

Module 3

**Impact evaluation mechanisms and analytical tools
for sustainability practices**

*“All corporations, whether for-profit or not,
create value that consist of economic,
social and environmental value components;
and this value is itself non-divisible and,
therefore, a blend of these three elements.”*

(Ann et al. 1999, Elkington et al. 2006)

Module 3 : Impact evaluation mechanisms and analytical tools for sustainability practices

Learning Objectives

Unit 1

Who produces socio-economic impact?

Topic 1

The importance of measuring positive and negative impact of business activity in the context of startups locally and internationally.

Topic 2

Benefits of measuring social impact in the external context (local and international).

Topic 3

Consequences of social impact measurement within the company: additional benefits.

Module 3 : Impact evaluation mechanisms and analytical tools for sustainability practices

Unit 2	Analytical tools for sustainability practices and international benchmark in order to improve business practices and scalability.
Topic 1	Issue of Sustainability Assessments
Topic 2	Sustainability Benchmarking
Topic 3	Product Related Sustainability Assessments

Module 3 : Impact evaluation mechanisms and analytical tools for sustainability practices

Unit 3

Tools that can help to address the positive and negative impact of business activity

Topic 1

What are the goals of a social impact assessment?

Topic 2

How to measure social impact?

Topic 3

Important considerations on choosing the fitting social impact assessment tools.

Module 3 : Impact evaluation mechanisms and analytical tools for sustainability practices

Unit 4	Educational tools and materials in the areas of Sustainability reporting, risk assessment, social impact.
Topic 1	Educational Tools for Sustainability reporting
Topic 2	Critical elements when comparing sustainability standard systems
Topic 3	Impact Assessment
Topic 4	Risk assessment

Learning Objectives

we will show the value of measuring positive and negative impact of business activity.

By doing so we will:

1. Understand the relevance of measuring positive *and* negative impacts, locally and internationally.
1. Understand the functioning of the complex interrelations *between* business activities and the various social, economic and ecological spheres.



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Unit 1

The importance of measuring positive and negative impact of business activity in the context of startups locally and internationally

Topic 1: Who produces socio-economic impact?

Some businesses might produce social impact as a **primary goal**, thus generating their activities on the direct basis (ex. social enterprises);
others not, thus generating it **unintentionally**. Nevertheless, social impact is generated a priori.

So, why not measuring it? We will show how it is not only a useful exercise, but should be a **common practice** for business of all scales and types.

Why? Because it makes the long-term difference in the organisation and its relationship with the social, economic, and cultural environment.

This, in practice, concerns **direct and indirect partners, clients and supporters**.

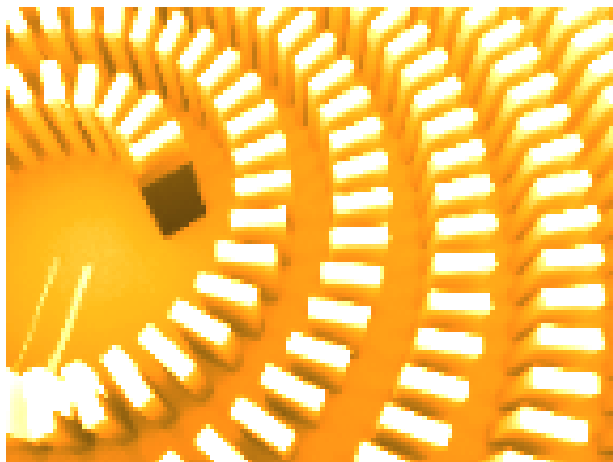


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Topic 1: Who produces socio-economic impact? (continuation)

Watch this video (click to view):



Photo/image/graphic/video here

Topic 2: Benefits of measuring social impact in the external context (continuation)

Additionally, measuring social impact meticulously improves **trustworthiness, reliability, transparency, credibility, access to information** and **to monitoring activities**.

In the **long term**, it will also make the difference to gain more and/or new fundings.

- Improvement of the engagement with all key stakeholders as translated by the set of benefits with investors.
- Maintenance of a positive image/reputation → reflected at local level (within the community) and at international (with competitors and existing/potential partners).
- Customer loyalty due to building trust and emotional connection
- Minimising of the distance between citizens and business representatives, as social impact measurements make it easier to quantify and see the effects of a business' activities.

Topic 2: Benefits of measuring social impact in the external context (continuation)

key formula:

PLAN → DO → ASSESS → REVIEW

Topic 3: Consequences of social impact measurement within the company

Besides the external factors, social impact measurement provides a variety of internal benefits, affecting mostly the employees and the services provided.

- Overall improvement of offered services.
- Risk mitigation for all monitored business activities.
- Access to more fundings and resources that benefit the company and the employees.



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Topic 3: Consequences of social impact measurement within the company (continuation)

- Demonstrable successfulness attracts new employees → talent attraction and retention → confidence and awareness boost for company and workers
- Better internal alignment due to increased communication and shared knowledge between employees in order to achieve the deliverables.
- Boost of productivity and cost reductions from lower turnover.



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Unit 2

Analytical tools for sustainability practices and international benchmark in order to improve business practices and scalability.

Learning Objectives

- In this unit we are going to explore the topic of **Sustainability Assessment**, why it is so relevant for business activities, which are the methods and the tools to report sustainability practices.
- Exploring tools and methods to assess sustainability, we are going to understand their main features and try to find out the best tools for our reporting.

Topic 1: Issue of Sustainability Assessments

Sustainability Assessment (SA) is a topic that has become very popular lately. As the public opinion worldwide is interest in sustainability more than ever, companies feel “the pressure” to assure customers and investors that the impact of their activities is reported and have, possibly, a limited weight on the environment.

SA is also required by many legislative systems around the world, anyway some companies are willing to assure their commitment on sustainability is pushed forward by their own internal policies. This may cause risk of ***greenwashing***.

As we will see in the following slides, there are a **lot of tools and frameworks** to monitor sustainability practices like: **benchmarking, product related sustainability assessments, international frameworks (IR network, GRI standards etc)** that provides reporting frameworks for companies engaged in CSR and sustainability.

Topic 1: Issues of Sustainability Assessments (continuation)

- Some international organizations are starting to work together to set up frameworks in order to create more complete methods of assessment (i.e: IR network, SASB Standard merged in the Value Reporting Foundation)
- Know the existing sustainability assessments tools can help companies to apply sustainability practices more consciously

In the following slides we are going to learn the most common methods to Sustainability Assessment



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**



**VALUE
REPORTING
FOUNDATION**

Topic 2: Sustainability Benchmarking

- Benchmarking is one of the methods that allows to evaluate **sustainability performances** providing evidences and alignment between the objects taken in consideration. It works through a set of indices taken in consideration for the report.
- Common **approaches to benchmark sustainability** are:
 1. **Sustainable standards, certifications, programs** etc that are related production practices (see next slide)
 2. **Policies** of companies

Various stakeholders deal with sustainability benchmarking and for different purposes: Governments; Companies, NGOs, Standard Systems

Governments



NGOs

Business platforms



Standard systems

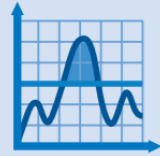
Source: ISEAL Alliance 2018

Topic 2: Sustainability Benchmarking (continuation)

The basic models applied to sustainability benchmarking are: threshold, ranking, peer comparison, improvement

- **Threshold:** is a common baseline to push stakeholders or entities to reach a minimum level of performance.
- **Ranking:** requires determined criteria to set a score.
- **Peer Comparison:** comparing peers and competitors can offer new opportunities in terms of collaboration
- **Improvement:** is less commonly used because sets criteria that have to become «future performance levels» rather than being a good practice model in the present time

Benchmarking Models



Threshold



Ranking



Peer comparison



Improvement

Source: ISEAL Alliance

Topic 3: Product Related Sustainability Assessments

- Many tools have been developed to assess sustainability practices, **it's like a jungle!**
- Tools can be categorized by approach or focus areas
- **The most famous series of product related assessments are:** Sustainability Impact Assessment (SIA); Life Cycle Assessment (LCA); Life Cycle Costing (LCC); product material flow analysis; Product energy analysis; **Conceptual modelling analyses** (cost-benefit analysis; risk analysis and uncertainty analysis; impact assessment); **Design-related tools of analysis** (Sustainable Business Model Canvas; SWOT analysis etc)



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Topic 3: Product Related Sustainability Assessments (continuation)

- **Sustainability Impact Assessment (SIA)** refers to an approach for **exploring the impacts** of a range of proposals (policies, programmes, action plans)
- Sustainability in SIA regards all the three aspects of ESG: economic, environmental and social.
- SIA method privileges «**soft**» **forms of analysis** i.e: stakeholder involvement; transparency and accountability. (To maximize the stakeholders involvement is desirable to be easy understandable.

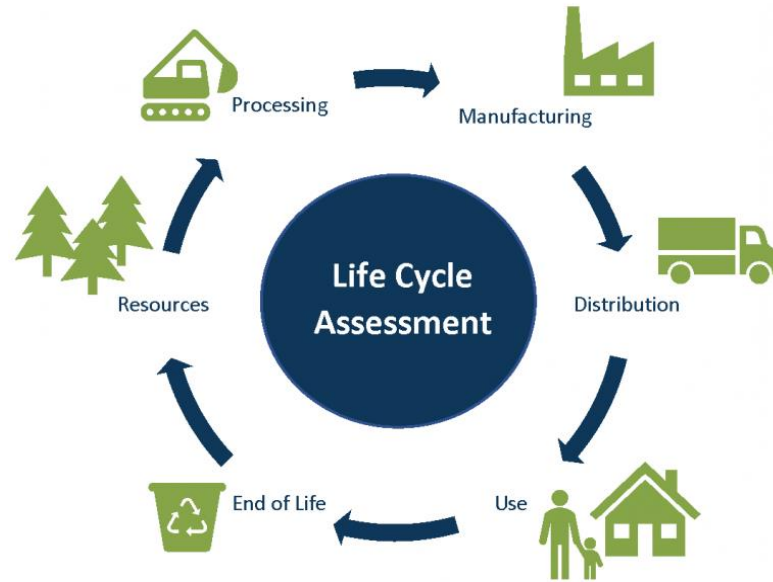


source: pixabay.com

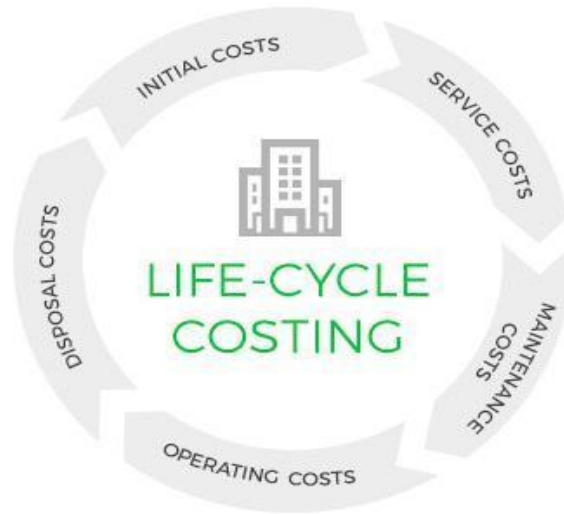
Topic 3: Product Related Sustainability Assessments (continuation)

Life Cycle Assessment (LCA) is a tool used to **evaluate the environmental impacts of a product or a service through its life cycle**, from the raw materials acquisition to the process, use and disposal (Lindfors, 1995).

Life Cycle Costing (LCC) is an economic approach that **considers «total costs of a product, process or activity discounted over its lifetime»** (Gluch and Baumann, 2004). LCC it's generally used to rank different investment alternatives.



source: ncasi.org



source: oneclicklca.com

Topic 3: Product Related Sustainability Assessments (continuation)

Product material flows analysis:

- Material Input per unit of Service (MIPS) index (Spangenberg et al, 1999), all material flows connected to a product or service are taken in consideration, focus on the **ecological rucksack** = all materials used for the complete process – the actual product weight, as you can see in the image below.

Ecological rucksack

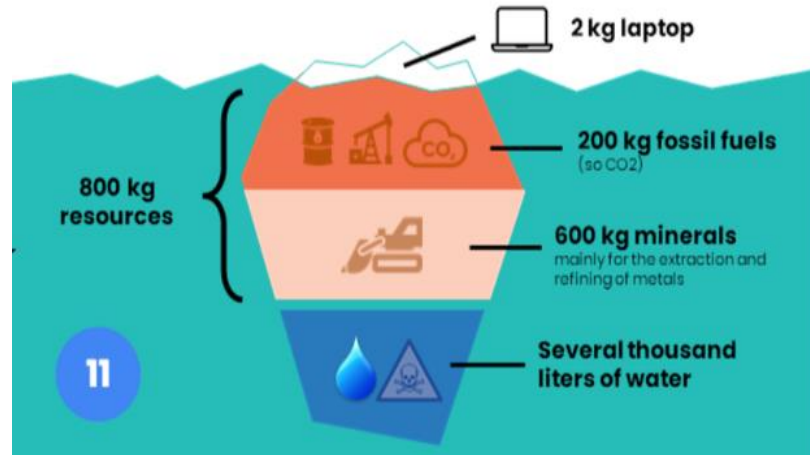


image source:

[Digital Climate Collage](#)

Topic 3: Product Related Sustainability Assessments (continuation)

- **Product Energy Analysis:** measures direct and indirect flows of energy required to manufacture a product or a service (Herendeen, 2004)
- **Product Energy Analysis:** measures direct and indirect flows of energy required to manufacture a product or a service (Herendeen, 2004)



H.B. Fuller

Connecting what matters.™

example of SFA and Product Energy Analysis applied to
Sustainability Reporting by H.B. Fuller

Topic 3: Product Related Sustainability Assessments (continuation)

Now we will introduce the most common methods of analysis in the **conceptual modelling analysis system**, that belongs to the **product related assessments**:

- **Multi-criteria analysis (MCA)**: is used to choose the best alternative possible, measuring the trade-offs between criteria
- **Risk analysis and uncertainty analysis**: analysing the risk, try to minimize knowing that there could be an amount of uncertainty
- **Vulnerability analysis**: tries to evaluate how sensitive and resilient a system is to changes, usually applies to human-environmental systems and recently has been developed in climate change related issues.
- **Cost and benefit analysis (CBA)** is applied to evaluate public policies or in the field of sustainability assessment to weight the benefits compared to the costs.
- **Impact assessment**: is a group of tools for forecast the outcomes of a project or a policy. I.e: Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) lead by EU, the aim is to involve people in the processes of assessment

Topic 3: Product Related Sustainability Assessments (continuation)

Let's focus our attention on **Visual Tools**, Visual Tools are useful in everyday life because are less expensive than the previous tools we have introduced, and easier to put on work,

- Visual Tools can help ease to the employees the reasons why the firm is changing some procedures
- VT can show new opportunities and risk related to sustainability
- The goal in choosing Visual Tools should be a fundamental change in the internal processes
















source: pixabay.com

Topic 3: Product Related Sustainability Assessments (continuation)

We are going to introduce now two of the most common **Visual Tools** applied in business everyday life:

The Impact Canvas: enables to identify the positive and negative effects of business activities

SWOT Analysis: highlights the challenges, strengths, opportunities and weaknesses, to help understand which could be the action to undergo and prioritize

<div> Positive Impact (Maximise)</div> <div>What are positive 2nd and 3rd order effects of your product on planet, society, the economy or your organisation (e.g. brand)? How can these impacts be maximised along the complete product life cycle?</div>			<div> Negative Impact (Minimise)</div> <div>What are negative 1st, 2nd and 3rd order effects, and how can these be minimised? Is harmful waste generated that requires expensive disposal? Are there rebound & induction effects or new technological risks?</div>		
<div> Sustainable Partners</div> <div>What positive partners do we know? How do we work with them?</div> <div>How can we make the value supply chain sustainable? How can we avoid harm?</div> <div>How can we ensure the value supply chain is sustainable? How can we avoid harm?</div> <div>1</div>	<div><div> Sustainable Value Creation</div><div>What value do we create? How do we create it?</div><div>How can we create value? How can we create it?</div><div>How can we create value? How can we create it?</div><div>2</div></div> <div><div> Sustainable Tech & Resources</div><div>What tech & resources do we use? How do we use them?</div><div>How can we create value? How can we create it?</div><div>How can we create value? How can we create it?</div><div>3</div></div>	<div> Sustainable Value Proposition</div> <div>What value proposition do we create? How do we create it?</div> <div>How can we create value? How can we create it?</div> <div>How can we create value? How can we create it?</div> <div>4</div>	<div> Sustainable Customer Relation</div> <div>What customer relationships do we have? How do we work with them?</div> <div>How can we create value? How can we create it?</div> <div>How can we create value? How can we create it?</div> <div>5</div>	<div> Responsible customers</div> <div>What customer relationships do we have? How do we work with them?</div> <div>How can we create value? How can we create it?</div> <div>How can we create value? How can we create it?</div> <div>7</div>	
		<div> Sust. Channels</div> <div>What channels do we use? How do we use them?</div> <div>How can we create value? How can we create it?</div> <div>How can we create value? How can we create it?</div> <div>6</div>	<div> End of Life</div> <div>What happens to our products at the end of their life? How do we manage this?</div> <div>How can we create value? How can we create it?</div> <div>How can we create value? How can we create it?</div> <div>8</div>		
<div> Cost Structure & Additional Costs</div> <div>9</div>		<div> Subsidisation</div> <div>10</div>	<div> Revenue & Sustainability Premium</div> <div>11</div>		

The Impact Canva, Source Threebility.com



free image from pixabay platform



Unit 3

**Tools that can help to address the positive and negative impact
of business activity**

Learning Objectives

Through this Unit 3, we will show the major tools available to address and evaluate both positive and negative impact of business activity, mainly tackling the start-up sector.

By doing so, we will be able to:

1. Define the goals of an impact assessment;
1. Get acquainted with tools for impact measurement



Photo by [Elisa Michelet](#) on [Unsplash](#)

Topic 1: What are the goals of a social impact assessment?

“Social impacts are intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions.” (IAIA, 2009)

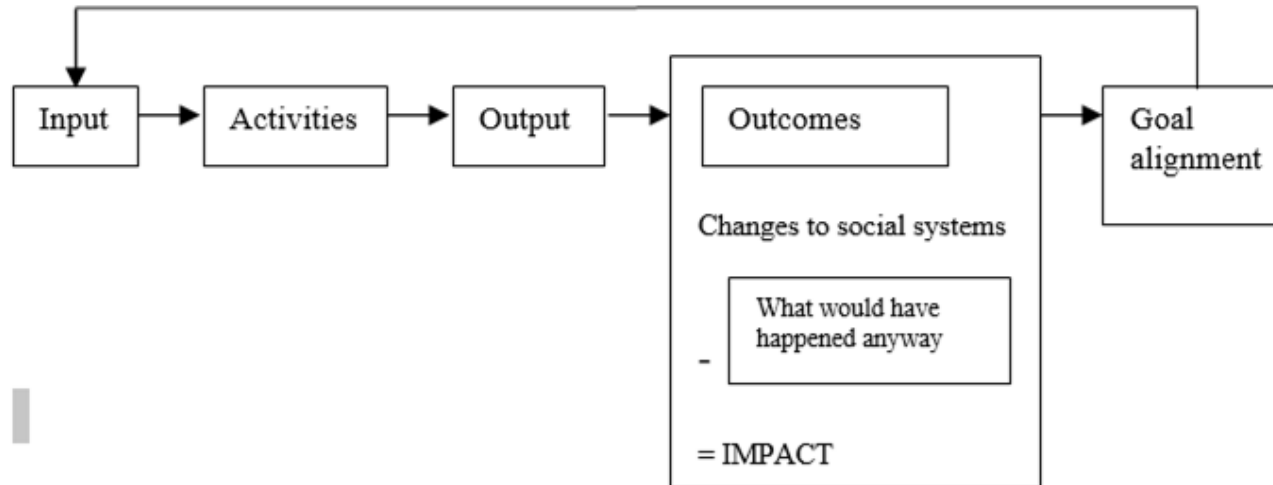


Figure 1: source from Clark et al. (2004)

Topic 1: What are the goals of a social impact assessment? (continuation)

Initially, each start-up enterprise, should set its own target for what impact wishes to achieve.

The goal of the impact assessment is to evaluate the degree to which the afformented target has been achieved, as well as any additional impact caused by the activities of the enterprise.

As an outcome, the strategy of the company can be adjusted to reflect a more ecologically, socio-culturally and economically sustainable and equitable environment.

→ Impact assessment promotes community development and empowerment, builds capacity, and develops social capital (i.e. social networks and trust).



Photo by [Priscilla Du Preez](#) on [Unsplash](#)

Topic 2: How to measure social impact?

There are different measurement approaches for impact, but we will make an effort to create two main categories.

Scoreboard vs Process-based approaches

The first category are process-based approaches, with the most common being the “Theory of Change”. Here you have to identify a link between your activities (what do you do?) and the change ("impact") that you achieve.

A theory of change is more complex than simple scorecard approaches, but it seems to be gaining more ground in the field of impact measurement and can potentially be more reliable for estimating start-ups' impact.



Photo by [Ross Findon](#) on [Unsplash](#)

Topic 2: How to measure social impact? (continuation)

The second category is based on scoreboard approaches, where depending on the tool/methods where you are asked to evaluate your performance.

This can be sometimes a challenge as in the early stages of a start-up, there is not a lot of achievements to evaluate, but it can also be used to reflect on potential score. In this way, you can assess different business models or strategic choices you plan to make.

Below we present 3 free of charge scorecard approaches that can be more appropriate for start-ups.

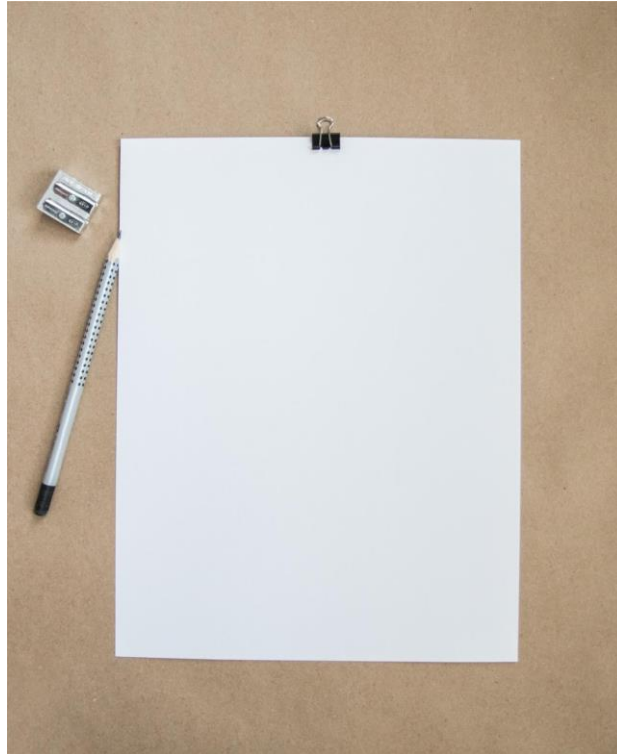


Photo by [Kelly Sikkema](#) on [Unsplash](#)

Topic 2: How to measure social impact? (continuation)

1) Manual for the sustainability assessment of start-ups

The Borderstep Institute (in collaboration with GreenUp Invest) has developed a very useful scorecard approach, that is available as a PDF document via [this link](#). It is one of the few approaches that has been specifically developed for startups.

This Pdf manual covers the aspects a) business context, b) startup team c) business concept and d) product and services and allows creating an overall score.

Manual for the sustainability assessment of start-ups

A practical tool for start-up teams,
investors and funding organizations



Topic 2: How to measure social impact? (continuation)

2) Impact Compass

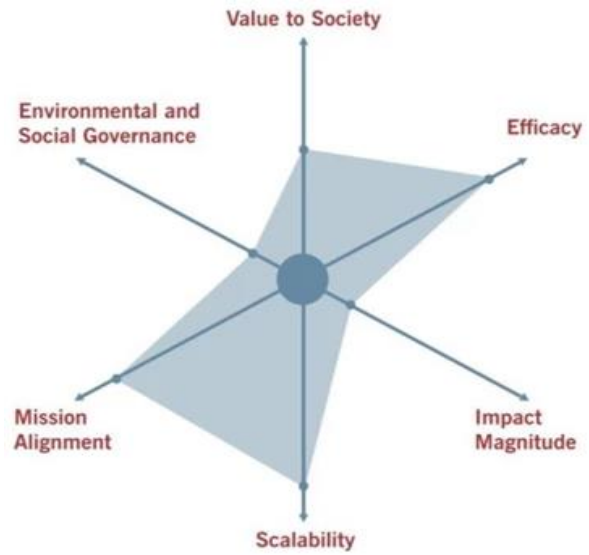
The Center for Social Innovation at Stanford University has developed a useful tool that may be used to get a quick scan for new projects, startups, investment opportunities, strategic decisions etc.

You can either use it to score a current situation (achievement), but it may be most relevant for scoring the sustainability impact potential for some time in future.

The "Impact Compass" has 6 dimensions which include "value to society" (i.e. how important is the problem you address?), "efficacy" (i.e. do you know whether your activity will really contribute to solving the problem?), "impact magnitude" (i.e. how much of the problem can you solve?) or "scalability" (i.e. how many people benefit from your activities?).

[Online scoring tool](#)

[White Paper \(detailed approach\)](#)



Topic 2: How to measure social impact? (continuation)

3) B-Impact Assessment

The B-Impact Assessment is currently probably the leading sustainability impact scorecard approach and is something that can be helpful for startups.

The tool focuses at current achievements, rather than impact potential and for some startups in their early stages, some of the questions might not be relevant. However it can provide insights for the future.



B Impact Assessment

WELCOME

Welcome, Maria

These **Quick Tips** might help you begin the **Assessment**.

[Start Quick Tips](#)

[Go Directly to Assessment](#)

PROGRESS BAR

- 1 Assess Your Impact **2.5% COMPLETE**
- 2 Review & Compare Your Impact Report 3.55 PTS / 200
- 3 Improve Your Score

Contact B Lab Staff
Christina Bianco
christina@bcorporation.net
direct
Tel: 610-296-6283

TOOL KIT

0:36 / 1:44

Topic 3: Important considerations on choosing the fitting social impact assessment tools

There are many components to contribute to economic, environmental and social impact. Thus, we can have positive or negative impact on different dimensions: the environmental, economic and/or social dimension.

Currently, many methodologies exist but there is no consensus over one scientific approach.

Thus, the greatest difficulty might be finding the possibility that works the best for us, depending on the nature, size and language of the business.



Photo by [Diana Polekhina](#) on [Unsplash](#)



Unit 4

Educational tools and materials in the areas of Sustainability reporting, risk assessment, social impact.

Learning Objectives

In this Unit, we would like to offer some real examples of **sustainability reporting, risk assessment and social impact**.

Our objective is giving a better understanding of the possible alternatives in sustainability practices that concerns start-ups, companies and other stakeholders.



Free image from pixabay

Topic 1: Educational Tools for Sustainability reporting

Sustainability reporting is a complicated subject because there is a **great number of tools** available. They consist of softwares, analytical systems, specialized enterprises dedicated to the goal.

In the late decades several international frameworks have been developed to do a sort of standardization, although there isn't a universal framework yet. The most popular **International reporting frameworks** are:

[Global Reporting \(GRI\)](#)

[Principles for Responsible Investments \(PRI\)](#)

[Sasb Standard \(SASB\)](#)

[Dow Jones Sustainability Indices \(DJSI\)](#)

[Task Force on Climate-related Financial Disclosures \(TCFD\)](#)



source: pixabay.com

Topic 2: Critical elements when comparing sustainability standard systems

When comparing Sustainability Standard Systems we should keep in mind some considerations:

- **The goal** should be clearly presented, as well as which strategy we want to follow and the expected impacts
- Must be clear which **elements** and thus which **standard** to use
- **Transparency and disclosure** on the information about business sustainability must be clear and complete and on relevant topics.
- Engage with **stakeholders** and institutions
- Sustainability reporting should be provided on **regular basis**

To deepen the [Comparing topic](#) we provide you with the link to this useful essay!



Hitachi Integrated Report 2020

Year ended March 31, 2020



Integrated Reporting Examples Database: In the [IR database](#) there are selected reports from real-life companies.

Topic 3: Social Impact

In previous Units, **SI** has been introduced. For our educational proposal we would like to explain how to do a basic **social impact assessment applied on a project**.

Since SI concerns people, an important factor to consider is the **stakeholder involvement**. In dealing with stakeholders it's fundamental to be clear and easily understandable:

- Summarize the main features of the project:
 - the involved geographical area, maps could be appreciated by the audience
 - project partners and their role
 - the main activities and expected outcomes

But **don't forget to identify the stakeholders involved**, i.e: who are they?, what are they objectives? Do they want to play an active role in the project or just be passive? Are they in favour/against the project?

Topic 3: Social Impact (continuation)

A case study of Social Impact Assessment (SIA)

Before starting a project, it's primary to do some research in order to **know the environmental and social context** of the interested area. The aim should be the commitment to reduce the negative impacts on the local community, as we are going to show in a case study reported by the IISD (you can see the preview in the next slide).

SIA Case study: Tourism (Tanzania)

This case study summarizes parts of the developed EIA report by Zanzibar Environmental Consultancy (2006).

Project: Zanzibar Beach Hotel and Resort Upgrade and Extension

Location: Matemwe Village, North "A" District Unguja Island, Zanzibar, Tanzania

Date: February, 2006

Zanzibar consists of two main islands approximately 30 km off the East African coast. The islands are part of the United Republic of Tanzania, but have their own independent government. Due to poor planning for tourism developments, the industry has suffered from inadequate infrastructure as well as environmental and social degradation. To address these issues, in 1996, the Commission for Land and Environment of the Government of Zanzibar enacted an Environmental Management for Sustainable Development Act.

Project overview

The assessments done for this project focus on the environmental and social impacts that the upgrade to Zanzibar Beach Hotels and Resorts may have on the local area. The project is located close to the village of Matemwe, North "A" District, North Region of Unguja Island and is located on 10.7 ha, with 450 m of beachfront property. The hotel is 50 km away from Zanzibar Stone Town and is accessible by road. The main natural resources in the area include government plantation reserves, dryland natural forest and mangrove reserves, coral rag thicket forests and rubber plantations. The government plantation reserves specialize in growing exotic trees such as teak, acacias, pine and casuarinas. The marine environment includes sea grass-algae beds, sandy habitats and coral reefs.

Topic 4: Risk assessment

As seen in the previous Units, investors, customers and stakeholders are becoming more demanding about companies risk assessment. Social and environmental risk assessment has become really relevant for companies.

The Sustainability Risk Framework of Swiss Re offers an example of a company's risk assessment, as you can see in the image on the right.

The risk may consists of: **human rights violations** i.e.: exploitation, threatens for workers security and health; **environmental damages**: soil and air pollution, waste disposal, deforestation, biodiversity threats etc..

The Sustainability Risk Framework	6
The foundation: The Umbrella Policies	7
The Guidelines	9
How we apply the Framework in practice	14
Conclusion	20
Annex: Human Rights documents	21

Topic 4: Risk assessment (continuation)

Another example of risk assessment is [Deloitte Sustainability Risk Management Framework](#). They suggest to take your company strategy as a base to make sustainable development goals more effective. This setting also facilitates investor and stakeholders to examine the company's potential risk, as you can see in the Deloitte SRMF scheme below:

