

# IMPACT- WEIGHTED ACCOUNTS FRAMEWORK



## FAQ

Frequently Asked Questions

# 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](mailto: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*



# INTRODUCTION | THE IMPACT WEIGHTED ACCOUNTS FRAMEWORK

**Impact-Weighted Accounts** (IWAs) are a way for organisations to quantitatively assess their impact: how they create value for all stakeholders.

The uptake of compiling and publishing IWAs is a key step in the transformation of our economy into an impact economy: a sustainable economy that creates value for everyone.

The **Impact-Weighted Account Framework** (IWAF) helps organisations to compile IWAs by providing the key concepts, requirements and guidance.

The current version of the IWAF consists of a set of **six documents**, including this one.



**Introduction –**  
Measuring Value  
Creation Beyond  
Profit



**Conceptual  
Framework for**  
Impact-  
Weighted  
Accounts



**Impact-  
Weighted  
Accounts  
Framework**



**Executive  
Summary**



**Guidance for  
Practitioners**



**FAQ**



# ABOUT THIS DOCUMENT

This document answers several frequently asked questions about the IWAF. It is structured in three sections.

## 01 General questions

- Why consider IWAs
- Properties of the IWAF
- Criticism of IWAs

## 02 IWAF in the IMV field

- How does the IWAF relate to other work in impact measurement and valuation (IMV)?

*And*

- How can the IWAF and other initiatives strengthen each other?

## 03 Principles of IWAF

- How do the principles of the IWAF compare to those of other work in IMV? Where is the IWAF most innovative?







# General questions

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01



# 1. GENERAL QUESTIONS | WHY CONSIDER IMPACT-WEIGHTED ACCOUNTS?

FAQ	Short answer	For more detail, see
What is impact and why is it important?	Put in the simplest way, impact measures how the activities of organisations affect welfare in society. Impact is important as it makes explicit how an organisation really creates (or reduces) societal value. It is not about their intentions or activities, but the <i>outcomes</i> of these.	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• Conceptual Framework (Chaps 1 &amp; 3)</li> </ul>
Why measure sustainability beyond Environmental, social and governance (ESG)?	ESG management and reporting is important for all large organisations, as doing so has become the standard in the last decades. Assessing impact expands on ESG as it addresses the full value creation for society beyond the topics of ESG, which are often focused on intentions and activities.	<ul style="list-style-type: none"> <li>• Introduction (Chaps 2 &amp; 3)</li> <li>• Conceptual Framework (Chaps 1 &amp; 3)</li> </ul>
What are the benefits for my organisation to report on IWAs?	IWAs helps organisations to steer on purposeful and intentional impact, retain their social licence to operate, understand the value of their impacts and internalisation risk, promote transparency to their stakeholders, etc. Early adopters of the IWAF anticipate the future of corporate reporting and will benefit from a first-mover advantage in (i) giving an early chance to experiment and benefit from the learning, (ii) building a thought-leadership position, and (iii) attracting long-term sustainable investors.	<ul style="list-style-type: none"> <li>• Introduction Chapter 4</li> </ul>
What are the benefits for investors of an organisation that reports on IWAs?	IWAs helps investors to understand long-term value creation for all stakeholders of the reporting organisation, and provides insight into the long-term financial viability of the organisation.	<ul style="list-style-type: none"> <li>• Introduction Chapter 4</li> </ul>
What are the benefits for other stakeholders?	IWAs can inform them about value creation for all stakeholders. In addition, these groups of stakeholders can engage organisations or the public sector to stimulate equitable value creation.	<ul style="list-style-type: none"> <li>• Conceptual Framework Chapter 3</li> </ul>



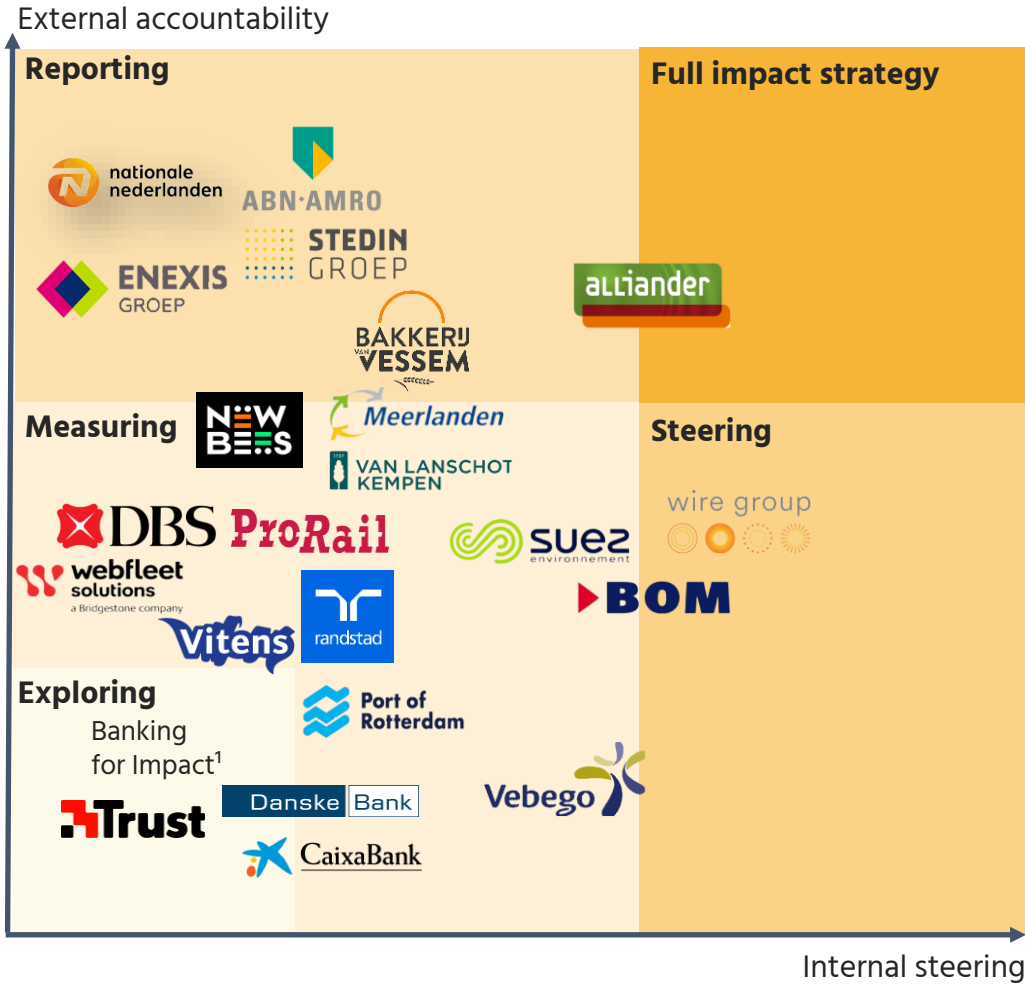
# 1. GENERAL QUESTIONS | WHY CONSIDER IMPACT-WEIGHTED ACCOUNTS?

FAQ	Short answer	For more detail, see
Why consider IWAs instead of other impact approaches?	<p>We cannot claim IWAs are the “only” or “best” way to assess impact. In fact, the IWAF is strongly inspired by many other works in the field of impact measurement and valuation. The IWAF is compatible and even complementary to many other approaches (see Chapter 2 of this document). Three strengths of the IWAF are:</p> <ol style="list-style-type: none"><li>1. Holistic IWAs are a specifically consistent and holistic way to assess all material impacts on society. They are complete on impacts of all capitals and on all stakeholders. The WAF provides both principles and practical guidance to companies and investors on how to compile IWAs.</li><li>2. Transparent and comparable through consistent monetary valuation IWAs value impacts consistently (i.e. monetarily) to make different dimensions comparable by using the same units. The process is transparent and relies on highly rigorous scientific research, methods and databases, which alleviates many people’s concerns that some experts will decide on what’s good or bad for all organisations. While monetary valuation of natural capital impacts is becoming more common place, the IWAF helps the user to apply this for the other capitals as well. The IWAF provides detailed guidance on how to value social capital externalities; it is innovative in guiding the monetary valuation of consumer impact, such as the value of the products and services they enjoy (expressed as Manufactured or Intellectual capital) and the effects on their health (as Human Capital).</li><li>3. Tailored to each organisation’s capacity The IWAF enables organisations to measure, report and manage their impacts at their own pace. The requirements given in this framework should not be read as “all or nothing”. Regardless of their starting point, organisations are encouraged to use elements of the framework for purposes of internal reporting and decision making as the first step towards its wider, and external, application.</li></ol>	<ul style="list-style-type: none"><li>• Introduction</li><li>• Conceptual Framework (Executive Summary)</li><li>• Conceptual Framework (Chapter 6)</li><li>• Impact-Weighted Accounts Framework (Appendix A and Appendix D)</li></ul>



# 1. GENERAL QUESTIONS | WHY CONSIDER IMPACT-WEIGHTED ACCOUNTS?

FAQ	Short answer
Are there early adopters of the IWAF?	<p>There are many organisations that already measure, report and manage their impact in line with the spirit of the IWAF—that is, they already comply with all or most of the principles formulated.</p> <p>The figure on the right gives a several 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.</p>



<sup>1</sup> The Banking for Impact Working Group: ABN AMRO, Danske Bank, DBS, UBS, Harvard Business School and Impact Institute





# 1. GENERAL QUESTIONS | PROPERTIES OF THE IWAF

FAQ	Short answer	For more detail, see
What is meant by “welfare”, and why does the IWAF treat wellbeing and respect of rights on an equal footing?	<p><i>Welfare</i> is the collection of the current and future value enjoyed by stakeholders. The IWAF takes the position that in terms of welfare, human wellbeing is not the only thing that matters. Respecting human rights is also important in and on itself. Although breaches of human rights typically also reduce wellbeing, their damage to society is wider.</p> <p>It is on an equal footing because the IWAF maintains that violating rights of one stakeholder can never be justified with an increase in wellbeing of another stakeholder.</p>	<ul style="list-style-type: none"> <li>• Conceptual framework Chapter 4</li> </ul>
Why does the IWAF measure impacts?	<p>The IWAF urges organisations to measure impacts to realise their responsibility to measure and internalise the unwanted effects of their main economic activities on social and environmental values (so-called <i>externalities</i>).</p> <p>When the value of impacts is not measured, these impacts are de facto valued at zero. In particular, negative externalities are not priced in and are therefore typically not addressed sufficiently by company management or investors.</p>	<ul style="list-style-type: none"> <li>• Introduction Chapter 2</li> <li>• Conceptual Framework Chapter 5</li> </ul>
Why does the IWAF monetary value impacts?	<p>When impacts are assigned a monetary value, the IWAF proposes ways to make the value as objective, reliable and science-based as possible. Benefits of monetary valuation of impacts include having accounting currency and compatibility with accounting systems, as well as enabling organisations to compare between impacts and make integrated decisions on activities that contribute to sustainable development.</p>	<ul style="list-style-type: none"> <li>• Introduction Chapter 4</li> <li>• Conceptual Framework Chapter 6</li> </ul>
How does the IWAF monetary value impacts?	<p>Monetary valuation of impacts in the IWAF depend on which welfare category is affected by the impact. Impacts corresponding to the wellbeing category are valued by an assessment of the gains or losses in wellbeing for the stakeholders involved. Impacts corresponding to respect of the rights category are valued by using remediation cost method. This is a quantitative estimate of the costs that should be incurred to remediate the harm caused by unsustainable impacts.</p>	<ul style="list-style-type: none"> <li>• Conceptual Framework Chapter 6</li> </ul>

# 1. GENERAL QUESTIONS | PROPERTIES OF THE IWAF

FAQ	Short answer	For more detail, see
Why does the IWAF attribute impacts?	Attribution of impact reflects the principle of value chain responsibility. It is the view that some impact is the responsibility of multiple organisations in a value chain, even if the impact only occurs directly because of the operations of one of these organisations. Impact attribution then distributes a share of the impact value consistently to each of the stakeholders considered co-responsible for the occurrence of that impact.	<ul style="list-style-type: none"> <li>Conceptual framework Chapter 1 and 7</li> </ul>
What is impact aggregation and to what extent can impact be aggregated?	Impact aggregation is the process of combining the values associated with multiple impacts into a single number. The IWAF suggests that impacts should not be aggregated across welfare categories in the IWAs. Specifically, negative impacts in the stakeholder rights category should not be netted against positive wellbeing impacts in the IWAs, unless they are also disclosed in a disaggregated manner. The IWAF also urges caution when aggregating impacts that affect different stakeholders into a single number.	<ul style="list-style-type: none"> <li>Conceptual Framework Chapter 7</li> </ul>
What are the building blocks of IWAs?	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. There are also compelling statements to the accounts which are made specifically to address an organisational goal (to create value for stakeholders, to act sustainably and to contribute to the SDGs).	<ul style="list-style-type: none"> <li>Conceptual Framework Chapter 8</li> </ul>
Which impacts should be reported in IWAs?	For the results to be useful for integrated decision-making purposes, IWAs should contain all material impacts. This is determined by the double materiality view. 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.	<ul style="list-style-type: none"> <li>Conceptual Framework Chapter 5</li> </ul>



# 1. GENERAL QUESTIONS | PROPERTIES OF THE IWAF

FAQ	Short answer	For more detail, see
How does the IWAF measure impacts?	The IWAF suggests that a consistent methodology to define and measure (or project) impact is through an <i>impact pathway</i> . 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. Impact pathways make explicit that value creation is to outcomes—which is how the welfare of stakeholders is specifically affected.	<ul style="list-style-type: none"><li>• Conceptual Framework Chapter 5</li></ul>



# 1. GENERAL QUESTIONS | FREQUENTLY-HEARD CRITICISMS

FAQ	Short answer	For more detail, see
Downsides of valuation. Isn't it "morally wrong" to put a value on things such as health and human dignity?	<p>We cannot put a price tag on everything. Yet, we need to start pricing negative impacts (externalities).</p> <p>We acknowledge that putting a dollar value on human rights valuation, or on the value of a human life, is controversial. Doing so might lead to the risk of "commodifying" human dignity. Nevertheless, management teams will experience more pressure in addressing—mitigating—them when expressed in a financial value. Not valuing them, that is not putting them in the language of business decisions, is an even larger risk.</p> <p>All managers are obliged to also consider human rights, effects on human rights, etc. in their decisions. But with only qualitative arguments to be guided on, this is difficult. If these impacts are expressed in the same language as other impacts, it is much more likely that they get the attention they deserve.</p> <p>It is also worth noting that the "do no harm" principle is central in the IWAF. <i>Any</i> negative value in the respect of rights dimension is unacceptable and would require action. Putting a value on human rights and human health can therefore never be used as an argument for inaction (arguing, for example, that the value would be "small anyway").</p>	<ul style="list-style-type: none"> <li>• Introduction</li> </ul>
Doesn't the IWAF justify morally dubious tradeoffs (e.g., deforestation is acceptable when large profits can be made)?	<p>No. Tradeoffs between such types of impact are not permitted according to the framework.</p> <p>Tradeoffs are often mentioned as a risk of impact measurement and valuation—it is specifically a risk in the aggregation step. If a relatively small negative impact (e.g., related to deforestation) would be netted to a larger positive impact (for example, profit), one could incorrectly assume that the harm to some is acceptable because of the benefits to others.</p> <p>The IWAF argues very strongly against aggregation into "total impact". Negative impacts in the rights dimension are a problem in and of themselves. They should always be managed directly and be made as small as possible (this is the <i>do no harm</i> argument).</p>	<ul style="list-style-type: none"> <li>• Introduction,</li> <li>• Conceptual Framework Chapter 7</li> </ul>





# 1. GENERAL QUESTIONS | FREQUENTLY-HEARD CRITICISM

FAQ	Short answer	For more detail, see
Isn't it the role of governments to regulate companies? Doesn't the IWAF call for self-regulation by companies, which is dangerous?	<p>We believe in an impact economy, in which governments, businesses and consumers all have a role. The IWAF offers the opportunity for advanced sustainability practitioners/companies to get a more complete picture of their impacts. Currently, impact reporting is voluntary and the IWAF is a voluntary standard to adhere to. We would really like to see impact reporting being compulsory and being guided by a firm international standard (The IWAF could be an inspiration for that, but it is unlikely to be the final standard).</p> <p>All of this does not mean that impact reporting is the only way: it should be coupled with firm regulation of sustainability-related issues. We believe the introduction of the IWAF and the normalization of the view that impact matters will make further regulation <i>more likely</i>, rather than less likely.</p>	<ul style="list-style-type: none"><li>• Introduction</li></ul>







# **The IWAF in the IMV field**

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# **02**



# USING THE IWAF TOGETHER WITH OTHER STANDARDS AND FRAMEWORKS

- The IWAF is part of a **rich tradition** of **Impact Measurement and Valuation** (IMV) approaches. Much of the IWAF was inspired by the successes of these approaches.
- All organisations **measure and manage their financials**, and many organisations are **already working on impact** in some form—for example, they already know their impact on greenhouse gases.
- For such organisations, the IWAF is still useful. In fact, the IWAF **can be used together** with other approaches. They often complement each other.
- How the IWAF distinguishes itself is by providing a complete picture. The IWAF provides **specific guidance** for all IMV steps—and makes some points more explicit, always with the goal in mind that organisations can steer with impact information.



“If I have seen further, it is by  
standing on the shoulders of  
giants”

Sir Isaac Newton, 1675

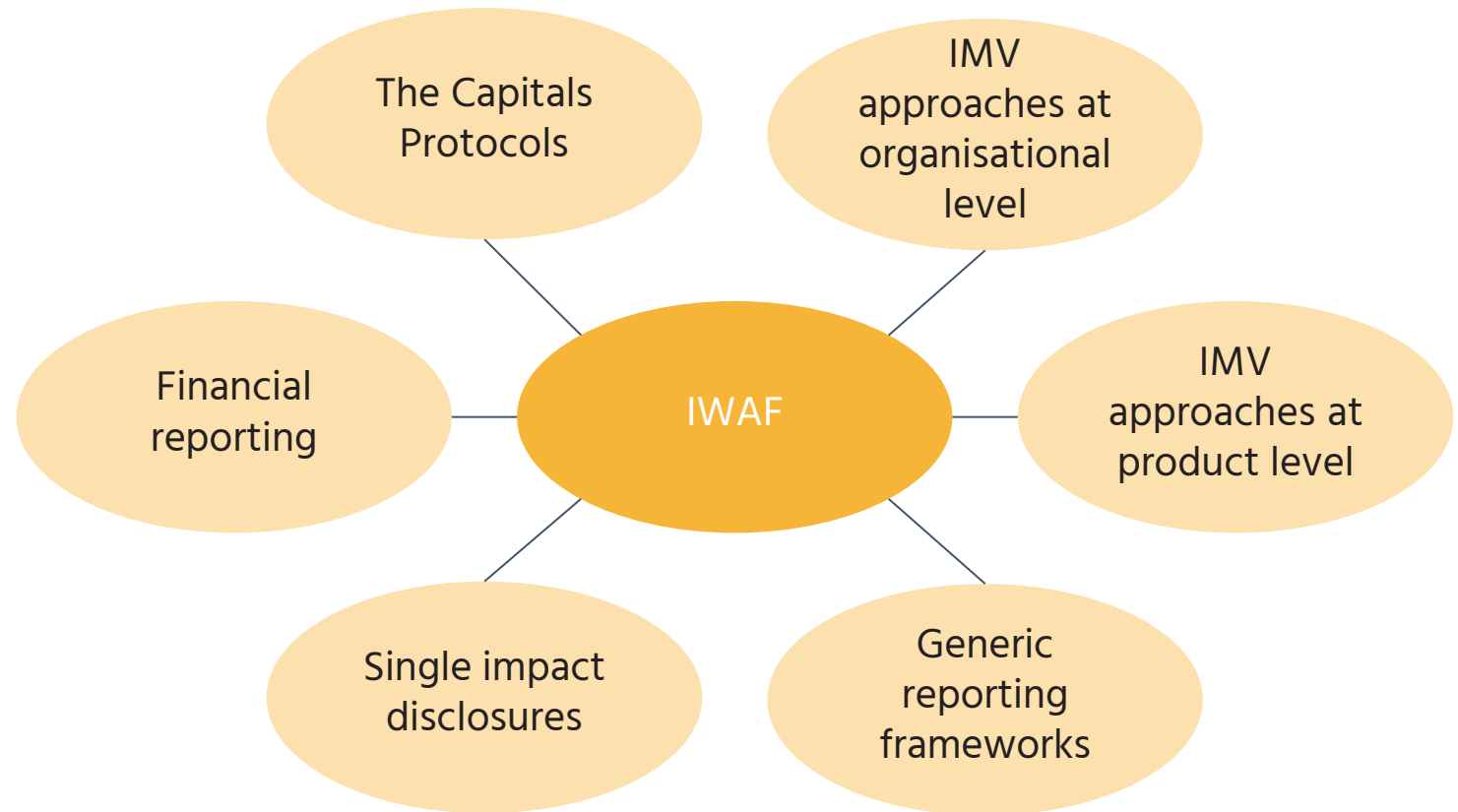
# THE IWAF CAN BE COMPLIMENTARY TO MUCH OF THE WORK IN THE FIELD

## This section

- Discusses how the IWAF can be used in a complementary way to other work in the impact universe

## Next section

- Revisits the principles of the IWAF and makes explicit how these fit in the IMV tradition



# COMPLEMENTARITY WITH THE IWAF | CAPITALS PROTOCOLS

## Relation to

- *Natural Capital Protocol*
- *Social and Human Capital Protocol*
- *(Principles of) Integrated Capitals Assessments*

- **Protocols have set the stage** for the IMV field—they are the result of an in-depth stakeholder consultation and contain harmonized elements of over 40 methodologies.
- The IWAF **builds on the work** of the protocols. In particular, it builds on the four principles of the protocols and the five principles for undertaking integrated capitals assessments (see next section).
- Where the protocols provide general guidance on how to do impact (and dependency) assessment, users typically have freedom on how to operationalize the steps. **The IWAF adds specificity**—it gives more concrete guidance on how to perform these steps. With the specific addition of attribution and the statements of the IWAF, it further **helps to manage impacts**.





# COMPLEMENTARITY WITH THE IWAF | IMV AT ORGANISATIONAL LEVEL

## Relation to

- *Value Balancing Alliance*
- *GIST impact*
- ...

- Generally, the IWAF and the other frameworks have the **same goal**: assess the full scope of societal value creation at organisations.
- Furthermore, they **have a similar ambition**—to enable the users to make a complete impact measurement of their organisation.
- The IWAF specifically gives recommendations for **several content choices** (e.g., welfare dimensions, value chain responsibility, ...)
- The IWAF and the other frameworks can **co-exist and re-enforce** each other:
  - *Either*: the user uses the IWAF as leading framework
    - In parts of the assessment, use additional guidance provide by other methods (e.g., use the VBA approach to the six Natural Capital and three Social Capital impacts)
  - *Or*: the user takes another framework as the basis
    - When they have "free choice", use the IWAF's principles as inspiration for choosing

# COMPLEMENTARITY WITH THE IWAF | IMV AT PRODUCT LEVEL

## Relation to

- *True pricing*
- *Product-level Impact-Weighted Accounts*
- *Product level Natural Capital assessment*
- ...

- Product-level impact often provides many of the **building blocks** of organisational level impact assessment.
- Basically, impact at organisational level is the **sum of all product impacts**, plus some other impacts that are typically not assessed at product-level (for instance, some employment-related topics).
- **Benefit of using the IWAF**: product-level impact assessment automatically includes the effect of organisations over the full value chain. This makes the principle of **value chain responsibility** easy to comply with.

# COMPLEMENTARITY WITH THE IWAF | (GENERIC) REPORTING FRAMEWORKS

## Relation to generic reporting frameworks (sustainability, ESG, ...)

- *GRI*
  - *IIRC*
  - *IFRS (material topic disclosures)*
  - ...
- Almost all organisations **report** more than just their bare financial figures.
  - Typically, their reporting typically has many **qualitative elements**, and also focus on policy, inputs and outputs.
  - The IWAF urges organisations to **report at impact level as well**.
  - IWAs are **strongly complementary** to other elements of reporting. IWAs quantify the results of topics already included in the financial disclosures.
  - In a project, **material can be "borrowed"** in many steps: for example, the materiality assessment required to scope impacts is typically already done when reporting material topics.



# COMPLEMENTARITY WITH THE IWAF | SINGLE-IMPACT DISCLOSURES

## Relation to

- Greenhouse-gas protocol
  - (Compliance with) climate-related financial disclosures
  - Biodiversity-related disclosures
  - Gender balance disclosures
  - ...
- Climate change is a “hot topic”, and **many organisations measure and report** their Scope 1, 2 and 3 emissions according to the Greenhouse-gas protocol.
  - This gives them a **strong head start** when they want to understand their **wider impact** and compile IWAs.
  - These organisations are basically already **almost done with assessing a key element of IWAs**: one impact is already measured (and often valued).
    - Specifically: the Greenhouse-gas protocol’s focus of both Scope 1 (own operations) and Scopes 2 and 3 (effects in the value chain) are directly in line with the principles of Value Chain Responsibility.
  - Similar arguments can be made for **biodiversity-related disclosures** (where biodiversity feeds into multiple impacts), **gender balance disclosures**, etc.

# COMPLEMENTARITY WITH THE IWAF | FINANCIAL REPORTING

## Relation to

- IFRS
- US GAAP
- ...

- All companies make **financial disclosures**.
- Again, IWAs are **highly complementary** to the elements of financial disclosures. The two main statements of the IWAF (the Integrated Profit and Loss [IP&L] and Integrated Balance Sheet [IBaS]) generalize the P&L Statement and the Balance Sheet.
- Starting from the financial information, data can be directly collected for a large part of the assessment for IWAs. The **analysis of Financial Capital** is almost done directly from the start.





**How do the IWAF's principles  
compare to other work?**

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**03**



# THE IWAF IS PRINCIPLE-BASED, AS IS MUCH OF THE REST OF THE IMV FIELD

- The Conceptual Framework of the IWAF provides ten principles of the IWAF as the solution to key challenges encountered in an Impact measurement and valuation (IMV) process.
- These principles ensure that impact is measured in a holistic, transparent and consistent way.
- Because the IWAF is part of the rich IMV tradition, many of the principles are not "new": they are encountered in other approaches as well.
- Some of the more innovative elements *are* new, however. This chapter helps to further clarify the position of the IWAF in the IMV field.



## 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



## 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



## Valued in commensurable unit

Monetary valuation allows impacts to be compared



## 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.




## Statements of IWAs


Integrated Profit & Loss, Integrated Balance Sheet and derived statements

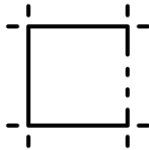

IWAF principle		IWAF positioning	Explanation
1. Multi-dimensional		Shared with other approaches	<p>Other approaches to IMV at organisation level approach impact similarly multi-dimensional.</p> <p>This principle directly relates to the first principle of <a href="#">Integrated Capitals Assessment</a>: <i>Consider all forms of capital and include all relevant capitals</i>.</p> <p>The six capitals are inspired by the <a href="#">IIRC</a>. The definitions in the original work have been expanded to move beyond a financial materiality view.</p>
2. Materiality-based		Shared with other approaches	<p>Materiality is a crucial concept in many reporting frameworks, both financial and non-financial. This principle is also frequently seen in other approaches to IMV at organisational level.</p> <p>The IWAF explicitly embraces double materiality. Impact is material if it either affects the financial health of the organisation or the welfare of any other stakeholder.</p>

IWAF principle		IWAF positioning	Explanation
3. Welfare based		Unique point of IWAF	The explicit acknowledgement of the respect of rights dimension is – as far as we know – unique to IWAF. Many rights related impacts (all environmental impacts, many employment related impacts) also make their way to other approaches to IMV at organisational level, without stressing that these negative impacts merit a special treatment. Violations of human rights also reduce wellbeing, but their damage to society is wider.




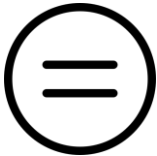
IWAF principle		IWAF positioning	Explanation
4. Value chain responsibility		<p>Practice shared with other approaches.</p> <p>Explicit formulation is a unique point of the IWAF.</p>	<p>The explicit acknowledgement of value chain responsibility as a moral principle is (as far as we know) unique to the IWAF. The obligation to assess rights impacts in the full value chain can be linked to the <a href="#">OECD guidelines for Multinational Organisations</a>, among others</p> <p>In practice now, many other approaches to IMV at organisational level (also) include value chain impacts.</p> <p>The second principle of <a href="#">Integrated Capitals Assessment</a> reads <i>Take into account the surrounding system and its inter-connections</i>, and the methodology of the <a href="#">Value Balancing Alliance</a> explicitly suggest a scope from “cradle to grave”. Furthermore, IMV approaches at product level naturally include impacts from all value chain contributors</p>

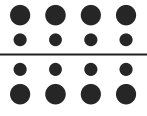
IWAF principle		IWAF positioning	Explanation
5. Impact pathway based		Shared with other approaches	<p>Impact pathways are an inherent element of IMV.</p> <p>The <a href="#">Transparent initiative</a> is working towards publishing impact pathways specifically for environmental impacts. These can directly be used in an IWAs assessment.</p> <p>In some approaches, impact pathways are often more made "in the background" and are not always referenced explicitly.</p>

IWAF principle		IWAF positioning	Explanation
6. Complete reference view		Explicit formulation is a unique point of the IWAF.	<p>Impact is always defined as the difference of outcomes between the actual scenario and a reference scenario.</p> <p>Both the absolute and the marginal reference are used in many IMV approaches—although often with one reference in some impacts and the other reference in other impacts in the same analysis.</p> <p>The explicit acknowledgement of both absolute and marginal impact as relevant at organisational level is (as far as we know) unique to the IWAF.</p>
7. Valued in commensurable unit		Shared with other approaches	<p>Monetary valuation can be a valuable addition to impact analysis. Still, it is not without controversy. A <a href="#">position paper on the “pros and cons” of monetary valuation</a>, written by coalition of the IWAF’s authors with other leaders in the field, was recently published.</p> <p>The IWAF gives concrete guidance on how to value elements of the welfare and rights dimensions.</p>



IWAF principle		IWAF positioning	Explanation
8. Aggregation only within welfare categories		<p>Philosophy shared with some other approaches</p> <p>Explicit formulation is a unique point of the IWAF.</p>	<p>Aggregation is a “thorny” topic. Over-aggregation can pose a clear risk. Managing only a “total impact” can lead to undesirable conclusions.</p> <p>An extreme example would be the justification of deforestation where an impact assessment would show that the negative effects are “trumped” by other positive effects (related to employment creation, for instance). Note that this conclusion is enabled by monetary valuation (otherwise the effects are incomparable anyway).</p> <p>The <a href="#">position paper</a> on monetary valuation makes an explicit appeal not to aggregate positive and negative impacts. The fourth principle of <a href="#">Integrated Capitals Assessment</a> reads <i>Present values at an appropriately granular level for the decision being made</i>.</p> <p>The IWAF provides an additional safeguard. Aggregation is only allowed within one welfare dimension. Negative impacts in the rights dimension are “always wrong” and should be managed to become as small as possible.</p>

IWAF principle		IWAF positioning	Explanation
9. Conservation of impact during attribution / aggregation		<p>Attention to attribution is shared with some other approaches.</p> <p>Explicit formulation is a unique point of the IWAF.</p>	<p>Attribution is closely related to value chain responsibility. If you include the direct impact of other organisations, should you include them at 100% in your assessment?</p> <p>The principles of <a href="#">Integrated Capitals Assessment</a> include <i>Apply an appropriate level of attribution based on your degree of influence</i>. Four options are discussed: <i>direct, partial direct, indirect</i> and <i>enabling</i>.</p> <p>The explicit acknowledgement of the risk of double counting when multiple organisations include each other's primary input in their impact assessments, is (as far as we know) unique to the IWAF. The same holds for the detailed approach to attribution taken in the IWAF, where formulas are provided such that the re-attributed impact of a set of organisations in a value chain sums to 100%.</p>

IWAF principle		IWAF positioning	Explanation
10. Statements of the IWAF		<p>IP&amp;L is shared with some other approaches.</p> <p>Other statements are a unique point of the IWAF.</p>	<p>The idea of extending the financial Profit and Loss account to include other capitals was first explored by <a href="#">Puma</a> in 2011 with the Environmental Profit and Loss (EP&amp;L) account.</p> <p>After including other capitals, the EP&amp;L was developed into the Integrated Profit and Loss (IP&amp;L) account by <a href="#">Impact Institute</a>, <a href="#">GIST</a> and others. The name IP&amp;L is now quite common in the field.</p> <p>In addition, the IWAF includes statements that can be derived from the IP&amp;L. These link specifically to goals we believe all organisations should pursue: create value for all stakeholders (Stakeholder value creation statement), <i>do no harm</i> (Sustainability statement for external costs) and contribute to sustainable development (Sustainability statement for SDG contribution).</p> <p>The IWAF also urges to explore an impact analogue to the Balance Sheet statement. This is also innovative.</p>

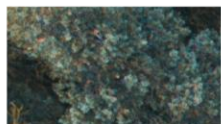
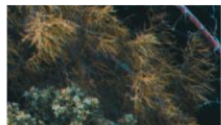


# APPENDIX I GENERAL PRINCIPLES FOR ROBUST (IMPACT) ASSESSMENT

- In addition to the ten impact related principles, the IWAF stresses the importance of general principles for robust assessment. These are inherent to high-quality analysis and form the basis for quantitatively assessing impact and therefore of the IWAF.
- The four principles of [Operational Guidelines for Business](#) of TEEB for Agriculture and Food return in the IWAF—see the mapping on the right.

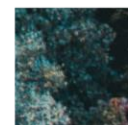
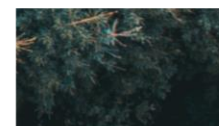
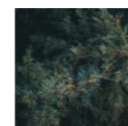
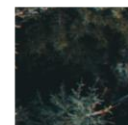
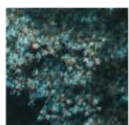
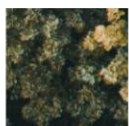
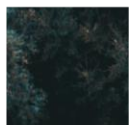
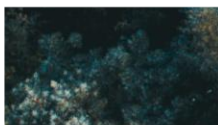
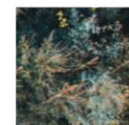
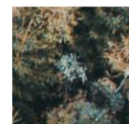
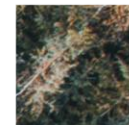
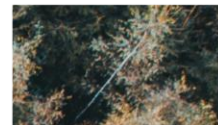
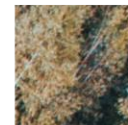
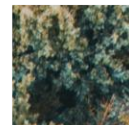
TEEB principle		Role in the IWAF
Relevance	<i>Ensure that you consider the most relevant issues throughout your natural capital assessment including the impacts and/or dependencies that are most material for the business and its stakeholders.</i>	<ul style="list-style-type: none"> <li>• Acknowledged as general characteristic of useful impact information</li> <li>• Directly related to the impact-specific principle, <i>materiality-based</i></li> </ul>
Rigor	<i>Use technically robust (from a scientific and economic perspective) information, data and methods that are also fit for purpose.</i>	<ul style="list-style-type: none"> <li>• This is acknowledged as general characteristic of useful impact information.</li> <li>• Note that the IWAF only gives high-level guidance on information and data collection, but it urges its followers to apply this principle.</li> <li>• Where the IWAF does provides data (monetization factors, for instance) and suggested sources, we aim to make these as rigorous as possible,</li> </ul>
Replicability	<i>Ensure that all assumptions, data, caveats and methods used are transparent, traceable, fully documented and repeatable. This allows for eventual verification or audit, as required.</i>	<ul style="list-style-type: none"> <li>• This is acknowledged as a general characteristic of useful impact information.</li> <li>• Regarding methodological development, the IWAF aims to contribute to the ongoing transparency.</li> <li>• The IWAF requires it users to provide as much transparency as possible: in particular, they should provide all the factors used and disclose unaggregated and unvalued results.</li> <li>• Validation and audit is discussed as an (optional) step in IMV projects.</li> </ul>
Consistency	<i>Ensure the data and methods used for an assessment are compatible with each other and with the scope of analysis, which depends on the overall objective and expected application.</i>	<ul style="list-style-type: none"> <li>• This is acknowledged as a general characteristic of useful impact information.</li> <li>• The IWAF method itself has gone at length to achieve consistency in covering all capitals and stakeholders in single way.</li> <li>• Use of impact pathways are a key element of securing consistency in the use of the IWAF.</li> <li>• Regarding data: consistency is a general aim. The IWAF provides a data hierarchy for when perfect sources are not available.</li> </ul>





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Economy  
Foundation

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## 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](http://Impacteconomyfoundation.org)

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