework

01

WHY DO SUSTAINABILITY AND VALUE CREATION BEYOND FINANCIAL VALUE MATTER?

- Current financial value is created **at the expense** of society and the environment and is not sustainable in the long term.
- **Sustainable economic development** happens within planetary boundaries and with a solid social foundation.
- Therefore, organisations should aim to create **integrated value** for all its stakeholders.
- Organisations have the **responsibility to measure** and internalise unwanted effects of their activities on social and environmental values.

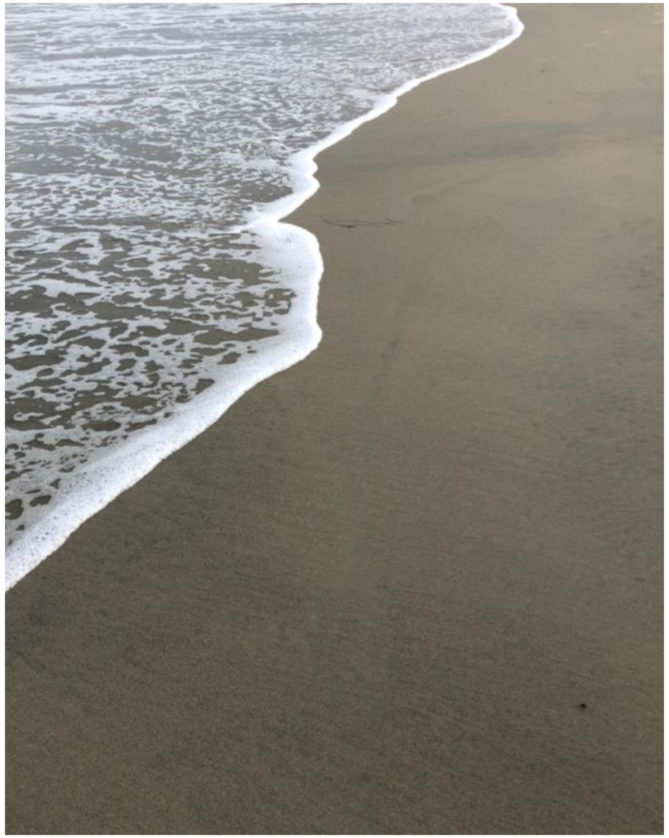


Photo by René Molenkamp on Unsplash

WHY MEASURE AND REPORT ON SUSTAINABILITY AND VALUE CREATION?

- Without measurement, both the positive and negative societal impacts are in reality **valued at zero**.
- This leads to an **incomplete view** of an organisation's societal value creation and/or degradation.
- In the past decades, **progress has been made** beyond managing and reporting on financial value creation only.
- With a holistic approach on value creation, **regulatory requirements** have caused the field of sustainability reporting to mature.

EU regulatory requirements

EU taxonomy

NFRD	CSRD	...

The EU regulations serve as an illustrative example

WHICH CHALLENGES REMAIN FOR VALUE CREATION MEASUREMENT AND SUSTAINABILITY REPORTING?

- Several challenges remain for value creation measurement and sustainability reporting:
  - Organisations need **comparable and reliable information** to make integrated decisions, but how to measure and compare (non-financial) value?
  - How to **engage stakeholders** and ensure organisations act upon their promises?

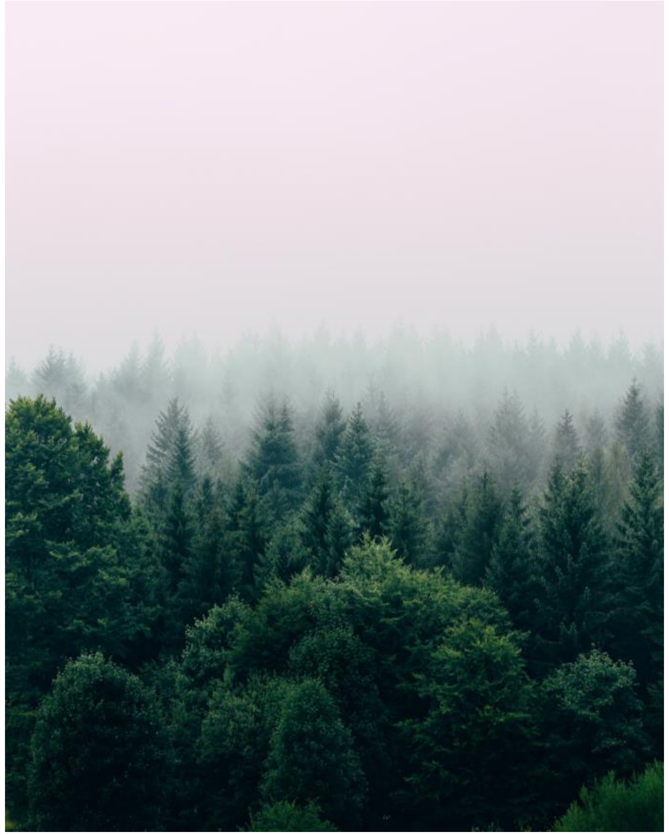


Photo by Filip Zrnzević on Unsplash

WHY IMPACT SOLVES THESE CHALLENGES?

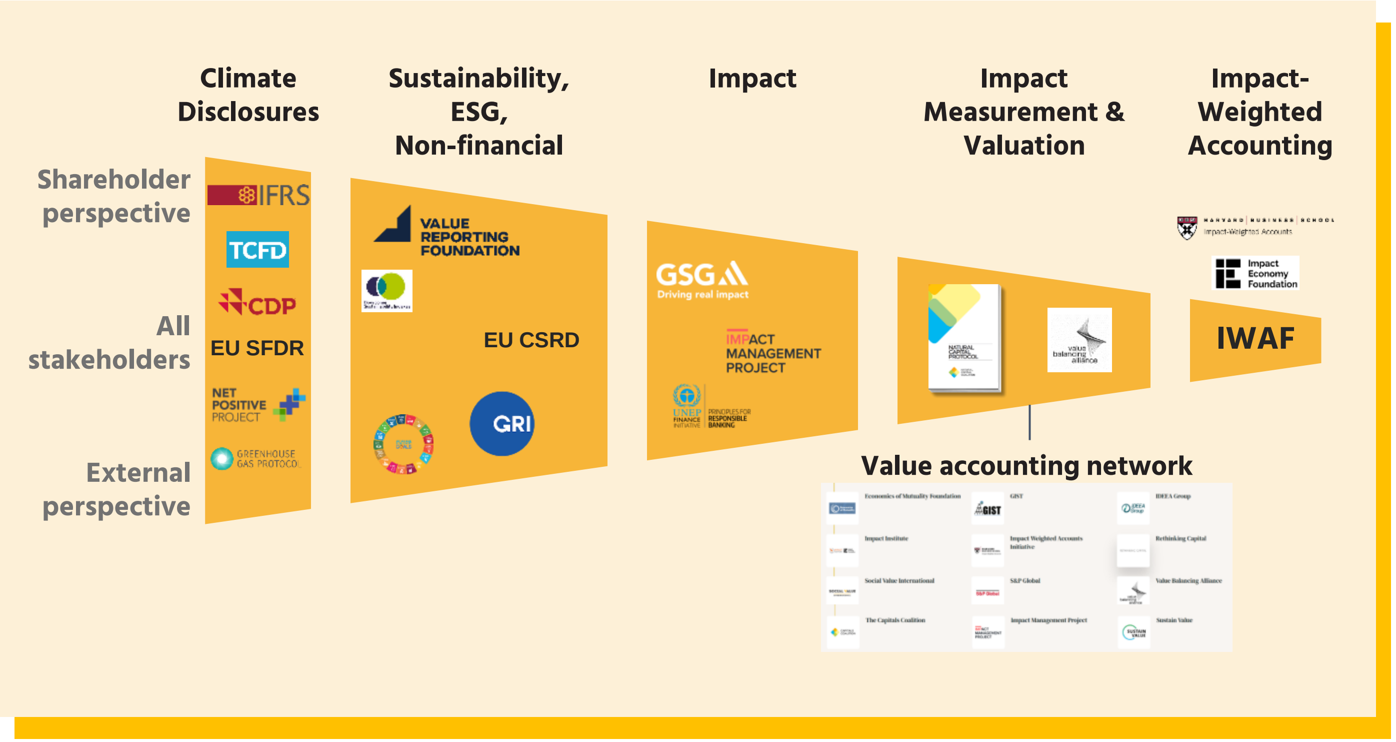
- **Impact** reflects changes that affect the welfare of an organisation's stakeholders. Organisations create or destroy value for society through their impact.
- Impacts can be **measured and compared**. The Impact-Weighted Accounts Framework (IWAF) specifically uses monetary valuation for comparability (see below for details).
- Impacts should be measured within an **accounting framework** with the aim of harnessing our economy to improve our society and planet. The IWAF provides such a framework.

Photo by Renzo D'souza on Unsplash

From Harvard Business School. (2021). Impact-Weighted Accounts.

WHY IMPACT-WEIGHTED ACCOUNTS?

- Impact-Weighted Accounts (IWAs) are in **the forefront of a broader field** of measuring, reporting and managing sustainability and impact.
- IWAs supplement the reporting on financial performance of an organisation with its positive and negative impacts on employees, customers, the environment and the broader society.



COMPANIES ARE ALREADY EXPLORING IMPACT-WEIGHTED ACCOUNTS

- There is a large number of organisations that **already measure, report and manage** their impact in line with the spirit of the IWAF.
- The figure on the right gives a number of examples, structured by application. It shows that the **applications to measure and to report** are already quite popular, while steering on impact and a full strategy of **long-term value creation** are more in the explorative phase.

[1] The Banking for Impact Working Group: ABN AMRO, Danske Bank, DBS, UBS, Harvard Business School and Impact Institute

WHY A FRAMEWORK FOR IMPACT-WEIGHTED ACCOUNTS?

- Impact measurement, valuation and accounting is a **relatively new field** and in rapid development.
- The field **lacks an international standard** for making IWAs. Such a standard should ensure a complete and consistent impact assessment, including all capitals and stakeholders.
- The IWAF aims to **close this gap** and guides organisations to create their own IWAs.
- The IWAF builds on many existing frameworks, specifically:
  - **Impact-Weighted Account Project** of Harvard Business School.
  - **Framework for Impact Statement** of Impact Institute.
- Other adopted impact reporting frameworks include the IRIS+, IMP, Capital Coalitions and SDG reporting.

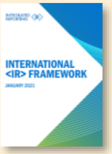
Selection of informative references that have strongly influenced the framework

Impact Institute (2019). Framework for Impact Statements

G. Serafeim et al. (2019). Impact-Weighted Financial Accounts: The Missing Piece for an Impact Economy

Natural Capital Coalition (2016). Natural capital protocol principles and framework.(And other work of the Capitals Coalition)

Global Reporting Initiative (2020). The global standards for sustainability reporting



The International Integrated Reporting Council (IIRC). (2021). International <IR> Framework.

IWAs A HOLISTIC VIEW ON ORGANISATION PERFORMANCE

- The IWAF defines IWAs as:

"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 two building blocks:
  - **Integrated Profit & Loss** expands a traditional profit & loss by taking into account value created for all stakeholders in the form of the six IIRF capitals
  - **Integrated Balance Sheet** expands a traditional financial balance to include stakeholder value created over a longer term

Capitals

- Financial
- Manufactured
- Intellectual
- Social
- Human
- Natural

BENEFITS OF IWAs FOR COMPANIES

Benefits for companies

1. Steer on **purposeful and intentional impact**
2. Retain their social **licence to operate**
3. Better **understand internalisation risks** and act upon them
4. Understand the value of their impact
5. Meet **transparency expectations** of stakeholders
6. Comply with **future regulations**
7. Remain an **attractive employer** for future talent

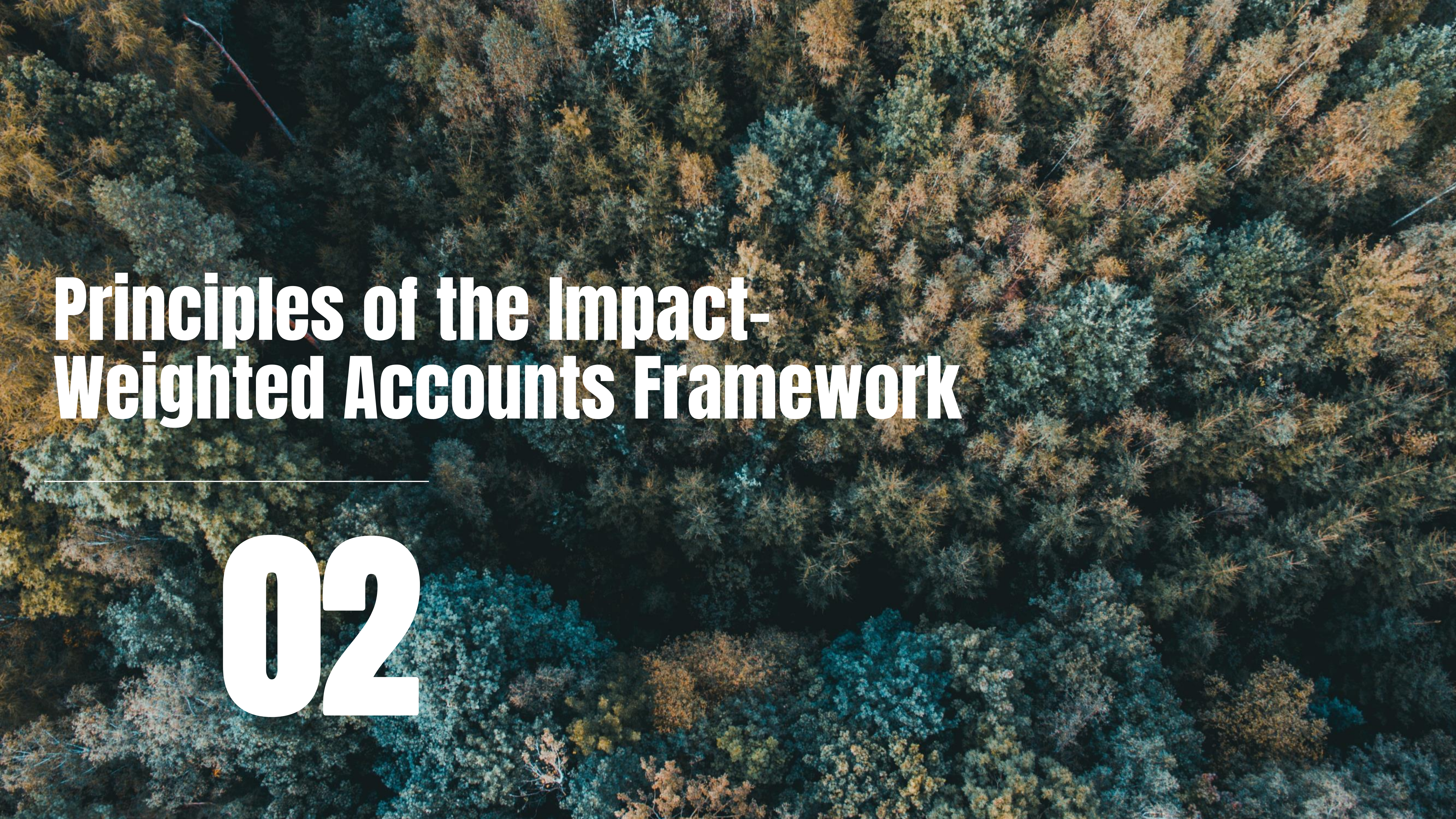
Benefits for **investors**

BENEFITS OF IWAs FOR INVESTORS

Benefits for **companies**

Benefits for investors

1. Understand an organisation's **integrated value creation for all stakeholders**
2. Assess the **likelihood and speed of internalisation**
3. Get additional insight in an organisation's **long-term financial viability**
4. Increased transparency of potential **long-term risks**

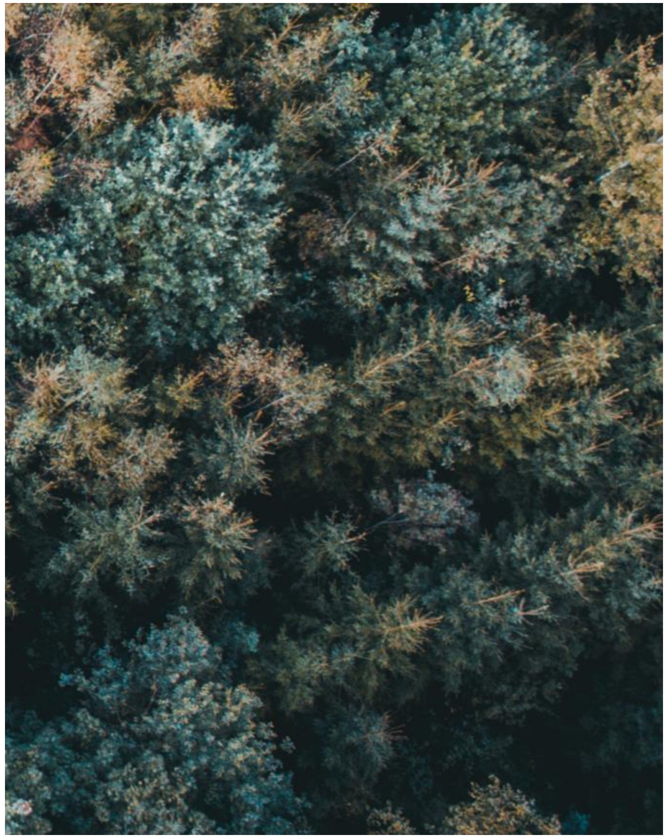


Principles of the Impact-Weighted Accounts Framework

02

WHAT ARE IMPACT-WEIGHTED ACCOUNTS?

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



THE IWAF SUPPORTS ORGANISATIONS TO MAKE IWAs

- The goal of the IWAF is to **support organisations** to develop IWAs.
- The framework covers five topics to ensure the IWAs inform the **integrated decisions** of organisations.
- In literature, we see great examples of impact assessments—but often these fall short to be used to manage impacts. Various **challenges** to successful impact assessments remain.

Topics

- Identification
- Measurement
- Comparability
- Aggregation
- Presentation

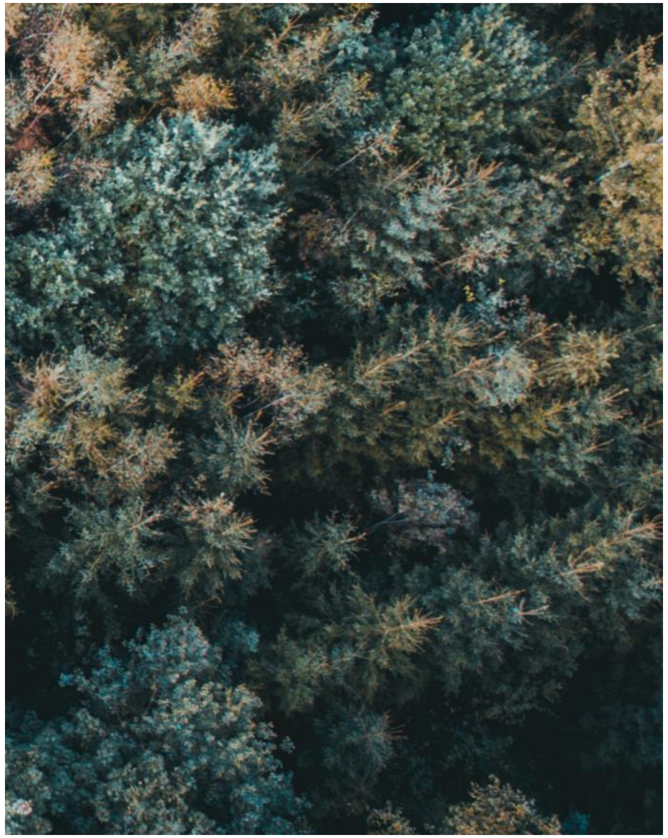
TOPICS OF IMPACT ASSESSMENTS AND THEIR CHALLENGES

Topics	Related challenges	Examples
Identification	Impact measurement is based on assessing 1 or more impacts. 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?	Where do I start?
Measurement	Without measurement, organisations can only make very limited claims about the size of impact and therefore only make intuitive decisions. • How to get started measuring impacts? • Impact is defined as the difference an organisation makes: but the difference as compared to what?	CO_2 A lot vs CO_2 Really a lot
Comparability	Impacts are naturally expressed in wildly divergent units: • How to get meaningful insights on their relative sizes? • Some units are naturally expressed in monetary units: these risk being prioritised in decision-making.	Impact on Biodiversity > Impact on Climate change ?
Aggregation	• Lack of aggregation—it is difficult to make meaningful claims on total performance based on dozens of impact numbers. • 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 problematic. • Incorrect aggregation— this may lead to double counting.	1 impact metric or 200 impact numbers ?
Presentation	• Which statements to show? • How to relate that to "good performance" of an organisation?	How to visualise all of this? How to manage impact?

Pictograms from the Noun Project: filter by scott desmond, and report by Irvan Rhomadhani

IMPACT ASSESSMENT REQUIRES CHOICES TO BE MADE

- Some elements of **impact measurement and valuation** are relatively straightforward. All methods in the literature take a similar approach.
- Other elements require **choices to be made**, when no clear “right” or “wrong” option exists. In these cases, the IWAF 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** that relate to the topics and challenges of impact assessments and enable organisations to manage their impact.

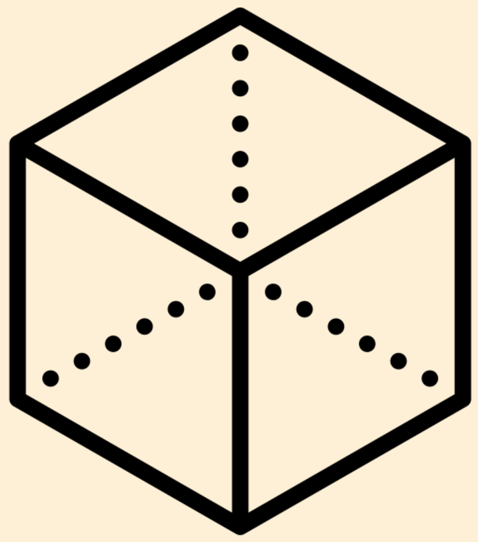


PRINCIPLES OF IWAF BASED ON CHALLENGES OF IMPACT ASSESSMENTS

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

IMPACT PRINCIPLE 1 MULTI - DIMENSIONAL

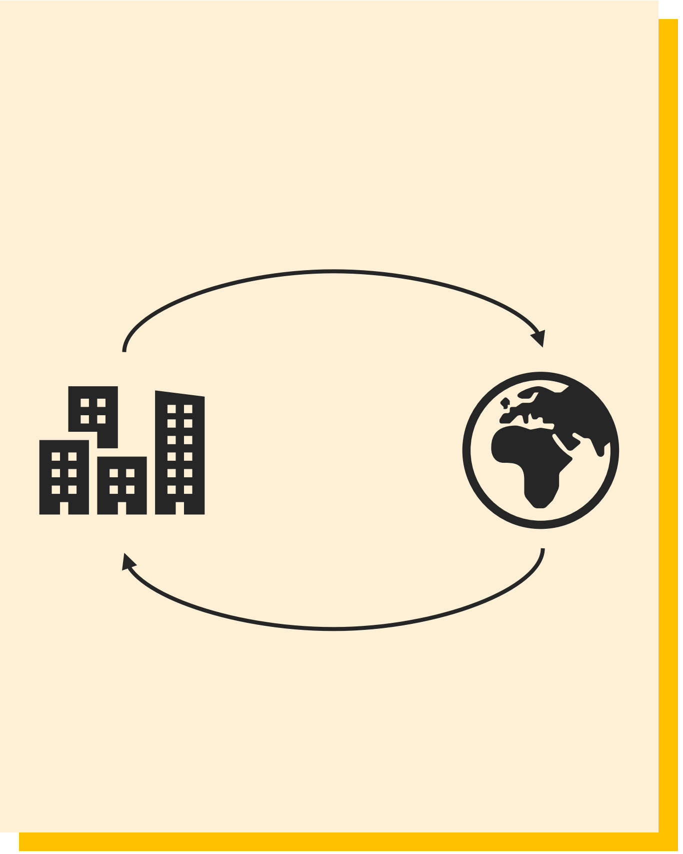
- IWAs consist of **accounts** — just as financial accounts do (income statement, balance sheet, etc.)
- In these accounts, all line items are impacts, such as contribution to climate change, wellbeing of employees, increase in social cohesion, etc.
- One account can include **multiple impacts** (up to a few dozen). This makes impact statements inherently multi-dimensional.
- Impacts can reflect different forms of value (belonging to different capitals) and reflect value for different stakeholders.
- A list of standard impacts is provided for reference .



Pictogram from the Noun Project: Cube by LAFS

IMPACT PRINCIPLE 2 MATERIALITY BASED

- An impact is material if it satisfies one of the following criteria (**double materiality**):
  - The impact materially affects the future earning potential of the company.
  - The impact materially affects the welfare of one or more (external) stakeholder groups.
- An impact is assessed as material when it:
  - Is material, based on empirical data (for example, based on scientific research or previous IWAs).
  - Is perceived to be material by at least one of its stakeholder groups.
- The longlist of impacts undergoes a **prioritisation process** from a multi-stakeholder perspective.
- With regards to assessing materiality, the IWAF does not provide (much) guidance. The user is referred to GRI (stakeholder focus), IIRC, IFRS, etc. (enterprise value).



Picture inspired by The London School of Economics and Political Science

IMPACT PRINCIPLE 3 WELFARE BASED

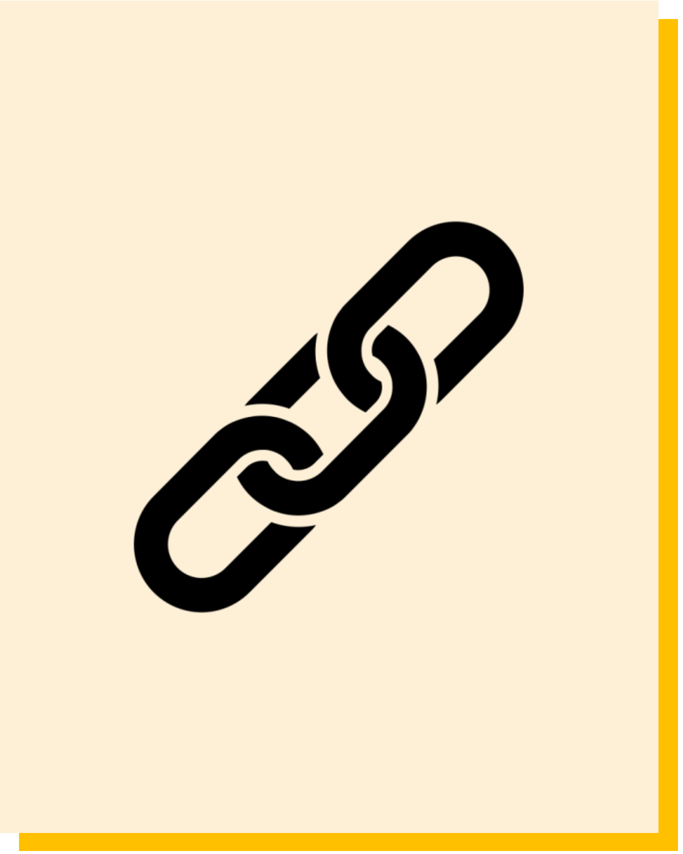
- Welfare consists of various categories, such as wellbeing, respect of rights, spiritual value, equity and equality.
- (Aggregated) human wellbeing is *not* the only thing that matters.
- **Violating rights** of a stakeholder is seen as problematic, even if it only leads to a limited decrease in human wellbeing.
- Violating rights of one stakeholder can never be justified with an increase in wellbeing of another stakeholder (e.g., "the pollution is OK as the company provides employment").
- Therefore, the IWAF defines at least **two welfare categories**[1] that should be assessed separately and that can never be netted:
  - **Wellbeing**
  - **Respect of rights**

Welfare by Noomtah on flaticon.com

[1] Other welfare categories are currently not in scope

IMPACT PRINCIPLE 4 VALUE CHAIN RESPONSIBILITY

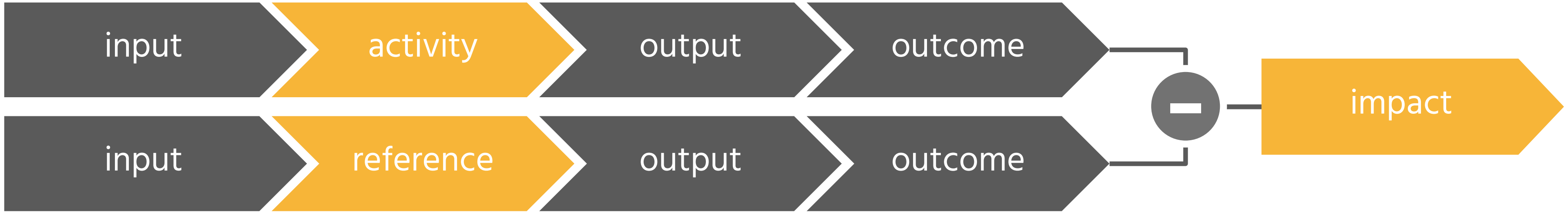
- Organisations have a **responsibility** for the impact results of their value chain partners.
- In impact models, this translates to the requirement to include both:
  - **Direct impact**: the impact of own operations
  - **Indirect impact**: the impact of value chain partners



Pictogram from the Noun Project: Chain by Adrien Coquet

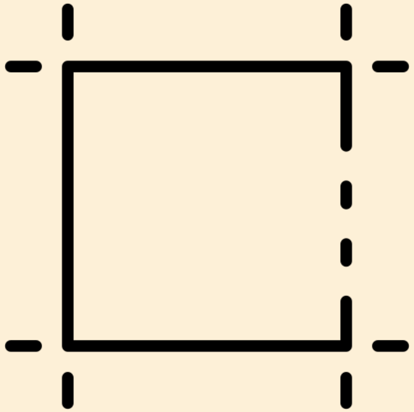
IMPACT PRINCIPLE 5 IMPACT-PATHWAY BASED

- IWAs consistently use **impact pathways** to assess impacts.
- 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.
- Impact is about **outcomes**—how the welfare of stakeholders is specifically affected.
- In addition, impact is always defined with respect to a reference (see next principle).



Pictograms from the Noun Project: Pathway by Iconbox

IMPACT PRINCIPLE 6 COMPLETE REFERENCE VIEW



Absolute impact is the impact as compared to a no-alternative reference scenario in which no activities occur.

Marginal impact is the additional impact as compared to a reference scenario in which alternative activities continue in the organisation's absence.

Pictogram from Planbstudio on flaticon.com

- Impact in impact pathways is defined with respect to a **reference**.
- Often, impact claims have only implicit references.

  "Electric cars limit CO_2 emissions"
  (True, if the reference is gasoline cars)

  "Electric cars lead to CO_2 emissions"
  (Also true, and particularly relevant with an absolute reference)

- Both the so-called **absolute and marginal reference** are relevant and are assessed within IWAs
- Additionally, the organisation should clearly describe the references used in impact calculations.

IMPACT PRINCIPLE 7 VALUED IN COMMENSURABLE UNIT

- Impacts all have their own quantities and units:
  - Kilotons of CO_2 emissions (for climate change)
  - DALYs lost (for health & safety accidents)
  - Wellbeing points gained (for wellbeing of work)
  - Etc.
- This leads to a lack of **comparability.**
- **Valuation** is the assessment of the normative desirability of an impact, which therefore reflects its value to stakeholders.
  - The wellbeing and the rights category are assessed separately.
- Valuation expresses impacts in a **common unit**.
  - This unit is often monetary, with the additional advantage of comparability to financial metrics.

Valuation of the wellbeing dimension
- One-on-one monetary valuation (if impact is already expressed in dollar amounts)
- Revealed preference
- Stated preference
- Subjective wellbeing

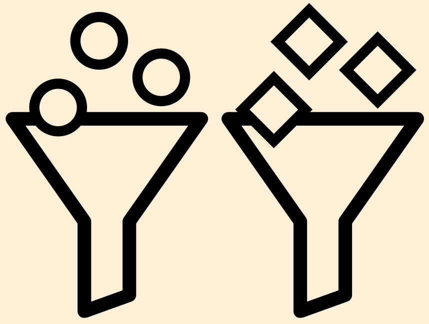
Valuation of the respect of rights dimension

Remediation of the harm incurred by unsustainable impacts

This entails a combination of costs for
- Restoration of damage
- Compensation for damage
- Prevention of reoccurrence
- Retribution (reflecting costs to society as a whole)

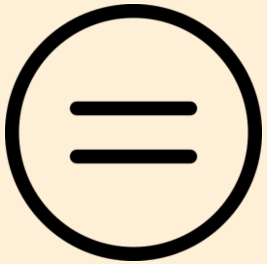
IMPACT PRINCIPLE 8 AGGREGATE ONLY WITHIN WELFARE CATEGORIES

- Financial accounting is in a sense one-dimensional as it has a single bottom line: the annual profit.
- Impact is inherently **multi-dimensional**. There is more than one bottom line: each impact represents one on itself.
- Aggregation could lead to **loss of important information** and should definitely not be used to hide important information.
- Aggregation of impacts should be done with caution — aggregate only within welfare categories.
- Impact should not be aggregated into **a single number** (or “total impact”).
- In particular, negative impacts of the stakeholder rights dimension should **not be netted** against positive impacts in the IWAF (unless they are also shown explicitly disaggregated elsewhere).



IMPACT PRINCIPLE 9 CONSERVATION OF IMPACT
(DURING ATTRIBUTION & AGGREGATION)

- The principle of **value chain responsibility** states that both *direct* and *indirect* impact should be included.
- Naively including both the impact of own operations and that of value chain partners leads to double counting.
- **Impact contribution** avoids double counting: an organisation's impact is a linear combination of (parts of) the total direct and indirect impact.
- The total amount of **impact remains equal** throughout contribution.
- Four supporting principles guide the assessment of impact contributions using attribution.



Supporting principles that guide impact contributions
- **Additivity of impact:** the impact of two organisations can be summed
- **Sensitivity to impact:** if one element of impact contribution increases/decreases while the other impacts remain constant, then the total impact contribution should increase/decrease
- **Sufficient resolution:** differences between organisations should be clear in their impacts
- **Co-responsibility:** Impact is part of an organisation's impact contribution if, and only if, that organisation is co-responsible for that impact.

Pictogram Equal by freepik on flaticon.com

Workflow and building blocks to make Impact-Weighted Accounts

TOPICS AND PRINCIPLES LEAD TO A WORKFLOW TO MANAGE IMPACT

Stage	Step	Activities
FRAME	01 Get started	- Understand context
SCOPE	02 Define the objective	- Identify target audience - Identify relevant stakeholders - Formalise objective
SCOPE	03 Scope the assessment	- Set boundaries - Determine assessment type - Determine level of detail - Identify potential impacts - Select impacts
MEASURE AND VALUE	04 Measure impacts	- Identify impact pathways - Establish calculation models - Collect input data - Calculate (non-valued) impacts
MEASURE AND VALUE	05 Value impacts	- Determine monetisation factors - Calculate valued impacts
MEASURE AND VALUE	06 Attribute and aggregate	- Attribute impact - Aggregate impact contribution
MEASURE AND VALUE	07 Compile impact statements	- Compile statements - Provide supporting documentation
APPLY	08 Interpret and test the results	- Verify and validate results - Interpret results
APPLY	09 Take action: report the IWAs	- Report and communicate on impact
APPLY	10 Take action: manage impact	- Manage impact

WE PROVIDE GUIDANCE ON HOW TO MAKE IWAs IN EACH OF THE STEPS

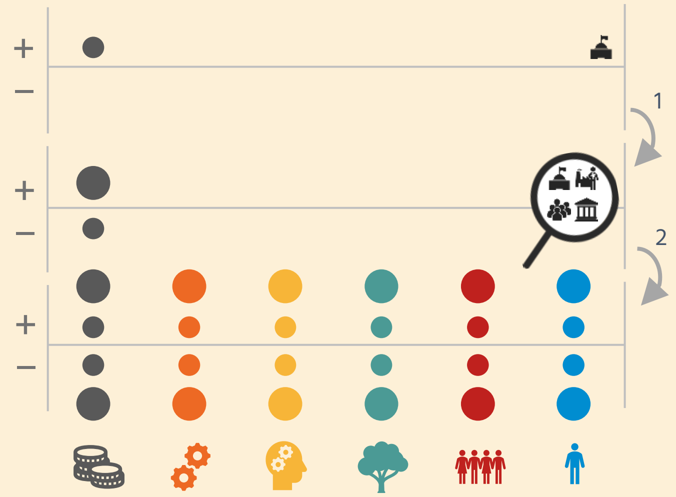
- Please see the **Guidance document of the IWAF** for step-by-step guidance on how to make IWAs for your organisation.
- The Guidance document also contains a worked-out example of a fictitious company and how they approach making their IWAs step by step.

IWAs HAVE TWO BUILDING BLOCKS THAT SUPPORT INTEGRATED DECISIONS

- Step 7 of the workflow is to **compile impact statements** – these are a way to present all impact information in a structured way.
- 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.

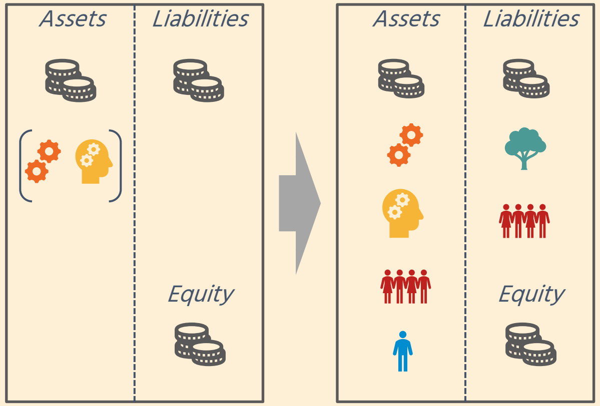
Integrated Profit and Loss Account

- Generalises the financial profit and loss account
- Shows all information the organisation makes during a time 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 below)



Integrated Balance Sheet

- 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)
- Indicates responsibilities the organisation has based on their past impact
- Currently less developed than the IP&L



The figures represent a hypothetical example

INFORMATION FROM IWAs ON ORGANISATIONAL GOALS

- To provide useful impact information, IWAs also contain **derived statements** that inform the reader how they perform with respect to four key organisational goals.
- Managing these goals simultaneously is not easy. Instead of one goal ("to maximise profit"), there are multiple potentially conflicting goals.
- But without any **quantified information** it is even harder to steer on value creation beyond profits.

Goal 1: Create value to society and its stakeholders

Goal 2: Act sustainably within planetary and social boundaries

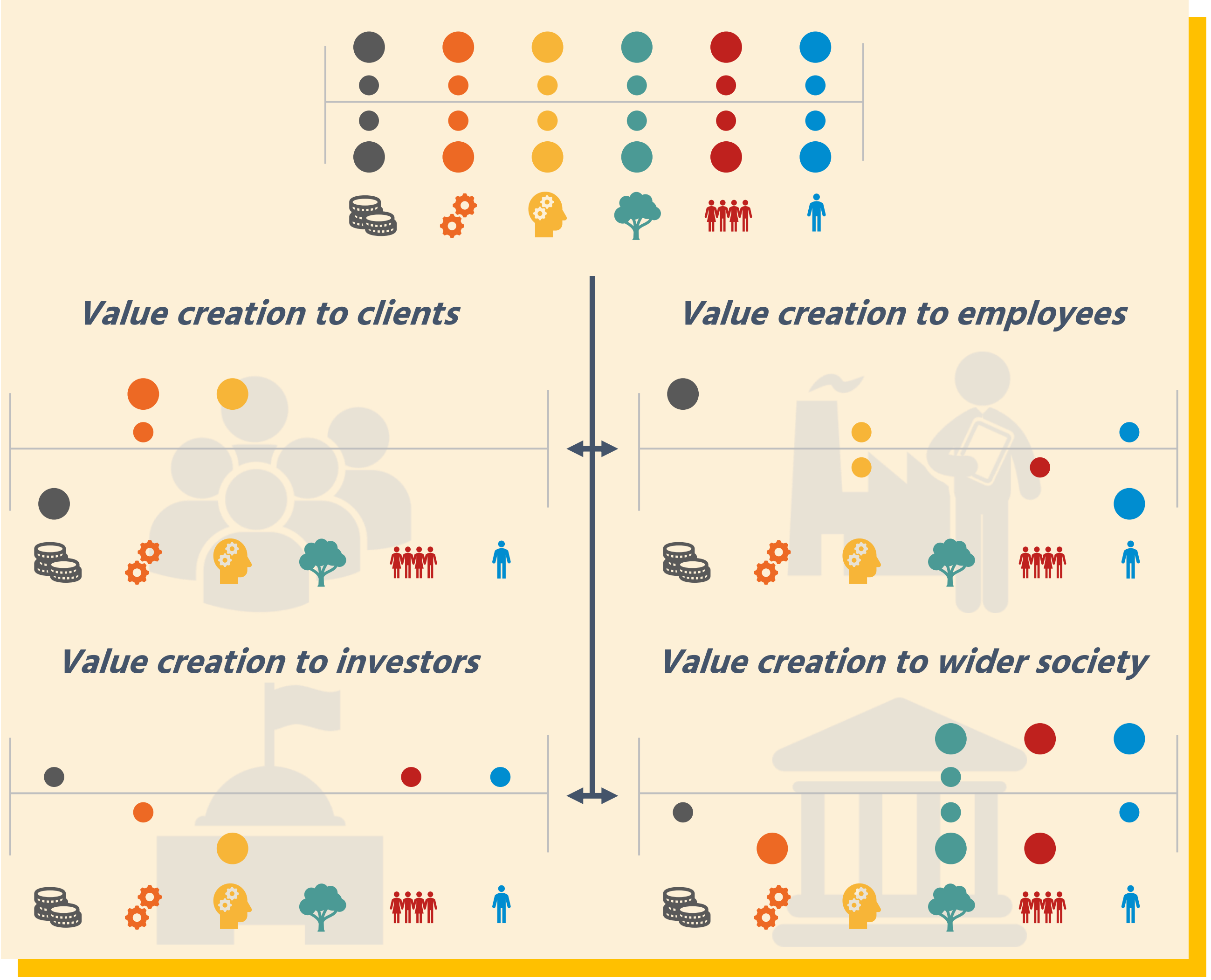
Goal 3: Contribute to the SDGs

Goal 4: Manage integrated value creation potential

Information on the first three goals is included in the Integrated Profit & Loss. The fourth goal is linked to the Integrated Balance Sheet.

GOAL 1 CREATE VALUE TO SOCIETY AND ALL ITS STAKEHOLDERS

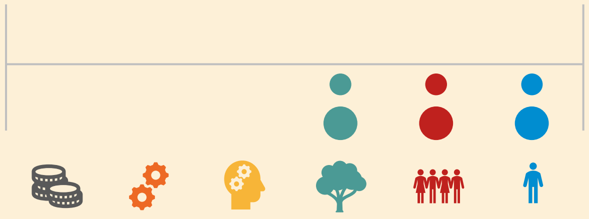
- Healthy companies create **value for all** of their stakeholders.
- This includes the neoclassical goal: create **value for investors**. Indeed, this must be sufficiently large to keep operating (most businesses are not charities).
- It also includes value creation to **employees, clients and wider society**—creating positive value to them is part of the license to operate.
- Based on the Integrated Profit & Loss, value creation can easily be assessed by selecting the right impacts.



The figures represent a hypothetical example

GOAL 2 ACT WITHIN PLANETARY AND SOCIAL BOUNDARIES

- Users of IWAs should be very careful about **justifying negative impacts** by the existence of positive ones.
- It is *not* OK to justify human rights violations or environmental pollution by pointing to positive impacts elsewhere (e.g., positive effect on employment).
- In fact, companies should have a second goal: to **act sustainably** within planetary and social boundaries.
- This translates to a duty to **minimise negative impacts** associated with rights violations (human rights, labour rights and environmental rights).
- Impacts in the Integrated Profit & Loss can reflect rights violations in the organisation's **own operations**, or in its **value chain**. Organisations have a duty to reduce both.



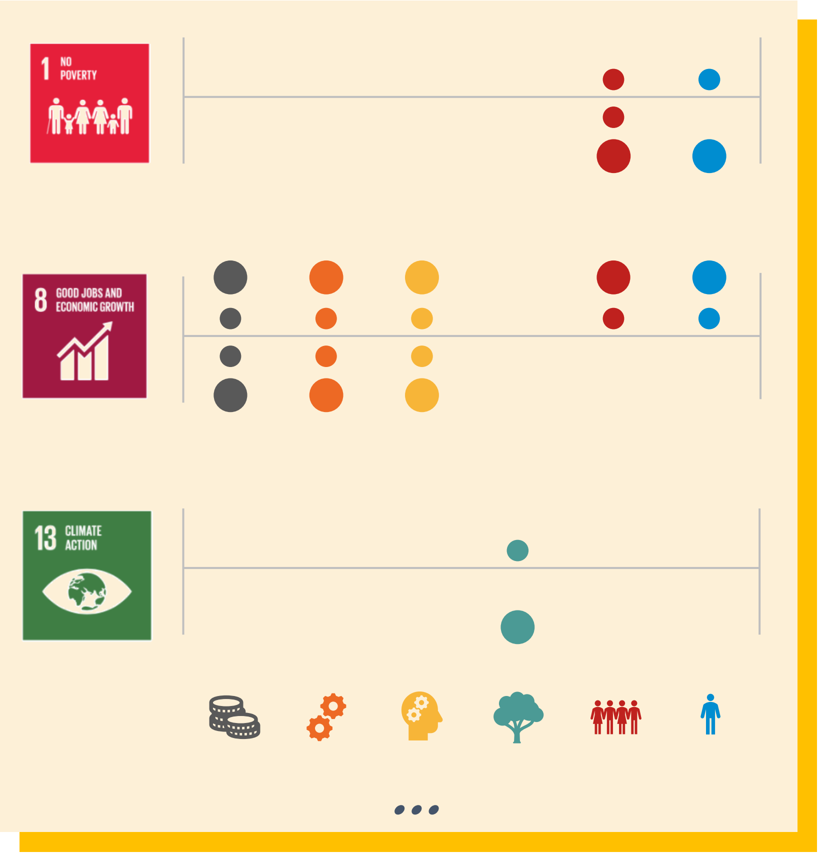
Negative impacts of the rights dimension are typically in Natural, Social and Human Capital

Companies must manage these negative impacts actively. The only 'right' value is zero!

The figures represent a hypothetical example

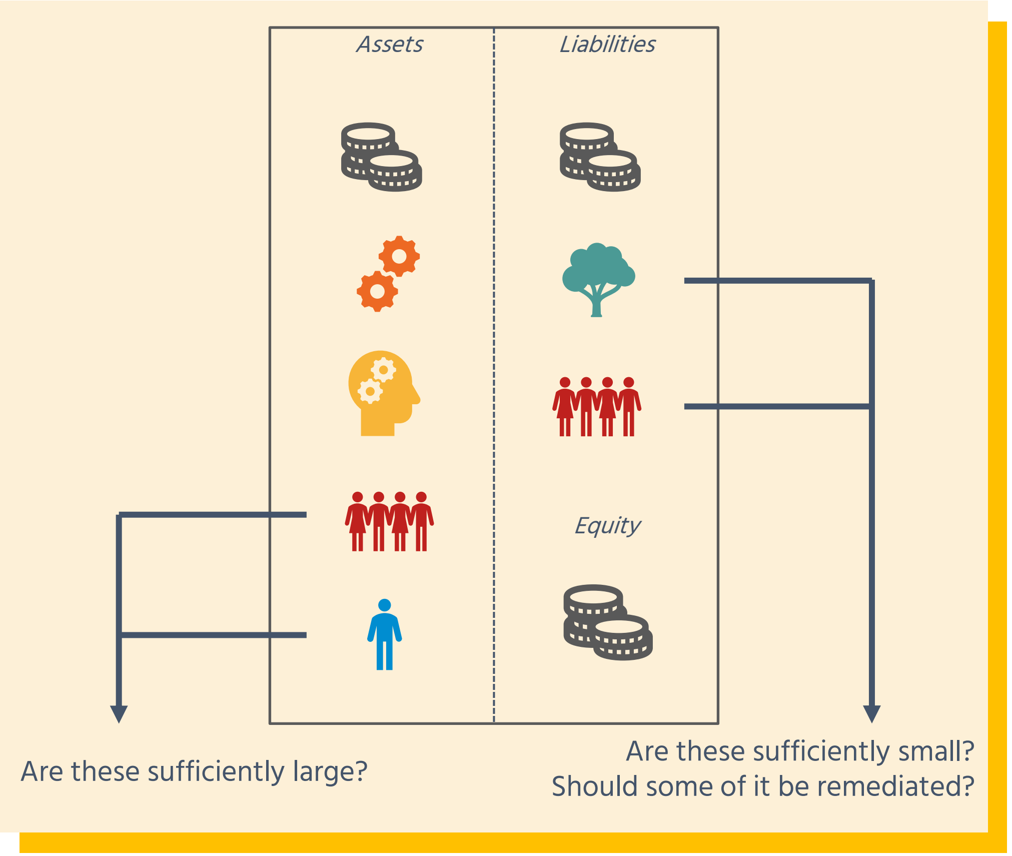
GOAL 3 CONTRIBUTE TO THE SDGS

- The **Sustainable Development Goals (SDGs)** are 17 interlinked global goals as a "blueprint to achieve a better and more sustainable future for all“ formulated in 2015 by the United Nations General Assembly.
- Companies can contribute to the SDGs, and this is a third organisational goal.
- This goal is relative: an organisation can contribute to a **reduction of negative** sustainability impacts and an **increase of positive** sustainability impacts.
- The **SDG statement** can be made by selecting relevant impacts for each SDG—note that some impacts may be associated with more than one SDG.



GOAL 4 MANAGE INTEGRATED VALUE CREATION POTENTIAL

- Over the years, organisations **accumulate positive and negative impact** on their stakeholders.
- Especially, the negative impacts pose a risk. Even if they are not large on an annual basis, the accumulated effect can, literally, be a liability.
- The fourth goal is directly addressed by the **Integrated Balance Sheet**.
- Specifically, the accumulated negative impacts should not be too large. Note that they can often be reduced by remediating the negative effects, although this is typically not free of cost. It would then affect the company's equity.



The figures represent a hypothetical example

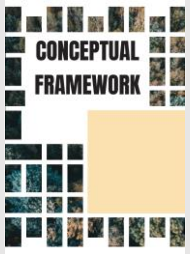
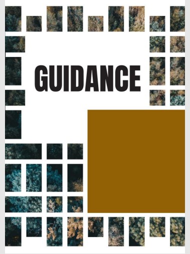
04

Documents of the Impact-Weighted Accounts Framework

THE IWAF AND ITS SUPPORTING DOCUMENTS

- The Impact Economy Foundation is proud to present the **IWAF and its supporting documents**.
- The IWAF provides definitions, principles and requirements for compiling IWAs.
- Next to the Framework itself, there are two documents that provide **context**—an Introduction and the Conceptual Framework—and two other documents **that support prospective users**—a Guidance Document and a FAQ.
- For an **overview of these documents** and their intended audience, see the next slide.

Impact-Weighted Accounts Framework

	Context		Framework	Support		
Documents						
Content	Measuring value creation beyond profit	Conceptual foundations for IWAs	Definitions, principles and requirements Presentation of IWAs	Summary of the key arguments for IWAs and their key properties	Step-by-step guide to compile IWAs	Frequently asked questions, including on comparison of the IWAF and the impact field
Audience	*Companies* wanting to report beyond profit *Investors* wanting to understand long-term value creation *Policy makers* *Impact experts*	*Companies* and *investors* considering using the IWAF *Policy makers* *Impact experts*	*Companies* planning to use the IWAF *Investors* planning to use the IWAF for decisions *Policy makers* *Impact experts*	*Companies* planning to use the IWAF *Investors* planning to use the IWAF for decisions *Policy makers* *Impact experts*	*Companies* applying the IWAF *Companies* wanting to know what it takes to apply the IWAF	*Companies* possibly triggered to use the IWAF *Policy makers* curious for the added value of the IWAF *Impact experts* working on other impact methodologies

Impact Economy Foundation

www.impacteconomyfoundation.org

CONCEPT

A crucial missing piece to realise the impact economy is Impact-Weighted Accounts. Given the absence of a framework to compile Impact-Weighted Accounts, the Impact Economy Foundation sets out to incubate such a framework, together with thought leaders and leading practitioners in an inclusive and scientific manner. IWAF is being developed in partnership with the Impact-Weighted Accounts Project from Harvard Business School, Singapore Management University, Rotterdam School of Management and Impact Institute.

Impacteconomyfoundation.org