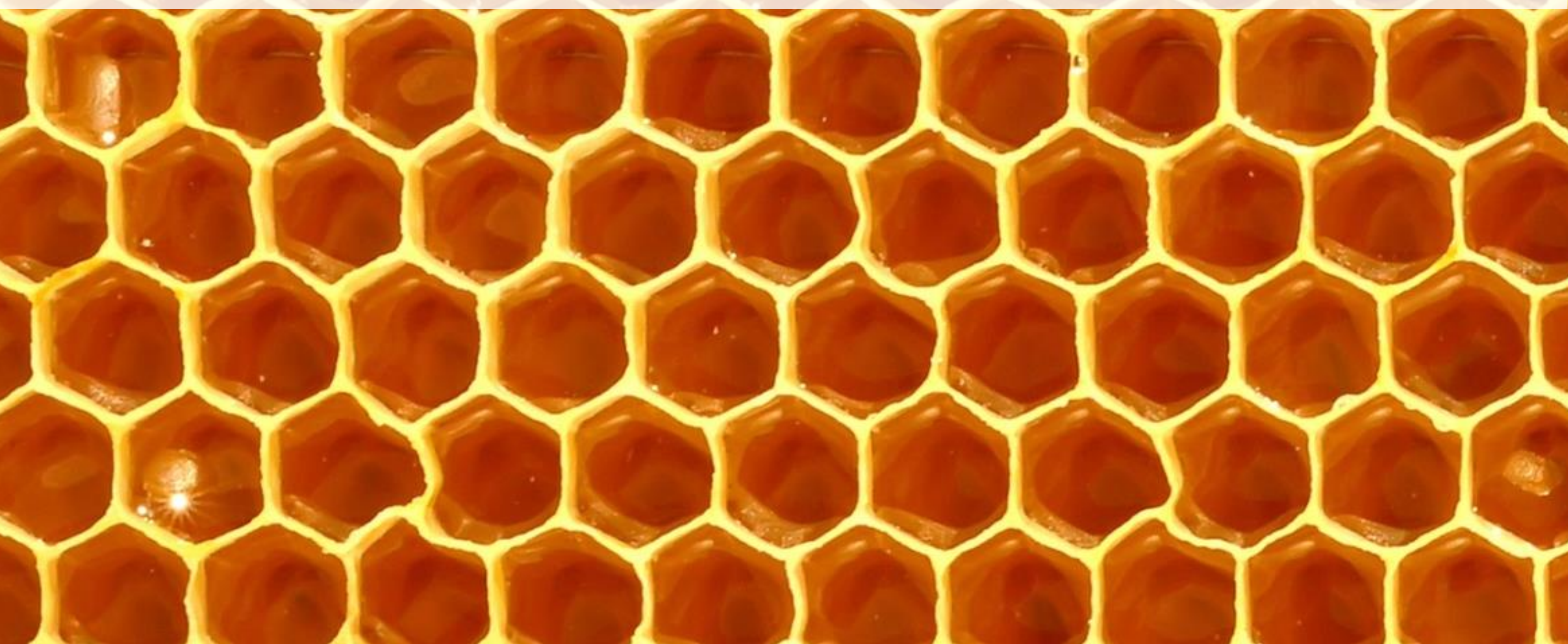
FIS BETA

Framework for Impact Statements

Beta Version (FIS Beta)

IMPACT™ INSTITUTE



About the Impact Institute

Vision

One of the greatest opportunities of the 21st century is the realisation of the impact economy: an economy in which work, entrepreneurship, innovation, and technology engender a better world. To achieve this requires a global system shift that retains valuable components of the old market system while embracing new economic models. In turn, the shift to the impact economy necessitates a common language for impact that is integrated into every aspect of our economy.

Mission

Our mission at the Impact Institute is to empower organisations and individuals to realise the impact economy. We do this by creating a common language for impact through the publication of open source standards and by providing the tools, training, and services to implement those standards.

History

The Impact Institute is a social enterprise and a spin-off of True Price. True Price, founded in 2012, developed the true pricing and Integrated Profit & Loss methods. Since 2018, True Price focuses on realising true pricing at product level. The Impact Institute focuses on helping organizations realise the impact economy based on the Integrated Profit & Loss.

More information can be found here: www.impactinstitute.com.

Authors and contact

Corresponding authors: Dr. Reinier de Adelhart Toorop and Jennifer Kuiper. Contact through FIS@impactinstitute.com.

Lead authors: Dr. Reinier de Adelhart Toorop, Jennifer Kuiper, Valerius Vandru Hartanto, Dr. Adrian de Groot Ruiz

Contributing authors: Pietro Galgani, Roland van Keeken, Sven Renon, Florian Reuter, Andrea Rusman, Lewis Zwart

Foreword

For a world where everyone can live a fulfilling life with dignity, we need unprecedented and enduring change. Accords such as the Sustainable Development Goals, the Paris Agreement, and the European Convention on Human Rights give direction to the concrete objectives of this change. Underlying them all is the call for an *impact economy*: an economy in which work, entrepreneurship, innovation, and technology engender a better world.

In the impact economy, 'classical' economic wisdom to maximise profit for shareholders is replaced by a license to operate that is granted based on the value a business creates for its stakeholders. And this value is calculated by more than profits; it includes impact, as well: a business's impact on, for example, job creation, climate change, and the quality of life of its clients. But how do you steer a company or an organisation on impact? And how do you communicate this impact to your shareholders, stakeholders, the market, and the economic landscape as a whole?

Impact statements provide an answer. It is thus with great pleasure that we present the beta version of the Framework for Impact Statements. This framework intends to help organisations construct their own impact statements, setting their context and outlining the five key elements they constitute: the Integrated Profit & Loss (IP&L) Statement and its four derivatives, the Investor Value Creation Statement, the Stakeholder Value Creation Statement, the External Cost Statement, and the Sustainable Development Goals (SDG) Contribution Statement. Together, these statements provide a quantified and robust overview of value creation for an organisation's stakeholders in terms of the six capitals of the IIRC (Financial, Manufactured, Intellectual, Human, Social, and Natural). This framework also equips organisations with the principles that should be followed in the development of their impact statements.

The Framework for Impact Statements is our first contribution *towards* a widely accepted standard for making impact statements. It is a work-in-progress. While we intend this version to be used by companies and organisations that want to improve their impact measurement, reporting, and steering, we are also publishing this beta version to solicit feedback for its improvement and expansion. The principles around impact statements are neither simple nor value-free. Your expertise and perspective as members, partners, stakeholders, and market peers will be essential in the development of impact statements that truly build the impact economy.

Adrian de Groot Ruiz

Executive Director of the Impact Institute
March 2019

Table of contents

1. Introduction

1.1. Organisations increasingly work to manage their impact

1.1.1 Impact measurement and management have gained considerable ground over the last decade. Increasing numbers of companies want to curb their CO2 emissions, introduce circular business models, integrate human rights accountability into their business, and provide transparency to their stakeholders. The share of S&P 500 companies that published sustainability or corporate responsibility reports rose from 20% in 2011 to 85% in 2017 (GAI, 2018).

1.1.2 A large number of institutional investors in Europe and North America also now apply some form of environmental, social, and governance (ESG) criteria (Inderst & Stewart, 2018; Connaker & Madsbierg, 2019). The amount of investments professionally managed under responsible investment strategies has been estimated at 23 trillion USD (GSIA, 2017). We have also seen a rapid increase in impact investments, which are expected to reach 300 billion USD by 2020 (McKinsey, 2018); similarly, social enterprises are on the rise (Deloitte, 2018).

1.1.3 Non-profits and philanthropists have been looking for a more factual basis for their decisions for quite some time. In the UK, it was estimated that as early as 2012 a majority of charities measured their impact in some form (NPC, 2012).

1.1.4 Finally, established regulation such as the EU Directive 2014/95/EU, as well as emerging regulation, compel organisations to supplement their annual financial statements with non-financial disclosures.

1.2. Views about the role of businesses have shifted

1.2.1 In terms of the market economy, the need to manage impact arises from a shift in the understanding of a company's role in society. The traditional view held that the overriding purpose of a firm was to maximise profit. The financial reporting standards that we still use today have been developed and refined over many years for this sole purpose; financial statements provide the information needed to assess and manage financial performance.

1.2.2 The origin of this traditional view was not that governments and societies, which set the rules of the game, believed that companies bear no social responsibility. Rather, it was believed that the invisible hand of the market would make sure that private vices – even corporate greed – inevitably result in public virtues. This thinking traces back to Adam Smith and Bernard de Mandeville. In 1970, economist Milton Friedman put it succinctly: '*the social responsibility of the firm is to increase its profits*.'

1.2.3 However, some fifty years later, theoretical and empirical evidence have made this view increasingly untenable. Very few would challenge that markets are the best organising principle for the economy: market economies resulted in unprecedented prosperity in the 20th century. Nor would anyone deny that it is a good and necessary thing that businesses make healthy profits. Rather, many economists, including Nobel laureates Ronald Coase, Joseph Stiglitz, Elinor Ostrom, Robert Shiller, William Nordhaus, and Paul Romer, have convincingly shown that profit maximisation in free markets – at the expense of everything else – has led to severe market failures. The reason for such failures is mainly the existence of so-called externalities: company impact on society that is not reflected in prices and which does not affect profits. Climate change, pollution, child labour, and financial bubbles, to name a few.

1.3. Managing impact requires different information: Friedman's challenge

1.3.1 If firms want to create value for society, they must manage their impact alongside their financial performance. Furthermore, companies would be wise to begin to manage their impact now, as many of today's externalities will translate into real costs and benefits tomorrow.

1.3.2 However, Friedman had an important question up his sleeve: 'If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is?' (Friedman, 1962). To this day, there has been no measurable and actionable set of values that could realistically replace or complement shareholder value as a guiding objective. Even firms that truly have the interest of society at heart struggle to act on it. As a result, despite all of our good intentions, shareholder value has by and large remained the de facto objective of companies in market economies.

1.3.3 Many inroads have been made over the last decade. Market-led frameworks such as the GRI Standards, the Sustainability Accounting Standards, the Integrated Reporting Framework, the Natural Capital Protocol, and the Social Capital Protocol have provided guidance on non-financial reporting. Often, firms themselves have been at the forefront of developing methods for non-financial reporting, such as PUMA with its ground-breaking 2010 Environmental Profit & Loss (PUMA, 2011). Intergovernmental efforts such as The Economics of Ecosystems and Biodiversity (TEEB) framework of the UN Environment Programme and the WAVES framework led by the World Bank (2013) have provided important intellectual foundations. The United Nations has also put forth an ambitious global agenda with the Sustainable Development Goals (SDGs), to which firms are also expected to contribute.

1.3.4 Still, despite the wealth of existing frameworks and methods, Friedman's challenge still stands. There has been no set of measurable and actionable objectives that can serve as an alternative or complement to profit maximisation.

1.4. Impact statements provide the information organisations need to manage their impact

1.4.1 To help address this challenge, the Impact Institute has developed a set of standardised impact statements, analogous to the widely applied financial statements. Impact statements provide the information organisations need to manage their impact, as well as the information their stakeholders need to assess this impact. This framework rests on existing frameworks and knowledge and integrates these into a reporting structure that can be used in decision-making.

1.4.2 Effective impact statements boil down hundreds of non-financial indicators into a small set of measurable goals, enabling organisations to make trade-offs between the many ways they affect society, between the interests of various stakeholders, and between short- and long-term action. At the same time, effective impact statements provide sufficient information for organisations and their stakeholders to set their own priorities with respect to impact.

1.4.3 Therefore, the point of departure for this Framework for Impact Statements is that if an organisation aims to create value for society, this aim can be broken down into four measurable organisational objectives:

1) Create short-term and long-term value for its investors (shareholders and otherwise);
2) Create net value for each of its other stakeholders, including clients, employees, governments, and communities;
3) Do no harm by respecting the rights of its stakeholders and avoid imposing external costs;
4) Contribute to sustainable development in line with the UN's SDGs.

1.4.4 These objectives can be measured using the integrated profit & loss method, which quantifies and value the impact an organisation has on all of its stakeholders through its effects on their welfare and capital stocks. This method extends the traditional profit & loss in two dimensions. Whereas the traditional Profit & Loss Statement reports the financial value created for shareholders, the Integrated Profit & Loss Statement reports the value created for all stakeholders in terms of both financial and non-financial capital.

1.4.5 The Integrated Profit & Loss Statement has also given rise to additional statements which correspond to the four objectives above:

1) The Investor Value Creation Statement;
2) The Stakeholder Value Creation Statement;
3) The External Cost Statement;
4) The SDG Contribution Statement.

1.4.6 Together, these five statements constitute the impact statements.

1.5. This framework aims to enable organisations to compile impact statements in a standardised manner

1.5.1 This framework is intended to guide organisations in compiling impact statements for internal and external reporting purposes. It provides a set of minimum requirements to which all impact statements should adhere. In the future, it will be supplemented with more detailed guidance and be extended where necessary.

1.6. This framework supports organisations in the impact journey

1.6.1 An organisation typically has to undergo a phased process in order to ultimately be able to manage its impact in a manner that fits its purpose and goals. This process is referred to as the impact journey and can take several years. An impact journey typically starts with small-scale internal reporting, then evolves to a state in which thinking about impact is central in the organisation.

1.6.2 This framework supports organisations in all stages of the impact journey and to proceed at their own pace. The requirements given in this framework should not be read as 'all or nothing.' Organisations are encouraged to use elements of the framework for purposes of internal reporting and decision-making as a first step towards its wider, and external, application.

1.6.3 An example of an impact journey could be as follows:

- In year 1, an initial materiality assessment of impact identifies the impacts that are most material to the organisation's operations. In addition, a limited number of impacts is assessed quantitatively by a small team. The team is led by a manager from the finance, sustainability, or strategy department.
- In years 2 and 3, new impacts are added to the list. The impacts that had been assessed in earlier years are re-calculated to show their development over time. In the re-calculation process, the organisation learns to calculate impacts with lower uncertainty.
- Starting in year 1, impact is reported internally to build awareness within the organisation. From year 2 or 3 onwards, the organisation uses some impact information in its strategic decisions. In each following year, impact is used in increasing degrees in steering and strategy.
- In year 2, brief impact information is published in the annual report and/or in separate short publications without assurance from an auditor.
- Around year 3, the full list of material impacts is assessed. This enables the compilation of the full Integrated Profit & Loss Statement and also of the four derived statements mentioned in *Section 1.4*.
- The impact statements are compiled for external use from year 3 onwards. Some impact assessments are less precise than others at this stage, and this is disclosed explicitly.
- Full external publication of the impact statements, with assurance (limited or reasonable) from an independent auditor, occurs from year 4 onwards.

1.7. How was this framework developed?

1.7.1 The Framework for Impact Statements was developed by studying existing protocols, synthesising their common elements, complementing these with theoretical findings, and testing the framework in practice with partners over several years. For the existing protocols, principles, and frameworks that were used in developing the Framework for Impact Statements, please refer to *Chapter 3*.

1.8. Readers' guide

1.8.1 This Framework for Impact Statements provides guidance in the compilation of impact statements. It contains context, principles, and requirements for organisations in preparing and reporting their impact statements.

1.8.2 This document consists of nine chapters. The introduction of the framework is covered in *Chapter 1*. *Chapter 2* describes the goals and scope of the framework and the five elements of the impact statements. *Chapter 3* lists the normative and informative references used in developing the framework. *Chapter 4* explains the structure to measure and value impact and lists key definitions and concepts. *Chapter 5* lists the elements of impact statements. *Chapter 6* to *9* contain all of the principles and requirements at the various levels: organisational principles in *Chapter 6*; requirements for general reporting in *Chapter 7*; principles behind the five statements in *Chapter 8*; and principles per phase of compiling and reporting impact statements in *Chapter 9*.

1.8.3 This framework uses the word 'organisation' to refer to the entity that publishes the impact statements. This choice is to stress that impact statements are relevant to different types of organisations, which includes corporations as well as other types of businesses, NGOs, and governments.

1.8.4 Some of the principles, definitions, and requirements have been adapted from existing frameworks. Every effort has been made to re-define them based on the requirements of the Framework for Impact Statements.

1.8.5 Definitions, principles, and requirements of key concepts in this framework are italicised in **bold** and are preceded by the word ***definition***, ***principle***, or ***requirement***.

1.8.6 Examples and supporting text are in grey and are indented with respect to the left margin.

1.8.7 The abbreviation 'FIS Beta' is used to refer this beta version of the Framework for Impact Statements.

2. Goal and scope

This section briefly sets out the goal and scope of impact statements. It then provides an overview of how impact statements fit into annual reporting. Finally, it sets out the goal and scope of this document on the Framework for Impact Statements.

2.1. Goal and scope of impact statements

2.1.1 The goal of impact statements is to provide the information (i) that organisations need to manage their impact on its stakeholders and (ii) that the stakeholders of an organisation need to evaluate that organisation's impact on them.

2.1.2 To realise this goal, impact statements provide information on an organisation's performance in terms of at least the following four organisational objectives:

1) Create value for the investors of the organisation in the short and long term; this is an objective in itself and also a necessary condition for the continuity of the organisation;
2) Create net value for each of the other stakeholders of the organisation, including its clients, employees, governments, local communities, and the global community as a whole;
3) 'Do no harm' by minimising external costs in a way that respects the rights of stakeholders; net value creation will often involve optimising trade-offs among stakeholders, however, this shall not be at the expense of the rights of stakeholders;
4) Contribute to sustainable development in line with the United Nations Sustainable Development Goals; there is a global consensus about what is to be realised at a global scale by 2030 in terms of long-term value creation.

2.1.3 While FIS Beta recognises these four objectives, it does not specify the relative weight that an organisation shall give them if trade-offs are involved between them.

2.1.4 Organisations can choose to formulate more or more specific impact objectives that they want to see reflected in their impact statements.

2.1.5 Impact statements are quantified statements of the impact of an organisation and, in particular, of how an organisation's operations affect its stakeholders' well-being, access to scarce resources, and fulfilment of rights.

2.1.6 All elements of impact statements are quantified and expressed in a single common unit, optionally alongside the customary units. It is suggested but not required that the common unit is monetary. This makes all elements in impact statements directly comparable to each other. In addition, impact statements are comparable over time and between organisations.

2.1.7 Impact statements shall include five required statements: a general Integrated Profit & Loss Statement and four specific statements, as depicted in *Figure 1*.

2.1.8 The Integrated Profit & Loss Statement is the overview of all material impact that results from the organisation's activities. Impact is expressed in the same common unit, which is typically but not necessarily a monetary unit. This requires impact to first be measured, then subsequently valued. Impact addressed in the IP&L is organised by stakeholder and by type of capital. It is suggested to use the six Capitals of the International Integrated Reporting Council.

2.1.9 The four specific statements correspond to the four organisational objectives specified in *2.1.2*. Each of these statements selects impact

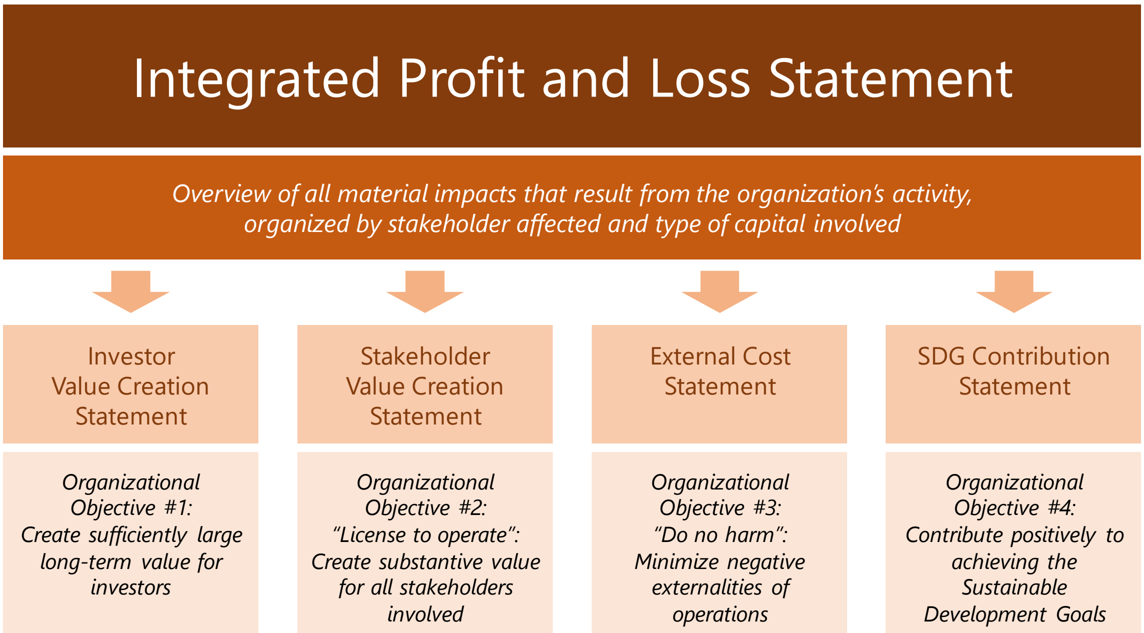


Figure 1: The relationship between the five impact statements and the four organisational objectives

addressed in the IP&L, structured in a specific way. The four specific statements are:

1) The Investor Value Creation Statement, which shows the components of value creation for investors and the total net value creation for investors;

2) The Stakeholder Value Creation Statement, which shows the components of value creation for each stakeholder and the total net value creation for each stakeholder;

3) The External Cost Statement, which shows the various external costs the organisation produces;

4) The SDG Contribution Statement, which shows the organisation's current impact on the SDGs, as well as any progress.

2.1.10 The requirements for each of the required statements are described in *Section 5.1* to *5.5*.

2.1.11 Impact statements can, in addition to *2.1.7*, also contain additional statements covering additional aspects on which an organisation wants to steer and which is wants to disclose. *Section 5.6* provides the requirements for these additional statements.

2.1.12 In terms of scope, in principle, impact statements cover all material activities and impact of an organisation. In addition, impact statements cover the direct impact of an organisation and its impact in and on its value chain(s).

2.1.13 If an organisation realises an impact together with partners in its value chain, each of the organisations may share the total impact in accordance with an attribution framework.

2.2. Impact reporting in the context of annual reporting

2.2.1 Impact statements complement financial reporting and non-financial reporting, where the latter is more descriptive of an organisation's policy or based on a set of KPIs that is not directly comparable within, over time, and between organisations. In addition, impact statements help organisations consistently and transparently inform stakeholders about how its work, entrepreneurship, innovation, and technology contribute to the impact economy.

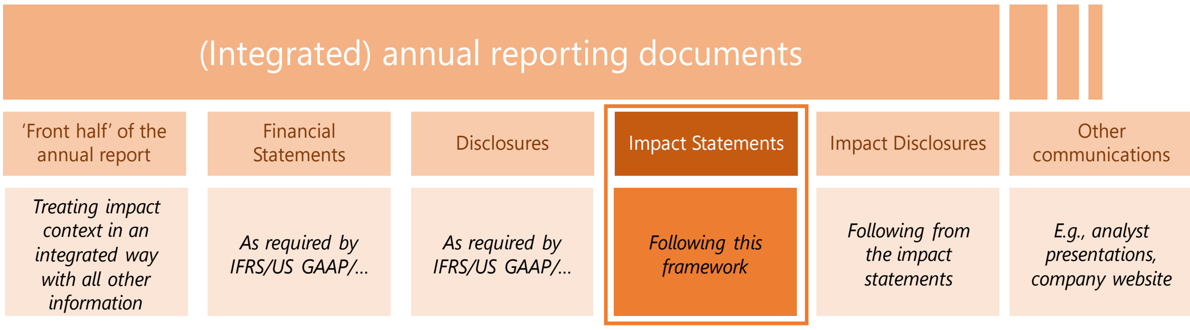


Figure 2: Impact statements as part of an integrated annual report. Adapted from: WBCSD & PwC, 2018

2.2.2 ***Definition:* Impact context** is the contextual information about the impact an organisation has and how that organisation steers on such impact.

- *Appendix E* suggests the minimum requirements for the content of impact context, such as organisational overview and external environment, organisational performance, and governance.

2.2.3 It is important that sufficient impact context is provided in the impact statements.

2.2.4 It is suggested that the impact statements form part of the annual reporting documentation (in the annual report itself or in a similar report, or as part of a series of such reports), as shown in *Figure 2*. Alternatively, it can be part of a stand-alone impact report, as shown in *Figure 3*.

2.3. Goal and scope of this framework

2.3.1 Many guidelines exist for non-financial reporting, such as the Global Reporting Initiative Standards, the International Integrated Framework from the International Integrated Reporting Council (IIRC), or the SASB Conceptual Framework by the Sustainability Accounting Standards Board. These mainly provide direction for reporting specific types of impact and for impact categories, and do not always discuss quantification, valuation, or aggregation. The Framework for Impact Statements aims to extend this field to enable organisations to compile impact statements that cover the full range of impact that an organisation has on each of its stakeholders and presents impact information in a quantified and valued format.

2.3.2 The goal of the Framework for Impact Statements is to prescribe the basis for compiling and presenting impact statements for internal and external reporting and use, to enhance consistency and transparency, and to ensure comparability both with the organisation's past impact statements and with the impact statements of other organisations. This framework sets the requirements for compiling and presenting impact statements, guidelines for the structure, and the minimum requirements for their content.

2.3.3 Principles, requirements, and guidance for reporting of any sort beyond impact statements is beyond the scope of this framework, with the exception of the requirement that sufficient impact context be provided to understand and interpret the impact statements.

2.3.4 This framework contains the formats, structure, content, and principles for impact statements.

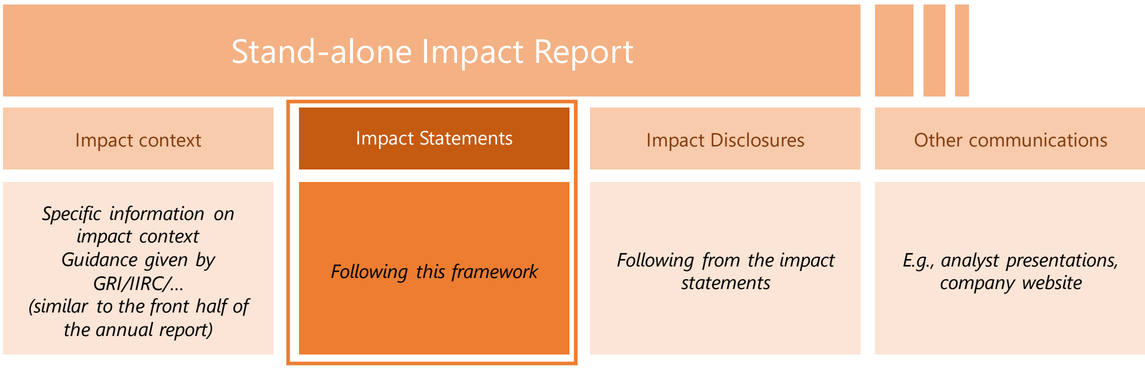


Figure 3: Impact statements in a stand-alone impact report

3. Normative and informative references

In developing this framework, several existing frameworks, protocols, and methods were used. They serve as either a normative or an informative reference. A normative reference is a referred document which is indispensable for the application of this framework. An informative reference is an additional document that provides additional background and information to strengthen the understanding of this framework.

Often elements of references were used as inspiration and were adapted to meet the specific objective of this framework. Every effort has been made to attribute ideas and phrases to the source that served as a basis, foundation, vocabulary, practice, or inspiration (see *Appendix D*). However, given the large number of references and the similarities between them, it cannot be guaranteed that our bibliography is complete. The references listed below are limited to the scope of this framework; future additions to this framework with a more specific scope will include additional references.

3.1. Normative references

3.1.1 *Table 1* lists the normative references. This framework adopts and follows particular elements, not necessarily the entire documents, of the normative references. Therefore, the normative elements of the normative references used in this framework are also specified.

Organisation	Title	Relevant normative elements
International Accounting Standards Board (IASB)	International Financial Reporting Standards (IFRS)	• IAS 1 – Presentation of Financial Statements
International Integrated Reporting Council (IIRC)	The <IR> Framework	• Definition of the Capitals (Section 2C) • Definition of Connectivity (Section 3B)
United Nations	General Assembly Resolution 70/1, Transforming our World: the 2030 Agenda for Sustainable Development	• Preamble • Declaration, in particular the section Sustainable Development Goals and targets
United Nations	General Assembly Resolution 71/313, Work of the Statistical Commission pertaining to the 2030 Agenda for Sustainable Development	• Annex: Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development
Global Reporting Initiatives (GRI)	GRI Standards – GRI 101 Foundations	• Reporting Principles for defining report content. Guidance on stakeholder inclusiveness, sustainability context and materiality (Section 1)

Table 1: List of normative references

3.2. Informative references

3.2.1 Several informative references have provided valuable guidance in developing the Framework for Impact Statements. For a complete overview, please refer to *Appendix D*. Informative references used include the FASB Generally Accepted Accounting Principles (GAAP) (2019), the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013), SASB standards of the Sustainability Accounting Standards Board (2017), the Natural Capital Protocol of the Natural Capital Coalition (2016), the Social Capital Protocol of the WBCSD (2017), the Accounting Blueprint Exposure Draft from Reporting 3.0 (2018), the article 'Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society' written by Porter & Kramer (2011), the TEEB Ecological and Economic Foundations (2010), the TEEB for Agriculture & Food: Scientific and Economic Foundations (2018), and Controlling Non-Financial Reporting from the WBCSD (2013).

3.2.2 Other informative references include reports that specify examples of best practices in implementing frameworks or methods, including those from ABN AMRO (2017), AkzoNobel (2019), Alliander (2019), BASF (2019), the Danish Ministry of the Environment (2014), Kering (2018), Lafarge-Holcim (2019), and PUMA (2018).

4. Key definitions and concepts

Broad standardisation of impact statements and their comparability over time and between organisations require a common language. This chapter presents the key definitions and terms for compiling and understanding impact statements.

4.1. Impact

4.1.1 ***Definition:*** **Capital stocks** are the collection of resources (i.e., assets) available for future production, service provision, consumption, and other use by organisations, people, and ecosystems.

- Stocks come in different forms, financial and non-financial. A common framework is that of the six Capitals of the International Integrated Reporting Council (IIRC): Financial, Manufactured, Intellectual, Human, Social, and Natural.
- Some capital stocks are owned by a specific stakeholder (e.g., Financial Capital that is owned by a particular organisation or individual). Other stocks are not owned by a particular stakeholder, e.g., the stock of clean air.
- A description of the six Capitals of the IIRC for use in impact statements can be found in *Appendix A*.

4.1.2 ***Definition:*** **Capital flow** is a change in a set of capital stocks within a given timeframe in terms of the quantity or quality of any asset in the total stock or in terms of the ownership of an asset. Capital can be increased, decreased, transformed, or transferred (between different stakeholders) through the activities of an organisation in that capital is enhanced, consumed, modified, or otherwise affected by those activities.

- For example, an organisation's Financial Capital increases when it makes profit. Human Capital grows when employees receive training.

4.1.3 ***Definition:*** **A positive or negative capital flow** for a specified stakeholder is a capital flow that increases or decreases their capital stock.

4.1.4 ***Definition:*** **Stakeholders** are the individuals or groups affected by an organisation's business activities, as well as the individuals or groups who affect an organisation's value creation ability.

- An organisation may determine which stakeholder to assess in its impact statements.
- Stakeholders can include investors, employees, suppliers, clients, governments, local communities, and society-as-a-whole. Stakeholders may be grouped together, presented under different names, or broken down more specifically given the particular needs of an organisation and its impact statements.

4.1.5 ***Definition:*** **Experienced well-being** is the well-being experienced by a set of stakeholders during a given timeframe.

4.1.6 ***Definition:*** **Impact** is a capital flow and/or a change in experienced well-being associated with the operations of an organisation during a given timeframe.

- Impacts can be classified as direct and indirect. Direct impact follow directly from the organisation's activities. Indirect impact relates to activity in the value chains of the organisation.
- Capital flows and changes in experienced well-being that would occur in the absence of an organisation's business operations (i.e., which are part of the 'background', or 'reference'), are not considered inherent to the organisation's operations. These are therefore not considered impact.
- Different factors can cause different impact. For example, sectors of industries, point of supply chain, location of the organisation's activity, etc.
- Impact can be positive or negative. Positive impact means that capital stocks grow or that well-being is created. An example is well-being created through employment. Negative impact means that capital stocks are negatively affected or that well-being decreases. Air, water and soil pollution are examples.

4.1.7 ***Definition:* Overall impact** is the set of all impacts of an organisation.

- *Appendix C* contains a non-exhaustive list of key impacts (or impact categories) that are relevant to many types of organisations. It is suggested to always include these impacts in impact statements if they are relevant to the organisation.

- The term 'impact' refers to the overall impact of an organisation; 'an impact' or 'impacts' refer to one or more specific impacts.

4.2. Impact measurement and valuation

4.2.1 ***Definition:* Impact measurement and valuation** is the process of quantitatively measuring, valuating, and expressing impact in a single common unit to understand the impact of an organisation's activities. The common unit is often monetary.

- The proposed approach for impact measurement and valuation is the impact pathway approach. Information is provided in *Appendix B*. See True Price (2015), as well.

- Impact measurement and valuation is done by addressing all material issues and inventorying all activities of an organisation, including upstream activities and resulting downstream activities, measuring them by proper and comparable metrics, providing insight and direct improvement levers for the purpose of taking action, demonstrating commitment, and enabling comparisons over time so that the method is reproducible.

4.2.2 ***Definition:* Impact measurement** is an assessment of the size of an impact in a quantitative unit.

- When impact measurement is completed, an impact is still expressed in its customary unit. Examples include kilograms for CO_2 equivalents and disability-adjusted life years.

4.2.3 ***Definition:* Impact valuation** is an assessment of the normative desirability of an impact from the perspective of a stakeholder in a quantitative unit which reflects that impact's value to that stakeholder.

- Valuation makes different types of impact comparable. While tonnes of CO2 emissions cannot be compared to the disability-adjusted life years of health & safety accidents, the monetary value of the damage that the two impacts cause can be compared (as can be the monetary value of potential remediation). Note that financial impacts are 'automatically' valued, or more specifically, monetised.

4.2.4 ***Definition:* Impact monetisation** is the process of translating an impact which is expressed in a non-monetary unit into an impact which is expressed in a monetary unit.

- Impact monetisation is a specific case of impact valuation.

- Common techniques for impact monetisation can be categorised as either abatement-cost-based or welfare-based. Abatement-cost-based monetisation includes monetisation based on the costs of preventing an impact or on the costs of restoration to the previous state. Welfare-based approaches estimate the monetary value of the welfare or well-being effects. These approaches typically use market prices as a reflection of goods that have a market price. For goods that do not have a market price, stated and revealed preference techniques are used to directly or indirectly elicit or estimate the value of a good to individuals.

4.2.5 ***Definition:* Monetised impact** is impact expressed in a monetary unit.

4.2.6 ***Definition:*** The **value chain of a product or service** is the set of organisations that supply intermediate goods and services to each other in order to produce a finished product or final service.

4.2.7 ***Definition:*** The **value chain of an organisation** is the combined total (i.e., union) of all value chains of all products and services to which an organisation contributes.

- This value chain contains both direct and indirect clients and suppliers of an organisation.

4.2.8 ***Definition:* Value chain responsibility** is the view that some impact is the responsibility of multiple organisations in a value chain, even if the impact directly occurs as a result of the operations of just one of them.

- Organisations do not create value in a vacuum, but by cooperating with other stakeholders (or individuals).

- Organisations have some form of influence over the positive and negative impact generated by their suppliers and business customers through their selection of business partners and by stimulating sustainable business at their sites.

- Value chain responsibility to respect human rights is explicitly reflected in the second pillar of the Ruggie principles (Human Rights Council, 2008).

- As an example, a chocolate manufacturer can – under certain conditions – be considered co-responsible for human rights violations that take place at the cocoa farms in its supply chain.

4.2.9 ***Definition:*** **Impact attribution** is the step which consistently distributes a share of the impact value to each of the stakeholders considered co-responsible for the occurrence of that impact.

- A particularly desirable feature of an impact attribution approach is that the total size of the shares attributed to each of the stakeholders equals the size of the initial impact, such that double counting or undercounting are avoided.

4.2.10 ***Definition:*** **External cost** is a negative and involuntary impact on a stakeholder due to an organisation's activity, which is not offset by a positive impact of at least equal value.

- External cost reflects market failure where production and/or consumption activities impose the additional hidden costs on others (e.g., the environment, society) which are not included in the market price of the product or service.

- For example, the production of aluminium releases pollution into the air, but the cost of the pollution for the environment or the health of individuals is not reflected in the price of aluminium.

- Not all negative capital flows (i.e., negative impacts) are external costs. When a consumer buys a product, she pays for it. This is a negative flow of Financial Capital for her. However, this negative impact is compensated by the positive impact of receiving the product. This is a compensating positive flow of her Manufactured Capital.

4.2.11 ***Definition:*** **External cost with co-responsibility** is an external cost for which a value chain responsibility exists to prevent or remediate these costs.

- External cost with co-responsibility typically occurs when there is an external cost that does not respect a generally accepted right of a person or group.

4.2.12 ***Definition:*** **External benefit** is a positive and involuntary impact on a stakeholder due to an organisation's activity, which is not offset by a negative impact of at least equal value.

- External benefits reflect a situation where production and/or consumption leads to improvements beyond the organisation itself, such as for the environment or society.

4.2.13 ***Definition:*** **Value creation of an organisation for a stakeholder** is a situation in which that stakeholder is better off with the existence of an organisation than without it.

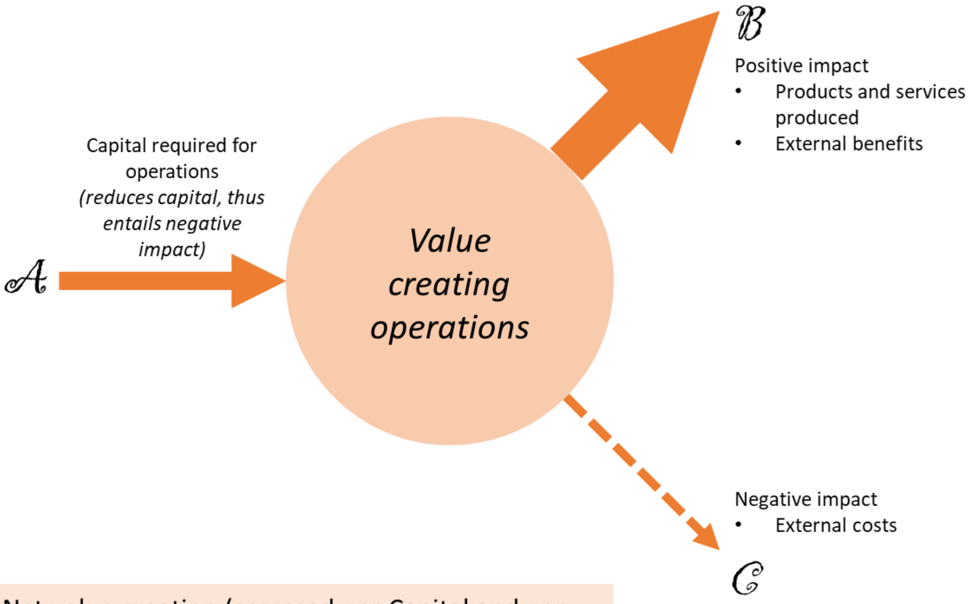
4.2.14 ***Definition:*** **Net value creation of a set of impacts for a stakeholder** is the aggregate value created by that set of impacts for that stakeholder.

- Value is created by an organisation through its business model. Through business activities and interactions, the business model transforms capital inputs to produce outputs and outcomes. A net positive value of the outcomes represents value creation for the organisation and its stakeholders.

- A visual representation of how value creation relates to positive and negative impact as it flows in and out of business processes is given in *Figure 4*.

4.2.15 ***Definition:*** **Weak value creation** for a stakeholder is value creation in which there are non-zero external costs with co-responsibility.

4.2.16 ***Definition:* Strong value creation** for a stakeholder is value creation without any external costs with co-responsibility.



Net value creation (assessed per Capital and per stakeholder) = $\mathscr{B} - \mathscr{C} - \mathscr{A}$

Figure 4 Schematic depiction of the relationship between impact and value creation

5. Elements of impact statements

Section 2.1 discusses the scope of impact statements and the five statements they involve. This chapter provides the requirements of each of these statements: the IP&L Statement, the Investor Value Creation Statement, the Stakeholder Value Creation Statement, the External Cost Statement, and the SDG Contribution Statement. *Section 5.6* concludes this chapter by addressing additional statements that can be included in impact statements.

5.1. Integrated Profit & Loss (IP&L) Statement

5.1.1 ***Definition:* Integrated Profit & Loss (IP&L) Statement** is a statement that presents all material valued impacts of the reporting organisation, classified by the Capitals and stakeholders, that were realised during the reporting period.

- The statement is called 'integrated', because the Profit & Loss combines Financial, Social, Natural, and other Capitals in an integrated manner. In addition, the statement integrates the views of different stakeholder.
- The Integrated Profit & Loss Statement provides information about an organisation's ability or inability to generate long-term value by increasing positive impact, reducing external costs, or both.
- An example of the IP&L Statement is shown in *Table 2*.
- *Appendix C* contains a non-exhaustive list of key impacts (or impact categories) that are relevant for making IP&L Statements. It is suggested to always include these impacts in impact statements if they are relevant to the reporting organisation.

5.1.2 To present a complete IP&L Statement, the reporting organisation shall include:

i An IP&L Statement;

ii Comparative information as prescribed by this framework in *7.3.2*.

5.1.3 *Section 8.1* provides the principles that facilitate the compilation of the IP&L Statement, with further guidance provided in *Chapter 9*.

5.1.4 The reporting organisation shall include notes in the IP&L Statement in a manner that complies with the general requirements as described in *Chapter 1*.

5.1.5 The reporting organisation shall display comparative information between years.

- An example of the comparison of impact between two years, organised by stakeholder, is shown in *Table 3*.

	Note	Company and investors	Employees	Clients	Suppliers	Government, local communities and others	Beneficiaries of nature	Total
Financial		**€ 10.000.000**	**€ 15.000.000**	**€ -100.000.000**	**€ 40.000.000**	**€ 20.000.000**		**€ -15.000.000**
Payments from clients				€ -100.000.000				€ -100.000.000
Payments to suppliers					€ 40.000.000			€ 40.000.000
Employee salaries (and related taxes)	1		€ 15.000.000			€ 10.000.000		€ 25.000.000
Interest payments		€ 5.000.000						€ 5.000.000
Income tax paid	2					€ 10.000.000		€ 10.000.000
Net profit/loss	3	€ 20.000.000						€ 20.000.000
Cost of capital		€ -15.000.000						€ -15.000.000
Manufactured				**€ 150.000.000**	**€ -35.000.000**			**€ 115.000.000**
Client value of products and services	3			€ 150.000.000				€ 150.000.000
Value of the goods delivered by suppliers	4				€ -35.000.000			€ -35.000.000
Intellectual		**€ 2.000.000**						**€ 2.000.000**
Development of immaterial assets and technology	5	€ 2.000.000						€ 2.000.000
Human		**€ 2.000.000**	**€ 3.500.000**		**€ 1.000.000**	**€ 2.500.000**		**€ 9.000.000**
Creation of human capital	6	€ 2.000.000	€ 5.000.000		€ 1.000.000	€ 3.000.000		€ 11.000.000
Well-being effects of employment			€ 4.000.000			€ 2.000.000		€ 6.000.000
Workplace health and safety incidents			€ -500.000			€ -500.000		€ -1.000.000
Opportunity cost of labour			€ -5.000.000			€ -2.000.000		€ -7.000.000
Social		**€ 1.000.000**				**€ -4.500.000**		**€ -3.500.000**
Change in brand value and customer loyalty	7	€ 1.000.000						€ 1.000.000
Child labour (in the value chain)						€ -1.000.000		€ -1.000.000
Forced labour (in the value chain)						€ -500.000		€ -500.000
Underpayment (in the value chain)						€ -3.000.000		€ -3.000.000
Natural							**€ -6.400.000**	**€ -6.400.000**
Use of scarce materials	8						€ -500.000	€ -500.000
Use of scarce water							€ -400.000	€ -400.000
Water pollution							€ -1.000.000	€ -1.000.000
Fossil fuel depletion	9						€ -400.000	€ -400.000
Contribution to climate change							€ -2.500.000	€ -2.500.000
Land use and transformation							€ -600.000	€ -600.000
Air pollution							€ -1.000.000	€ -1.000.000
Total		15.000.000	18.500.000	50.000.000	6.000.000	18.000.000	-6.400.000	116.100.000

Table 2: Example IP&L Statement (for illustrative purposes only)

	Note	Value in current year	Value in previous year	% change
Company and investors		…	…	…
…		…	…	…
Employees	10	€ 18.500.000	€ 17.000.000	+9%
Employee salaries (and related taxes	11	€ 15.000.000	€ 14.000.000	+7%
Creation of human capital		€ 5.000.000	€ 5.000.000	+0%
Well-being effects of employment		€ 4.000.000	€ 4.000.000	+0%
…		…	…	…
Clients		…	…	…
…		…	…	…
Total		…	…	…

Table 3: Example comparative IP&L Statement by stakeholder (for illustrative purposes only)

5.2. Investor Value Creation Statement

5.2.1 ***Definition***: **Investor Value Creation Statement** is a statement that reflects the net value of the reporting organisation's overall impact on its investors based on the organisation's inputs and outputs.

- It is suggested that an organisation reports the statement by Capital.
- The set of impacts presented in the Investor Value Creation Statement is a subset of the set of impacts in the IP&L Statement. The individual impacts do not need to be calculated separately. The same holds for the other statements discussed below: Stakeholder Value Creation Statement, External Cost Statement, and SDG Statement.
- The Investor Value Creation Statement provides information about an organisation's ability to create (long-term) value for its investors. It aligns with the second organisational objective described in *Section 2.1.*
- An example of an Investor Value Creation Statement is shown in *Table 4.*

5.2.2 To present a complete Investor Value Creation Statement, the reporting organisation shall include:

i An Investor Value Creation Statement;

ii Comparative information as prescribed by this framework in *7.3.2.*

Company and investors

	Note	Input	Output positive	Output negative	Net value
Financial		€ 15.000.000	€ 25.000.000	€ -	€ 10.000.000
Manufactured		...	...	...	...
Intellectual		...	...	...	...
Human		...	...	...	...
Social	12	€ -	€ 1.000.000	€ -4.500.000	€ -3.500.000
Natural		...	...	...	...
Total		...	...	...	...

Table 4: Example Investor Value Creation Statement (for illustrative purposes only)

5.2.3 *Section 8.2* provides the principles that facilitate the presentation of the Investor Value Creation Statement.

5.2.4 The reporting organisation shall include notes in the Investor Value Creation Statement in a manner that complies with the general requirements as described in *Chapter 1* and explain the reason behind a decrease in value creation if that occurs. The reporting organisation shall explain in the impact context its intended actions to improve its value creation for the investor.

5.2.5 The reporting organisation shall display comparative information between years.

5.3. Stakeholder Value Creation Statement

5.3.1 ***Definition:* Stakeholder Value Creation Statement** is a statement that reflects the net value of the reporting organisation's overall impact on its stakeholders based on the organisation's inputs and outputs.

- It is suggested that an organisation report the statement by Capital and by stakeholder.
- The Stakeholder Value Creation Statement aligns directly with the Investor Value Creation Statement, which focusses on the specific stakeholder 'investors.'
- The Stakeholder Value Creation Statement provides information about an organisation's ability to create positive value for its stakeholders. It aligns with the second organisational objective described in *Section 2.1*.
- The reporting organisation is advised to organise the statement in separate tables for each stakeholder, showing the totals by Capital.
- An example of the Stakeholder Value Creation Statement for the stakeholder 'employees' is given in *Table 5*.

5.3.2 To present a complete Stakeholder Value Creation Statement, the reporting organisation shall include:

i A Stakeholder Value Creation Statement;

ii Comparative information as prescribed by this framework in *7.3.2*.

5.3.3 *Section 8.2* provides the principles that facilitate the presentation of the Stakeholder Value Creation Statement.

5.3.4 The reporting organisation shall include notes in the Stakeholder Value Creation Statement in a manner which complies with the general requirements as described in *Chapter 1* and reasons behind a decrease in value creation per stakeholder. The reporting organisation shall explain in the impact context its intended actions to improve its value creation for each stakeholder.

5.3.5 The reporting organisation shall display comparative information between years.

Employees

	Note	Input	Output positive	Output negative	Net value
Financial		€ -	€ 15.000.000	€ -	€ 15.000.000
Manufactured		...	...	...	...
Intellectual		...	...	...	...
Human	15	€ 5.000.000	€ 9.000.000	€ 500.000	€ 3.500.000
Social		...	...	...	...
Natural		...	...	...	...
Total		...	...	...	...

Table 5: Example Stakeholder Value Creation Statement (for illustrative purposes only)

5.4. External Cost Statement

5.4.1 ***Definition:* External Cost Statement** is a statement which provides information on the external costs to which the reporting organisation contributed and/or for which it shares value chain responsibility.

- It is suggested that an organisation report the statement by Capital and by stakeholder.
- The reporting organisation is advised to present its external costs in both the common and customary units.
- The External Cost Statement provides information about an organisation's ability or inability to minimise the external costs of its activities and to overcome them. It aligns with the third organisational objective as described in *Section 2.1*.
- On a product level, external costs form the 'true price gap'. For more information on assessing the true price gap, see True Price, et al. (2014).

5.4.2 An example of an External Cost Statement is given in *Table 6*.

5.4.3 To present a complete External Cost Statement, the reporting organisation shall include:

i An External Cost Statement;

ii Comparative information as prescribed by this framework in *7.3.2*.

5.4.4 *Section 8.3* provides the principles that supplement the guidance in presenting the External Cost Statement.

5.4.5 The reporting organisation shall explain in the impact context its intended actions to reduce material externalities.

5.4.6 The reporting organisation shall display comparative information between years.

	Note	Employees	Government, local communities and others	Beneficiaries of nature	Total
Human		**€ -500.000**			**€ -500.000**
Workplace health and safety incidents	18	€ -500.000			€ -500.000
Social			**€ -4.500.000**		**€ -4.500.000**
Child labour (in the value chain)	19		€ -1.000.000		€ -1.000.000
Forced labour (in the value chain)	20		€ -500.000		€ -500.000
Underpayment (in the value chain)	21		€ -3.000.000		€ -3.000.000
Natural				**€ -6.400.000**	**€ -6.400.000**
Use of scarce materials				€ -500.000	€ -500.000
Use of scarce water				€ -400.000	€ -400.000
Water pollution	22			€ -1.000.000	€ -1.000.000
Fossil fuel depletion				€ -400.000	€ -400.000
Contribution to climate change	23			€ -2.500.000	€ -2.500.000
Land use and transformation				€ -600.000	€ -600.000
Air pollution	24			€ -1.000.000	€ -1.000.000
Total		-500.000	-4.500.000	-6.400.000	-11.400.000

Table 6: Example External Cost Statement (for illustrative purposes only)

5.5. Sustainable Development Goals (SDG) Contribution Statement

5.5.1 ***Definition:* Sustainable Development Goals (SDG) Contribution Statement** is a statement which shows the contribution of an organisation to the UN's SDGs.

- The SDG Contribution Statement provides information about an organisation's contribution to the achievement of the SDGs. It aligns with the fourth organisational objective as described in *Section 2.1*.
- An organisation may choose to place specific management attention on contributing to one or more of the SDGs. In that case, it is recommended that the reporting organisation disclose this choice and its justification.
- For the SDG Contribution Statement, a mapping between the impacts in the IP&L and the SDGs is made. The mapping is preferably made at the indicator level, or alternatively at the target or goal level (see also *8.4.2*). *Appendix C* provides a suggested mapping of 25 key impacts to the SDGs at the goal level.
- The full list of 17 SDG goals and indicators can be found in 'Transforming our World: The 2030 Agenda for Sustainable Development' (United Nations, 2015a).
- The SDG Contribution Statement in the first year that an organisation publishes its impact statements serves as the baseline SDG Contribution Statement.
- The SDG Contribution Statement is particularly useful when tracked over time (to show how contribution evolves over time as the organisation steers on specific SDGs), or when an organisation enables comparison of its contribution to the SDGs to a relevant benchmark in its sector.
- An example of an SDG Contribution Statement with comparative information between two years is given in *Table 7*.

5.5.2 To present a complete SDG Statement, the reporting organisation shall include:

i An SDG Contribution Statement;

ii A detailed explanation of the decision-making criteria in mapping impact to the SDGs;

iii Comparative information as prescribed by this framework in *7.3.2*.

5.5.3 In addition, the reporting organisation is advised to include a comparison of its SDG contribution to that of a relevant benchmark.

5.5.4 *Section 8.4* provides the principles for mapping impact to SDGs and for the presentation of the SDG Contribution Statement.

5.5.5 The reporting organisation shall include notes in the SDG Contribution Statement in a manner that complies with the general requirements as described in *Chapter 1*. If an organisation's contribution to a specific SDG is less than that in the previous year, the reporting organisation shall clarify the reason behind this decrease in the notes. In the impact context, the reporting organisation shall explain actions it has taken to improve its contribution to specific SDGs as well as indicate which SDGs it focuses on, and how this aligns with its vision, mission, or KPIs.

	Note	Value in current year		Value in previous year		% change
SDG 1 – No poverty		€	-3.000.000	€	-2.700.000	+10%
Underpayment (in the value chain)	27	€	-3.000.000	€	-2.700.000	+10%
SDG 3 – Good health and well-being		€	-1.000.000	€	-1.100.000	-10%
Air pollution	28	€	-1.000.000	€	-1.100.000	-10%
SDG 5 – Gender equality		€	-500.000	€	-450.000	+10%
Forced labour (in the value chain)	29	€	-500.000	€	-450.000	+10%
SDG 6 – Clean water and sanitation		€	-400.000	€	-400.000	+0%
Use of scarce water	30	€	-400.000	€	-400.000	+0%
...			...		...	...
SDG ...			...		...	...
...			...		...	...
...			...		...	...
Total			...		...	...

Table 7: Example SDG Contribution Statement (for illustrative purposes only)

5.6. Other statements

5.6.1 The reporting organisation has the option to include additional statements. The purpose of such additional statements is to complement the required statements according to the needs of the reporting organisation. In the additional statements, the organisation can report on specific, self-selected impact objectives or disclosures in a flexible format. It can also include disclosures mandated by national law or other frameworks the organisation chooses to follow, for example covering specific impact aspects.

- An example of an additional statement that can be included in the impact statements is a Human Rights Statement, which can map the quantified negative impact of an organisation which violates human rights. A Human Rights Statement provides an overview of the organisation's compliance with the UN's Universal Declaration of Human Rights at the result/outcome level; the full list of the 30 human rights named in this declaration can be found in the Universal Declaration of Human Rights (United Nations, 1948).

- It is suggested but not required that the additional statements contain quantified information; qualitative information can be provided in the notes to the statement, the impact context, or in the disclosures.

5.6.2 Information presented in other statements shall be consistent with the information presented in the required statements of the impact statements. If this is not possible, then this fact shall be disclosed and justified.

- It is suggested that the information in the additional statements be derived as much as possible from the information contained in the Integrated Profit & Loss Statement.

6. Organisational principles

Several principles guide this framework and the development of impact statements. This chapter covers the organisational principles which set the tone for impact statements, providing discipline and structure for their formation.

6.1. Governance principles

6.1.1 ***Principle:* Integrity and ethical values:** The reporting organisation shall ensure integrity and ethical values are applied when compiling and reporting impact statements.

6.1.2 ***Principle:* Oversight:** The board of directors of the reporting organisation shall exercise oversight of the process of compiling and reporting impact statements**.**

6.1.3 ***Principle:* Structure, authority, and responsibility:** With the oversight of the board, the management of the reporting organisation shall create organisational structures, organisational hierarchy and roles and responsibilities to ensure quality in the compiling and reporting of impact statements.

6.1.4 ***Principle:* Competence:** The reporting organisation shall demonstrate a commitment to hiring, developing, training, and retaining competent individuals to ensure quality in the compiling and reporting the impact statements.

6.1.5 ***Principle:* Interdisciplinarity:** The reporting organisation shall integrate all input from the many disciplines across the organisation and where necessary outside of its organisation.

6.2. Quality control principles

6.2.1 ***Principle:* Accountability and responsibility:** The board of the reporting organisation is accountable for the impact statements. They shall appoint the individuals responsible for compiling and reporting the impact statements.

6.2.2 ***Principle:* Precision, accuracy, and materiality:** Management shall set the required level of precision, accuracy, and materiality suitable for the impact statements in the reporting objectives.

6.2.3 ***Principle:* Integrated risk management:** The reporting organisation shall identify all material risks to the reliability of its impact statements and non-compliance with this framework by conducting a robust materiality assessment.

6.2.4 ***Principle:* Controls:** The reporting organisation shall implement impact controls to mitigate the risks for non-reliable impact statements and non-compliance with this framework.

6.2.5 ***Principle:* Continuous improvement:** The reporting organisation shall make an ongoing effort to seek and aim for the best approach in assessing the scope of the impact statements, measuring and valuing its impact, and improving the reliability of its impact statements. Such efforts can target 'incremental' improvement over time or 'breakthrough' improvement all at once.

6.2.6 ***Principles:* Reporting organisation context:** The reporting organisation shall put in context all entities included in the organisation's consolidated financial statements.

7. General reporting requirements

The five required statements of the impact statements are also subject to general reporting requirements. These requirements are covered in this chapter and are supplemented by several reporting principles as described in *Section 9.4*.

7.1. Basic reporting requirements

7.1.1 ***Requirement:* Prominent and repeated information:** the following information shall be displayed:

i The name (and any change in the name) of the reporting organisation;

ii Whether the statements are for a group of organisations or for a single organisation;

iii Information about the reporting period;

iv The presentation currency (as defined by the financial statements).

7.1.2 ***Requirement:* Reporting period:** It is presumed that the reporting organisation shall prepare the impact statements for the same reporting period as the financial statements. If impact statements are prepared for a different period, the reporting organisation shall disclose the reason for reporting a different period and state that the data and information provided are not entirely comparable.

7.1.3 ***Requirement:* First time reporting:** Effective for the first-time application of this framework, the reporting organisation shall prepare the statements and the comparative information as if each statement had always been prepared in accordance with this framework. If the comparative information in prior periods cannot be determined, the organisation shall disclose this fact.

7.2. Assurability requirement

7.2.1 ***Requirement:* Objective information:** The reporting organisation shall disclose the information in compiling its impact statements as objectively as possible. Hence, an assurance provider can test its assurability.

7.3. Impact context requirements

7.3.1 ***Requirement:* Distinguished information:** The reporting organisation shall clearly identify what information in reports refers to impact statements and impact disclosures. This shall be clearly distinguished from (i) impact context, (ii) financial statements and disclosures, and (iii) any other information.

7.3.2 ***Requirement:* Comparative information:** The reporting organisation shall disclose any comparative information of all amounts reported in impact statements from previous periods, both in the form of the impact statements as well as in the notes. Comparative information shall also be included in the notes, in narrative and descriptive format, to ensure understanding of the impact statements of the current period. If a different method is used to assess impact in the current period than in previous periods, the reporting organisation shall disclose this fact and explain the differences in sufficient detail; in this case, the reporting organisation can choose to present historical impact using the current method as long as this is explicitly mentioned.

- If for competitive purposes an organisation cannot reveal the detail of one impact, the information may be omitted with sufficient reasoning provided. For example, if the impact contains the specific price for the suppliers that is sensitive in a competitive context, the organisation can disclose this impact at a lower level of detail.

7.3.3 ***Requirement:* Notes on the statements:** The reporting organisation shall include and present the notes in the following order:

i A statement of compliance with FIS Beta.

ii A summary of significant principles applied, including:

- The framing, scoping, measurement and valuation, and reporting basis (or bases) used in preparing the impact statements;

- Relevant accounting policies that are used to understand the impact statements.

iii Available information about the basis in preparing the impact statements, as well as the methodology, and processes used.

iv Supporting information for line items on the face of the impact statements. It is listed in the order in which each line item appears on each statement.

v Other disclosures, including restatements, changes in reporting, judgments, assumptions, and estimates. The reporting organisation shall disclose judgements, assumptions, and estimates that management has made in the process of applying the impact statement principles, methods, and processes that affect the recognized amounts in the impact statements significantly.

vi The reporting organisation shall present the notes in a systematic manner and cross-referenced from the face of the impact statements to the relevant note.

vii The reporting organisation shall present the notes in a way that can be understandable and accessible to any stakeholder who uses the report. The notes shall provide information so that readers may understand the organisation and its activities in creating value for society.

8. Principles for specific statements

This chapter addresses the principles for compiling and reporting each of the five required statements of the impact statements.

8.1. Principles for the IP&L Statement

The reporting organisation shall adhere to the following principles in compiling the Integrated Profit & Loss (IP&L) Statement:

8.1.1 ***Principle:* Completeness:** all material impacts that have been assessed in the impact analysis, should be part of the IP&L Statement

8.1.2 ***Principle:* Impact view:** The IP&L Statement shall provide information about each impact.

- For example, an IP&L Statement shall provide quantities in terms of inputs, outputs or outcomes

8.1.3 ***Principle:* Value view:** The IP&L Statement shall provide information about valued impact.

8.1.4 ***Principle:* Value chain view:** The IP&L Statement shall address the impact of direct operations as well as impact at the value chain level.

8.1.5 ***Principle:* Attribution:** The reporting organisation shall attribute impacts in its value chain to itself and to the players in its value chain. The total impact attributed shall be equal to the original impact (no double counting or undercounting).

8.1.6 ***Principle:* Multi-Capital view:** The IP&L Statement shall reflect values in the form of the five IIFC Capitals.

8.1.7 ***Principle:* Last capital:** Impact that involves a change in well-being are associated with the last capital flow and shall be reported as a impact of that type of Capital.

8.1.8 ***Principle:* Multi-stakeholder view:** The IP&L Statement shall reflect value created for each of its stakeholders.

8.1.9 ***Principle:* Single unit:** All impacts in the IP&L Statement shall be valued and expressed in a single common unit.

The reporting organisation shall adhere to the following principle in reporting the IP&L Statement:

8.1.10 ***Principle:* Connectivity of impact statements:** In the section on impact context, the relation between the impact statements and the value creation model shall be provided in line with the concept of connectivity of the International <IR> Framework (IIRC, 2013).

8.2. Principles for the Investor Value Creation Statement and the Stakeholder Value Creation Statement

All principles discussed in *Section 8.1* also apply to the Investor Value Creation Statement and the Stakeholder Value Creation Statement, since all items in the Investor Value Creation Statement and the Stakeholder Value Creation Statement are also elements of the IP&L Statement. In addition, the reporting organisation shall adhere to the following principle in reporting the Investor Value Creation Statement and the Stakeholder Value Creation Statement:

8.2.1 ***Principle:* Strategic focus:** In the notes**,** the reporting organisation shall briefly reflect on its value creation in a future-oriented way. It shall explain its strategy to improve its value creation in the short, medium, and long term.

8.3. Principles for the External Cost Statement

All principles discussed in *Section 8.1* also apply to the External Cost Statement, since all items in the External Cost Statement are also elements of the IP&L Statement. In addition, the reporting organisation shall adhere to the following principle in reporting the External Cost Statement:

8.3.1 ***Principle:* Minimising focus:** In the notes, the reporting organisation shall reflect briefly on its external costs in a future-oriented way. It shall explain its strategy to minimise its external costs in the short, medium, and long term.

8.4. Principles for the SDG Contribution Statement

All principles discussed in *Section 8.1* also apply to the SDG Contribution Statement, since all items in the SDG Contribution Statement are also elements of the IP&L Statement. In addition, the reporting organisation shall adhere to the following principles in compiling the SDG Contribution Statement:

8.4.1 ***Principle:*** **Balanced view:** The reporting organisation shall report both positive and negative contribution to each of the SDGs.

8.4.2 ***Principle:*** **SDG granular mapping:** The reporting organisation shall map its impact at the most granular level possible. It shall map each impact to specific SDG indicators whenever feasible. If there are no SDG indicators that match an impact, then the reporting organisation shall map that impact to one or more SDG targets. If neither indicators nor targets match an impact, the reporting organisation shall map that impact to one or more SDGs in general.

In addition, the reporting organisation shall adhere to the following principles in reporting the SDG Contribution Statement:

8.4.3 ***Principle:*** **Prioritisation:** In the impact context, the reporting organisation shall explain its process to identify the most relevant SDGs and prioritise them. This process can align with the reporting organisation's vision and mission, or with its strategy to achieve specific KPIs. This explanation shall give stakeholders a comprehensive view and understanding of the reporting organisation's activities as these relate to the SDGs.

8.4.4 ***Principle:*** **Allocation:** The reporting organisation shall allocate its impact to the specific SDGs affected. If one impact affects multiple SDGs, this fact shall be disclosed explicitly. In such a case, a form of attribution of this impact to the specific SDG(s) is required to prevent double counting.

8.4.5 ***Principle:*** **SDG mapping disclosure:** The reporting organisation shall disclose to which SDGs it has mapped its impact. In the notes, the reporting organisation shall explain the criteria it used in attributing impact across different SDGs. The reporting organisation is advised to also disclose in the disclosures documentation to which indicator or target it has mapped each impact.

8.4.6 ***Principle:*** **Improvement focus:** In the impact context, the reporting organisation shall reflect on its SDG contribution in a future-oriented way. It shall explain its strategy to improve its contribution to specific SDGs in the short, medium, and long term.

9. Guidelines and principles per phase of the process of compiling impact statements

Compiling and reporting impact statements typically follows a well-defined, four-phase process. Not all phases and steps will be followed to the same degree of detail in every reporting period, and the process can be more iterative than the model described below. *Figure 5* provides an illustration of the process. Note that the fifth phase depicted in the figure, when an organisation takes action based on the results of its impact statements, is out of scope of this framework.

The four phases of compiling and reporting impact statements are:

I. Frame;

II. Scope;

III. Measure and value;

IV. Report.

This chapter describes the principles behind each phase and provides certain guidance for their execution.

9.1. Phase I: Frame

This phase aims to initiate the assessment of an organisation's impact.

Step 1: Get started

In this step, the reporting organisation identifies the impact potentially relevant to its activities. The following principle applies to this step:

9.1.1 ***Principle:* System boundaries:** The reporting organisation shall identify the wider context of each impact, and its framing analysis shall cover all material aspects of its activities, value chains, and the types of impact.

9.2. Phase II: Scope

This phase consists of defining the objective and scope of the impact statements and carrying out a materiality assessment.

Step 2: Define the objective

In this step, the reporting organisation defines the objective of reporting impact statements. The following principle applies to this step:

9.2.1 ***Principle:* Objective:** The reporting organisation shall formulate the objective of compiling impact statements.

Step 3: Scope the assessment

In this step, the reporting organisation defines the scope of its impact statements. The scope includes its business activities, value chain, the types of impact it has, and timeframe of the assessment. The following principles apply to this step:

9.2.2 ***Principle:* Recognition:** The reporting organisation shall include all items that meets the definition of an impact, as described in *4.1.6*.

9.2.3 ***Principle:* System scope:** The reporting organisation shall set and justify the timeframe, business activities, parts of the value chain, and impact in scope. When potentially relevant parts have been left out of scope, the reasons for this and the consequences for the reliability of the impact statements shall be disclosed.

9.2.4 ***Principle:* Reference activity:** The reporting organisation shall clearly define the reference activity to which the outcomes of the organisation's activity are compared.

Stage	FRAME	SCOPE			MEASURE AND VALUE				REPORT		ACT
Steps	01 Get Started	02 Define the Objective	03 Scope the Assessment	04 Determine the impact	05 Define the impact pathway	06 Measure impact	07 Value impact	08 Attribute and aggregate impact	09 Interpret and test the results	10 Report	11 Steer impact
Key elements to consider	The reasoning to report the impact statements.	Define the objective based on the organization's vision, mission, value, KPI's, etc.	Define the scope of: - Business - Value chain - Impacts - Time to report the societal impact statements.	List of impacts which are material to the organization.	Write down impact pathways of all material impacts. Define the methods for measurement and valuation of all impacts in scope.	Design the calculation model Collect the best available data Quantify the impacts in scope	Monetize the impacts of different capitals to the same units.	Attribute impacts to the stakeholders that are co-responsible. Aggregate impacts to serve higher level of information. For example: - Per stakeholder - Per capital - In total	The process and the results of the assessment need to be validated, justified and verified by the relevant parties. The results are presented in the form of different statements: - IP&L - Value Creation - External Cost - SDGs	The results need to be disclosed and published objectively and transparently.	Organization makes a plan to steer on increasing the positive impacts and decreasing the negative impacts
Principles	- System boundaries	- Objective	- Recognition - System scope - Reference activity	- Materiality	*(stage-wide)* - Balance - Consistency - Rigor - Impact-pathway-based - Comparability	- Objectivity - Data quality - Uncertainty and transparency - Balance - Consistency - Conservativeness	- Best available values - Completeness - Consistency - Comparability - Conservativeness	- Attribution - Decision-making - Aggregation - Offsetting	- Verifiability - Quality - Justification	- Timeliness - Format - Aggregation - Understandability - Faithful representation - Decision-usefulness & Actionability - Offsetting - No offsetting of external costs	

Figure 5. A schematic of the phases and steps in compiling and reporting impact statements, with the principles associated with each step.
Adapted from Natural Capital Coalition, 2016

Step 4: Determine the impact

In this step, the reporting organisation determines the impact that is material to the organisation. The following principle applies to this step:

9.2.5 ***Principle:*** **Materiality:** The reporting organisation shall cover all material impact of all material activities that occur in or from its own operations and in its value chain. The reporting organisation shall disclose how it has assessed materiality, and which business activities, parts of the value chain, or impact have been identified as immaterial and left out of scope.

9.3. Phase III: Measure and value

In this phase, the reporting organisation defines the impact pathway, measure, value, and attribution. This phase results in a database of input data, a qualitative impact measurement, a quantitative impact measurement, valuation, attribution analysis, and a database of result data. The following principles apply to this phase:

9.3.1 ***Principle:*** **Balance:** In measuring its impact, the reporting organisation shall maintain balance by including both material positive and negative impact. If the reporting organisation includes the positive impact of a particular activity, then it shall also include the associated negative impact.

9.3.2 ***Principle:*** **Consistency:** The reporting organisation shall ensure to use the compatible data. Methods used shall be consistent to its scope, objective, and the expected application of the impact statements.

9.3.3 ***Principle:*** **Rigor:** The reporting organisation shall use scientifically and economically robust data and methods in measuring and valuing its impact.

The steps in this phase shall also follow a number of principles. These are described below.

Step 5: Define the impact pathway

In this step, the reporting organisation defines all plausible impact pathways, and the methods for measuring and valuing the impact in scope. The following principles apply to this step:

9.3.4 ***Principle:*** **Impact-pathway-based:** Impact measurement and valuation is based on the use of impact pathways. The reporting organisation shall establish all plausible impact pathways based on logic, (scientific) research, organisational information, and expert and stakeholder opinion. It also shall assess the materiality of impact based on (scientific) research, expert opinion, statistics, and business data.

9.3.5 ***Principle:*** **Comparability:** The reporting organisation shall define impact pathways in line with standards in the sector. It shall aim to apply the impact pathways consistently over multiple years.

Step 6: Measure impact

This step includes the design of the calculation model(s), data collection, and the quantification of impact. A calculation model is made based on the impact pathways of step 5. In this step, impact is still expressed in its customary unit (e.g., tonnes of CO_2 equivalent, FTE of child labour, etc.). The following principles apply to measuring impact:

9.3.6 ***Principle:*** **Objectivity:** The reporting organisation shall use objective, neutral (i.e., free from bias), factual, and verifiable data.

9.3.7 ***Principle:*** **Data quality:** The reporting organisation shall use data that are scientifically and economically robust. Data must be recent and primary whenever possible and refer specifically to the business activity, value chain, and impact in scope. Secondary data can be used if of sufficient quality (e.g., from reliable sources, such as peer reviewed academic research) and if sufficiently applicable in the business context (e.g., recent, referring to a comparable geographical scope). Estimates are only allowed if no better data is available at reasonable cost. If data from different sources is combined, the reporting organisation shall take measures to guarantee data consistency.

9.3.8 ***Principle:*** **Uncertainty and transparency:** The reporting organisation shall transparently define and test any data which has high uncertainty in terms of sensitivity to the impact statements. The reporting organisation shall disclose material assumptions, uncertainties, and limitations in the data resulting from input, calculations, and estimates.

9.3.9 ***Principle:* Balance:** The reporting organisation shall include all material impact, both positive and negative, without material error.

9.3.10 ***Principle:* Consistency:** The reporting organisation shall measure impact consistently. Stark differences between impact are also measured in this step. Some impact may require the use of assumptions, calculations, imputations, or estimates. Assumptions, calculations, imputations, or estimates across different data and methods shall be consistent throughout a single measurement.

9.3.11 ***Principle:* Conservativeness:** The reporting organisation shall make assumptions, calculations, imputations, or estimates conservatively. This means that if during the measurement process there are various equally reasonable approaches, the approach will be chosen that has the least favourable impact: in other words, that the chosen estimates or assumptions make negative impact relatively large (other sets of estimates and assumptions can only reduce the impact) and positive impact relatively small (other sets of estimates and assumptions can only increase the impact).

Step 7: Value impact

In the previous step, impact is expressed in the customary unit of each impact. Some of these may already be monetary (e.g., elements of added value), others may have different units (e.g., contribution to climate change). The valuation step expresses all impact in a single common unit (SCU). In the context of impact statements, this is typically a monetary unit. The following principles apply to valuating impact:

9.3.12 ***Principle:* Best available values:** The reporting organisation shall use input data from the best available sources to quantify the monetary value of each impact. This shall include the use of primary data whenever possible. Secondary data can be used if valid (peer reviewed or from a reliable source). Only missing values shall be imputed, estimated, or modelled. Additionally, input data shall be impact-specific. The magnitude of an impact shall be calculated on the basis of scientific literature, statistics, and the organisation's own data.

9.3.13 ***Principle:* Completeness:** The reporting organisation shall value every impact that is measured in previous steps.

9.3.14 ***Principle:* Consistency:** The reporting organisation shall describe the decision-making criteria in selecting the valuation approach. The assumptions across different data and methods shall be consistent. For example, all units shall be described in Euros or US Dollars as of the timeframe under consideration (e.g., inflation factors are used where appropriate).

9.3.15 ***Principle:* Comparability:** The valuation shall be comparable in terms of years, methods, and the scenarios applied.

9.3.16 ***Principle:* Conservativeness:** The reporting organisation shall make assumptions, calculations, imputations, or estimates conservatively. This means that if during the valuation process there are various equally reasonable approaches, the approach will be chosen that has the least favourable impact, i.e., the chosen estimates or assumptions result in the lowest net valued impact.

Step 8: Attribute and aggregate impact

In this step, impact is attributed to the reporting organisation and aggregated to the level required for reporting, for example by business unit, capital, or stakeholder. The following principles apply to attributing and aggregating impact:

9.3.17 ***Principle:* Attribution:** The reporting organisation shall attribute a share of each impact which it has created together with other players in its value chain. The sum of the attributed impact of each value chain player shall be equal to the original impact (no double counting or undercounting). For positive impact, undercounting is acceptable to some degree provided this is disclosed; for negative impact, double counting is acceptable to some degree provided this is disclosed.

9.3.18 ***Principle:* Decision-making:** In the notes, the reporting organisation shall explain the criteria it applied in attributing impact across different value chain players.

9.3.19 ***Principle:*** **Aggregation:** Impact can be aggregated per stakeholder, per Capital, and in total. In the process of aggregation, there shall be no double counting.

9.3.20 ***Principle:*** **Offsetting:** Positive and negative impact can offset each other in aggregation when the net effect is most informative to the stakeholders in question and as long as no external costs are involved.

- Example: A client buys a product. For the client, the payment constitutes a negative Financial impact. The product constitutes a positive Manufactured impact. In a table that does not focus on specific impact flows, but instead on total value creation per stakeholder, the two impacts can be offset. In this case, only the net result ('consumer surplus') is listed in the table.

9.4. Phase IV: Report

This phase consists of interpreting and verifying the process and the results and disclosing these results internally or to the public.

Step 9: Interpret and test the results

In this step, the process and the results of the assessment from the previous phase need to be validated, justified, and verified by relevant parties. The results represent the different forms of impact statements described in *Chapter 5*. The following principles apply to interpreting and testing the results:

9.4.1 ***Principle:*** **Verifiability:** The reporting organisation shall list all input data, estimates, models, assumptions, calculations, imputations or estimates, limitations, and decisions taken that are used, shall be able to verify data sources and methods used, shall be able to re-perform or to trace information back to its source, and shall be able to confirm its faithful representation.

9.4.2 ***Principle:*** **Quality:** The reporting organisation shall determine whether the results satisfy the required level of quality in terms of reliability, specificity, and accuracy.

9.4.3 ***Principle:*** **Justification:** The reporting organisation shall be able to justify all results.

9.4.4 ***Principle:*** **Assurability:** An assurance provider shall be able to test impact measurement, valuation, and presentation against the criteria provided in the impact statements.

Step 10: Report

In this step, the validated results are disclosed internally or to the public. The following principles apply when disclosing the impact statements internally or to the public:

9.4.5 ***Principle:*** **Timeliness:** The reporting organisation shall report the impact statements according to a consistent schedule in order to provide on-time information.

9.4.6 ***Principle:*** **Format:** The reporting organisation shall use a standardised and consistent format and layout throughout the impact statements.

9.4.7 ***Principle:*** **Aggregation:** Impact can be aggregated per stakeholder, per Capital, and in total. In the process of aggregation, there shall be no double counting.

9.4.8 ***Principle:*** **Understandability:** The reporting organisation shall provide all information in a manner that is understandable by both expert and non-expert readers of the impact statements.

9.4.9 ***Principle:*** **Faithful representation:** The reporting organisation shall make impact statements that are reliable, accurate, objective, balanced, and complete.

9.4.10 ***Principle:*** **Decision-usefulness & actionability:** In the impact statements, the reporting organisation shall provide all of the elements that are relevant to the decision-making purposes of all of its stakeholders.

9.4.11 ***Principle:*** **Offsetting:** Positive and negative impact can offset each other in aggregation when the net effect is most informative to the stakeholders in question and as long as no external costs are involved. The reporting organisation shall transparently report where impacts offset each other.

9.4.12 ***Principle:* No offsetting of external costs:** External costs (with co-responsibility) shall always be reported unambiguously. External costs can be aggregated with other impact only if these are listed separately in the impact statements

References

AkzoNobel. (2019). Report 2018. Retrieved from: https://report.akzonobel.com/2018/ar/

Alliander. (2019). Jaarverslag 2018: samen verder *(in Ducth).* Retrieved from: https://2018.jaarverslag.alliander.com/FbContent.ashx/pub_1029/downloads/v190227091923/Alliander_Jaarverslag_2018.pdf

ABN AMRO. (2017). IP&L: Measuring long-term value creation. Retrieved from: https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/Publications/True_Price_-_ABN_AMRO_Integrated_Profit_and_Loss_2016.pdf

BASF. (2019). BASF Online report 2018: economic, environmental and social performance. Retrieved from: http://bericht.basf.com/2018/en/index.html

Connaker, A., & Madsbierg, S. (2019, 17 January). The state of socially responsible reporting. *Harvard Business Review.* Retrieved from: https://hbr.org/2019/01/the-state-of-socially-responsible-investing

COSO. (2013). Internal control – integrated framework: executive summary, framework and appendices, and illustrative tools for assessing effectiveness of a system of internal control. *American Institute of CPAs.*

Danish Ministry of the Environment, Environmental Protection Agency (2014). Methodology report for the Novo Nordisk's environmental profit and loss account. Retrieved from: https://www2.mst.dk/Udgiv/publications/2014/02/978-87-93178-03-8.pdf

Deloitte. (2018). The rise of the social enterprise. Retrieved from: https://hctrendsapp.deloitte.com/reports/2018/the-rise-of-the-social-enterprise.html

European Commission (2014). Guide to cost-benefit analysis of investment projects. Retrieved from: https://ec.europa.eu/inea/sites/inea/files/cba_guide_cohesion_policy.pdf

European Commission (2014). 2014 Revision of the European Commission impact measurement guidelines. Public consultation document. Retrieved from: http://ec.europa.eu/smart-regulation/impact/consultation_2014/index_en.htm

European Commission (2017). Guidelines on non-financial reporting (methodology for reporting non-financial information). Retrieved from http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:52017XC0705(01)&from=EN

European Union (2013). 2013/179/EU: Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations. Retrieved from: https://publications.europa.eu/en/publication-detail/-/publication/93cb8358-b80d-11e2-ab01-01aa75ed71a1/language-en

FASB. (2019). Wiley GAAP: Interpretation and application of generally accepted accounting principles. *John Wiley & Sons, Inc. New Jersey.*

Friedman, M. (1962). Capitalism and freedom. *University of Chicago.*

Friedman, M. (1970, 13 September) The social responsibility of business is to increase its profits. *The New York Times Magazine.*

GAI. (2018). Flash report: 85% of S&P 500 Index® Companies Publish Sustainability Reports in 2017. Retrieved from: https://www.ga-institute.com/press-releases/article/flash-report-85-of-sp-500-indexR-companies-publish-sustainability-reports-in-2017.html

GRI (2016). GRI 101: Foundation 2016 (containing standard interpretation 1). Retrieved from: https://www.globalreporting.org/standards/gri-standards-download-center/gri-101-foundation-containing-standard-interpretation-1/

GSIA (2016). Global sustainable investment review. Retrieved from: http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

Human Rights Council. (2008). Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development – Protect, Respect and Remedy: a Framework for Business and Human Rights. *Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie. A/HRC/8/5.* Retrieved from: https://www.business-humanrights.org/sites/default/files/reports-and-materials/Ruggie-report-7-Apr-2008.pdf

IASB (2019). IAS 1 — Presentation of Financial Statements. Retrieved from: https://www.iasplus.com/en/standards/ias/ias1

IIRC (2013). The International <IR> Framework. Retrieved from: https://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf

Inderst, G., & Stewart, F. (2018). Incorporating environmental, social, and governance (ESG) factors into fixed income investment. *World Bank Group.* Retrieved from: http://documents.worldbank.org/curated/en/913961524150628959/pdf/125442-REPL-PUBLIC-Incorporating-ESG-Factors-into-Fixed-Income-Investment-Final-April26-LowRes.pdf

ISO (2010). ISO 14040:2006. Environmental management – Life cycle assessment – Principles and framework. Retrieved from: https://www.iso.org/standard/37456.html

ISO (2010). ISO 14044:2006. Environmental management – Life cycle assessment – Requirements and guidelines. Retrieved from: https://www.iso.org/standard/38498.html

Kering. (2013). Kering Environmental Profit & Loss (EP&L). *Methodology & 2013 Group Results.* Retrieved from: http://www.kering.com/sites/default/files/document/kering_epl_methodolo gy_and_2013_group_results_0.pdf

Kering. (2018). 2017 integrated report. Retrieved from: https://www.kering.com/en/finance/publications/

KPMG. (2018). How to report on the SDGs – What good looks like and why it matters. Retrieved from: https://assets.kpmg/content/dam/kpmg/cl/pdf/2018-02-kpmg-chile-advisory-sustainability-sdg.pdf

Lafarge-Holcim (2019). Annual report 2018. Retrieved from: https://www.lafargeholcim.com/annual-interim-reports

McKinsey. (2018, February). A closer look at impact investing. Retrieved from: https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/a-closer-look-at-impact-investing

Natural Capital Coalition (2016). Natural capital protocol principles and framework. Retrieved from: https://naturalcapitalcoalition.org/wp-content/uploads/2016/07/Framework_Book_2016-07-01-2.pdf

NPC. (2012). Making an impact: Impact measurement among charities and social enterprises in the UK. Retrieved from: https://www.thinknpc.org/resource-hub/making-an-impact/

OECD. (2010). Guidance on Sustainability Impact Assessment. *OECD Publishing, Paris.* Retrieved from: https://doi.org/10.1787/9789264086913-en

OECD. (2011). OECD Guidelines for Multinational Enterprises. Retrieved from: http://www.oecd.org/investment/mne/1922428.pdf

OECD. (2019). Social impact investment 2019: the impact imperative for sustainable development. Retrieved from: http://www.oecd.org/development/social-impact-investment-2019-9789264311299-en.htm

Porter & Kramer (2011), Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society. Harvard Business Review, January/February 2011.

PUMA (2011). PUMA's Environmental Profit and Loss Account2010. Retrieved from: https://about.puma.com/en/newsroom/corporate-news/2011/11-16-11-first-environmental-profit-and-loss

PUMA (2018). PUMA's Environmental Profit and Loss Account for the year ended 31 December. Retrieved from: https://annual-report-2017.puma.com/en/company-overview/sustainability/

Reporting 3.0. (2018). Blueprint 2: Accounting – The Blueprint of New Accounting: Laying the foundations for Future-Fit Reporting. *Reporting 3.0 Platform Blueprint Series 2016/2017. White Paper. Exposure Draft 2.* Retrieved from at: https://reporting3.org/wp-content/uploads/2018/06/R3-BP2.pdf

SASB. (2017). SASB conceptual framework. Retrieved from: https://www.sasb.org/wp-content/uploads/2017/02/SASB-Conceptual-Framework.pdf

Social Value International. (2017). The relationship between social value principles and the natural capital protocol. Retrieved from: http://www.socialvalueuk.org/resource/social-value-principles-natural-capital-protocol/

TEEB. (2010). The economics of ecosystems and biodiversity ecological and economic foundations. Edited by Pushpam Kumar. Earthscan: London and Washington. Retrieved from: http://www.teebweb.org/publication/the-economics-of-ecosystems-and-biodiversity-teeb-ecological-and-economic-foundations/

TEEB (2018). TEEB for Agriculture & Food: Scientific and Economic Foundations. Geneva: UN Environment. Retrieved from: http://teebweb.org/agrifood/wp-content/uploads/2018/06/foundations_vJun4.pdf

The Nobel Prize. (2019). All prizes in economic sciences. Retrieved from: https://www.nobelprize.org/prizes/lists/all-prizes-in-economic-sciences/

True Price. (2015). Principles for impact measurement and valuation v.0.2. Available upon request at: www.trueprice.org

UN, EU, FAO, IMF, OECD, & World Bank. (2014). System of environmental-economic accounting 2012 – Central framework. Available at: https://seea.un.org/sites/seea.un.org/files/seea_cf_final_en.pdf

United Nations. (2015a). General assembly resolution 70/1 – Transforming our world: the 2030 agenda for sustainable development. Retrieved from: http://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf

United Nations. (2015b). General assembly resolution 71/313. Work of the statistical commission pertaining to the 2030 agenda for sustainable development. Retrieved from: http://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf

United Nations. (1948). Universal declaration of human rights. Available at: http://www.un.org/en/udhrbook/pdf/udhr_booklet_en_web.pdf

UNECE, Eurostat, OECD Task Force on Measuring Sustainable Development. (2013). Framework and suggested indicators to measure sustainable development. Retrieved from: https://www.unece.org/fileadmin/DAM/stats/documents/ece/ces/2013/SD_framework_and_indicators_final.pdf

UNEP. (2009). Guidelines for social life cycle assessment of products. Edited by Catherine Benoît. Retrieved from: http://www.unep.fr/shared/publications/pdf/dtix1164xpa-guidelines_slca.pdf

WBCSD. (2011). Guide to corporate ecosystem valuation. Retrieved from: https://www.wbcsd.org/Programs/Redefining-Value/Business-Decision-Making/Measurement-Valuation/Resources/Guide-to-Corporate-Ecosystem-Valuation

WBCSD. (2013). Controlling non-financial reporting – An internal control framework for Non-Financial Reporting based on the underlying principles of the 2013 COSO internal control integrated framework. Retrieved from: https://docs.wbcsd.org/2013/12/FLT_NonFinancial.pdf

WBCSD. (2017). Social capital protocol. Retrieved from: https://www.wbcsd.org/Programs/People/Social-Impact/Social-Human-Capital-Protocol/Resources/Social-Capital-Protocol

WBCSD & PwC. (2018). Enhancing the credibility of non financial information – the investor perspective. Retrieved from: https://docs.wbcsd.org/2018/10/WBCSD_Enhancing_Credibility_Report.pdf

World Bank. (2010). Handbook on Impact Evaluation: Quantitative Methods and Practices. Retrieved from: http://documents.worldbank.org/curated/en/650951468335456749/Handbook-on-impact-evaluation-quantitative-methods-and-practices

World Bank. (2013). The global partnership on Wealth Accounting and the Valuation of Ecosystem Services (WAVES). Retrieved from http://documents.worldbank.org/curated/en/916491468147856269/pdf/768110REPLACEMENT0FILE0same0box00PUBLIC0.pdf

Appendix A: Brief descriptions of the six Capitals

A.1. The IP&L and the other statements in impact statements use the six forms of Capital recommended by the International Integrated Reporting Council (IIRC): Financial, Manufactured, Intellectual, Human, Social, and Natural Capital.

A.2. The IIRC mainly views the Capitals from an investor perspective. Capitals represent value to the degree that they contribute to future value creation for the company and its investors. The impact statements require a somewhat broader view, where value for other stakeholders are also in scope. As a result, the IIRC definitions of the Capitals have been adjusted and/or complemented in some instances.

Financial Capital

A.3. ***Definition:*** **Financial Capital** consists of all assets that are a form of money or other financial assets, including contracts. Financial Capital is owned by a specific stakeholder in almost all instances. Only very few processes, restricted to the financial sector, lead to the creation of new money. As a result, almost all Financial Capital flows preserve the total amount of Financial Capital. These flows relate to the exchange of Financial Capital among stakeholders. Exceptions to this rule exist, such as cost of capital and money creation.

A.4. In the IP&L Statement, flows of Financial Capital from external parties towards the organisation in scope are labelled as negative impact for the external parties. Flows from the organisation to external parties are labelled as positive impact for the external parties. Examples of Financial Capital stocks and flows are shown in *Table A.1*.

Financial Capital stocks	Financial Capital flows	
	Capital flows	**Description**
Money owned by the organisation in scope	Salaries	Positive impact for employees
Money owned by clients of the organisation	Payments from clients	Negative impact for clients

Table A.1: Examples of Financial Capital stocks and flows

Manufactured Capital

A.5. ***Definition:*** **Manufactured Capital** consists of all tangible assets. In the IIRC scope, this reflects the assets used for production (property, plant, and equipment). It is often referred to as manufacturing capital.

A.6. In the context of impact statements, a broader definition is required. Here, Manufactured Capital also includes the tangible assets of intermediate and finished products. Business activity critically involves transfer of Manufactured Capital between stakeholders. Services and perishable goods are not a stock but are flows of Manufactured Capital. Examples of Manufactured Capital stocks and flows are shown in *Table A.2*.

Financial Capital stocks	Financial Capital flows	
	Capital flows	**Description**
Property, plant, and equipment	Client value of products	Positive impact for clients (who receive the products)
Finished products	Value of the goods delivered by suppliers	Negative impact for suppliers (that deliver the products)

Table A.2: Examples of Manufactured Capital stocks and flows

Intellectual Capital

A.7. ***Definition:*** **Intellectual Capital** consists of intangible assets either with or without legal rights. Intangible assets cover intellectual property, organisational capital, and intangibles associated with the brand and reputation that an organisation has developed. Examples of Intellectual Capital stocks and flows are shown in *Table A.3*.

Intellectual Capital stocks	Intellectual Capital flows	
	Capital flows	**Description**
Filed patents	Development of immaterial assets and technology	Positive impact for company and investors (as it creates future earning potential)
Dataset	Sharing of benchmark data with client about factory performance	Positive impact for client (as it creates future earning potential) without a negative impact for company and investors

Table A.3: Examples of Intellectual Capital stocks and flows

Human Capital

A.8. ***Definition:*** **Human Capital** consists of the value embedded in individual people. This includes their health and competences. In addition, in the context of impact statements, elements of well-being are listed under Human Capital if they occur at the level of individual people. Examples of Human Capital stocks and flows are shown in *Table A.4*.

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

*** *The stakeholder group 'employees' typically only considers employees of the organisation in scope. Employees of value chain partners are typically part of the stakeholder group 'government, local communities, and others.'*

Table A.4: Examples of Human Capital stocks and flows.

Social Capital

A.9. ***Definition:*** **Social Capital** consists of value embedded in groups of people – from family to the global community – and includes social ties, networks, and norms. Well-being effects are often listed under Social Capital if they only occur at the level of groups. Examples of Social Capital stocks and flows are shown in *Table A.5*.

Social Capital stocks	Social Capital flows	
	Capital flows	**Description**
Social trust in a community	Child labour in the value chain (and the corresponding loss of well-being and social trust)	Negative impact for the respective employees* and communities
Brand value associated with a company	Increase in brand value of the company	Positive impact for company and investors (as the brand value represents future earning potential)

**(Underage) employees of value chain partners are typically part of the stakeholder group 'government, local communities, and others.'*

Table A.5: Examples of Social Capital stocks and flows

Natural Capital

Definition: **Natural Capital (often referred to as Environmental Capital)** consists of all stocks of natural assets. It contains living (biotic) and non-living (abiotic) natural resources including scarce resources, climate, and ecosystems that provide benefits to current and future generations ('ecosystem services'). Examples of Natural Capital stocks and flows are shown in *Table A*.6.

Natural Capital stocks	Natural Capital flows	
	Capital flows	**Description**
Clean air	Air pollution	Negative impact for society-as-a-whole (reduces the stock of available clean air)
Clean water	Use of scarce water	Negative impact for society-as-a-whole (reduces the stock of available clean water)

Table A.6: Examples of Natural Capital stocks and flows

Appendix B: The impact pathway

B.1 ***Definition:*** **An impact pathway** is a quantifiable chain of effects and counterfactual effects linking a specific activity of an organisation to its (non-valued and valued) impact, including after attribution.

- A schematic overview of the Impact pathway is given in *Figure B.1*. Each of the fields refers to a full set of inputs, outputs, results, etc.
- See also 'Principles of Impact Measurement and Valuation' (True Price, 2015).

B.2 ***Definition:*** **Welfare** is a normative measure of the desirability of the state of a group of people. It is determined by, amongst others, the capital assets available to a group of people, their experienced well-being, and the respect of their rights.

B.3 ***Definition:*** The **set of valuables** is a minimum set of quantitative indicators, called valuables, that provide all of the information an organisation and its stakeholders require to assess the value the organisation created for its stakeholders in a reporting period in terms of welfare. There are at least three types of valuables: (i) capital assets, (ii) the cumulative experienced well-being of a stakeholder (group), and (iii) the respect of rights.

B.4 ***Definition:*** A **direct effect** of an activity of the reporting organisation is a non-zero net change in a specific valuable from the start to the end of a period, which is a logical result of the activity and which is not itself the effect of another recognised effect of the activity.

B.5 ***Definition:*** An **indirect effect** of an activity of he reporting organisation is a non-zero net change in a specific valuable from the start to the end of a period, which is the logical result of a direct or indirect effect of the activity during the reporting period.

B.6 ***Definition:*** A **realised activity** is an activity the reporting organisation has realised in the reporting period.

B.7 ***Definition:*** A **reference activity** is a specified counterfactual activity to a realised activity by the reporting organisation or another organisation that would have occurred in the reporting period if an organisation would not have realised the realised activity.

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

B.8 ***Definition:*** An **input** of an activity of the reporting organisation is a direct effect of an activity of the reporting organisation that occurred over a period included in the reporting period and is a voluntary and positive capital flow for the reporting organisation.

- From the perspective of external stakeholders, inputs are negative capital flows (reducing their stock of capital). As such, they appear as negative impacts in the IP&L Statement. They are never listed as external costs.
- Examples are materials used (negative Manufactured Capital impact for suppliers) and the working time the employees put in (the negative impact 'value of time'

B.9 ***Definition:*** An **output** of an activity of the reporting organisation is any direct effect of a reporting organisation's activity that occurred during a period included in the reporting period and is not an input.

- While inputs always appear as negative impacts, outputs can either be positive impacts (if they increase capital stocks or well-being of a stakeholder) or negative impacts (if they reduce capital stocks or well-being).
- Examples are salaries paid or greenhouse gases emitted

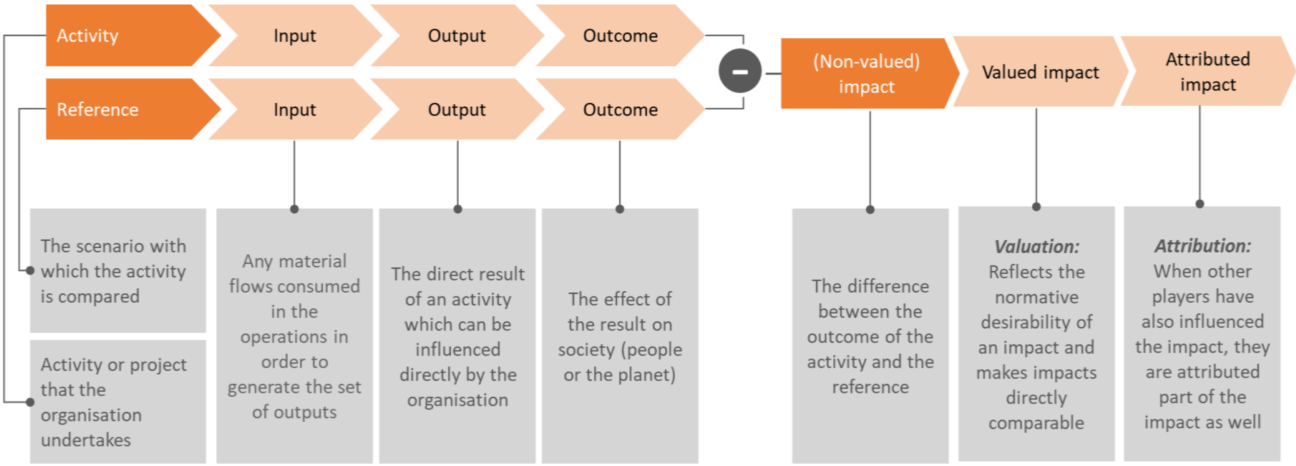


Figure B.1: The Impact pathway

B.10 ***Definition:*** An **outcome** of an activity of the reporting organisation is a direct or indirect effect over the reporting period.

- Outcomes reflect the result on society (people or the planet).

B.11 ***Definition:*** An **impact** of an activity is the difference of an outcome of a realised activity with respect to the counterfactual outcome in the reference activity.

B.12 ***Definition:*** A **valued impact** is an impact expressed in a quantitative unit that reflects the normative desirability of an impact from the perspective of a stakeholder.

B.13 ***Definition*****:** An **attributed impact** is an impact where impact attribution has distributed shares of the impact value to each of the stakeholders considered co-responsible for the occurrence of that impact.

B.14 ***Definition:*** The effect, input, output, outcome, impact, and attributable impact of a set of activities is defined in the same manner as that for a single activity. Hence, where 'an activity' is written in *Section B.4* to *B.13,* also 'a set of activities' can be read.

Appendix C: Standard impact list and list of Sustainable Development Goals

C.1. The set of impacts that are material to the reporting organisation and thus appear in its IP&L Statement depends on the type of business activity of that organisation. See *Section 9.2* for the principles related to the scope phase. *Table C.1* provides the standard list of impact categories that are relevant to many types of organisations. It is suggested that these impact categories should always be included in impact statements if these are material to the reporting organisation. Note that this list is not exhaustive.

C.2. The list specifies the type of Capital and the stakeholders with which an impact category is typically associated. When using different types of Capitals, or a different classification of stakeholder groups, the list shall be modified accordingly. In addition, the list indicates whether an impact is typically included in the External Cost Statement, and with which SDGs an impact is typically associated. Note that the SDG mapping is provided here at the goal level as provided in *Table C.2*.. A mapping at the indicator level is recommended. In some cases, depending on the nature of the organisation, other SDGs in addition to the ones suggested below may be relevant.

Nr.	**Impact category**	**Description**	**IP&L Statement**			**External Cost Statement**	**Suggested SDG**
			Capital	**Stakeholder**	**Valence**		
1	Payments from clients	Payments from clients to the organisation in scope. From the perspective of the client, this is a negative flow of Financial Capital, hence this is a negative impact.	Financial	Clients	Negative	Not included	-
2	Payments to suppliers	Payments from the organisation in scope to suppliers. From the suppliers' perspective, this is a positive flow of Financial Capital.	Financial	Suppliers	Positive	Not included	-
3	Employee payments	Employee expenses include gross salary and a number of social security and pension contributions. This is a positive flow of Financial Capital to employees and the government (from taxes).	Financial	Employees; government, local communities, and others	Positive	Not included	SDG #8; SDG #17
4	Interest payments	Interest payments provide a positive flow of Financial Capital to an organisation's lenders and bond holders.	Financial	Company and investors	Positive	Not included	SDG #8
5	Profit tax paid	Payments from the organisation in scope to the government related to income tax obligations. This is a positive flow of Financial Capital to the government.	Financial	Government, local communities, and others	Positive	Not included	SDG #17
6	Net profit/loss	If an organisation makes a net profit over a reporting year, this increases the company's stock of Financial Capital (positive impact). Part of this might in turn be used to pay dividends to shareholders. If the organisation makes a net loss, this reduces their stock of Financial Capital, and the impact is negative	Financial	Company and investors	Positive or negative	Not included	SDG #8

Table C.1: Key impact categories

Nr.	Impact category	Description	IP&L Statement			External Cost Statement	Suggested SDG
			Capital	**Stakeholder**	**Valence**		
7	Opportunity cost of capital	When an organisation occupies capital, this cannot be used elsewhere in the economy, and hence this carries an opportunity cost. As this is an input to the operations, it is a negative impact but not an external cost.	Financial	Company and investors	Negative	Not included	SDG #8
8	Client value of products and services	When the organisation in scope delivers products or services in some form, this represents a flow of Manufactured Capital to clients (positive impact). The value of the Manufactured Capital is typically at least as large as the 'payments from clients', as economic theory states that transactions do not take place if the value of the goods or services offered does not match the price.	Manufactured	Clients	Positive	Not included	-
9	Value of the goods delivered by suppliers	When the organisation in scope receives products or services in some form from its suppliers, this represents a flow of Manufactured Capital away from the suppliers (negative impact). The value of the positive impact 'payments to suppliers' is typically at least as large as this impact, as economic theory states that a supplier would not sell if the value of the goods is higher than the price offered.	Manufactured	Suppliers	Negative	Not included	-
10	Creation of Human Capital	Human Capital can be created through enhancing the experience of employees and through employee training. Several stakeholders profit from the resulting increase in productivity and higher earnings throughout a career.	Human	Company and investors; employees; government, local communities, and others	Positive	Not included	-
11	Well-being effects of employment	The value of the well-being of employees from the positive effect on self-esteem, autonomy, social relations, and social status of their employment.	Human	Employees; government, local communities, and others	Positive	Not included	SDG #3
12	Workplace health and safety incidents	The value of the damage due to fatal and non-fatal occupational incidents and disease in the workplace. This constitutes a negative impact and an external cost.	Human	Employees; government, local communities, and others	Negative	Included	SDG #8
13	Value of time	When an organisation occupies labour, this cannot be used elsewhere in the economy, and hence this carries an opportunity cost. As this is an input to the operations, it is a negative impact but not an external cost	Human	Employees	Negative	Not included	SDG #8

Table C.1: Key impact categories *(Continued)*

Nr.	Impact category	Description	IP&L Statement			External Cost Statement	Suggested SDG
			Capital	Stakeholder	Valence		
14	Development of immaterial assets and technology	The value of the (hypothetical) stock of developed intangible assets, technology, data, and market models represents future value creation for the organisation (and its investors). Depending on whether this increases or decreases in a reporting period, it can be a positive or a negative impact.	Intellectual	Company and investors	Positive or negative	Not included	SDG #16
15	Change in brand value and customer loyalty	Brand value and customer loyalty are indicators of how well the brand is perceived and trusted. An increasing value indicates higher long-term value creation potential. A decreasing value indicates lower potential than previously assessed.	Social	Company and investors	Positive or negative	Not included	-
16	Child labour (in the value chain)	Presence of child labour (beyond legal limits) constitutes a negative impact and an external cost. This applies both to child labour at the organisation in scope or in the value chains in which it is active and for which it shares responsibility.	Social	Government, local communities, and others	Negative	Included	SDG #8; SDG #16
17	Forced labour (in the value chain)	Presence of forced labour constitutes a negative impact and an external cost. This applies both to forced labour at the organisation in scope or in the value chains in which it is active.	Social	Government, local communities, and others	Negative	Included	SDG #5; SDG #8
18	Underpayment (in the value chain)	Underpayment means that employees earn less than a living wage, which is required for a decent standard of living. Underpayment at the company in scope or in its value chain constitutes a negative impact and an external cost.	Social	Government, local communities, and others	Negative	Included	SDG #1
19	Use of scarce materials	Use of scarce, non-recyclable materials makes them unavailable to future users. This constitutes a negative impact and an external cost.	Natural	Beneficiaries of nature	Negative	Included	SDG #7; SDG #12; SDG #13
20	Use of scarce water	Use of scarce water resources makes them unavailable to other users. This constitutes a negative impact and an external cost.	Natural	Beneficiaries of nature	Negative	Included	SDG #6
21	Water pollution	Negative impact on water quality (e.g., due to the emissions of pollutants) constitutes a negative impact and an external cost.	Natural	Beneficiaries of nature	Negative	Included	SDG #14; SDG #3

Table C.1: Key impact categories *(Continued)*

Nr.	Impact category	Description	IP&L Statement			External Cost Statement	Suggested SDG
			Capital	Stakeholder	Valence		
22	Fossil fuel depletion	Use of scarce energy resources makes them unavailable to future users. This constitutes a negative impact and an external cost	Natural	Beneficiaries of nature	Negative	Included	SDG #7; SDG #12; SDG #13
23	Contribution to climate change	The emission of greenhouse gases leads to climate change, which negatively affects people and ecosystems. It constitutes a negative impact and an external cost.	Natural	Beneficiaries of nature	Negative	Included	SDG #13
24	Land use and transformation	Land transformation from an original state with high Natural Capital value to a state with lower value constitutes a negative impact and an external cost. Similar costs are associated with the use of recently-transformed land	Natural	Beneficiaries of nature	Negative	Included	SDG #15
25	Air pollution	Negative impact on air quality (e.g., due to the emissions of pollutants) constitutes a negative impact and an external cost	Natural	Beneficiaries of nature	Negative	Included	SDG #3

Table C.1: Key impact categories *(Continued)*

SDGs	Goals
SDG #1	End poverty in all its forms everywhere
SDG #2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
SDG #3	Ensure healthy lives and promote well-being for all at all ages
SDG #4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
SDG #5	Achieve gender equality and empower all women and girls
SDG #6	Ensure availability and sustainable management of water and sanitation for all
SDG #7	Ensure access to affordable, reliable, sustainable and modern energy for all
SDG #8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
SDG #9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
SDG #10	Reduce inequality within and among countries
SDG #11	Make cities and human settlements inclusive, safe, resilient and sustainable
SDG #12	Ensure sustainable consumption and production patterns
SDG #13	Take urgent action to combat climate change and its impacts
SDG #14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
SDG #15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
SDG #16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
SDG #17	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Table C.2 List of Sustainable Development Goals

Appendix D: Additional informative references

A brief selection of informative references is presented in *Section 3.2*. Additional references that may provide guidance in the compilation of impact statements are presented in *Table D.1* to *Table D.5*.

Reporting

Organisation	Title	Relevant informative elements
Financial Accounting Standards Board (FASB)	Generally Accepted Accounting Standards	• The assumptions, principles, and characteristics of general accounting principles
Committee of Sponsoring Organisations of the Treadway Commission (COSO)	Internal Control – Integrated Framework	• The internal control principles
Sustainability Accounting Standards Board (SASB)	SASB Conceptual Framework	• The concept, standards, and principles to develop sustainable accounting
Natural Capital Coalition	Natural capital protocol principles and framework	• The framework to integrate natural capital valuation in business
Porter & Kramer	Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society	• The concept of creating shared value through business activities
Reporting 3.0	Blueprint 2: Accounting – The Blueprint of New Accounting: Laying the foundations for Future-Fit Reporting	• Guideline to report new accounting (financial, management, and sustainable accounting)
WBCSD	Controlling Non-Financial Reporting – An Internal Control Framework for Non-Financial Reporting based on the underlying principles of the 2013 COSO Internal Control Integrated Framework	• Internal control standards and principles for collecting, consolidating, and reporting non-financial information
European Commission	Guidelines on non-financial reporting (methodology for reporting non-financial information)	• The requirements to disclose non-financial information to enable sustainable finance
Kering	Kering Environmental Profit & Loss	• The principles and concept of environmental profit & loss

Table D.1 Informative references reporting

Economic

Organisation	Title	Relevant informative elements
European Commission	Guide to cost-benefit analysis of investment projects	• The CBA should include the cash flows of socio-economic costs and benefits
Organisation for Economic Co-Operation and Development (OECD)	Guidance on Sustainability Impact Assessment	• Consideration of both short-term and long-term effects in the assessment • Cost-benefit analyses and monetization to the non-marketed aspects of sustainability • Stakeholder inclusion

Table D.2 Informative references economic

Environmental

Organisation	Title	Relevant informative elements
European Union	2013/179/EU: Commission Recommendation of 9 April 2013	• The methods to measure and communicate the life cycle environmental performance of products and organisations (e.g., environmental footprints)
International Organisation for Standardization	ISO 14040:2006; ISO 14044:2006	• The principles, framework, and guidelines in conducting life cycle assessment.
United Nations (UN) /EU/ Food and Agriculture Organisation (FAO)/ International Monetary Fund (IMF) /OECD/World Bank	System of environmental-economic accounting 2012 – Central framework	• The guidance on the valuation of renewable and non-renewable natural resources
World Business Council for Sustainable Development (WBCSD)	Guide to corporate ecosystem valuation	• The explicit valuation of ecosystem degradation and benefits of ecosystem services • Attribution of ecosystem costs and benefits to specific stakeholder.
TEEB	The economics of ecosystems and biodiversity ecological and economic foundations	• The concept of valuing the ecosystem services
TEEB	TEEB for agriculture & food	• The concept of assessing the economics of eco-agri-food systems complex

Table D.3 Informative references environmental

Social

Organisation	Title	Relevant informative elements
Social Value International	The Relationship between Social Value Principles and the Natural Capital Protocol	• The principles in accounting for, managing, and optimising social and environmental value
Social Impact Analysts Association	Principles of Social Impact Analysis Mapping Exercise	• The principles in conducting social impact analysis
United Nations Environment Program (UNEP)	Guidelines for social life cycle assessment of products	• The consideration of social and socio-economic aspects in doing LCA of products
WBCSD	Social Capital Protocol	• The framework to measure, value, and manage the social impacts, especially for business

Table D.4 Informative references social

Other

Organisation	Title	Relevant informative elements
European Commission	2014 Revision of the European Commission impact measurement guidelines. Public consultation document	• The principles of how impact assessment analysis should be in the report
KPMG	How to report on the SDGs – What good looks like and why it matters	• The criteria for SDGs reporting
OECD	Social investment guidelines	• The framework to serve the information on the social impact for investors in achieving the SDGs and social, environmental, and economic challenges.
OECD	OECD Guidelines for Multinational Enterprises	• Principles and standards for multinational enterprises to disclose their operations in relation to government policies, and their contribution to sustainable development
True Price	Principles for Impact Measurement and Valuation	• The principles in measuring and valuing the impacts across the value chain
United Nations Economic Commission for Europe (UNECE) /Eurostat/OECD	Framework and suggested indicators to measure sustainable development	• The common indicators used to measure the impacts in the form of capitals
World Bank	Handbook on Impact Evaluation: Quantitative Methods and Practices	• The framework of impact evaluation including the implementation of ex ante and ex post approaches

Table D.5 Informative references other

Appendix E: Key elements of impact context documentation in an impact report

In the impact context section of a stand-alone impact report (i.e., the report is not part of an annual report or similar), the reporting organisation is advised to include at least the following content related to the impact statements:

E.1. **Organisational overview and external environment:** This describes what the organisation does to create impact, the internal and external environment in which the organisation operates, and how the environment influences its impact. The main trends and factors likely to affect the future development of the organisation's impact are mentioned.

E.2. **Organisational performance: impact during the reporting period:** This is described on the basis of a balanced analysis of the impacts per stakeholder and Capital. This shows how the organisation has developed and performed related to impact. Key performance indicators (KPIs) are mentioned and categorised (input, output, outcome, or impact KPI). Questions here include: What was the target? How do the KPIs relate to the organisation's strategy, and how does the organisation steer on KPIs to improve its performance?

E.3. **Governance:** This shows how the organisation's governance structure supports its ability to create impact in the short, medium, and long term.

E.4. **Business model and strategic management:** This describes how the organisation considers impact in its business model. This includes the formal strategic impact objectives that the organisation intends to achieve, and the strategies developed that describe the means by which the organisation intends to achieve its impact objectives, how the organisation generates, preserves, and/or improves its impact, and links to the impact KPIs (see above).

E.5. **Stakeholder relationships:** This includes the nature and quality of the organisation's relationships with its key stakeholders as these relate to impact, including how and to what extent the organisation understands, takes into account, and responds to their stakeholders' legitimate needs and interests.

E.6. **Risk and opportunities:** This includes the challenges and uncertainties that the organisation is likely to encounter, the principal risks, and uncertainties related to impact.

E.7. **Forward-looking information:** Where appropriate, information in the impact report should have a forward-looking orientation. This includes future developments with regard to impacts and indicates the circumstances on which the development of impacts depends. This forward-looking information may be omitted if there are reasons for this. For example, it is not mandatory to publish the impact of acquisition plans or the intention to place a new product on the market prematurely. Under forward-looking information, the significance of the impact of activities in the field of research and development can also be discussed.

E.8. **Special events that occurred after the end of the reporting year and that have not been included in the impact statements:** An example of this is the decision of the board to develop a new activity or to terminate it. In such a case, it shall be mentioned how these events have influenced the aforementioned expectations for impact.

Impact Institute
Kabelweg 57
1014 BA Amsterdam
The Netherlands
Tel.: +31 202 403 440
info@impactinstitute.com

Suggested citation

Impact Institute (2019). Framework for Impact Statements – Beta version (FIS Beta). Available at http://www.impactinstitute.com/framework-for-impact-statements/.