TRANSPARENCY

NOW MORE THAN EVER, BUT MEANINGFUL

MARCH 2025

Contents

OUR CALL FOR ACTION

Sustainability needs to pay off

Companies investing and outperforming in sustainability matters need to be financially rewarded. Policy makers are requested to set a stable, regulatory environment incentivizing sustainability-driven investment by corporates, fostering products by financial services, and customer behavior ensuring, leveraging, and rewarding corporate outperformance.

Ensure credibility and coherence of disclosure regulation

The international community of policy makers, supported by standard setters and businesses, is requested to establish a global corporate reporting system that – as global baseline – is reflecting financial performance, financially relevant sustainability performance, and impact performance on society and nature. The governance structure needs to include international organizations and robust due processes.

Simplify the regulatory requirements

Policy makers and standard setters are requested to define a minimum set of data requirements serving the needs of preparers and users, focused on investors and policy makers. A small and relevant set of sector-agnostic KPI should be accompanied by sector-specific and company-specific KPI. Simplification does not mean deregulation.

Increase relevance and comparability of sustainability information

Sustainability information needs to be made easily digestible, comparable, and interconnected to financial performance, similar to financial reporting. Regulators are requested to demand Impact Statements to aggregate sustainability performance information in concise tables.

DISCLAIMER

The solutions outlined in Chapter 4 to simplify reporting regulation are to be understood as recommendations from the practitioners' perspective. Further research and review by authorities is strongly recommended for integration into regulatory requirements.

1. Introduction: A Turning Point in History

We are facing the most fundamental societal, environmental, and economic change in the last 250 years. The intensity in which our societies are transformed becomes specifically challenging as turning points take place in many areas at the same time – and are interlinked in most cases:

- Climate change and biodiversity loss threaten our ecosystems and livelihoods with a substantial impact on basic needs such as health and food security. The economic costs are estimated for climate change by 19% of global GDP by 2050[1] and for biodiversity loss of USD 10-25 trillion annually[2]. Only a small amount of these **societal costs** (or externalities) is currently reflected in market prices and in corporate accounts.
- **Economic inequality** and poverty are increasing again despite all improvements around the SDGs. The main reason is that the COVID-19 pandemic has disrupted economic activities, leading to job losses and increased poverty rates in certain regions.
- **Geopolitical conflicts** and the latest tariff announcement are leading to high insecurity in global trade, and international cooperation is disrupting the global governance system, incl. UN, WHO, and WTO, long-standing alliances, and international value chains.
- Technological innovations, especially **digitalization and AI**, lead to new business models and products, automatization of production processes, efficiency gains, and a changing working environment.
- Global population growth, **demographic shifts**, and aging populations lead to labor shortages and increased healthcare costs in developed nations, to malnutrition, unemployment, and rapid urbanization in developing countries.

These developments call for a just transition to a new economic system: The impact economy[3]. From a business perspective, the current developments will affect resilience and long-term success, as well as the risks and opportunities of our business models. It is about integrating financial, social, human, and natural capital into one management accounting system. In an impact economy, corporate outperformance in impacts, sustainability risks and opportunities will pay off.

International trade and business relations are crucial to ensure peace, a stable investment environment, and prospering societies[4]. As actors embedded in societies, businesses have a responsibility and self-interest to measure their impacts across value chains and connect them to the financial performance of companies.

Today, we recognize that these developments already impact how we look at business. Case in point, intangible assets and impacts of companies become more and more important as the gap of companies' book and market value increases.[5] The cost of capital, e.g., the cost for insurance schemes, is increasing substantially given the impacts of climate change and biodiversity loss.[6] Financial performance as an indicator for the healthiness of a company is no longer sufficient: We need a more sophisticated understanding of value creation based on financial, social, human, and natural capital as well as double materiality.

[1] https://www.pik-potsdam.de/de/aktuelles/nachrichten/38-billionen-dollar-schaeden-pro-jahr-19-einkommensverlust-weltweit-durch-klimawandel?utm_source=chatgpt.com
[2] https://environment.ec.europa.eu/news/ipbes-reports-reveal-huge-opportunities-biodiversity-action-2024-12-18_en?utm_source=chatgpt.com
[3] https://www.ubs.com/content/dam/assets/cc/sustainability-and-impact/doc/impact-economy-white-paper-en.pdf
[4] Immanuel Kant, *Perpetual Peace: A Philosophical Sketch*, 1795
[5] https://viewpoint.pwc.com/dt/us/en/pwc/points_of_view/assets/povmarketcapvsbook.pdf
[6] https://www.spglobal.com/en/research-insights/special-reports/climate-risk-for-insurers

2. The Purpose of Accounting and Corporate Reporting

To cope with the current challenges, there is a need to marshal the strength of the global private sector in the spirit of true public and private collaboration to finance the just transition. **Globally accepted reporting standards** provide a framework for corporate transparency and accountability.

Corporate reporting has a pivotal role in **enhancing transparency and accountability**. The provision of decision-useful information to corporate decision-makers, investors, policy makers, and other stakeholders for risk management, steering, trust and reputation, compliance, comparability, and benchmarking of corporate performance ensures financial market stability and facilitates the transition towards a just, sustainable economy.

The current international and jurisdictional efforts to establish reporting standards demonstrate the relevance of corporate sustainability performance regulation[7]. In general, stakeholders like investors, policy makers, customers, or civil society actors request different information. It can be differentiated into a) financial performance (e.g., IFRS Accounting Standards, US GAAP), b) financially relevant sustainability performance (e.g., IFRS Sustainability Disclosure Standards), c) impact of business models on societies and nature (e.g., GRI).

The EU currently takes a leading position in adopting the IFRS Accounting Standards for financial reporting and implementing tailored regulations for sustainability disclosures, most prominently ESRS reporting under the CSRD and the CSDDD due diligence requirements. “However, the European regulatory framework as of today is perceived by many business practitioners as complex, highly bureaucratic and costly in terms of time and money. In addition, substantial parts of the EU regulations and related requested data points are neither sufficient nor of interest.”[8]

VBA believes that impact accounting is a tested approach providing solutions to simplify the EU regulation while providing relevant, meaningful, and concise information for data preparers and users and being scalable to international level including.

- **Value to society**: The positive and negative impacts created for society and the environment (inside-out perspective) to be reported in impact statements[9] (see Annex 1). Data and solution providers like Upright Project, S&P Global, WifOR, RGS, and GIST Impact already offer tools that produce impact statements in monetary terms building on externally reported data.
- **Value to business** (outside-in perspective): How impacts created for society and the environment might (financially) affect the company itself, including its financial performance.

[7] https://iasplus.com/content/5d9167fa-125f-4b10-960b-266abf621303
[8] https://sustainable-finance-beirat.de/wp-content/uploads/2025/02/SFB_Position_Paper_Omnibus_Initiative.pdf
[9] VBA Impact Statement, 11.2024, https://www.value-balancing.com/en/downloads.html

3. Impact Accounting: A Brief History

Impact accounting, as well as impact measurement and valuation, have become a common practice at leading international companies over the past 15 years. Kering was the first mover to publish its Environmental P&L[10] results in 2015, followed by Holcim publishing an Integrated P&L[11]. More companies have started similar programs at the same time with the ambition to understand better their risks and opportunities, as well as their impacts and dependencies on society and nature. They started to develop and test management systems to measure and value in monetary terms the positive and negative externalities of their business models and how they relate to financial performance.

The frontrunners initiated the Impact Valuation Roundtable[12] in 2015 to exchange ideas, concepts, and methodologies. Intrigued and convinced by this new perspective on corporate value creation, a few companies decided to incorporate the Value Balancing Alliance (VBA)[13] in 2019, joining forces for further development, standardization, and scaling impact accounting methodologies from a corporate preparer perspective.

At the same time, the Harvard Business School's research project Impact Weighted Accounts (IWA)[14] started to develop methodologies measuring and monetizing corporate impacts from an investor perspective. In 2022, the IWA was transformed into the International Foundation for Valuing Impacts (IFVI), partnering with VBA. IFVI is taking the lead to standardize impact accounting methodologies while VBA focuses on applications and further development of methodologies from the practitioners' perspective.

4. Impact Accounting as a Solution for Simplification and Value Creation

VBA and IFVI are in ongoing discussions with policy makers, regulators, and standard setters to acknowledge standardized[15] and successfully tested[16] impact accounting methodologies. The most prominent example is the project TRANSPARENT, coordinated by VBA together with the Capitals Coalition, the WBCSD, and European Commission[17]. The developed and tested natural capital accounting methodologies are reflected in the CSRD (44): "…. Commission committed itself to support… standardized natural capital accounting practices within the Union and internationally, with the aim of ensuring appropriate management of environmental risks and mitigation opportunities and reduce related transaction costs. The Transparent Project… is developing the first natural capital accounting methodology, which will make existing methods easier to compare and more transparent while lowering the threshold for companies to adopt and use the systems in support of future-proofing their business."

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[10] https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/
[11] https://www.holcim.com/sustainability/esg/esg-policies-documents-reports
[12] https://docs.wbcsd.org/2017/04/IVR_Impact%20Valuation_White_Paper.pdf
[13] www.value-balancing.com
[14] https://www.hbs.edu/faculty/Pages/item.aspx?num=59129
[15] https://ifvi.org/methodology/
[16] https://www.value-balancing.com/en/publications.html
[17] https://capitalscoalition.org/project/transparent/

VBA, together with its members and partners like IFVI and the four major accounting firms, has worked on aligning impact accounting methodologies with regulatory data requirements[18], to support businesses meeting regulatory requirements such as CSRD/ESRS and CSDDD, and transform data into meaningful information for better sustainability management, including decision-making, steering, and disclosures. After testing with members and partners, VBA can demonstrate how impact accounting assists in meeting regulatory requirements directly while reducing the efforts for data preparers and showing real-life examples of how CSRS/ESRS and CSDDD requirements can be simplified.

With good reason, impact accounting as part of the CSRD should be leveraged in the EU Omnibus Initiative "to simplify EU rules and boost competitiveness, unlock additional investment capacity.r" [19] The EU Omnibus Initiative demonstrates a clear policy intent to enhance the practicality of sustainability reporting, not only by reducing the scope and extending the terms but also by fostering a deeper understanding of reporting practices. This is evident in the recognition that the CSRD indirectly promotes fundamental rights by influencing corporate behavior and increasing awareness of potential adverse impacts (OMNIBUS I, COM 2025 81, p. 12). Furthermore, the introduction of Article 29ca in COM **2025** 80 provides for voluntary sustainability reporting standards, designed to be proportionate and relevant for undertakings beyond those mandated by Articles 19a(1) and 29a(1) CSRD, thereby encouraging broader participation.

To address these inquiries, **impact accounting offers a pragmatic, successfully piloted and tested approach across different industries and companies to meet reporting requirements more efficiently, allowing prepares to refine their reporting methodologies, understanding data availability and solutions to close data gaps, and apply developed measurement strategies.**

a. Double Materiality Assessment (CSRD)

Impact accounting simplifies and complements the traditional materiality assessment by reducing subjective biases and focusing on performance-relevant data. Building on CSRD/ESRS quantitative datapoints for own operations and industry data for the value chain, impact statements (see annex 1) provide an objective approach to identifying material impacts and comparing the relevance of different subject matters through the common unit of monetized information.[20] To ensure comparability, a standardized set of value factors[21] should be applied to convert the various quantitative ESG metrics into monetary language.

To understand the importance of sustainability performance, quantitative KPIs need to be defined and equally measured for comparability reasons. To simplify the reporting regulation and increase comparability, a three-step approach is proposed:

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[18] https://www.value-balancing.com/_Resources/Persistent/3/1/a/7/31a7b4f24a6ed00dd2550e57cedd10a820e2ecb0/Impact%20Accounting%20Methodology%20Architecture%20Public_Final.pdf
[19] https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion_en
[20] Value Balancing Alliance Position Paper - The Case of Monetary Valuation, 2022, https://www.value-balancing.com/en/downloads.html
[21] https://ifvi.org/methodology/environmental-topic-methodology/interim-methodologies/download-form-global-value-factor-database/

- Sector-agnostic set of mandatory, quantitative KPI: Various regulations are requesting undertakings to report against the same KPI. These should include the traditional financial performance of companies and economic indicators such as taxes and wage payments. In addition, a limited set of environmental and human capital KPIs (see Annex 3) should be reported. A limited set of sector agnostic KPI allows comparability of the sustainability performance of all companies.
- Sector-specific set of quantitative KPI: The comparability of undertakings sustainability performance within one sector is even more relevant. On top of the sector-agnostic KPI, additional subject matters should be defined to reflect the sector-specific impacts, risks, and opportunities. A pragmatic and objective approach is using industry data and calculating sector-specific impact statements as provided by VBA and WifOR[22].
- Company-specific set of material aspects: Every company has its own business model, with different products and services in different markets. That means, company-specific impacts, risks, and opportunities might be relevant, but not covered by sector-specific and sector-agnostic standards. Impact accounting has already been applied and assured for CSRD reporting at the company level[23]

Conclusion: Undertakings need to run company-specific materiality analysis – but to ensure comparability of sustainability (out-) performance (impacts, risks, and opportunities), sector-specific and sector-agnostic KPIs need to be reported. Impact accounting in combination with industry data and input-output modelling techniques, provides a pragmatic and resource-effective solution to execute the relevant assessments.

This approach, using tested solutions, will reduce data points and data collection efforts at companies, and it improves the existing CSRD reporting by introducing a layer of common sense, encouraging entities to report information relevant to their operations and of public interest as piloted and tested throughout the sector.

b. Impact Risk Assessment (CSDDD)

The CSDDD aims to enhance human rights and environmental protection by mandating companies to conduct due diligence throughout their value chains, ideally aligning with CSRD and the broader European Green Deal, as evidenced by its core objective to improve human rights protection[24]. In this context, impact accounting and statements[25] emerge as a relevant tool, facilitating impact measurement and risk assessment to support the regulatory objectives. Impact statements

[22] https://www.value-balancing.com/en/publications/vba-wifor-institute-reports-across-11-key-economic-sectors.html
[23] https://www.value-balancing.com/_Resources/Persistent/3/1/6/b/316b7f7b7c2ca7d2f7e877d0d1b347b538831ddd/202411_IMV%20in%20DMA%20use%20case_ZF_Final%20version.pdf
[24] OMNIBUS I, COM 2025 81, p. 13. This directive necessitates both regular assessments, at least every five years, and ad-hoc assessments to address evolving risks (OMNIBUS I, COM 2025 81, p. 19, Article 19(3); SWD(2025) 80, p. 38; OMNIBUS I, COM 2025 81, Article 4(8)), with the European Commission providing guidelines for these processes (OMNIBUS I, COM 2025 81, p. 19). While primarily focused on direct business partners (Preamble, OMNIBUS I, COM 2025 81), the CSDDD extends scrutiny to indirect partners based on "plausible information" or suspected circumvention (Preamble, OMNIBUS I, COM 2025 81; OMNIBUS I, COM 2025 81, Article 4(4)(b)), demanding stakeholder engagement (Preamble, OMNIBUS I, COM 2025 81) and requiring companies to seek contractual assurances of code of conduct compliance (OMNIBUS I, COM 2025 81, Article 4(4)(b)).
[25] VBA Impact Statement, 11.2024, https://www.value-balancing.com/en/downloads.html.

provide a data-driven, high-level assessment of risk exposures or hot spots along the entire value chain. They can serve as a basis and tool to narrow down the broad scope of sustainability topics for a meaningful, more detailed due diligence process as outlined e.g., in the UN Guiding Principles.

c. Chilling Effects on DNSH under Taxonomy and SFDR

The complexities surrounding the Do No Significant Harm (DNSH) criteria, particularly concerning data availability and interpretation, present significant challenges for financial institutions adopting the EU Taxonomy, as highlighted by private sector concerns requesting simplified compliance mechanisms (SWD(2025) 80, p. 47). This complexity, compounded by the consolidation efforts under the CSDDD and the CSRD, can induce a "chilling effect" on the tracking of negative impacts, not only for DNSH within the Taxonomy but also across other reporting frameworks, most notably the SFDR. Specifically, the fear of revealing adverse impacts through rigorous DNSH assessments under the Taxonomy, coupled with the increased scrutiny mandated by CSDDD and CSRD, may discourage transparent reporting. This chilling effect can extend to SFDR disclosures, where financial market participants might hesitate to fully disclose negative sustainability impacts to avoid potential legal or reputational repercussions.

Following impact accounting as a common denominator under all the different, already implemented and now again suggested reporting regiments, will reduce the compliance burdens significantly. Impact accounting for example allows to budget not just for carbon but beyond towards impact budgets under a value center focus instead of cost center focus. Benchmarks play a crucial role in determining acceptable performance and identifying areas for improvement. This fosters an impact-focused approach, distinct from traditional risk-focused methods that rely on revenue and financial accounts. While this approach can be integrated into risk management, it also offers insights to achieving broader policy objectives beyond shareholder value.[26] Impact accounting can incentivize companies and financial institutions to proactively seek and report negative impacts, ultimately assisting in achieving the intended goals of these regulatory frameworks.

Impact accounting applied in a comprehensive way, covering the most relevant negative and positive impacts, risks, and opportunities of business models in the context of CSRD/ESRS and CSDDD **replaces data needs of data preparers and might cover information needs of data users which are provided by the EU Taxonomy regulation. The EU Taxonomy regulation should be kept as voluntary framework for disclosures, but its mandatory nature should be cancelled.**

d. Financial Effects: Value to Society and Value to Business

Impact accounting provides a methodology to quantify and value the societal and environmental impact and offers a structure to assess business activities' impacts. This process, which considers factors like geography, demography, and industry sector under different topics, allows for the contextualization of impact likelihood and its potential influence on business value.

By systematizing corporate and investment valuation, impact accounting facilitates comparisons within sectors and across diverse contexts to set impact as a value to business. When integrated

[26] VBA et al., Valuing Impact Materiality 2025, 2025, https://www.value-balancing.com/_Resources/Persistent/e/0/3/e/e03e1f110cb5748e60615c7005294dee39bc6334/Valuing%20Impact%20Materiality%20Report_Final_20250227.pdf

into CSRD reporting, impact materiality reveals potential financial risks or opportunities related to market dominance of the reporting entity. Impact accounting translates these insights into quantifiable financial effects.[27] Similarly, the risk assessment under CSDDD mandates companies to identify and mitigate adverse human rights and environmental impacts throughout their value chains.

Both processes generate detailed information about potential impacts and risks, which can be further contextualized using impact accounting (see annex 4). In essence, both the Double Materiality Assessment within CSRD and the Impact Risk Assessment under CSDDD provide the necessary data and context to inform impact accounting, enabling companies to identify and quantify the financial effects of their societal and environmental impacts more accurately. The impact drivers mentioned stand prior to valuation, ensuring that the valuation questions are clearly defined and answered, therefore providing a clear link between social impact and financial effect.

e. Consistent and Comparable Regulatory Thresholds

Impact accounting facilitates the establishment of consistent regulatory thresholds by providing a data-driven approach that mitigates the subjectivity inherent in current reporting practices. While the Omnibus offers clarity through scope reduction and terms extensions, they inadvertently increase company discretion in stakeholder selection and qualitative materiality assessments, leading further to potential intransparency.

Impact accounting counters this by gathering and modelling data-driven materiality assessments specific to sectors, countries, and demographics, creating common benchmarks for understanding impact, risk, and opportunities. It empowers preparers to set objective, comparable thresholds across diverse contexts. Moving beyond subjective interpretations, impact accounting enables the creation of regulatory thresholds grounded in science and empirical data, ensuring consistency and comparability across industries and geographies, enhancing transparency and accountability.

f. Forward-Looking Information: Strategy Development and Transition Planning

Impact accounting enables businesses to integrate transition costs into their valuation[28] by offering a structured approach that quantifies the financial implications of sustainability strategies, aligning with the CSDDD and CSRD requirements for clear transition plans; it does this by monetizing transition pathways, including carbon budgets and other planetary boundaries, and by providing business-specific benchmarks that allow for the evaluation of strategic shifts, ultimately translating sustainability actions into measurable financial effects that enhance a company's overall value.

For example, companies can model their future impact statements by using trajectories of social costs and benefits, such as for carbon as used in the different NGFS scenarios[29] (see annex 5). Investing in measures reducing their different emissions will demonstrate how the value

[27] VBA et al, Value to Business, forthcoming, https://www.value-balancing.com.
[28] d-fine and VBA, Climate scenario analysis on ESG impact valuation, 2023, https://www.d-fine.com/fileadmin/user_upload/pdf/insights/whitepapers/d-fine_Climate_scenario_analysis_on_ESG_impact_valuation.pdf.
[29] https://www.ngfs.net/ngfs-scenarios-portal/

contribution to societies – and therefore the risk exposure to the own business – will change along different indicators and scenarios.

g. Translating Data to Relevant Information for Decision-Making

Impact accounting serves as a tool for translating reported and modelled sustainability data under CSRD, CSDDD and DNSH in other regulatory frameworks into actionable information, enabling informed decision-making across all levels of an organization; by quantifying and contextualizing impacts on multiple capitals, it allows for the effective management of trade-offs, providing a clear understanding of the value generated or lost through various strategic choices (see annex 6)

Companies and financial market participants operating across countries or sectors face challenges in comparing impact measured solely by quantitative impact drivers. Valuation factors, which account for stakeholder relevance and contextual value, bridge this gap by enabling analysis across geographic, demographic, and temporal dimensions. Monetizing measured impact allows for cross-topics, cross-sector, and cross-country comparisons, facilitating the comparison of intended investment impact and the assessment of materials based on negative impact, assuming equal price and positive supply chain impact.

5. The Need for a Global Level Playing Field

Corporate reporting plays a pivotal role in ensuring transparency and accountability of corporate performance, thereby contributing to financial market stability and the transition towards a just, sustainable economy. For internationally operating companies, the current inconsistent and fragmented reporting regulation across jurisdictions[30] is a huge challenge creating efficiency losses for all stakeholders. They need to establish different systems for data collection and prepare a variety of reports including costs for assurance to meet the specific requirements.

Therefore, the call for an internationally accepted baseline for corporate reporting[31] is reasonable and compelling as it ensures more consistent and concise data in the market avoiding double-reporting, comparability of corporate performance, more efficient cost structures for data collection and assurance, and reduced risks of litigation.

Despite all efforts towards the interoperability of different reporting standards, a comprehensive and consistent system is still missing. The mandates of the different standard setters are restricted in scope of content, e.g., IFRS SDS missing impact information, or geographical reach, e.g., EFRAG limited to the EU, or are lacking oversight by public authorities in their governance structures, e.g., GRI.

As VBA, we call for a global corporate reporting system, developing a baseline for comprehensive disclosures of business risks and opportunities or sustainable value creation covering a) financial performance, b) financially relevant sustainability performance, and c) impact performance on society and nature.[32] For comparability reasons, data and information should be disclosed in

[30] https://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/esg-reporting/sustainability-reporting-tracker.html
[31] https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/supporting-materials/issb-webinar-presentation-april-2022.pdf
[32] Similar thoughts have been provided by the SFB https://sustainable-finance-beirat.de/wp-content/uploads/2025/02/SFB_Position_Paper_Omnibus_Initiative.pdf

standardized tables such as financial and impact statements to disclose financial and sustainability performance building on the principle of double-materiality and demonstrating their connectivity (see annex 7). Respective standards should be developed consistently from one organization. Its governance structure should reflect the different stakeholder perspectives and the voice of public authorities, including international organizations, need to be represented. The due processes need to allow data preparers and users to engage and contribute to the standard-setting processes.

As of today, the IFRS Foundation is the best-positioned organization to develop such a comprehensive global corporate reporting baseline with respective structures and processes. Next to IASB and ISSB, a third tier should be established developing standards for impact-performance information disclosed in impact statements. Content-wise, this third tier should build on established standards such as GRI and the work of jurisdictional standard setters such as EFRAG. As with the principles of the building blocks approach, jurisdictional standard setters should have flexibility to further develop the global baseline focusing on their information needs for policy objectives and consistency with effective regulation.

6. Outlook

Business plays a pivotal role in the just, sustainable transformation of our economies and societies. In a global market economy, investments in sustainable products, sustainable productions, and sustainable finance needs to pay off financially. Policy makers, regulators, investors, corporate decision-makers, consumers need the relevant information to set the right incentives and make the right decisions fostering the impact economy.

Corporate reporting is essential to ensure transparency and accountability – but it needs to be meaningful, balanced, comprehensible, and feasible. Data prepares have developed pragmatic solutions during the last decades to comply with reporting standards including data collection processes and disclosure formats – impact accounting is one of them. These solutions should be recognized and approved by public authorities to reduce the efforts and costs for reporting compliance, mitigate litigation risks and uncertainness to provide assurance, and to free up capital and motivation to foster sustainable solutions for value creation and the just transition of our economy.

As a lab of practitioners, the VBA has piloted and tested impact accounting in various applications and has demonstrated its feasibility and usefulness. Together with our members and partners, VBA is convinced that impact accounting is the best available approach to:

- Integrate sustainability metrics in management accounting
- Pragmatically simplify the reporting burden and make it meaningful for internal decision-making and steering
- Disclose concise and comparable comprehensive information about corporate performance meaningful for prepares and users
- Understand the connectivity of impacts to society and nature, financial effects on the company, and the link to financial performance.

Annex 1: Impact Statement

Impact Statements or Integrated P&Ls disclose the sustainable value creation of companies in a concise table ensuring comparability of sustainability performance

Indicator	Upstream	Own operations	Downstream
Environmental			
GHGs	- 3,762,348	- 1,486,265	- 1,992,092
Air pollution	- 1,182,436	- 46,816	- 602,283
Water consumption	- 341,384	- 18,684	- 1,472,282
Water pollution	- 903,486	- 70,356	- 917,293
Land use	- 1,322,087	-35,631	-6,027,451
Waste	- 616,691	- 139,114	- 271,254
Human and social			
Occupational health & safety	- 5,130,552	- 18,959	- 5,058,579
Training	152,116	19,714	93,228
Human Rights (Child labor, Forced labor)	- 2,315,346	0	- 2,437,738
Economic			
Labor Compensation	18,180,308	11,097,000	11,985,071
Profit, Depreciation, Tax	18,863,790	14,856,490	10,891,837

[Figure] Impact Statement (an example of pilot result of a company by indicator and value chain level)
Please note that the results are not additive and the display of the result is not yet harmonized. All values in 1,000 Euro.

VBA 4th Pilot Study, p. 27, https://www.value-balancing.com/en/publications.html

Annex 2: Connection of Impact Accounting Methodologies with Reporting Data Points

Impact accounting methodologies build on quantitative data points as requested by reporting regulations and frameworks.

List of Topic Methodologies			Link to Reporting		
Dimension	Capital	Topic	ESRS	GRI	IFRS
Environment	Natural Capital	GHG emissions	E1-6	305-1,2,3	S2-P29
		Air pollution	E2-4	305-7	–
		Water pollution	E2-4	303, 306-1, 306-5	–
		Water consumption	E3-4	303-5	–
		Waste	E5-5	306-2	–
		Land use and conversion	E4-5	304-1, 304-2	–
		Invasive alien species	E4-5	304	–
		Animal welfare	G1-1		–
Social	Human Capital	Adequate wages	S1-10, S1-16	201-1	IAS 19
		Occupational health and safety	S1-14	403-9,10	–
		Training and skills development	S1-13	404	–
		Work Conditions and Culture	S1-11, S1-10, S1-8, S1-15, S1-14	401, 408, 409	–
	Social Capital	Diversity and equal opportunity	S1-9, S1-12, S1-13, S1-16	405, 406	–
		Land access /Indigenous rights	S3	411	–
		Privacy and data security	S4, ESRS 2 SBM-3	418	–
		Political influence and lobbying activities	G1-5	415	–
		Purchasing and payment practice	G1-6	414,204	
	Economic Capital	Taxes	–	201.-1, 207	IAS 12
		Community Investment / philanthropy	S3	201, 413	
		Corruption and bribery	G1-3, G1-4	205	–
		Anti-competitive practices	G1-1	206	–
		Ownership impacts	–	201-1, 401	
		Economic development	–	203	

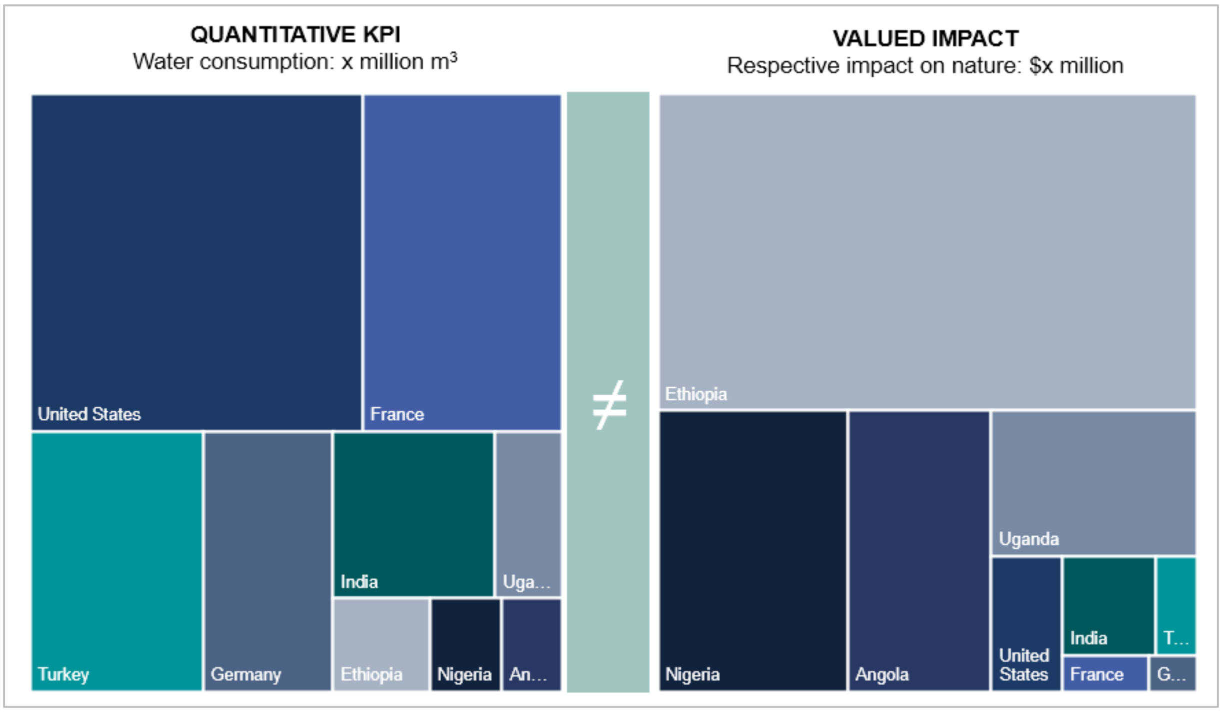
Annex 3: List of Potential Environmental and Human Capital Related Sector Agnostic KPI

For comparability of sustainability performance across sectors, a limited list of indicators is reasonable. For the identification of the relevant indicators existing regulation and frameworks should be used[33].

#	Mandatory KPI	CSRD	GRI	ISSB	PAI as of SFDR	VSME	ESG dataset German financial industry
1	GHG emissions per tCO2eq in the last financial year for Scope 1	ESRS E1-6	Yes	Yes	Mandatory 1.1	Yes, basic modul B3 30a	Yes
2	GHG emissions per tCO2eq in the last financial year for Scope 2	ESRS E1-6	Yes	Yes	Mandatory 1.2	Yes, basic modul B3 30b	Yes
3	GHG Intensity	ESRS E1-6	Yes	Yes	Mandatory 1.4	Yes, basic modul B3 31	Yes
4	Energy consumption intensitiy	ESRS E1-5	Yes	Yes	Mandatory 5/ 6A – 6L	Yes, basic modul B3 29	Yes
5	Hazardous waste ratio	ESRS E5-5	Yes	Yes	Mandatory 9	Yes, basic modul B7 38a	Yes
6	Carbon Footprint as tonnes of CO2 per million Euro company value	ESRS E1-1	Yes	Yes	Mandatory 2	Yes, basic modul B3	Yes

Annex 4: Contextualization of Risks – Water Consumption Comparison

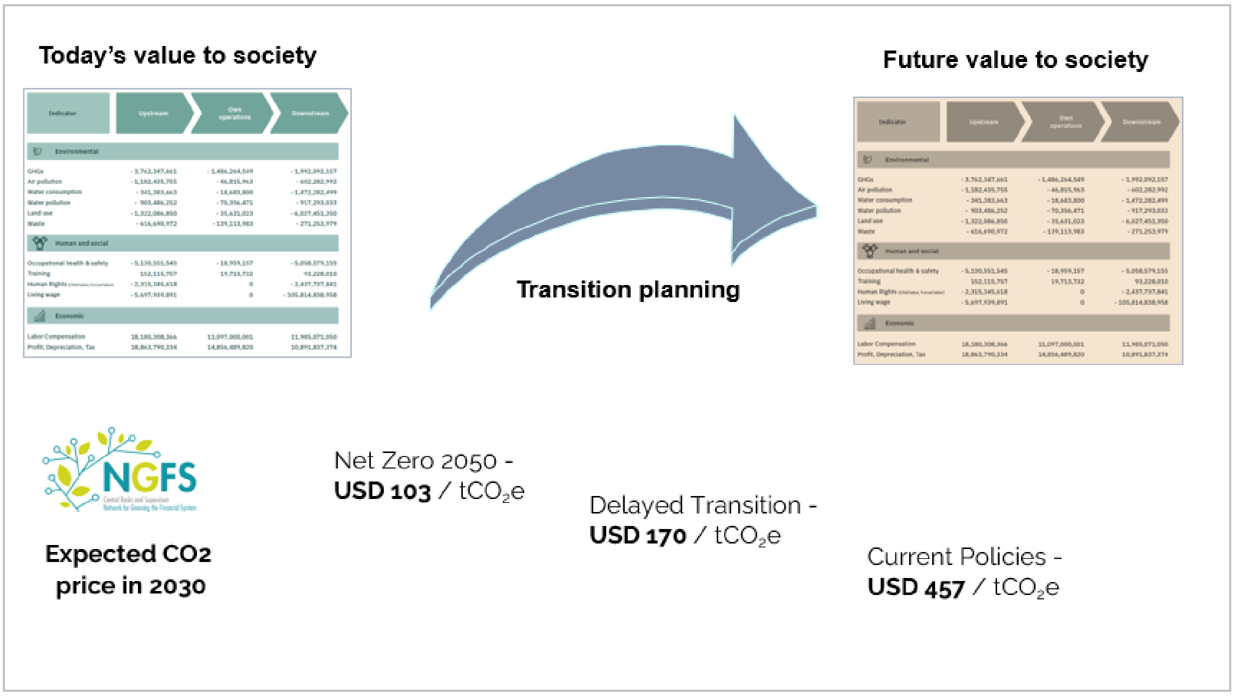
Impact accounting multiplies a quantitative KPI with a value factor. This value factor takes into account the context of where the impact occurs. For example, in an arid area the value factor for water is significantly higher than in a non-arid area. This contextualization reflects
the different societal costs which cannot be detected by just quantitative KPI.



[33] *CSRD: EFRAG List of ESRS Datapoints https://efrag.sharefile.com/share/view/s6e410fb208aa4685bf9c482ee405f48d/foa75419-44c9-4081-85a5-43217a6e8732*
GRI – Global Reporting Initiative: GRI - Project for Climate Change Standards
ISSB - International Sustainability Standards Board: IFRS - International Sustainability Standards Board
SFDR: Principal adverse impact and product templates for the Sustainable Finance Disclosure Regulation – EIOPA
VSME Voluntary reporting standard for SMEs (VSME), Concluded | EFRAG
ESG FSI dataset: Bankenverband (BdB), Gesamtverband der Deutschen Versicherungswirtschafts (GDV) und Bundesverband Öffentlicher Banken Deutschlands (VÖB) für die stärkere Harmonisierung von ESG-Datenabfragen durch Banken und Versicherer bei Unternehmenskunden/ gemeinsame Grundlage für die ESG-Datenabfrage bei berichtspflichtigen Großunternehmen bieten https://www.gdv.de/resource/blob/180696/7a69359bd207bf5280ec4b4bce55cc22/mi-esg-datenkatalog-download-pdf-data.pdf

Annex 5: Forward-Looking Statements along Different Scenarios

Impact to society reflects the total risks and opportunities of business models. Forecasts can be built on scenarios developed by regulators such as central banks.

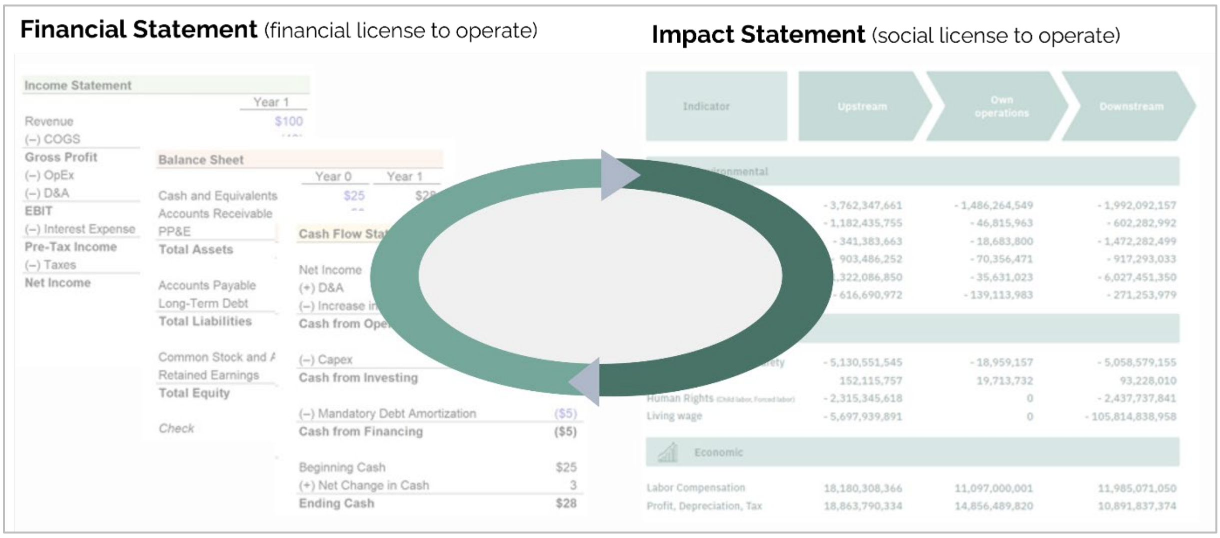


Annex 6: The Value of Monetization in Decision-Making

KPI FOR DECISION MAKING	TRADITIONAL METRIC	MONETIZED METRIC	TRADITIONAL METRIC	MONETIZED METRIC
Profit	\$m 2.0	\$m 2.0	\$m 2.5	\$m 2.5
Land use	Ha 15.000	\$m 3.0	Ha 8.200	\$m 0.2
Water	m^3 1.000.000	\$m 4.0	m3 2.000.000	\$m 0.5
GHG	$tCO2_e$ 5.000	\$m 0.3	$tCO2_e$ 20.000	\$m 1.2
Wages	\$m 3.5	\$m 3.5	\$m 2.0	\$m 2.0
	➢ Contribution to enterprise: \$m 2.0 ➢ Cost to our planet: ??? ➢ Contribution to local purchase power: \$m 3.5	➢ Contribution to enterprise: \$m 2.0 ➢ Cost to our planet: \$m 7.3 ➢ Contribution to local purchase power: \$m 3.5	➢ Contribution to enterprise: \$m 2.5 ➢ Cost to our planet: ??? ➢ Contribution to local purchase power: \$m 2.0	➢ Contribution to enterprise: \$m 2.5 ➢ Cost to our planet: \$m 1.9 ➢ Contribution to local purchase power: \$m 2.0

Annex 7: Connecting Impact and Financial Performance

Connecting impact performance with the financial statement of companies demonstrating the link of value to society and value to business.



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