FROM TRANSPARENCY TO TRANSFORMATION

Unlocking the full potential of CSRD with Impact Accounting

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Abstract

Unveiling the dynamic interplay between the Impact-Weighted Accounts Framework (IWAF) and the EU's Corporate Sustainability Reporting Directive (CSRD), this paper confronts the longstanding challenge of effectively translating corporate ambition into tangible action. The paper takes a deep dive into IWAF's shared attributes and distinctive features, emphasising how IWAF enriches and transcends CSRD's transparency mandates, to offer the tools and the guidance for impact management; an aspect overlooked by CSRD's framework.

Through a meticulous analysis, the paper presents IWAF as an empowering addition to CSRD rather than a disruptive framework, highlighting its compatibility with the European reporting directive, and underscoring their potential synergy to steer companies toward impact valuation and management. The paper positions CSRD as the catalyst for change, unlocking a wealth of data, while IWAF serves as the enabling tool for strategic decision-making, effectively managing and leveraging data for a sustainable business paradigm.

IWAF consists of core documents and supplementary materials. For a more in-depth understanding, refer to the framework's dedicated library, available on the Impact Economy Foundation website, here: Impact-Weighted Accounts Framework.

Cover image by Jakub Kriz

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If you are already using IWAF but are interested in reading about the overlaps of the mandated metrics under IWAF and ESRS, please proceed directly to Appendix B.

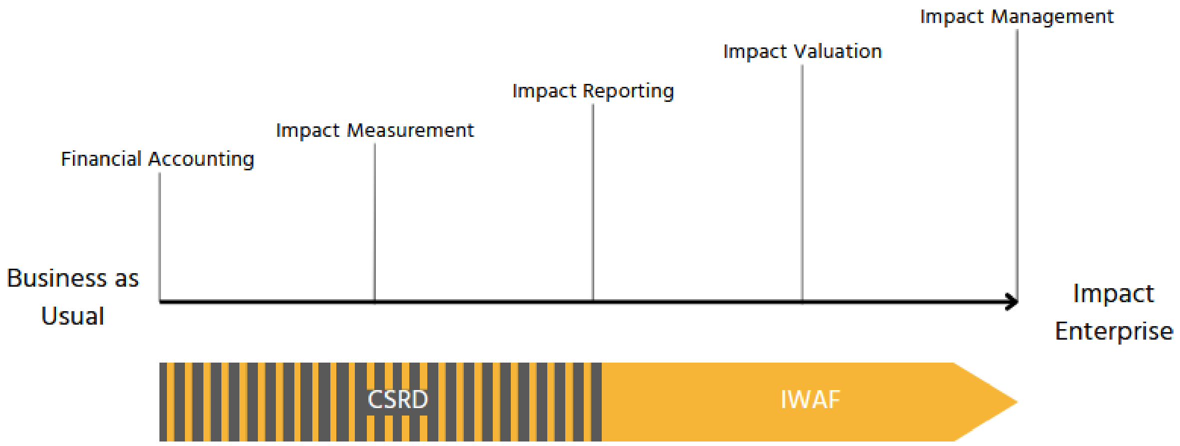
Executive Summary

To realise the Impact Economy, organisations must expand their focus beyond financial value creation, redefining value and success by incorporating societal impact into their bottom line. In 2023, an important step toward greater transparency and accountability in business practices was achieved with the enforcement of the Corporate Sustainability Reporting Directive (CSRD)[1]. This European directive mandates companies to identify, prioritise and disclose sustainability topics based on two dimensions: impact materiality and financial materiality.

While the CSRD represents a significant advancement towards an Impact Economy, it falls short of facilitating impact management. The implementation of the EU directive yields a wealth of high-quality sustainability-related data, which organisations can leverage for decision-making purposes. However, CSRD lacks guidance on how to effectively manage this data, leaving organisations without a clear roadmap for impact management.

Bridging this gap, the Impact-Weighted Accounts Framework (IWAF) enriches the Corporate Sustainability Reporting Directive (CSRD) by equipping companies with tools to facilitate impact management.

Figure 1: From financial accounting to impact management with CSRD and IWAF.



IWAF, with its shared mandate on double materiality and a focus on value chain responsibility, ensures accountability through transparency. IWAF goes beyond this by providing valued and comparable decision-ready information, particularly relevant for key decision-making processes related to strategy, financial planning, and risk management. By doing so, IWAF bridges the increasingly apparent gap between

[1] Directive 2022/2464. (2022). Official Journal of the European Union. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464

corporate ambition and action. This means that companies that are on the journey to complying with CSRD can seamlessly transition to IWAF adoption, moving *from transparency to transformation*.
The following table presents the key similarities between IWAF and CSRD, for impact reporting, along with the additional features proposed by IWAF for impact management.

Table 1: IWAF's features complementing CSRD for the transition from impact reporting to management

Feature	CSRD	IWAF
Impact Reporting		
Impact-based	✓	✓
Double materiality approach	✓	✓
Value Chain Responsibility	✓	✓
Impact Management		
Harmonised Impact Language	✗	✓
Informed Trade-Offs	✗	✓
Holistic Value Creation Overview	✗	✓
Enhanced Materiality Assessment	✗	✓
End-to-End Value Chain Scope	✗	✓

Building on some of the CSRD's foundational features such as the concept of double materiality, IWAF offers five differentiated features that facilitate impact management and ensure the transition from ambition to action. These enrichments include:

1. **Harmonised Impact Language:** Communicating impacts in natural units (e.g., kgCO2e, m^2 of land use, or m^3 of water use) can be complex for internal and external stakeholders such as employees and investors, especially with the requirement under CSRD to understand impacts akin to financial value. IWAF tackles this challenge by valuing impacts in monetary terms, simplifying comprehension and collaboration amongst stakeholders, including leadership. These valued and quantitative impacts provided by IWAF, allow organisations to leverage the mature and effective financial infrastructure for social, human, and natural value creation.
2. **Informed Trade-Offs:** IWAF's monetary valuation of impacts serves as a pivotal tool for effective impact management, simplifying trade-offs between various impacts by presenting them in standardised and comparable units. By assigning monetary values to impacts, companies can more easily prioritise those activities that have the largest contribution to the welfare of stakeholders. This approach marks a considerable advancement over CSRD, which relies on diverse metrics presented in natural units, making direct comparisons and prioritisations more challenging.
3. **Holistic Value Creation Overview:** The Integrated Profit and Loss (IP&L) serves as an executive management summary, showcasing overall performance across the six capitals: financial,

manufactured, intellectual, human, social and natural. This provides a clearer and more concise view of broad value creation compared to the diverse set of indicators reported under CSRD, making it easier for organisations and investors to track progress. Moreover, an IP&L highlights the interrelatedness between different areas of value creation and societal impacts, illustrating how corporate activities contribute to or detract from wider societal and environmental goals.

4. **Enhanced Materiality Assessment:** Diverging from the CSRD, the IWAF introduces an innovative materiality assessment approach. Firstly, IWAF introduces a rights-based[2] materiality assessment, contending that impacts tied to human rights, are inherently material. Secondly, IWAF's monetary valuation refines the materiality assessment by providing a quantitative lens on impact materiality. These two propositions enhance the objectivity of the double materiality assessment under IWAF and prevent companies from selectively prioritising certain impacts over others.
5. **End-to-End Value Chain Scope:** Unlike CSRD, which, for specific matters such as water and biodiversity, focuses solely on impacts resulting from the organisation's own operations, IWAF provides a more complete and granular understanding of value creation, by always requiring an entire value chain consideration of impacts.

In summary, the adoption of IWAF allows companies to translate the compiled data under the EU's CSRD into decision-ready information, facilitating impact management. The five key features presented above are instrumental to this transition. They build and thereafter enhance CSRD's guidelines to provide a solid ground for action. IWAF emerges as a comprehensive framework empowering organisations to navigate the complexities of sustainability reporting and become and impact-driven enterprise impactful change.

2 The term "rights-based" underscores the Impact Economy's focus on increasing welfare productivity conceived as the fulfilment of well-being, rights and fairness. For more, consult: https://impacteconomyfoundation.org/wp-content/uploads/2020/08/Vision-Impact-Economy-Foundation.pdf .

1. Harmonising Transparency and Transformation for an Impact Economy

The Need for an Impact Economy

Humanity is facing growing societal challenges, ranging from environmental degradation to social inequalities. In this critical juncture, it is important to acknowledge that organisations play a pivotal role: they do not operate independently from these societal issues; instead, they are deeply intertwined to the extent that they can both be impacted by and contribute to the numerous sustainability issues that persist today. Action to address these challenges is long overdue yet, the current pace and scale of change fall short. Recognising this, the Impact Economy Foundation explores the vision of a sustainable world, delving into how such a world can be actualised and the role businesses should play in its creation. In doing so, the Impact Economy Foundation (IEF) introduced its vision of an alternative market economy, an economy in which market players optimise long-term value creation for the common good: The Impact Economy.

Shifting Focus : Towards a Holistic Impact Approach

To transition into this new paradigm, organisations must broaden their focus from merely creating financial value to encompass the wider societal impacts of their operations and value chains. In this pursuit, companies are expected to leverage their talent, financial resources, and assets to contribute optimally to the well-being and uphold the rights of all stakeholders, including employees, suppliers, nature and its beneficiaries, as well as affected communities. The Impact Economy Foundation considers this contribution the metric for a company's impact, defining impact as the difference an organisation has on the welfare of its stakeholders.

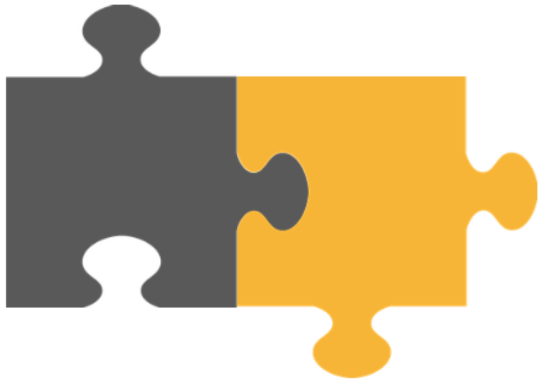
Impact-Weighted Accounting as Cornerstone

The transition to the Impact Economy necessitates a robust framework, and the Impact-Weighted Accounts Framework (IWAF) emerges as a pivotal element. Allowing for the measurement, reporting, and steering of impact, it covers the main aspects required to become an impact-driven enterprise. The approach focuses first on impact, operating within planetary boundaries, and above social thresholds. IWAF is developed by the Impact Economy Foundation and its partners Singapore Management University, Harvard Business School, Rotterdam School of Management, and the Impact Institute. The framework advocates for a system that prioritises equal consideration of social, human, natural, intellectual, manufactured, and financial value in managerial decision making.

Evolving Reporting Landscape: From Niche to Mainstream

For a long time, companies engaged in sustainability reporting on a voluntary basis, driven by client demand and a sound business sense. In recent years, there has been a noticeable shift in the business landscape, with an increasing number of corporations and businesses placing an emphasis on sustainable practices. This shift has evolved from being a niche trend, to becoming a mainstream practice that is being embraced by businesses of various sizes, across different regions and sectors.

The introduction of the Corporate Sustainability Reporting Directive (CSRD) by the European Union provides some structure in this field that has long been largely unregulated. Building on the Non-Financial Reporting Directive (NFRD), the CSRD obliges organisations operating in the European Union to report on the impact of their activities on people and the planet, as well as on the (financial) risks and opportunities arising from social, environmental and governance (ESG) issues. This directive applies to approximately 50.000 companies in the coming years. The first set of companies are expected to report in the financial year of 2024.



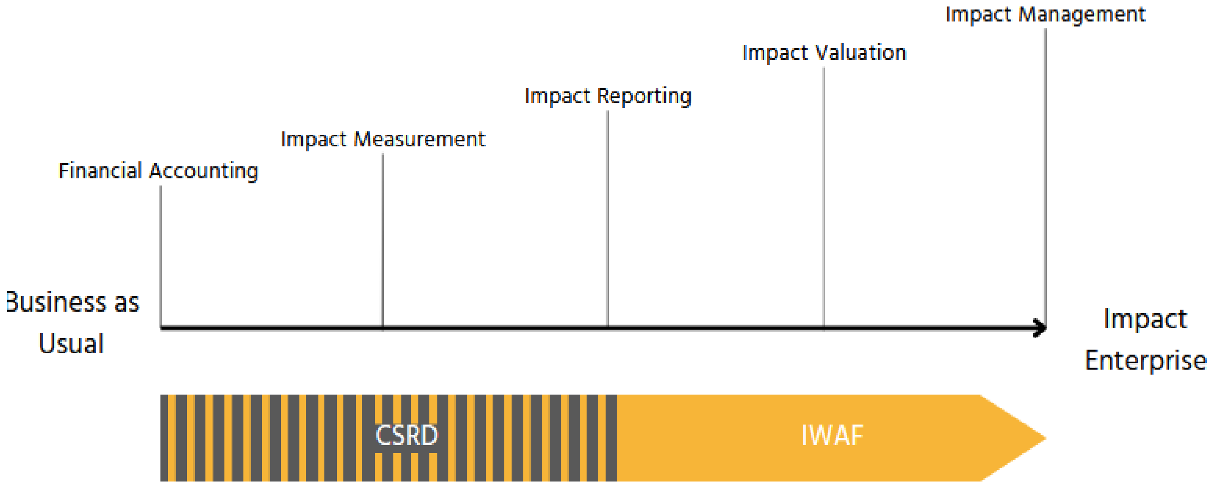
CSRD: Necessary but Insufficient for Impact Management

IEF recognises the enforcement of the Corporate Sustainability Reporting Directive (CSRD) as an important stride toward increased impact transparency. The CSRD mandates organisations operating within the European Union to report on the impact of their activities, encompassing environmental, social, and governance (ESG) considerations. Simultaneously, CSRD compliance provides organisations with a goldmine of high-quality sustainability-related data, paving the way for more integrated decision-making. However, while CSRD sets the stage for transparency by necessitating the disclosure of impact-related information, it does not provide explicit guidance on how this wealth of data can be effectively managed or leveraged for enhanced decision-making. The directive, while invaluable for transparency, lacks a prescriptive approach on how impact should be seamlessly integrated into key decision-making processes. This critical juncture is precisely where the Impact-Weighted Accounts Framework (IWAF) steps in.

Bridging the Gap: Enriching CSRD though Impact Management with IWAF

IWAF emerges as a pivotal tool that guides organisations from impact reporting with CSRD to impact management, providing the necessary guidance to steer their impacts. While CSRD establishes the groundwork for transparency, IWAF takes the baton, enabling organisations to move from transparency through impact measurement and reporting to strategic decision-making through impact valuation and management (See Figure 1 for a visual representation of this transition). IWAF offers a structured approach for creating comparable, decision-ready impact information which can be incorporated into key decision-making process such as financial planning, risk management, or resource allocation, ensuring that the valuable insights gained through compliance with CSRD are not just disclosed but actively used and managed. The interconnectedness of the CSRD and IWAF creates synergies that mutually enhance compliance with CSRD and the effectiveness of IWAF. Therefore, it is crucial to consider them not in isolation but in the context of each other

Figure 1: From financial accounting to impact management with CSRD and IWAF.



In essence, CSRD acts as the catalyst, unearthing a wealth of impact-related data, while IWAF functions as the enabler, offering a roadmap for organisations to navigate and harness this data for strategic decision-making. Together, they form a harmonious duo: CSRD provides the raw material, and IWAF shapes it into a powerful tool for organisations to holistically manage and leverage their impacts, steering them toward a sustainable and regenerative business landscape: an impact-driven enterprise. This interplay is not only about compliance but about propelling organisations into the realm of impactful decision-making and responsible corporate governance.

2. IWAF's Essential Role in Leveraging Impact Management

Where the CSRD mandates impact transparency on material topics, it doesn't provide organisations with decision-ready information for integrated decision-making in which financial value is balanced with social, human, and natural value. Achieving a holistic understanding of value creation and impact requires a language capable of grasping different forms of value and enabling meaningful comparisons. Therefore, monetary valuation of impacts is a key element of IWAF's methodology and grammar. Through, amongst other things, the monetary valuation of impacts, IWAF offers numerous advantages that allow for better impact management. These advantages include:

1. **Harmonised Impact Language**
2. **Informed Trade-offs**
3. **Holistic Value Creation Overview**
4. **Enhanced Materiality Assessment**
5. **End-to-End Value Chain Scope**

These elements of IWAF position it as a powerful framework for organisations seeking not just transparency but a transformative approach to business operations in alignment with the impact accounting principles.

Harmonised Impact Language

The harmonised impact language proposed by IWAF, facilitates impact management by addressing two crucial aspects: making impacts understandable to many, and digestible to the long-standing control systems or infrastructure used to manage an organisation's financial value creation. Traditionally, impacts are communicated in their natural units, such as $kgCO_2e$, m^2 of land use, DALYs and m^3 of water use, opposed to the predominantly used language in the economy: monetary units. This makes it (too) complex to grasp impacts in the same way as financial value. As a result, typically, only a small group of stakeholders, acquainted with the sustainability jargon fully comprehend these impacts and their relevance to the business. By enabling the expression of impacts in monetary terms, IWAF aligns the sustainability-related issues and their impacts with the most frequently used language in our economy. This helps to introduce impact at the heart of every organisation and incorporate sustainability into corporate functions, enabling employees and executives across business units to understand and integrate impacts effectively in decision-making. It follows, that impacts that are valued in monetary units are more easily digested by the existing mature finance and control infrastructure. As a result, these systems in place can henceforth be leveraged not only to measure, report and manage financial value creation but also social, human and natural value creation.

Informed Trade-Offs

IWAF enhances impact management by integrating monetary valuation of impacts[3] with the Marginal Reference Scenario, providing a standardised method for evaluating and integrating impacts in key decision-making processes.

First, monetary valuation of impacts allows the management of impacts by presenting them in comparable units, simplifying the process of making trade-offs between various impacts. For example, consider an organisation with € 1M to invest in reducing negative environmental impacts. In their natural units, choosing between reducing 500,000 m^3 of water use or 10.000 tons of CO_2 emissions per year might seem challenging and both may seem important. But when everything is important, nothing is. However, when impacts are presented in comparable monetary units, the organisation can prioritise based on relative size of the societal damage of these impacts.

Second, the IWAF mandates reporting with an absolute reference scenario, which assumes no alternative activities, while also offering the option of a marginal reference scenario that takes into account alternative activities. Contrary to the CSRD, which solely focuses on absolute references, the IWAF approach allows organisations to contextualise their impact performance within the sector through the marginal reference scenario. This adds a layer of comparative analysis absent in the CSRD's methodology. This supports a more holistic assessment of value creation, aligning with the framework's emphasis on comprehensive and context-sensitive impact management and decision making. For example, if an organisation's efforts in reducing CO_2 emissions are assessed against the sector's average, the marginal reference scenario can reveal whether these efforts are leading or lagging, enabling better prioritisation. This approach simplifies the process of understanding the impacts' relative size and making informed trade-offs between various impacts.

Holistic Value Creation

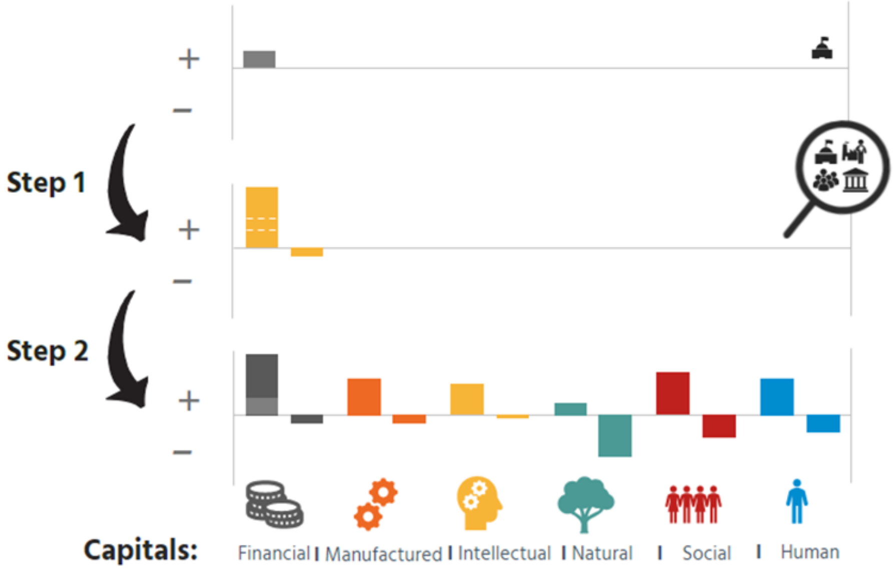
IWAF's Integrated Profit and Loss (IP&L) Statement[4], illustrated below (Figure 2), provides a holistic perspective on a company's value creation across the six capitals: financial, manufactured, intellectual, social, human, and natural. This aggregated presentation offers a unique insight into how financial value creation intersects with social impacts. Unlike the disaggregated approach mandated by the Corporate Sustainability Reporting Directive (CSRD), the IP&L serves as an executive management summary. It showcases the performance across these six capitals, emphasising the interconnectedness between financial value creation and social impacts, a perspective often obscured by the CSRD's focus on individual indicators. By presenting results in an aggregated manner, IWAF's IP&L facilitates a clearer understanding of the value creation process. It provides a comprehensive overview, enabling organisations and investors to track progress more effectively. This streamlined approach empowers informed decision-making by revealing the broader context and implications of

3 CSRD itself refers to monetary valuation as a valuable addition to understanding environmental impacts. For example, the CSRD standards mention monetary valuation to assess the severity of transition risks related to greenhouse gas emissions (Article 44, p.15.)

4 The IP&L Statement contains all assessed impacts over the year analysed in quantified, valued and attributed form. IP&L Statements are often presented in the form of list that shows all the organisation's material impacts during the reporting period. The impacts are classified by capitals and/or stakeholders.

financial value creation in relation to social impacts, a critical advantage over the CSRD's disaggregated reporting.

Figure 2: Transitioning from a conventional Profit & Loss to an Integrated Profit and Loss (IP&L).



Enhanced Materiality Assessment

Regarding the materiality assessment, the cornerstone of impact reporting, IWAF introduces a distinctive twofold approach, enhancing the value derived from the process. In the journey toward impact transparency, both the Corporate Sustainability Reporting Directive (CSRD) and the Impact-Weighted Accounts Framework (IWAF) acknowledge the pivotal role of the double materiality assessment. However, IWAF sets itself apart by instituting a more rigorous approach to the materiality assessment. Specifically, IWAF adopts a rights-based materiality perspective, where impacts associated with human rights violations are categorically deemed material. Unlike CSRD, which may rely on stakeholder engagement alone, IWAF mandates further research to comprehend the severity, and likelihood, of impacts on human rights. This commitment to rights-based materiality underscores the Impact Economy's focus on enhancing welfare productivity through the fulfilment of well-being, rights, and fairness. CSRD-compliant companies wishing to engage with IWAF, can start by supplementing the double materiality concept with IWAF’s rights-based approach. Valuing impacts in monetary terms allows for comparability, providing a common metric to measure and evaluate different types of impacts across various capitals (social, natural, etc.). This comparability enables organisations to more credibly identify and prioritise the most material impacts as part of their double materiality assessment. By quantifying impacts in monetary terms, organisations can objectively assess the relative size of various sustainability impacts, leading to more informed and strategic decision-making.

End-to-end Value Chain Scope

For many sustainability issues, including water and marine resources, biodiversity or pollution, CSRD mandates disclosures focused on the company's own operations. Yet, for certain organisations, such as retailers, the largest number of biodiversity impacts extend far beyond those caused solely by a company's operations. In recognition of this, IWAF prescribes that companies report on their impacts based on a comprehensive value chain scope, including both downstream and upstream. Embracing a full value chain scope is crucial as it empowers organisations to manage impacts more effectively and assess dependencies comprehensively.

3. Practical Steps for Initiating Impact Management though IWAF

Embarking on the journey to adopt the Impact-Weighted Accounts Framework (IWAF), on top of CSRD-compliance, is a strategic move for companies seeking to elevate their impact management practices. Below are practical steps to kickstart this transformative process:

1. **Monetised Materiality Assessment:**
    - **Commence Integration:** Initiate your IWAF journey by valuing impacts in monetary terms to then integrate into your double materiality assessment, aligning with CSRD compliance principles.
    - **Enhanced Comparisons:** Monetary valuation introduces a quantitative dimension to sustainability impacts, enabling straightforward comparisons and trade-offs among different impacts.
    - **Stakeholder Alignment:** Provide stakeholders with a common metric for evaluating impacts, fostering shared comprehension of their relative significance.
    - **Resource Optimisation:** Understand the relative importance of sustainability issues better to allocate resources efficiently and enhance mitigation planning.
2. **Initial IP&L Incorporation to Steer on Impact:**
    - **CSRD-Based IP&L:** Develop an initial Integrated Profit and Loss (IP&L) statement based on CSRD data to create a holistic overview of value creation.
    - **Project-Based Start:** Commence your IP&L journey by piloting and using the IP&L on individual (small-scale) projects or investments, gaining valuable insights into their impact and paving the way for broader integration across the complete organisation.
    - **Integrate Monetised Impact Information:** Integrate monetised impact information into key decision-making processes, such as investment decisions and resource allocations, to balance financial value creation with impact considerations.

- **Strategic Insight:** Gain valuable insights into the interconnectedness of financial and impact-related performance, in the short and long term, laying the groundwork for holistic decision-making.

3. **Embrace a Rights-Based Materiality Approach:**
    - **Holistic Consideration:** Complement the "double materiality" concept under CSRD with IWAF's rights-based materiality approach, ensuring that the materiality assessment process goes beyond stakeholder engagement alone, embracing IWAF to underscore the imperative nature of human rights impacts
    - **Beyond Compliance:** This step is more than just meeting regulatory requirements; it signifies a broader commitment to societal well-being and fairness, aligning your organisation with impactful and ethical practices.

By taking these initial practical steps, companies can lay a robust foundation for implementing IWAF and navigating the complexities of impact management. This not only positions them as responsible corporate entities but also propels them toward meaningful contributions to welfare productivity. For further guidance, please refer to the various IWAF publications, available on IEF's digital library for IWAF here: https://impacteconomyfoundation.org/impactweightedaccountsframework/ .

APPENDICES

Appendix A: Overlap between CSRD & IWAF

Organisations complying with CSRD will recognise numerous similarities between their compliance efforts for CSRD and the requirements for adopting IWAF. The table below shows the commonalities between the two frameworks, such as their materiality and stakeholder focus. Compliance with either of the frameworks can lead to synergies for the other. However, as emphasised in this paper, CSRD lays the groundwork for impact reporting, while IWAF extends beyond that by establishing the foundations for impact management.

Table 2: Overlap between CSRD and IWAF.

Concept	Description
Double materiality principle	Both IWAF and CSRD adopt the double materiality principle for the selection of impacts to report on and manage. Both frameworks require a summary of the sources, methods, and outcomes of the materiality assessment. Furthermore, IWAF provides moral guidance in the materiality assessment by introducing a rights-based approach (see Section 2, page 9).
Impact-based	Impact is a key concept in both frameworks, with reporting on negative and positive impacts forming the core of both CSRD and IWAF. Both take a multi-dimensional approach. Organisations are expected to assess impacts reflecting different forms of value, beyond financial, and impacts that affect value for different stakeholders. IWAF classifies 6 capitals: Financial, Manufactured, Intellectual, Human, Social and Natural Capital. Within those capitals, standardised key impact categories are classified (including relevant stakeholders). CSRD, on the other hand, does not refer to capitals nor defines impact but instead divides into Environmental, Social and Governance (ESG) topics. While IWAF's capital-based approach differs from CSRD's ESG topics as reporting categories, the actual impacts reported on do not contradict each other. Appendix B provides a comparison between the CSRD topics and IWAF impacts.
Stakeholder-based	Both CSRD and IWAF are built on stakeholder engagement in the selection of material impacts. Although they categorise groups differently, they capture similar societal groups. Specifically, IWAF classifies stakeholders as individuals (or entities) affected by an organisation's business activities, as well as the individuals who can affect an organisation's value creation ability. Stakeholders can include investors, employees, value chain partners

	(suppliers and B2B clients) specifically employees (workers in the value chain), Nature and its beneficiaries, governments and local communities, and (End-)Consumers. In IWAF's view, an organisation can determine which stakeholders to assess in its IWAs but it should aim to be as inclusive as possible (preferably, a materiality assessment will guide the prioritisation of stakeholder inclusion). In CSRD (affected) stakeholders are seen as individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect business relationships across its value chain.
Value chain responsibility	Value chain responsibility is the view that some impacts are the responsibility of multiple organisations in a value chain, even if the impact occurs directly because of the operations of one of those organisations. IWAF uses this view to require the organisation to include all impacts for which it shares responsibility, even if the impact occurs directly only because of the operations of one of its related organisations. CSRD adopts a similar vision on value chain responsibility. However, CSRD often allows for opting out of a full value chain scope.
Presentation to stakeholders	In addition to other benefits, sustainability reporting is a powerful communications tool to present to stakeholders a detailed narrative outlining how an organisation's strategy, governance, performance and prospects, within the context of its external environment, actively contribute to the value creation over the short, medium and long term. Both frameworks acknowledge this. In IWAF, the sustainability statements closely follow financial accounting statements. IWAs can be provided separately from or integrated with financial accounts. The impact counterpart of the profit and loss statement is the IP&L Statement, while the IBaS, although optional, corresponds to the balance sheet. Additional statements such as the Stakeholder Value Creation Statement, the Sustainability Statement for External Costs and the Sustainability Statement for SDG Contribution are derived from the IP&L Statement. CSRD requires an integrated management report encompassing sustainability and financial statements, following the International Integrated Reporting Framework (IIRC).

	While IWAs statements cannot replace disclosures on sustainability information in the prescribed format required by CSRD, they can be published separately from the Integrated Management Report. This enables a more comprehensive understanding of a company's holistic value creation than the extensive disclosures under CSRD. This way, IWAF and CSRD can complement each other, addressing different needs.

Appendix B: Comparison between IWAF impacts and CSRD disclosure requirements

Under the CSRD, there is an opportunity to align collected data points with the impact categories defined by IWAF. While certain data points, such as insights derived from stakeholder engagement, can prove valuable, it is important to note that numerous data points from CSRD may not be essential for measuring impact within IWAF. For instance, data related to policies, processes, governance, targets, or metrics that primarily act as drivers of impacts rather than direct inputs or outputs may fall into this category.

In particular, CSRD additionally covers (or strongly suggests) metrics on biodiversity, circularity, specific rights of indigenous communities, other work-related rights (e.g., adequate housing, water and sanitation and privacy), access to products and services, and business conduct (e.g., animal welfare, corruption and bribery).

Table 3 provides an overview of the extent to which the standardised impacts in IWAF, corresponding to different capitals, are covered by the European Sustainability Reporting Standards (ESRS). Note: the 10 topical ESRS cover 5 environmental, 4 social and 1 governance topic. Within these broader topics, (sub)sub-topics are covered, referred to as 'sustainability matters'.

Besides the similarities and differences presented in Table 2, the metrics used to display impacts are different. Most importantly, they differ in scope: IWAF suggests always having a full value chain scope, rather than only focusing on impacts resulting from own operations. This is the case for some metrics prescribed by CSRD (e.g., pollution of air, water and soil and water consumption). While these metrics may be important at the level of a company's own operations, an approach that confines itself to this scope might not give sufficient insight into the full impacts and dependencies arising from the company's activities in its value chain.

Table 3: Coverage of Standardised Impacts in IWAF by European Sustainability Reporting Standards (ESRS)

Capitals	Standardised Impacts	Footprint indicator	Coverage by ESRS standard (sub-topic and / or disclosure requirement)
Natural	Contribution to / limitation of climate change	Greenhouse gas emissions	ESRS E1 Climate Change (DC E1-6)
	Contribution to / limitation of pollution	Air pollution: Toxic emissions to air Nitrogen deposition NH3 Nitrogen deposition NOx Particulate matter (PM) formation	ESRS E2 Pollution requires reporting on each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) when pollution is material. The

		Photochemical oxidant formation (POF) Acidification Ozone layer depleting emissions	E-PRTR includes all pollutants mentioned as footprint indicators for IWAF *Contribution to Air Pollution*. ESRS E2 also divides between pollution to air, water and soil.
		Water pollution: Toxic emissions to water Freshwater eutrophication Marine eutrophication	
		Soil pollution: Toxic emissions to soil	
		Soil degradation: Soil organic carbon (SOC) loss Soil loss from wind erosion Soil loss from water erosion Soil compaction	Not addressed as a metric, as type of risk only.
	Contribution to / limitation of availability of scarce natural resources	Land occupation	Not addressed
		Land transformation	Land-use change is mentioned as driver of biodiversity loss. The metrics under ESRS E4 Biodiversity and Ecosystems covers a datapoint on land use, but not land use change / transformation.
		Fossil fuels	Not directly addressed. Potentially under E5 Resource use and Circular Economy (DR E5-4 Resource inflows).
		(other) Non-renewable materials	Potentially under E5 Resource use and Circular Economy (DR E5-4 Resource inflows).
		Scarce blue water	E3 Water and Marine Resources (water use) includes DR E3-4 *Water consumption*

Social	Contribution to / limitation of poverty	Underpayment in the value chain	S1 Own Workforce and S2 Workers in the Value Chain standards cover the sub-topic *Adequate wages.* S2 Workers in the Value Chain covers the sub-topic as well but does not prescribe metrics.
		Insufficient income	
	Contribution to / limitation of human rights violations	Child labour	Child labour is captured as a sub-topic in S1 Own Workforce S1-17 *Incidents, complaints and severe human rights impacts.* S2 Workers in the Value Chain covers the sub-topic as well but does not prescribe metrics[5].
		Forced labour	Forced labour is captured as a sub-topic in S1 Own Workforce S1-17 *Incidents, complaints and severe human rights impacts.* S2 Workers in the Value Chain covers the sub-topic as well but does not prescribe metrics.
		Discrimination	Gender equality and equal pay for work of equal value is captured as a sub-topic in S1 Own Workforce S1-17 *Incidents, complaints and severe human rights impacts* and DR S1-16 *Remuneration metrics (pay gap and total renumeration).* Employment and inclusion of persons with disabilities is captured as a sub-topic in S1

[5] **Important to note**: S1 is the only standard with defined metrics. The metrics for the other social standards need to be developed independently by the reporting company.

			Own Workforce DR S1-12 *Persons with disabilities.* S2 Workers in the Value Chain covers these sub-topics as well but does not prescribe metrics.
		Lack of social security	S1 Own Workforce DR S1-11 *Social Protection* and DR S1-15 *Work-life Balance metrics.* S2 Workers in the Value Chain covers this sub-topic as well but does not prescribe metrics.
		Excessive and underpaid overtime	Potentially addressed under the sub-topic *Work-life balance* in S1 Own Workforce S1-17 *Incidents, complaints and severe human rights impacts.* S2 Workers in the Value Chain covers this sub-topic as well but does not prescribe metrics.
		Occurrence of harassment	Violence and harassment in the workplace are captured as a sub-topic in S1 Own Workforce S1-17 *Incidents, complaints and severe human rights impacts.* S2 Workers in the Value Chain covers this sub-topic as well but does not prescribe metrics.
		Lack of freedom of association	Freedom of assembly is captured as a sub-topic in S1 Own Workforce S1-17 *Incidents, complaints and severe human rights impacts.* S2 Workers in the Value Chain and S3 Affected Communities cover this sub-topic as well but do not prescribe metrics.
Human	Wellbeing of employment		Potentially DR S1-15 *Work-life balance* metrics of S1 Own Workforce as there is an indirect link between a good work-life balance and wellbeing of employment. S2 Workers in the Value Chain covers the sub-

			topic *Work-life balance* as well but does not prescribe metrics.
	Occupational health and safety incidents		S1 Own Workforce (DC S1-14 *Health and Safety metrics*). S2 Workers in the Value Chain covers the sub-topics *Health and Safety* as well but does not prescribe metrics.
	Value to employees arising from training and experience		ESRS S1 Own Workforce *Training and skills development* (DC S1-13)
	Time invested by employees		Not covered by ESRS but most likely already collected by controlling department
	Effects on human health[6]		ESRS S4 Consumers and End-users as this covers *Health and safety.* In addition, both IWAF and the ESRS suggest reporting environmental impacts that lead to potential health effects on affected communities under the environmental disclosures.
Manufactured	Change in fixed assets		Manufactured capital consists of manufactured physical objects that are available to an organisation for use in the production of goods or the provision of services. This is in principle not a sustainability topic, so it is not addressed by the ESRS. Sometimes it is covered by financial statements in the form of assets or the value of production output, and potentially captured by internally tracking price elasticity.
	Client value of products		
	Client value of services		
	Value of input materials		
Intellectual	Creation of intellectual capital		In principle not a sustainability topic so not addressed by the ESRS, could be assessed in financial statements
	Client value of services		
	Client value of services		

[6] For health of employees and workers in the value chain see above (Occupational health and safety incidents).

Financial	Profit		CSRD requires an integrated management report with combined sustainability and financial statements. IWAF introduces different forms of impact statements in which financial capital can be integrated.
	Salaries		
	Interest payments		
	Taxes		
	Payments to suppliers		
	Payments from clients		
	Cost of capital		

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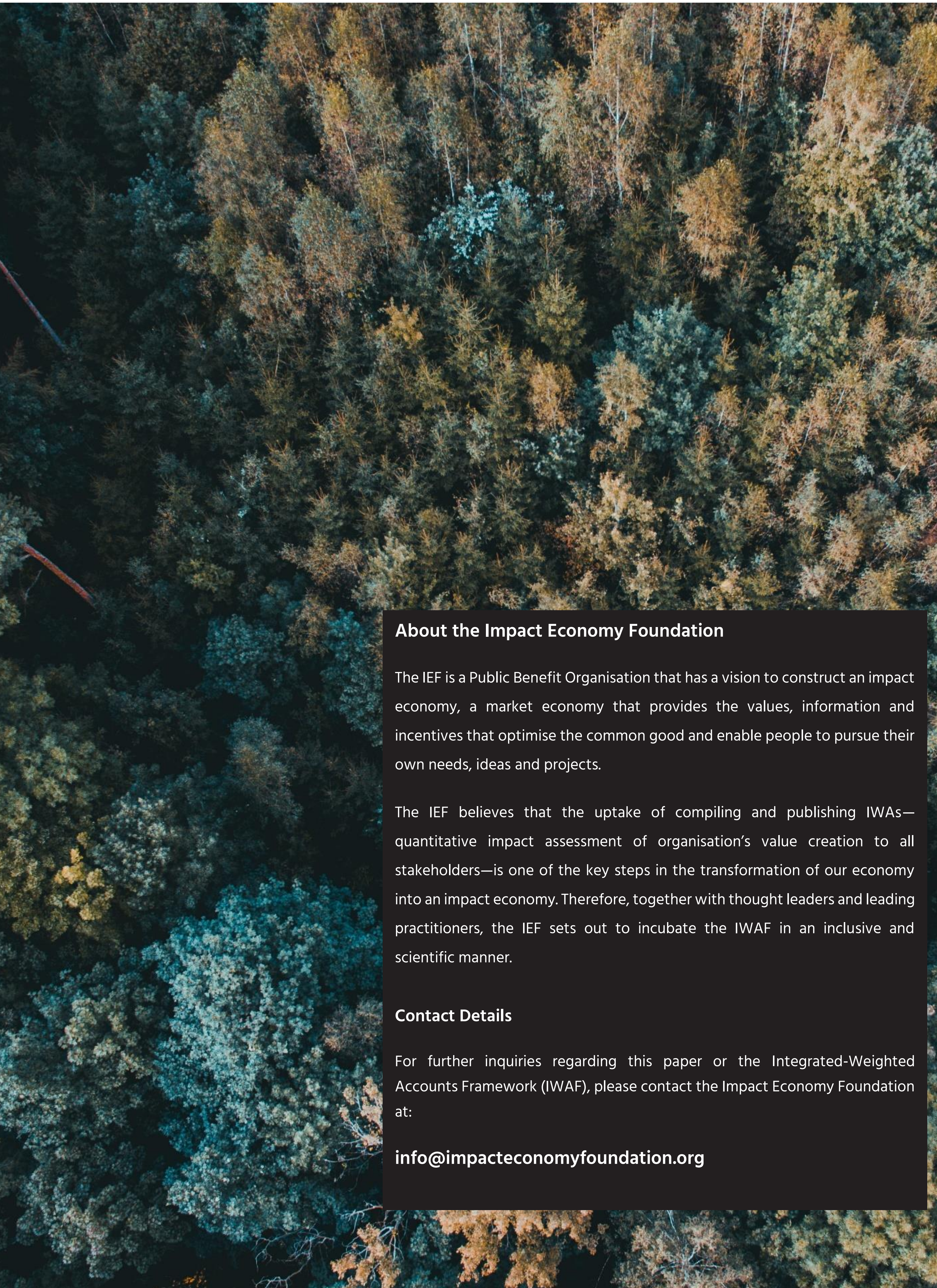

About the Impact Economy Foundation

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

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

Contact Details

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