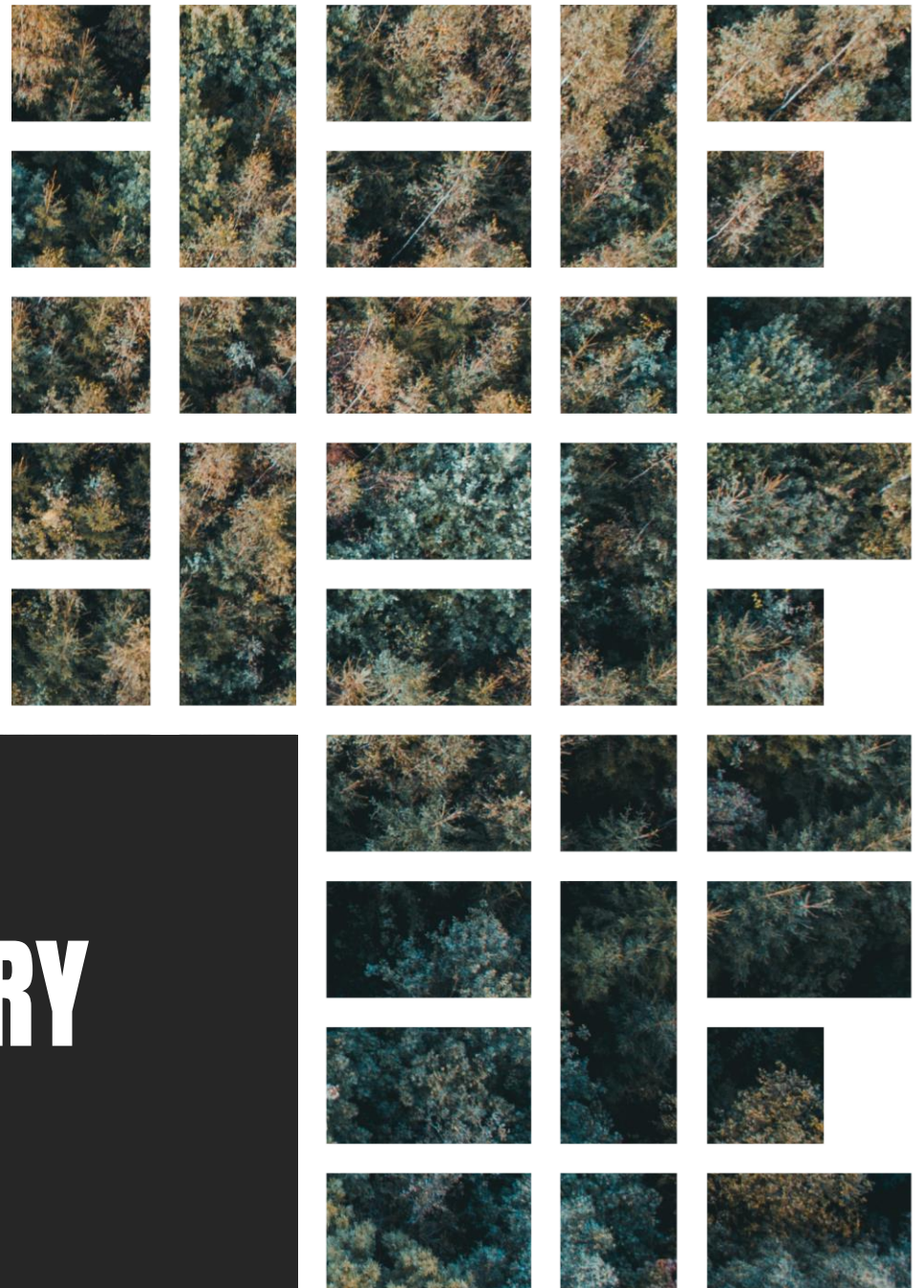


IMPACT-WEIGHTED ACCOUNTS FRAMEWORK



SUMMARY

THE CASE FOR AN **IMPACT ECONOMY**

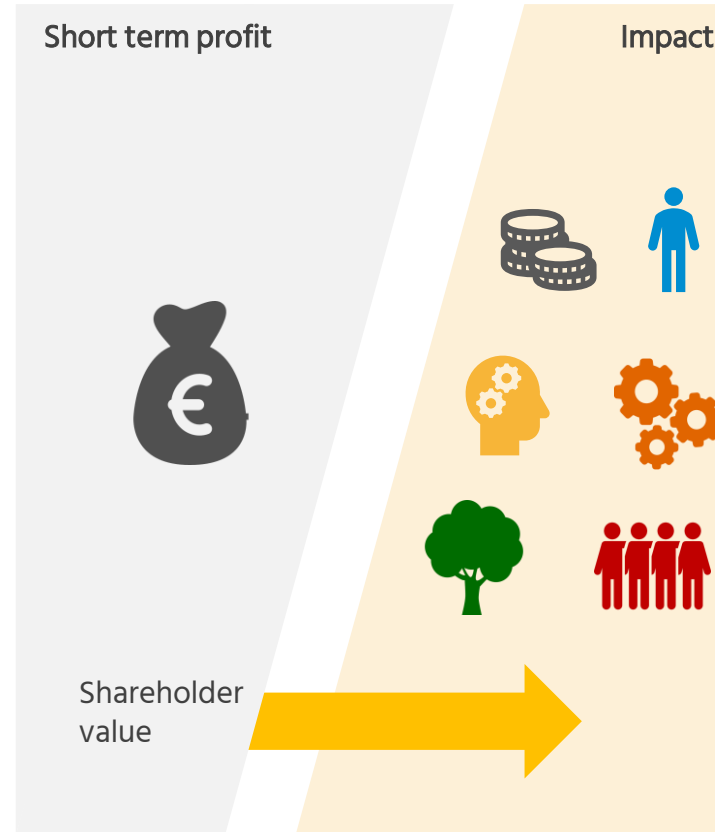
The opportunity of the 21st century

Current Economy

The current economy is governed by **prices, profits and returns**. Prices, profits and returns do not take key societal benefits and costs into account, they do not reflect the contribution of a business to society .

As a result, it's (i) cheap to buy unsustainable, unhealthy and unjust products; (ii) profitable to pollute and create negative externalities. The wrong things pay off and good things don't.

To create a fundamentally sustainable economy, we must **redefine value** and **success** in the economy and in business: **Moving from maximizing short-term financial gains to optimising societal impact.**



Impact Economy

The opportunity of the 21st century is to realise an **Impact Economy**: an economy that harnesses the power of markets, work, innovation and entrepreneurship to resolve our societal issues and create well-being for all.

Within the Impact Economy, every enterprise becomes an agent for change - an **impact enterprise**.

By systematically accounting for the costs and benefits to society, we can seamlessly integrate **impact at the heart of every corporate decision-making**.

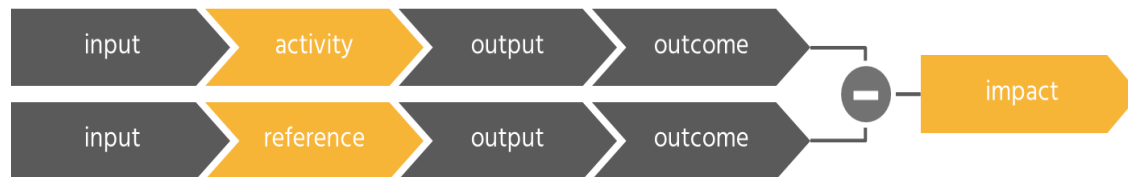
This evolution heralds a shift from a focus on prices, profits and returns to **True Prices, True Profits and True Returns**.



THE NEED FOR THE **IMPACT-WEIGHTED ACCOUNTS FRAMEWORK (IWAF)**

To turn every enterprise into an "impact enterprise"—one that prioritises societal value alongside financial returns—it is imperative to redefine value and success in business by making impact a top priority. Effective impact management without impact measurement is impossible. Despite the proliferation of regulations (e.g., CSRD, CSDDD) and reporting standards (e.g., GRI, ISSB), **current impact information is not decision-ready** due to several critical issues:

1. Focus on Inputs/Outputs/Outcomes, not Impact (i.e., changes in well-being).



2. Incomparability Between Metrics

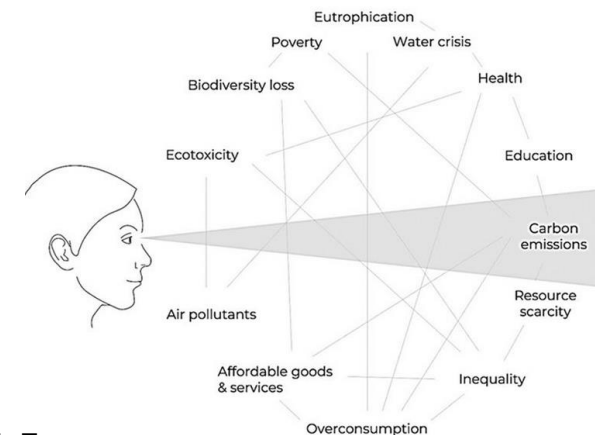
E.g., how to compare climate metrics such as CO₂ GHG emissions against water consumption measured in m³ or social issues like underpayment?

3. Impact as an Add-On

Impact-focused initiatives are often treated as supplementary to financial value creation rather than integrated into it. That is partly because impact information is not decision-ready.

4. Narrow Definition of Impact

Overemphasis on climate change, leading to the underrepresentation of other critical areas such as biodiversity, human rights, and social equity.



5. Financial Risk Focus






Impacts are often viewed from a risk-perspective. Emphasis on financial risks and returns, neglecting broader societal impact.



THE IMPACT-WEIGHTED ACCOUNTS FRAMEWORK: THE MISSING PIECE

The Impact-Weighted Accounts Framework (IWAF) provides organisations with a revolutionary approach that changes how organisations define success. IWAF facilitates businesses and investors to measure their **social, human** and **environmental** impacts and translate them into the **language of currency**.

Key principles of IWAF:

	Impact-focused IWAF focuses on the impacts of economic activities, that is, how they affect the welfare of stakeholders.
	Multi-dimensional Organisations measure and report their impact on the six capital (see box on the right) for different stakeholders.
	Valued in commensurable unit Monetary valuation allows impacts to be compared and create a harmonised language of value
	Value chain responsibility Organisations measure, report and manage on their impact across the full value chain.
	Double Materiality Based An impact is material if it affects future earnings or if it affects welfare of stakeholders

6 Capitals

-  **Financial**
(e.g., taxes, profits, wages)
-  **Manufactured**
(e.g., raw materials)
-  **Intellectual**
(e.g., intellectual property)
-  **Social**
(e.g., human rights, underpayment, child labour)
-  **Human**
(e.g., well-being, health and safety of employees)
-  **Natural**
(e.g., climate change, biodiversity, water use)

For more details on the foundational principles, consult the [Conceptual Framework of IWAF](#).



THE IMPORTANCE OF **IMPACT VALUATION**

Translating impacts into the language of currency has many benefits

Monetary valuation of impacts with IWAF allows for:

1. **Prioritisation of Impact**

- Assigning monetary values facilitates the comparison of different impacts. This helps to prioritise activities that contribute the most to societal well-being.

2. **Harmonised Impact Language**

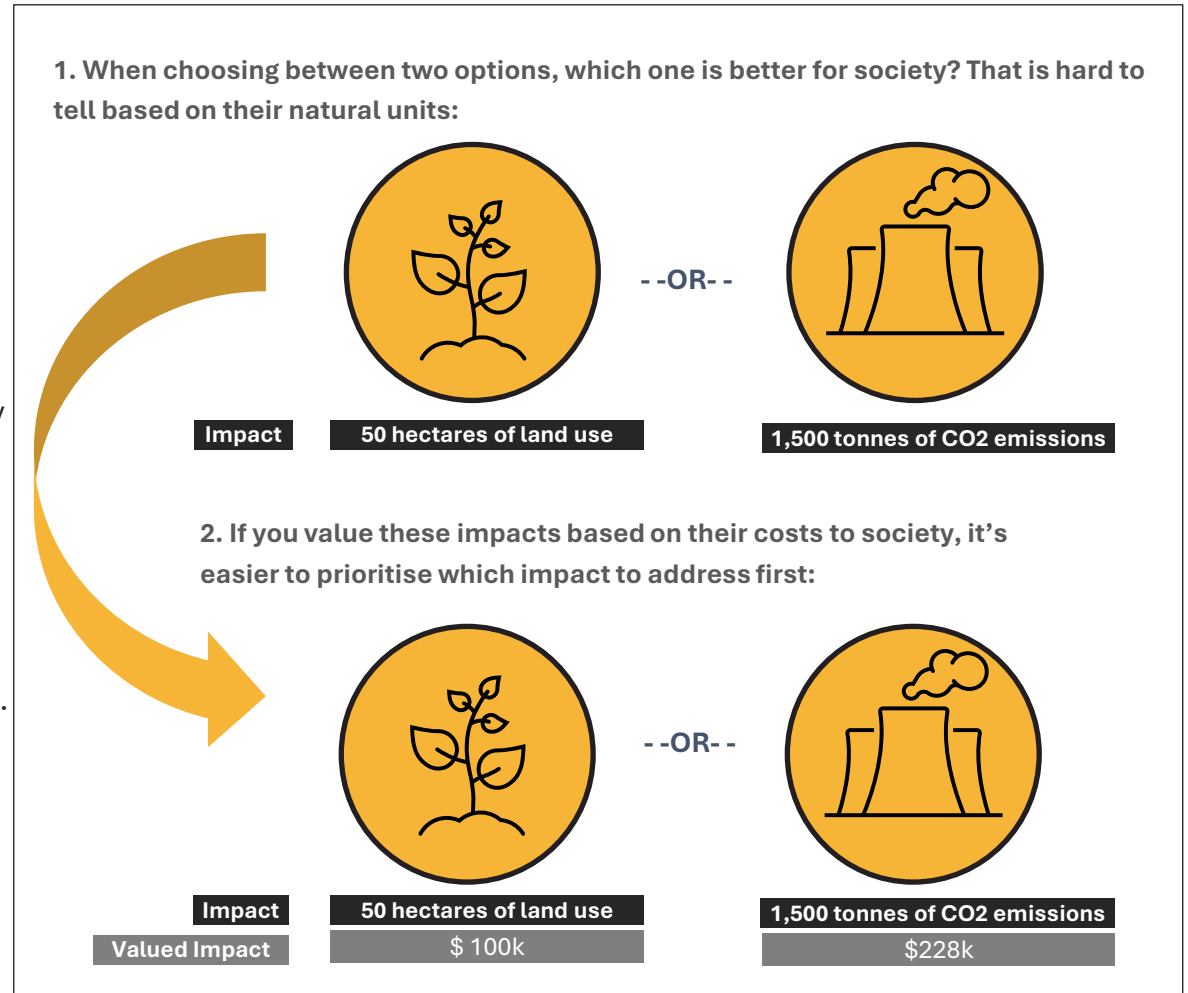
- Establishes a common language by translating impacts into monetary terms, thereby simplifying and streamlining communication across stakeholder groups.

3. **Holistic Value Creation Overview**

- Integrates valued impacts with financial outcomes, offering a comprehensive view of impact and financial value interdependencies.

4. **Integration into Finance & Accounting Systems**

- Enables direct integration into business processes (e.g., investment decisions, risk management, resource allocation), leveraging monetary metrics for impacts.



“Of those investors who want impact information, 66% want to see companies disclose the monetary value of that impact”

Source: PWC - Today's externalities, tomorrow's internalities: Why impact matters for company valuations



IMPACT MANAGEMENT WITH IWAF

Impact *Reporting* alone will not change the world

IWAF shifts the focus *from impact reporting to impact management*, enabling organisations to **assess, value, and integrate societal and environmental impacts into key corporate decision-making processes.**

- ❑ **Toolkit for Transformation:** IWAF offers a Toolkit for Impact Management containing tools such as the Impact Return on Investment (**IRoI**), and the Present Integrated Value (**PIV**), to support organisations to steer on their impacts effectively.
- ❑ **Strategic Integration:** IWAF can be applied across **key business pillars**—strategy, risk management, governance, and day to day decision-making processes —to align corporate practices with impact targets and synchronise financial control cycles with impact dashboards.
- ❑ **Advancing Towards Impact-Driven Business:** IWAF facilitates the transition to **impact enterprises**, shifting the focus from the maximization of financial value to the optimization of societal impact.

TRADITIONAL TOOLS		IMPACT TOOLS
Net Present Value	➔	Present Integrated Value
Return on Investment	➔	Impact Return on Investment
Profit and Loss Statement	➔	Integrated Profit and Loss
Input/ Output Targets	➔	Impact Targets

For an extensive discussion on how IWAF supports organisations with impact management, consult our dedicated publication [here](#).



SPOTLIGHT ON THE INTEGRATED PROFIT AND LOSS (IP&L)

A tool to strategically steer organisational decision making.

The **Integrated Profit & Loss (IP&L)**; one of IWAF's main tools for impact reporting & management, extends the conventional P&L by incorporating a broader perspective on a company's value creation process. It captures and displays both financial and non-financial impacts, across **all stakeholder groups** and the **six capitals** (financial, manufactured, intellectual, natural, social, and human) **valuing impacts** in a commensurable unit — expressed in **monetary terms** (€€€).

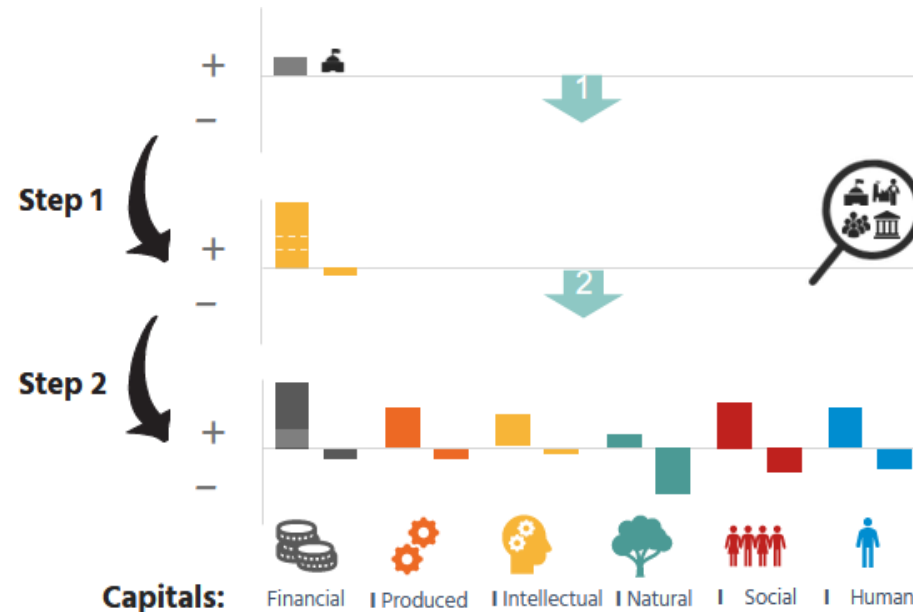


Figure 1: A visualisation of the two steps to transition from a Profit and Loss Statement to an Integrated Profit and Loss.

The IP&L can be applied across various contexts: from assessing the impact of a company's entire **operational model** or **fund portfolios** to measuring the impact of **individual initiatives** or **investments**, offering versatile utility that companies can adopt from day one, no matter where they stand in their impact journey.

IWAF'S **BENEFITS** FOR COMPANIES & INVESTORS

Benefits For Companies

1. Steer on **purposeful and intentional impact**
2. Make **informed trade-offs**
3. Gain **holistic understanding of the value creation model**
4. Harmonise **impact language**
5. Leverage financial structures for **integrated value creation**
6. Mitigate risks and stay ahead of **future regulations**
7. Forecast **future opportunities**
8. Exceed **transparency expectations**
9. Strengthen **corporate reputation**, secure social license to operate, and attract future talent

Benefits For Investors

1. Allow **impact-first investment** decision-making
2. Understand **long-term value creation** and **financial viability**
3. Assess likelihood and speed of **internalisation**
4. Benefit from heightened transparency of potential **long-term risks**
5. **Benchmarking and Performance Tracking**



IMPACT-WEIGHTED ACCOUNTS IN THE FIELD OF IMPACT REPORTING

Bridging Financial Reporting with Societal Impact

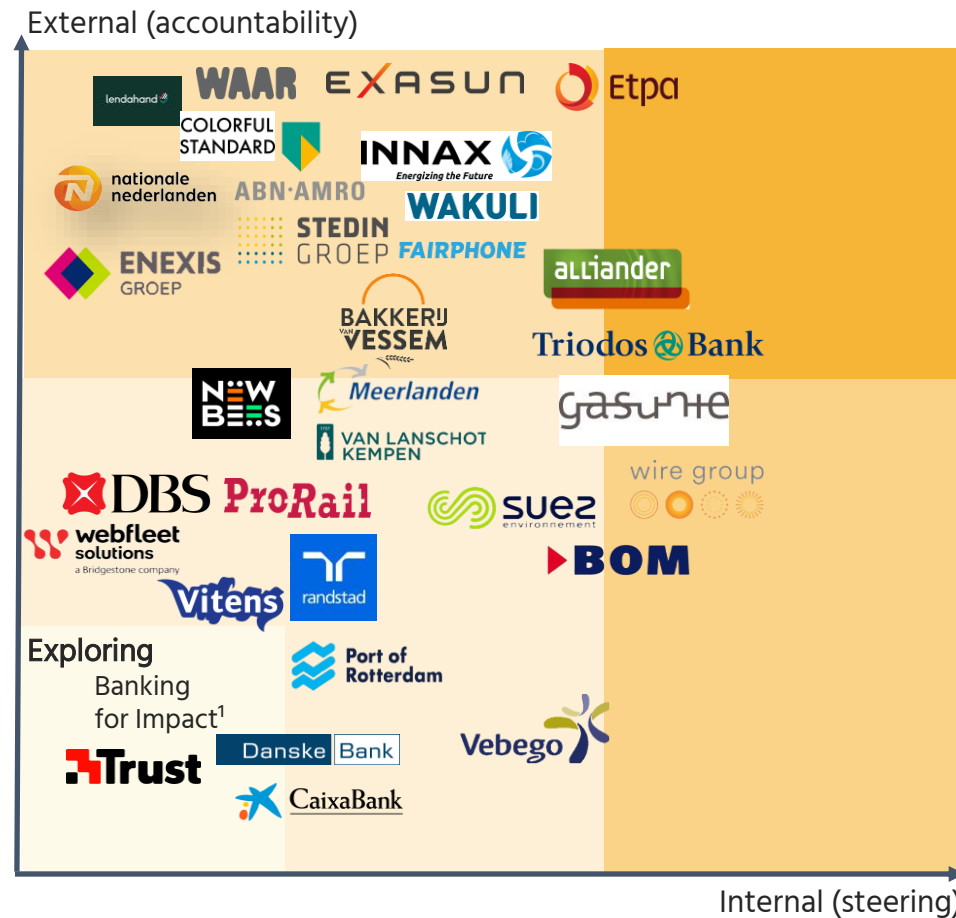


- The Impact-Weighted Accounts Framework (IWAF) is in **the forefront of a broader field** of measuring, reporting and managing sustainability matters and impact.
- IWAF supplements reporting practices of an organisation by integrating the **positive and negative, direct and indirect impacts** on all key stakeholder groups including employees, customers, the environment and the broader society.

Figure 2: IWAF's position in the wider corporate sustainability ecosystem

IMPACT-WEIGHTED ACCOUNTS FRAMEWORK APPLICATIONS

Organisations measuring, reporting, and steering on impact, using IWAF or a derivative.



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



USE CASE 1: ABN AMRO'S SUSTAINABLE IMPACT FUND (SIF)

IP&L for Impact Investing

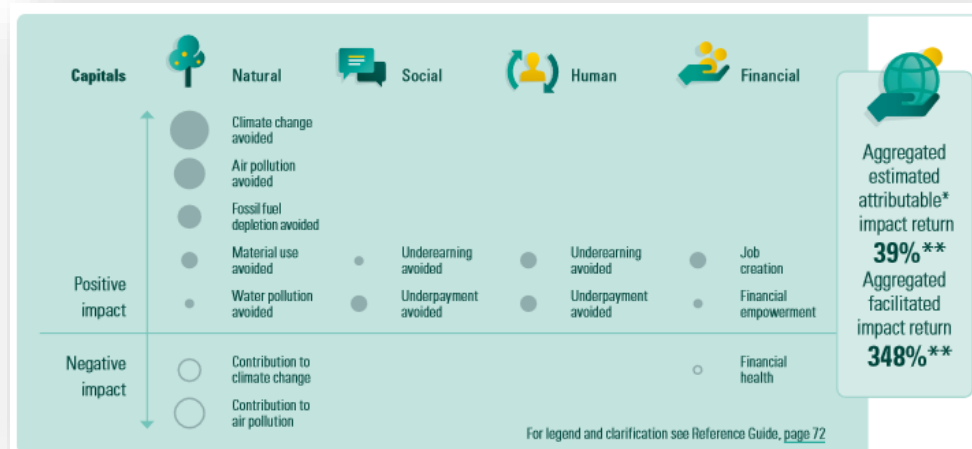


Figure 2: SIF's IP&L

Decision-making with IWAF: By providing detailed impact data, IWAF enabled SIF to make informed investment decisions. The framework helped the fund prioritise investments that could offer substantial positive impacts or identify areas where potential negative impacts needed mitigation.

Impact Return Calculation: IWAF facilitated the calculation of impact returns, showing a direct return of **39%** and a broader impact return of up to **348%** when considering the value chain partners, which provides a compelling case for the effectiveness of impact-focused investments (Figure 2).

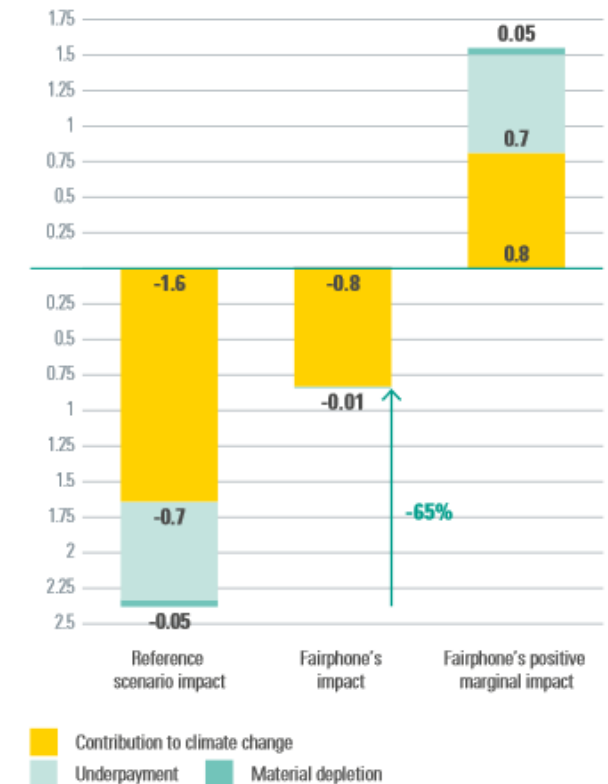
Source: SIF's 2023 Impact Report

Impact Assessment Across Capitals: SIF gained a deeper understanding of its impacts notably its positive impact due to the fund's support for the energy transition.



Fairphone's environmental and social impact in 2022

(in € millions)



* Negative impact on climate change of -621K during production process.

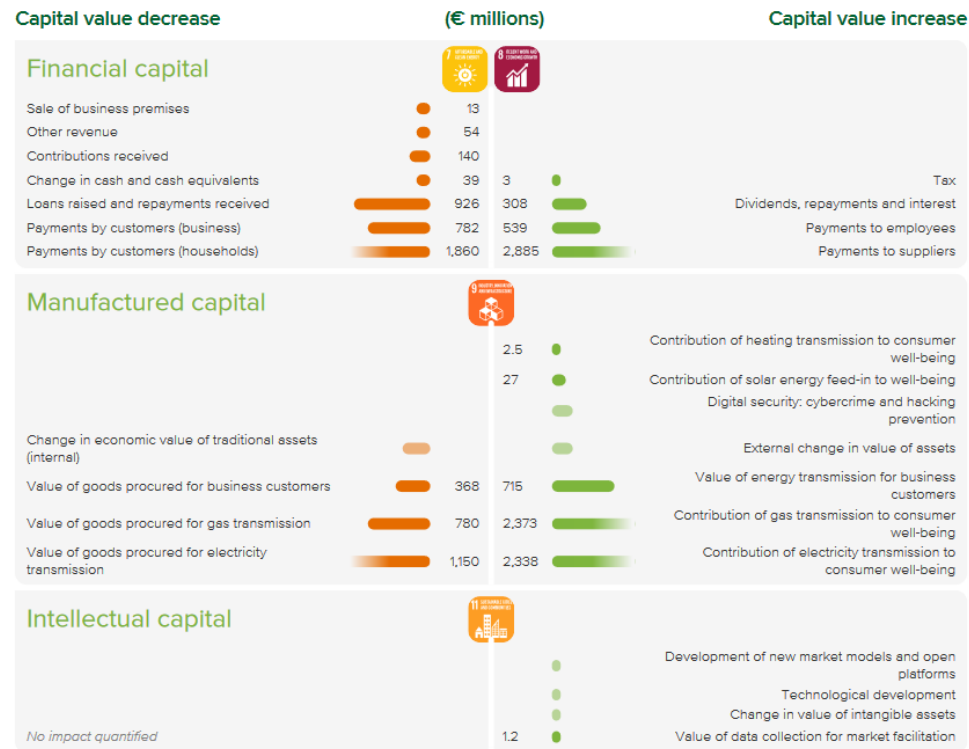
Figure 3: Impact Report for Fairphone – a company that was part of SIF's portfolio.



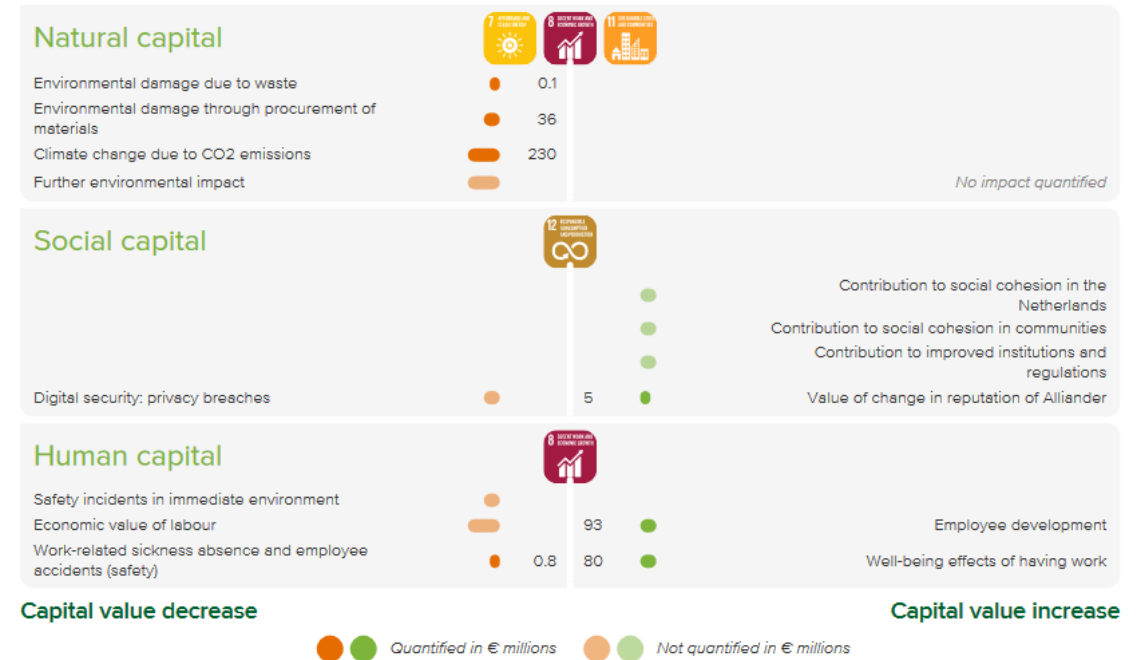
USE CASE 2: ALLIANDER

IP&L for a Just Energy Transition

Our impact model



- ❑ **Annual Impact Reporting:** Utilises the Integrated Profit & Loss (IP&L) statement to report annually on both positive and negative impacts across social, environmental, and financial domains.
- ❑ **Project-Specific Analyses:** Employs IWAF for nuanced evaluations of projects like emergency power facilities and network reliability, ensuring decisions align with broader sustainability goals.
- ❑ **Integrated Value Creation:** Chooses initiatives based on their potential to deliver the highest integrated value across environmental, social, and financial metrics.



Source: Alliander's 2023 Annual Report

Figure 4: Alliander's IP&L



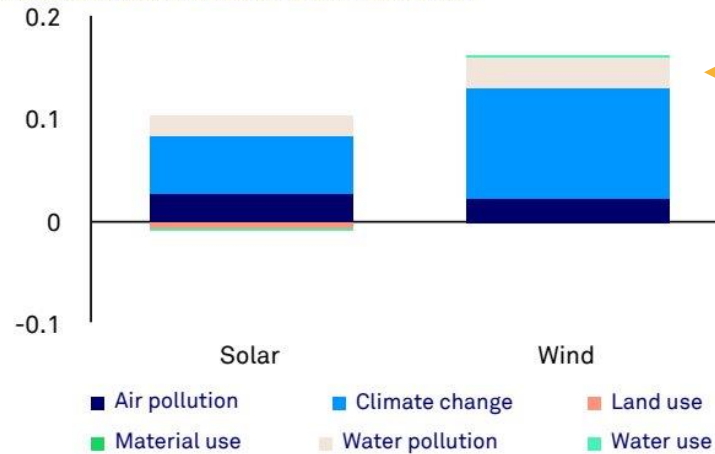
USE CASE 3: TRIODOS

Impact Statements of Triodos Bank

Triodos Banks presents in its Integrated Annual Report Impact Statements that look at the valued social and environmental impact of their (renewable) energy investments. Quantifying and valuing social and environmental impacts helps the bank to understand the **absolute and avoided impacts of its energy investments**.

Avoided negative impact per euro invested of Triodos Bank's wind and solar financing in 2023

Avoided negative impact per euro invested (in €)

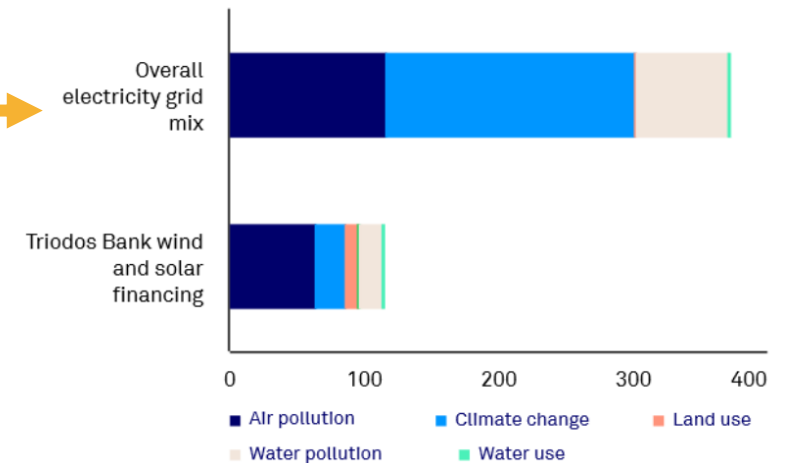


For every invested EUR in solar and wind projects, 10 cents and 16 cents of negative impact are avoided respectively.

As Triodos invests in responsible renewable energy projects, the bank has a lower negative environmental impact compared to the overall electricity grid mix of € 258 million.

Negative environmental impact of Triodos Bank's wind and solar financing in 2023

Environmental Impact of attributed kWh generated (In € million)



Source: Triodos 2023 Annual Report



GET STARTED WITH IMPACT ACCOUNTING & MANAGEMENT

First Steps & Reading Guide

1. Begin with measuring and valuing all impacts of a **pilot project or business unit** to gain valuable insights into its impact profile.

2. Do a deep dive on specific impact (f.e. natural capital) **across the value chain** to allocate resources efficiently and enhance your mitigation planning.

3. Value **your CSR data**, fostering shared comprehension of their relative importance.



The [Introduction to IWAF](#) provides an overview of the benefits of Impact Accounting with IWAF, and the relevance to different stakeholder groups



The [Impact Management with IWAF](#) provides companies the tools for steering decision-making.

For more IWAF resources, including use cases, and short guides, consult our website at:

<https://impacteconomyfoundation.org/impactweightedaccountsframework/>.



IWAF is incubated by the Impact Economy Foundation (IEF) 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.



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