From impact valuation to investing for purpose

Wilstar AS social impact portfolio assessment

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Definitions

Human capital
Refers to an individual's health, knowledge, skills, competencies and attributes. (adapted from: Human and Social Capital Protocol, 2019).

Impact
A positive or negative change in the well-being of a target population or natural ecosystem.

Impact pathway
Impact pathways describe how, as a result of a specific business activity, a particular impact driver results in changes in natural capital and how these changes impact different stakeholders. Impact pathways are often defined in terms of input, activity (impact driver), output (change in number of jobs) and outcomes/impacts.

Impact valuation
In its generic use, the assessment and accounting of natural, human and social capital impact and/or dependencies, using appropriate methods to address a specific question or inform a decision. More specifically, it is the process of estimating the relative importance, worth, utility or usefulness of natural capital to people and society (or to a business) in a particular context. Valuation can be monetary or not.

Natural capital
Renewable and non-renewable natural resources, part of which supports people and society through ecosystem services (adapted from: Natural Capital Protocol, 2016).

Outcome
Changes in the lives of the target population or natural ecosystem.

Output
The direct result of an activity.

Social capital
Refers to public institutions, infrastructure, public resources, social networks and their shared norms, values and understanding in a society (adapted from: Human and Social Capital Protocol, 2019).

Social vs. societal
Social is used in a strict way to refer to characteristics of social capital, while societal is used more broadly to refer to characteristics of human, social and natural capital.

SROI
Social or Societal Return On Investment: the ratio between the societal value created and the input required to achieve it (usually financial contribution). It is a measure of the efficiency of the investment.

Theory of change
A comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. A theory of change relies on the mapping of one or several impact pathways, which together constitute the theory of change.

Valuing technique
The specific method used to determine the importance, worth, utility, or usefulness of something in a particular context.

Foreword

Our family legacy is shaped by a set of core values, including a strong belief in the importance of innovation, free enterprise, striving for excellence, and an entrepreneurial spirit. We have a strong commitment to providing access to better educational opportunities, supporting women's empowerment, protecting nature and the environment, and addressing the global challenges we are facing.

After five years of activities at Wilstar Social Impact, we have a mature portfolio of supported projects. In addition to finance, Wilstar has supported social entrepreneurs with business development advice over the years.

Also, as we strive to create social and environmental impact, we felt we had a duty to understand that impact better and measure it in detail. We developed a structured impact measurement and management programme that has led to a more in-depth understanding of the business models and, as a result, better management for the projects we have supported.

Understanding the impact better has allowed us to think about why and how we invest in society. It has begun to influence investments beyond the portfolio of social investments in Wilstar with our traditional portfolio of investments. Our understanding of impact guides the family values and develops the family's Purpose.

Over the next 10 years, it will be essential for Wilstar and our family to help maximise our contribution to the global challenges we face in creating a sustainable world. Understanding the impact we make is a vital part of that contribution. It will be essential for the organisations we support to give them feedback and guidance on where their impact has the maximum effect. Also, for the ecosystem of like-minded funders, to show how impact, when measured well, can inspire change and future growth, helping the family to contribute to the field of social investment through thought leadership. Collectively this will enhance the global impact towards better societies and a healthier environment.

Paulina Rider Wilhelmsen — Founder of Wilstar

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Executive summary

Context

The coming decades will be defined by our current social and environmental challenges: climate change and loss of biodiversity, rising inequalities, and migration and diversity challenges, to name only a few. Allocation of capital and philanthropy must play an essential role in supporting emerging solutions and organisations, both businesses and social purpose organisations (SPOs), focused on addressing societal challenges. This capital needs to be allocated in the most efficient way to deliver the highest positive societal impact, informed by relevant impact metrics.

However, there is still considerable confusion around the concept and measure of societal impact, and unfortunately, very few applications quantify it in a relevant, comparable and consistent way.

The investment and private sectors historically applied a much less rigorous approach when it comes to measuring non-financial performance compared to financial performance, and **the social sector has often taken intentions and goodwill as a proxy for evidence of impact**. This leads to a lack of capacity to efficiently understand and address social challenges through social innovation and social entrepreneurship.

Currently, many indicators used in impact assessment frameworks reflect activities and their output (e.g., number of jobs, number of people accessing education) rather than their real impact, which we define as a change in the quality of life of those affected over the long term, or a change in the quality of natural ecosystems and biodiversity. To value impact properly, investors need to translate that output, which is only a starting point, into a better understanding of how people's lives or natural ecosystems change for the better. That should be the overall goal of impact measurement.

Over the years, many organisations have been working to understand how to do this better. We acknowledge the significant work others have done, but there is still a need for more research and development in this field, now more than ever. Investors and businesses need to aim collectively towards improved methods and standardisation in impact assessment, to a level of rigour equivalent to financial accounting.

This paper aims to contribute to this objective by sharing the insights from our journey and proposing new innovative ways to capture the societal value of organisations. Wilstar envisions that this paper will be a useful reference for both the community leading the developments in this field and the many stakeholders (impact investors, businesses, social entrepreneurs) interested in understanding and measuring their impact on the society alongside their financial results.

Approach

This report aims to address the limitations outlined above, of traditional impact assessment, by using a new and innovative impact valuation method, based on the definition of a unique impact metric that reflects the well-being of individuals or groups of individuals. The advantage of such an impact indicator is reflected in its relevance, comparability and consistency in the assessment of all activities of organisations. This impact metric relies on two outcome indicators:

- The **change in economic outcome** (for all stakeholders impacted, including the states, individuals, and populations).
- The **change in people's well-being** using the metric of disability/quality-adjusted life years (DALY/QALY). This is our preferred indicator to measure societal impact, and corresponds directly to our unique impact metric.

The economic outcomes are translated into a change in well-being using health utility models applied to income, taxes or social costs. The second outcome above is already expressed in a well-being metric, which can be directly translated into an impact.

The scope of our work covered seven investments made by Wilstar in social impact organisations, including a range of geographies and contexts. We also evaluated three additional social impact organisations, that are going or have been through an initial due diligence process, or are generally supported by Wilstar.

To further enhance the value for Wilstar AS, those results were audited by EY using the ISAE 3000 limited assurance standard. They went through an expert review provided by FSG, a social impact consulting firm. The results of these two processes contributed to the robustness, credibility and relevance of the results and insights. The audit noted that Wilstar went to great lengths to anchor its model in established supporting documentation, guidance, and research. Additionally, they noted that throughout the model, Wilstar took an extremely conservative approach when estimating parameters.

Key results

The results of the impact valuation were used for different purposes by Wilstar and provide the following direct applications for all stakeholders interested in valuing social impact.

- **Portfolio assessment**
  The results showed an important variability in the impact of organisations supported by Wilstar. Importantly, for all finance directed towards societal value creation, the results showed that economic outcomes were not always correlated to societal value. Overall, for every Norwegian Kroner (NOK) invested by Wilstar, 3.3 NOK in societal value was created. As the results represent the current value for the financial year 2020, during which the COVID crisis occurred, some organisations were more negatively impacted. The ratio between the societal impact and Wilstar financial input or societal return on investment (SROI), varied greatly depending on the organisation, ranging from 1:0.2 to >1:10. However, there is a significant potential for scale-up for some organisations, many of which are at an early stage of development or operating on a limited basis due to COVID.

- **Scenario analysis and scale-up potential**
  Using our societal impact model allowed us to test some scenarios, identify the biggest drivers of value, and understand the potential of scale-up of the organisations supported (future value). This gives investors good indications as to the potential impact an investment can create. We identified some organisations that have the potential to grow their societal impact by at least an order of magnitude (x10 multiplier), and up to two orders of magnitude for one organisation assessed within a period of a few years.

- **Analysis per type of value created and stakeholder**
  The results obtained can be broken down per activity, type of value created, and stakeholders impacted. This analysis helped us understand the key driver of impact and stakeholders for each organisation. It provides a valuable baseline to engage with organisations to address potential inefficiencies and strengthen their activities and strategies to scale up, using data-driven insights.

- **Comparing output vs impact results**
  We analysed in parallel the output indicators (e.g., the number of people impacted) obtained from each organisation and the societal value (e.g., change in the well-being of the targeted population) and modelled using more advanced and relevant impact indicators. We demonstrated that higher societal value is not correlated with higher output. This insight has significant consequences for most organisations working at creating social impact and measuring their progress using output related indicators. This should provide additional motivation for all organisations working in this field to measure a more relevant impact.

Overall Insights

Measuring impact has proven to be an essential tool to guide investment decisions, support the active management of organisations funded, and inform the overall investment strategy. Wilstar also uses this impact measurement tool to raise awareness and drive thought leadership more widely. We have reviewed below the key added-value from this impact valuation work so far.

- **Informing due diligence and compliance processes**
  For impact first investors and finance first investors, this type of impact framework and valuation supports effective due diligence and compliance processes. In the case of Wilstar, an impact valuation model is used to systematically inform the present and future potential impact that can be generated by each investment systematically before the investment.

- **Impact awareness and understanding**
  For all stakeholders, the impact results assist in raising awareness of areas of value in an organisation's activities or investments. It helps identify material impacts and risks for an organisation as well as opportunities. It helps complement the perceptions of internal stakeholders and, at the same time, pushes the ecosystem around Wilstar, including social entrepreneurs, to raise the bar on impact measurement and valuation. We observed a gap in knowledge and application, which hopefully this report can help fill by showing the path towards better impact metrics.

- **Informing Wilstar's strategy**
  Wilstar's understanding of value has improved, in connection to its strategy. Additionally, the impact valuation results helped Wilstar identify the current opportunities and potential limitations in its current investment portfolio, highlighting a path to optimisation and alignment with its current strategy.

- **Decision making and strategy**
  With respect to organisations historically focused on financial returns, the impact metrics developed in this report provide a rigorous and scientific way to connect non-financial impact and financial performance. It opens the door to understanding and managing those externalities, risks, and opportunities. It is a measure of materiality and goes beyond perceptions of what is important. The impact valuation results allow us to reach a broader stakeholder base than previous social or environmental 'impact' metrics (e.g., Greenhouse gases, number of beneficiaries, etc.). The results are expressed in monetary terms, comparable to each other and to the financial results. We have shown that the impact metrics proposed here can help align investments with an organisation's purpose. We see that impact metrics are better used for strategic decision-making and processes, while activities, outputs and outcome metrics (informed by impact valuation results) will remain dominant for direct management decision-making processes.

- **Leadership**
  Measuring impact should be used beyond the traditional home of philanthropy and impact investing, and could be applied to all activities for any stakeholders in the private or public sector. The impact valuation metrics allow the user to engage a broader range of stakeholders, particularly financial executives, driving many of the key investment decisions. It can also push organisations and their management to embark on a strategic learning agenda, supported by the impact measurement results. Communicating the impact valuation results, particularly through integrated profit & loss statements, will raise awareness on the topic of societal impact more profoundly than before and connect with the purpose of the organisation. In addition, it has the potential to draw more funds towards well-measured organisations with good impact valuation results, creating further long-term capital flows into them. Finally, understanding social and environmental externalities contributes to enhanced competitive advantage, provides a basis for identifying profitable opportunities, and assists in reducing risk in a challenging investment environment. It assists in quantitatively aligning the purpose of an organisation with its performance measurement.

Integrated reporting

Financial accounting is at the core of our economic model and decision-making processes. Reporting value to companies (financial value) and value to society (societal value) separately does not make sense, as they are strongly connected. Visualising them together is the only way we can understand the true sustainability of a business model. Reviewing accounting rules is a rising movement and is becoming more important, although not yet a reality.

It is a fundamental management principle that you need to measure what you want to manage. Accurate data and reliable measurements are essential to achieving real change because they create transparency, authenticity, and trust. That is why this process and impact valuation are based on a scientific, rigorous methodology, and why standardised impact measurement and reporting is so important. There is a lack of standards for reporting financial and societal impacts together.

We still developed a first simple version of Wilstar's financial and societal accounting, presented in a parallel format. This solution makes it possible for impact to take its rightful place alongside profit by enabling us to arrive at a company's net impact or, in other words, its social and environmental bottom line.

Table 1

Integrated value reporting for Wilstar 2020

		Societal value				Economic outcome			
Wilstar Integrated Projected Income statement 2020 (NOK)	Financial capital	**Total**	Social capital	Human capital	Natural capital	**Total**	Society	Individuals	Nature
Funding received	**13,000,000**								
Total grants	**(8,475,100)**								
Grant made outside the scope of the impact valuation	**(1,890,000)**								
Grant made covered by the impact valuation	**(6,585,100)**	**21,677,737**	**17,213,113**	**3,617,671**	**846,954**	**12,280,207**	**4,774,237**	**7,505,961**	**0**
Blue Ventures	**-1,642,525**	261,219	56,336	204,767	117	106,547	6,110	100,428	0
Dråpen i Havet	**-679,000**	915,356	158,891	756,465	0	167,739	39,287	128,452	0
Ezinne Athletics	**-250,000**	550,872	476,929	73,942	0	324,583	119,290	205,293	0
FLYT	**-1,000,000**	7,690,614	5,639,920	2,050,694	0	3,234,417	1,410,662	1,823,755	0
Gamingkontakten	**-500,000**	4,614,363	4,432,312	182,051	0	2,850,629	1,108,614	1,742,015	0
Sammen Om En Jobb	**-700,000**	6,798,476	6,448,725	349,752	0	5,596,292	2,090,274	3,506,018	0
A Plastic Planet	**-1,813,575**	846,837	0	0	846,837	0	0	0	0
Impact measurement	**(818,686)**								
Total operating expenses	**(3,297,065)**								
Operating surplus	**409,149**								

Looking forward

Balancing our economic development, our legacy, and our contribution to society and addressing social and environmental challenges requires an integrated accounting of value using relevant and comparable societal impact metrics. This paper proposes a way forward, demonstrating the value it created for Wilstar in advancing its strategy and societal value. We believe that access to objective information and data will be crucial for supporting long-term value creation and ensuring a long-lived legacy in line with younger generations' aspirations.

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Introduction

It is imperative now, more than ever, to orientate finance towards social impact to make our world, economy, and society sustainable. This message is unambiguous and reaches us continuously from traditional and social media, and from our friends, children, and families. At the same time, we observe that the speed of change is desperately slow, and as a result, we are failing to transform our economy and society at the scale required. We are far from making progress towards sustainable development goals; quite the contrary[1]. Allocating capital towards companies and organisations that are vectors of change is an essential component of any transition. We need to scale investing for social impact, driven by impact data.

Much confusion exists regarding impact, as very few approaches try to quantify the impact to drive investment decisions. However, there is still a gap in most executives' awareness[2] and education regarding the existing methods and approaches for quantifying that impact. Our perceptions are biased and often rely on a simplistic view of reality, and we are driven by emotions and are not entirely rational minds. It is easy to be convinced by simplistic numbers that look like impact but are not. The number of jobs created does not inform us of the quality of the job, nor does the number of beneficiaries we support if we do not create real changes in their lives. We apply a different standard when it comes to investing for financial performance and traditional wealth creation, and when it comes to creating societal impact. On the one hand, organisations use very precise and standardised methodologies to present their financial results; on the other hand, those same organisations often take intentions and goodwill as proxies for evidence of impact.

Societal impact investing must be driven by the valuation of societal impact or derived metrics, such as SROI or societal dividends. Investors must apply the same rigour to measuring societal impact as they do to measuring financial performance. Accounting for value is at the heart of the solution, not only financial, but also societal, and the reconciliation of those two types of values[3]. Many organisations are joining the trend to measure and demonstrate their impact using advanced impact valuation methods, despite the lack of standardisation and uncertainties in this field.

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1 United Nations, **Sustainable Development Goals Report 2020**.

2 Whelan Tensie & Douglas Elyse (2021). **How to talk to your CFO about sustainability**. January – February 2021. Harvard Business Review.

3 https://www.pioneerspost.com/news-views/20210223/the-missing-piece-mark-carneys-reith-lecture-on-value

Emerging frameworks[4,5] methods[6] and standards[7] are starting to appear as well, supporting the necessary shift in the measure of value in society and the economy.

This paper uses a pragmatic but innovative and science-based impact valuation method, relying on state-of-the-art methods to inform decision-making processes and better inform capital allocation. The exercise of measuring/assessing societal impact is at a different maturity level than financial reporting, resulting in relatively higher uncertainties. Nevertheless, we can derive valuable insights from uncertain results that still point us in the right direction.

In this paper, we present the results of our impact assessment and valuation of Wilstar[8], a projects portfolio, a not-for-profit funder of social entrepreneurs, together with a short description of the methods applied, the results obtained, and the insights derived to inform better decisions.

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4 Barby et al. (2021). **Measuring purpose: An integrated Framework**.

5 IRIS+ framework - Bass et al. (2020). **Methodology for standardising and comparing impact performance.** Global Impact Investing Network (GIIN).

6 Capitals Coalition (2019). **Social & Human Capital Protocol**.

7 Nicholls et al. (2012). **A guide to Social Return on Investment**. The SROI Network - Accounting for Value.

8 http://wilstar.no

3

Assessment objective and scope

3.1 About Wilstar

Wilstar AS is a subsidiary of Aweco, the Arne and Lise Wilhelmsen family office. Wilstar is a not-for-profit organisation focused on supporting social and environmental entrepreneurs in creating sustainable, lasting change. Wilstar finances early-stage entrepreneurs who want to grow sustainable business models in the areas of women's empowerment, education, marine conservation, and climate change. We also try to maximise the intersectionality of all these programme areas. We provide finance, business development support, and impact management for multiple years until the organisations can survive without philanthropic capital. We work together with them on a business strategy to grow income streams and customer bases to ensure they can contribute long-term with their social and environmental impact when we withdraw funding.

In addition, Wilstar provides impact measurement to some socially driven initiatives in the core group to improve the understanding of impact measurement and embed social and environmental awareness into the for-profit business.

3.2 Objective

The objective of this impact valuation study is to better understand how Wilstar's investments generate a societal impact. The study will be informative for the following stakeholders:

- Investors in Wilstar — the Wilhelmsen family. Helping them understand the impact they create with the view of enhancing their communication of impact to the societal investor ecosystem and their other investments.
- Family offices, venture philanthropists and impact investors engaged in the social investment arena to provide a path to measure impact proactively and use impact metrics to improve decision-making processes.
- Local authorities and government bodies looking at local or state-sponsored investment in similar social organisations to quantitatively understand how they can provide significant economic and societal benefits.

- Private sector and businesses to analyse how they create social, natural and human capital in parallel to financial value to their shareholders. It can inform them and report and acknowledge value in parallel with financial reporting and processes.
- SPOs, to improve their understanding of how best to report their impact to maximise it over time and communicate it effectively to funders.
- Any organisation trying to understand how best to value the social and environmental impact businesses create.

The analysis is not a one-off study but is an ongoing assessment and model that has been used throughout the years at Wilstar to:

- Inform due diligence processes to select new investments (pre-investment).
- Inform the management process of current organisations.
    - Inform social entrepreneurs about where the greatest value is being created.
    - Inform stakeholders about cost savings in the public sector and additional revenues as a result of interventions.
    - Support the development of social enterprises' strategies and action plans.
    - Inform the data collection process to demonstrate impact and report to Wilstar.
- Inform Wilstar investment strategy.
- Raise awareness of impact valuation and its added value.

3.3 Scope

We include in this assessment's scope the organisations that have been supported by Wilstar, which fall into three categories:

- Organisations that Wilstar financed during 2020.
- Organisations generally supported by Wilstar or the wider investment group.
- Organisations we have completed measurement as part of the investment due diligence process.

There are more organisations financed and supported by Wilstar than the ones covered in this report. As this is an evolving scope, we decided to focus on the more mature assessment and models, and the analysis that brings the most interesting insights.

In some cases, the organisations supported by Wilstar that are not currently receiving financial contributions from Wilstar, are organisations that benefit from impact assessment and management support. The service and transfer of knowledge are useful for those organisations to develop their activities, find new financing sources, and refine their strategy. The knowledge and experience acquired by Wilstar in assessing the impact allow it to provide support to a broader range of organisations; this could be a strategic direction Wilstar could add to its services, in line with the philanthropic activity in the future.

All of these organisations are presented in **Figure 1** with their areas of activities, geographies and main impact drivers (split into human, social and natural capital). While most of these organisations will impact all three types of capital, only the key drivers are indicated here.

Figure 1

List of projects assessed, their area of activities, geographies and key direct impact drivers

				Key direct impact drivers		
	Organisations	**Keywords**	**Geographies**	**Human capital**	**Social capital**	**Natural capital**
Part of current investments in 2020	**Blue Ventures**	Marine conservation through communities engagement	Timor-Leste	●		●
	Dråpen i Havet	Support and education for children and women in a refugee camp	Greece	●		
	Ezinne Athletics	Girls empowerment from minorities	Norway	●		
	FLYT	Secondary education quality improvement	Norway	●	●	
	Gamingkontakten	Addicted gamers support through gaming interactions	Norway	●		
	Sammen Om En Jobb	Immigrants integration in workforce and society	Norway	●		
	A Plastic Planet	Reduction of plastic used/waste	EU, World		●	●
Other organisations supported	**Red Cross**	Education support and blood giving	Norway	●		
	Voluntary Savings and Loans Programme (VSLP)	Women led microcredits	Rwanda	●		
	Antaran	Textile entrepreneurship	India	●		

4

Methodology – measuring value

4.1 Context

The last ten years have seen considerable changes in the way organisations report on societal value, including human, social, and natural capital. The need to report on societal and environmental performance has moved from a niche and opportunistic approach towards the mainstream. Demonstrating progress towards a better understanding of sustainability and ultimately justifying an organisation's place in our society is becoming crucial for any business. Measuring value is at the core of this global movement in understanding impact.

We have seen the rise in the measurement of an organisation's carbon footprint, reporting water and land use, and other environmental indicators. A large number of initiatives, methods, and standards have been developed in recent years. Social issues such as job creation, tax income, economic contribution, and human rights have also significantly increased in importance, with slightly less maturity in the metrics used. Nevertheless, the maturity in the measurement methods developed allows us to account for any organisation's impact across human, social, and natural capital. More recently, the increase in the importance of ESG has accelerated even further the need for organisations' impact valuation to guide capital allocation[9].

This view has been supported, among others, by Capitals Coalition[10]. The standard metrics used tend to focus on a single, relevant, and comparable metric (often expressed in monetary units). The new methods bridge the gap between different silos of approaches, including economic modelling, environmental and social sciences, and corporate reporting. Those accounting methods are starting to find their way in organisations' strategies, performance management, and decision making.

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9 https://www.spglobal.com/esg/csa/insights/impact-valuation

10 https://capitalscoalition.org

Nestlé[11], BASF[12], Kering[13], Natura, LafargeHolcim[14], and Olam regularly publish their impact valuation results in different formats, from extra-financial reporting to dedicated integrated P&L reporting. The Value Balancing Alliance[15] has recently taken the role, supported by the Capitals Coalition, the World Business Council for Sustainable Development[16] (WBCSD) and various partner companies, to produce standardised methods and approaches to quantify companies' societal value. There is still a need for more research and development in this field, and it is more important than ever.

Building on this international momentum, our approach relies significantly on the Natural Capital Protocol (Capitals Coalition, 2016), the Social and Human Capital Protocol (Capitals Coalition, 2019), and the SROI method (2013). It is in line with other IRIS+ Global Impact Investing Network (GIIN)[17] frameworks and the Impact Management Project (IMP)[18]. However, our method expands on the work of the current approaches by innovating the key aspects presented below.

4.2 General process

Our process developed along with similar principles from the IRIS+ framework, but builds on the process recommended by the Social and Human Capital Protocol and the SROI frameworks. The first is more process oriented, while the second is more measurement oriented.

Figure 2 presents the steps used in our assessment, from the definition of scope and objective (step 1), data collection through stakeholder engagement (step 2), and impact assessment and valuation (step 3). We worked with two external partners[19,20] to audit and review the results (step 4). We developed a specific analysis to support decision-making processes for Wilstar for refining the investment strategy and engaging with supported organisations to optimise societal value (step 5).

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11 Vionnet Samuel (2018). **Nestlé's global youth initiative impact valuation - Methodology notes**. Valuing Nature.

Vionnet Samuel (2018). **Youth employment and human capital valuation of Nestlé**. Valuing Nature.

12 BASF (2018). **Value-to-Society. Measurement and monetary valuation of BASF's impacts in society**.

13 https://www.kering.com/en/sustainability/environmental-profit-loss

14 LafargeHolcim (2020). **Integrated Profit & Loss Statement - Annual Results and Assumptions.**

15 https://www.value-balancing.com

16 https://www.wbcsd.org

17 https://thegiin.org

18 https://impactmanagementproject.com

19 https://www.fsg.org/people/marc-pfitzer

20 https://www.ey.com

Figure 2 also presents the alignment with the existing global standards used to support the development of this assessment: the Social and Human Capital Protocol (SHCP), the SROI, the Impact Management Project (IMP), and the IRIS+/COMPASS from the GIIN.

Figure 2

Our assessment process and correspondence with other impact frameworks and methods

	Step 1	Step 2	Step 3	Step 4	Step 5
Activity	Define assessment scope and objective.	Collect data through interviews with stakeholders and desktop research.	Develop impact pathways mapping and models for assessing impact.	Review and analyse results.	Influence decision making and maximise societal value.
Other detail	The study's objective was to support Wilstar engagement with grantees to maximise their impact over the long term and support due diligence processes.	Data has been collected mostly through the engagement with organisations implementing the activities benefiting a range of stakeholders and not with those stakeholders directly.	Advanced and innovative impact valuation methods were used, through two main indicators (economic impact to society and societal value).	An expert review with consulting company FSG was conducted, in parallel to an audit with EY (ISAE 3000). The analysis of the results is presented in this report at a high level.	The insights and influence on decision making processes at Wilstar are presented in this report, hopefully influencing positively the organisations supported by Wilstar.
Correspondence with HSCP	Stage 1 and 2	Stage 3	Stage 3	Stage 4	Stage 4
Correspondence with SROI	Stage 1	Stage 2 and 3	Stage 2–5	Stage 6	Stage 6
Correspondence with IMP	5 principles of impact →			Manage impact →	
Correspondence with IRIS+/COMPASS	Step 1	Step 1 and 2	Step 3	Step 3	Step 4

The process took three to four months to complete, depending on the organisation assessed and the speed of data collection.

The first assessment was completed in 2019 and is regularly updated, depending on the needs of Wilstar and changes occurring in organisations. The results presented in this report reflect only the 2020 financial year's activities.

The assessment cost, including the review process, represents approximately 6% of the annual budget. This annual cost will decrease over time once the model and systems are in place and easily updated.

4.3 Accounting for and valuing impact

Most of the approaches and frameworks use a very similar definition of impact pathways presented in **Figure 3.**

Figure 3

Illustration of a standard impact pathway
Source: Adapted from the Human & Social Capital Protocol, 2019.

Inputs	Activities	Outputs	Outcomes	Impacts
Resources necessary to carry out an activity	The activities whose effects on social capital are to be analysed and measured	The results of the activity in question	Changes in the lives of the target population	Change in the well-being of those affected over the longer term

Impact pathways are vital to any impact assessment. Defining standard impact pathways is a crucial step in every impact assessment and valuation, as too often confusion exists between output, outcome, and impact. Focusing on impact and defining it in terms of change in the well-being of those affected over the long term is extremely important to ensure consistency, comparability, and relevance. Even qualitative assessment of impact using the five dimensions of impact defined in the Impact Management Project [21] is a significant step forward in understanding any organisational impact, compared to standard output reporting (e.g., number of beneficiaries, hours of training provided).

However, the availability of methods, defining a standard list of indicators or areas of impact, and assessment and valuation techniques are lacking in impact assessment. This leads to various limitations:

- Impact indicators are defined arbitrarily along the impact pathways (output, outcomes, and impact), leading to a lack of consistency and comparability, e.g., tonnes of plastic use avoided (output), reduction of CO_2 from the avoided production of plastic (outcome), and the social cost of carbon (impact).
- Impact pathways from different indicators sometimes overlap, leading to double counting, e.g., number of students trained and future earnings for a project that invests in youth education are both parts of the same pathway.

21 https://impactmanagementproject.com/impact-management/impact-management-norms

- Impact indicators are often very diverse and measured using different units, leading to a lack of comparability and the need for weighted-impact methods. This relies on a subjective judgement of value that reduces the relevance of the results.
- The definition of a baseline is unclear in many applications and not consistently applied across indicators and impact assessed.

To overcome these limitations and unlock the value of impact valuation, we ensured that the impact method and indicator(s) chosen for our method relied on the following principles:

Relevancy | Consistency | Comparability | Transparency

Our approach relies on a relevant, comparable, and unique definition of impact, which reflects the well-being, or quality of life of individuals or groups of individuals. Two outcomes contribute to this unique impact:

- The **change in economic outcome for stakeholders** (including the states, individuals, and populations) measured in a specific currency. This indicator assesses the real financial or economic change (outcome) for all stakeholders affected by the activities. It is not a measure of societal value. This indicator helps to engage with a range of stakeholders who are more concerned by what they directly know or manage (e.g., local authorities tend to be more concerned by the direct impact of an activity on the finances through tax income, avoided social costs, and avoided social costs economic development). This indicator is often an intermediate outcome used to calculate societal value (see next bullet point). In general, this indicator needs to be used with care because it is not a true impact.
- The **change in people's well-being, impact measured using the unit of DALY/QALY**. This is highly relevant, as life quality should be one of our society's ultimate objectives as a true measure of sustainability. Many societal impacts do not have an equivalent direct economic value, such as the value of societal integration and the reduced rate of disease in a population, but it is still essential to understand their contribution.

The economic outcomes are translated into a change in well-being using health utility models applied to income, taxes or social costs. The second outcome above is already expressed in a well-being metric, which can be directly translated into an impact. Figure 4 reflects this last step connecting outcomes to impact through the valuation step, using DALY/QALY as the key metric.

Figure 4

Illustration of the modelling pathway between the two types of outcomes and the unique impact defined

Outcomes

Direct health/well-being outcomes

e.g., Avoided diseases, psychological health, women's empowerment, etc.

Dimensions:
Physical health (e.g., accident, diseases, etc)

Psychological health (e.g., belonging, diversity, happiness, etc)

Economic outcomes

e.g., employment income, avoided costs, etc.

Dimensions:
Present (e.g., income) and **future** (e.g., training) effects

Individual (e.g., gap to LW) and **population** effects (e.g., taxes)

Impact

Change in people's well-being

Utility models
Connects a change in economic outcome, for an individual or population, to a change in life quality.

This choice of impact indicator reflects what is important in a human-centric view of the world. This impact indicator is how we improve people's lives, which can be measured through having a good, fulfilled, and long life for all in society.

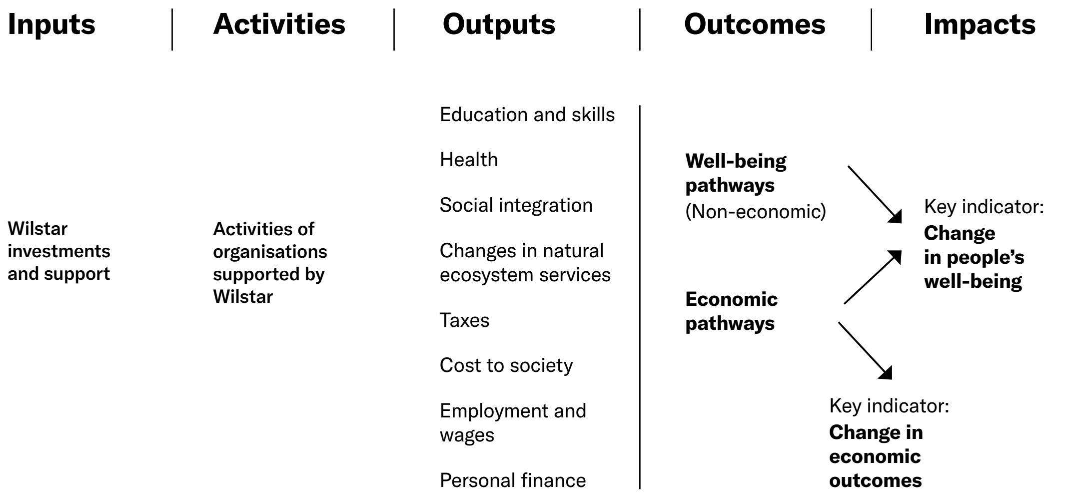
4.4 Typical impact pathways

Figure 5 summarises most of the impact pathways used in the impact valuation for Wilstar, categorised per type of output, and the economic and non-economic pathways leading to the two key indicators defined earlier: change in people's well-being and change in economic outcomes.

Figure 5

List of typical impact pathways encompassed in our model covering all organisations assessed

The two main types of outcomes are also indicated and the two key indicators defined earlier



The typical impact pathways are as follows:

- **Education and skills (human capital)**
  Critical aspects of human capital for youth through the traditional education system, and aged people through work and other education or skills training opportunities. It is the net present value of the earning premiums expected from the gain in education or skill. We use typical earning premiums from different schooling types around the world, as provided by a World Bank study[22].

  We translate the earning premiums into a change in well-being using the Health Utility of Income model (see chapter 4.7).

- **Health (human capital)**
  Health status changes are at the basis of the indicator of DALY/QALY, defined for both the years of life lost and the years of life disabled (or at reduced quality). The World Health Organisation and the Lancet provide a full list of the source of DALY for the world every four years, called the Global Burden of Diseases[23], an important resource weighting factors for diseases and accidents. This is a direct pathway to well-being. Economic costs might also arise, and they will be measured in the respective indicator types.

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22 Montenegro Claudio E. And Patrinos Harry Anthony (2014). **Comparable estimates of returns to schooling around the world.** World Bank Group. Policy research working paper 7020.

23 http://www.healthdata.org/gbd/2019

- **Social integration (human capital)**
  Social integration relies on the pathway of well-being, using the weighting factors defined by the World Health Organisation for DALYs. We extrapolate the potential gain in well-being that a group of people can experience through social integration-related output. These can include integration of minorities in the workforce at school, and in other social activities. Economic costs may also arise and can be covered in the respective indicator types.

- **Changes in natural ecosystem services (natural capital)**
  Much literature exists on the impact assessment and valuation of change in ecosystem services. We prefer cost-based approaches in our model, which relate to the 'cost to society'; this is also an indicator further developed below. Alternative approaches could be used depending on the local context, which could encompass stated and revealed approaches. The Natural Capital Protocol[24] provides a full list of valuation techniques.

- **Taxes (social capital)**
  A change in the tax revenue for the local, regional, or state authorities is an essential component of the model, often underestimated or neglected, particularly from the private sector case studies. It is part of the change in the economic outcomes group of pathways. A change in tax revenue will more or less directly influence public expenditures and the level of public services provided to a population. We use the Health Utility of Taxes[25] (HUT) method to translate a change in tax revenue into a change in well-being over a population (see chapter 4.7).

- **Cost to society (social capital)**
  We often compensate for a change in the cost to society by equivalent public spending or a similar effect on population well-being. We use the same model to value a cost to society, other than taxes: the Health Utility of Taxes valuation factors. Changes in costs to society can encompass many potential costs, including a change in ecosystem services, changes in social security payments, destruction of infrastructure, and costs to public utilities and services, such as hospitals or security.

- **Employment and wages (human capital)**:
  The quality of the jobs created is also an important dimension to evaluate, usually through various typical indicators defined here (e.g., occupational safety is assessed through the health typical pathway). One of the dimensions of the quality of jobs is wages, which result in a potentially positive or negative human capital value depending on whether it is above or below the living wage. The living wage defines the

24 Capitals Coalition (2016). **Natural Capital Protocol**.

25 In the process of being published.

threshold for a basic but good life. We used the living wages defined by the Wage Indicator Foundation [26] is the basis of our assessment. The resulting wage gap is then translated into a change in well-being using the Health Utility of Income (HUI) method

- **Personal finance (human capital)**
  Potential positive or negative effects can impact the personal finances of individuals (human capital), such as cost savings for everyday spending (e.g., transport, food, health). These are direct effects, similar to the contribution of income, and translated into a change in well-being using the HUI method.

Other impact pathways, mostly derivatives of the ones presented above, are in some cases developed to address specific context and activities. However, most activities, output, outcome, and impact can be captured through those typical impact pathways.

Discount rates

When calculating value realised in the future, there is a trend in impact assessment to use discount rates in line with financial accounting practices. However, prioritising shorter-term societal value creation at the expense of long-term societal value creation does not fit the authors' view of long-term value as a critical foundation of sustainability. In some cases, we could even use a potentially negative discount rate reflecting our long term priorities. In this study, no discount rates were used, allocating an equal value to short and long term values [27]. We adjusted the accounting periods according to the expected duration of the impact assessed.

Baseline

All these pathways and impacts rely on a consistent definition of baseline, which covers two dimensions.

- **Activity baseline**
  The measure of change was created from a business-as-usual perspective, assuming a situation in which the project was not financed by Wilstar.

- **Impact baseline**
  The measure of impact is based on the definition of the standard potential of human, social, and natural capital. For instance, in the case of human capital, the standard potential of humans is considered (e.g., in terms of life quality and expectancy). For natural capital, this means the pristine condition of nature.

26 https://wageindicator.org

27 This approach is emerging as a best practice used by companies such as Natura Cosmetics, Nestlé, Olam and Novartis.

In all impact pathways modelled, we accounted for allocation factors[28] based on the economic contribution of Wilstar to the organisation's budget.

Additionally, we considered inefficiency factors across the model, which were usually discussed and validated directly with the organisations assessed:

- **Additionality**, which represents what would have happened without Wilstar's funding.
- **Displacement**, which represents a displaced outcome from the influence of another external activity.
- **Drop-off**, representing the likelihood that the outcome will not last over time for various reasons, in line with the SROI method.

4.5 Data collection and input to the impact framework

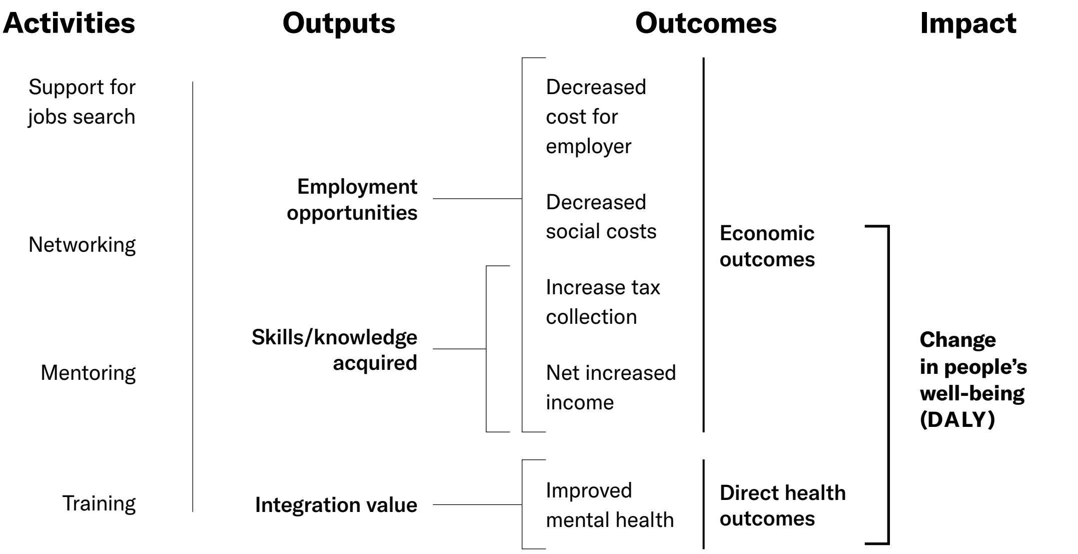
Data collection is often seen as a primary barrier to impact measurement. We used a tiered approach for data collection, minimising as much as possible the need for and cost of primary data collection, given the purpose of our impact valuation framework. We prioritised, however, key activity and output data collection based on interviews with the supported organisations.

To define what data we needed for impact measurement, we looked at the definition of the impact pathways, as illustrated in **Figure 6** or Sammen Om En Jobb. The data points required usually start with outputs, which rely mostly on primary data from the supported organisations. The outcomes and impact are derived from specific impact assessment studies, secondary sources, and literature. Usually, every outcome is modelled through a dedicated pathway in our model. The presentation of the results will reflect this choice by having a line for every outcome in the final table.

28 Called attribution in the SROI method.

Figure 6

Illustration of the impact pathway for Sammen Om En Jobb organisation which works to better integrate non-Norwegians in the workforce and society in Norway



The data needed is usually split into three categories:

- Primary data collected from the organisations
- Data from reference studies
- Literature and assumptions

The uncertainties increase when we move from primary to secondary data to assumptions. Ideally, all data should be primary data and collected with the organisations supported, but it is often not feasible, too costly or long-term. We usually integrate this consideration into a long-term plan of data collection that will progressively enrich the primary data and evidence collected. In some instances Wilstar has financed this data collection need for social entrepreneurs.

In the case of Sammen Om En Jobb, we presented the main data we used for the modelling in **Table 2.** The primary data is collected directly from the organisation (Sammen Om En Jobb). The secondary data is sometimes also provided by the organisations, but is at least validated by them if there is a need to use estimates or assumptions. These assumptions are based on a relatively educated understanding of the values created. The results of Sammen Om En Jobb are presented in Chapter 5.3.

Table 2

Overview of data used for the modelling of Sammen Om En Jobb

The valuation data is addressed separately (see Chapter 4.7)

Pathways	Data from the organisation	Secondary data from reference studies	Assumptions (Based on expert judgment)
Employment opportunities (income and taxes)	Total number of immigrants in the programme Number of employment opportunities generated per type	Average income (national statistics) Average taxation rate (PwC website)	Net increase income (5%) Reduced time to employment (2 years) Income level in % per type of employment (as a multiplier to average income)
Skills/knowledge acquisition	Hours of training received per skill type	Earning premium from education (World Bank 2014) Average income (national statistics)	Duration of impact (20 years) Value of training relative to earning premium
Decreased costs to employer	Number of employment opportunities generated per type	—	Estimated reduced hiring cost, reduced turnover, increased productivity
Decreased social costs	Number of employment opportunities generated per type	Average social benefit per citizen (national statistics)	% of immigrants that would depend on social benefit
Integration value	Total number of immigrants part of the programme Number of employment opportunities generated per type Stated status of integration and satisfaction with the SAJO programme (survey from SAJO	—	Relative increase of well-being linked to the feeling of integration (as % of DALY)

4.6 Impact valuation

We express economic outcomes in monetary terms. For the societal impact pathways and results expressed in the change of well-being (i.e., DALY/QALY), we need to express them in monetary terms for easier communication and interpretation, providing a stronger connection to financial reporting. The valuation step does not influence the results relative to each other but only the magnitude of their impact. It affects all results by the same amount.

Different valuation approaches exist to value well-being, mostly grouped into two options:

- **The statistical value of life (VSL)** is the marginal rate of substitution between income (or wealth) and mortality risk. The VSL indicates how much individuals are willing to pay (WTP) to reduce the risk of death. Usually, this valuation approach results in higher estimates than the social utility of life.
- **The social utility of life** expresses the value of life based on its utility to society. This value can be estimated based on the proxy of an average and ideal economic productivity approach. For this approach, the average productivity (in terms of GDP/capita) of advanced countries, such as OECD countries, can be used. From a societal value perspective, any valuation of DALY/QALY must be constant across all geographies and aligned with human rights principles. We used this approach in our impact framework.

This valuation is a translation of the well-being metric (DALY/QALY) into monetary units for easier communication, analysis and comparison with financial results. It does not affect the relative importance of each impact valued.

4.7 The health utility of income and taxes

The focus on a consistent, relevant, and comparable impact, with Valuing Impact defined as human well-being, requires the use of innovative methods to translate the effects of income change, taxation, and social costs in general. Taxes and social costs also affect well-being through more or less complex pathways and reflect important concerns in our society about the role of markets, the private sector, employment and wages, and personal income taxes. The two methods presented below allow an absolute estimated measure of the utility of income and taxes and social costs in different contexts, depending mainly on the socio-economic conditions found in each country in the world.

Health utility of income (HUI)

There are many drivers that impact human well-being, some of them direct, such as safety and health-related initiatives, and some indirect, like income, taxes, and public spending. Employment is often cited as a key benefit from our economic system, which relies on the exchange of wage against labour. For this reason, understanding the value of employment and wages as contributions to human well-being is critical.

Valuing Impact has developed, with the support of Novartis, a global healthcare company, a new approach to translating a change in income and taxes (or public budget) into a change in well-being for a targeted population. Valuing Impact first published this model, called the HUI, in 2018 [29,30].

The HUI model relies on research developed by the World Health Organisation on the social determinants of health[31], encompassing income and many others. It relies on data[32] correlating health outcomes (life expectancy and quality) with income inequalities within a country. In summary, the HUI takes into account the following considerations:

- The **health gap**, due to income inequalities, differs based on the country or socio-economic context. Usually, in high-income countries, the health gap is much lower than in developing countries for a similar income gap.
- The **utility of income** depends on a person's income level, as a poor person derives more utility from income than a more affluent person.
- The baseline defining positive or negative impact is the **living wage**. A person receiving an income lower than the living wage will experience a negative impact, while a person receiving an income higher than the living wage will experience a positive impact. The usual threshold beyond which the utility falls to zero tends to be the equivalent of four times the living wage.

Figure 7 illustrates the behaviour of the (health) utility of income in relation to different income levels. The living wage[33] (LW) is used here as the baseline, which determines a positive or negative impact. The utility of income is the

29 https://www.youtube.com/watch?v=RNduqBsIy14&feature=youtu.be

30 Vionnet Samuel (2018). **Measuring and valuing the social impact of wages - The Living Wages Global Dataset and the Health Utility of Income.** Valuing Nature.

31 https://www.who.int/health-topics/social-determinants-of-health

32 Statistics published by the OECD and Eurostat.

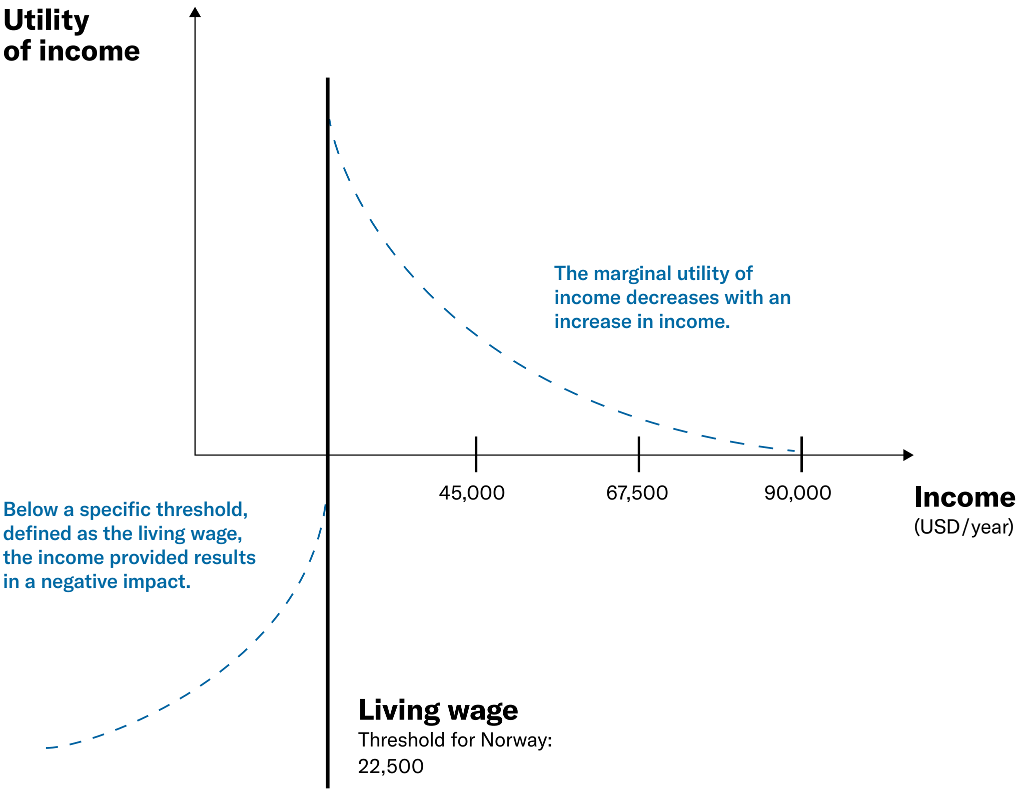
33 The living wage is the wage level that ensures a basic but decent life. It is calculated based on the cost of life locally and covers typical household composition and the number of workers in a household. It is a statistical average. It is calculated on average per worker in a household (e.g., if the household has two workers, then the household cost of living represent twice the amount provided by the living wage).

highest from the living wage point of view, and decreases with the increase of income. This means that for a person living on a relatively low wage in Norway (22,500 USD/year), the utility of the income received is relatively high in terms of improved quality of life. However, for a person earning more than 100,000 USD/year, the utility of the income received above that point falls to almost zero. Put more simply, a person with a high income will not improve their life quality by earning more money. On the other side of the figure, we can observe that utility can be negative, if the income is below the living wage threshold. This means that the person receiving this wage will not live to their normal potential in line with equality and human rights standards.

Figure 7

Illustration of the theoretical health utility of income behaviour in relation to income

We used Norway's living wage threshold as an example in the figure, expressed in USD/year



Other researchers have adopted some of the base concepts of the HUI since then, particularly the Harvard Business School initiative Impact Weighted Accounts, which published a paper in 2020 on the valuation of human capital that uses a similar but simplified concept [34].

34 https://www.hbs.edu/impact-weighted-accounts

Health Utility of Taxes (HUT)

The model on taxes called the **HUT** relies on similar principles to the HUI but captures the effect of a change of resources for a state (typically taxes or avoided social costs) on its population's well-being[35]. It relies on the correlation between public spending and life quality and expectancy differences over time. We explain this correlation using three generic drivers, which are:

- Global trends influence life quality, such as scientific breakthroughs (e.g., vaccine development) and educational achievements, amongst others.
- Economic development, which leads to increased income for the population.
- The state's spending on direct or indirect health-related investments, such as health care, and infrastructure, such as transport and energy.

We can isolate the first driver (global trends) by comparing countries with different quality levels of education or access to medicine, such as countries with small and high economic development or tax spending over a number of years. The second driver (economic development) can be isolated using economic statistics on the change of income per capita connected to the HUI model (which allows the translation of a change of income into a change of well-being). We can then assume that the remaining health gap is correlated with state public spending. This model represents an approximation; in reality, many more factors influence health. It provides an estimation of the impact of taxes and public spending on a population's health outcomes.

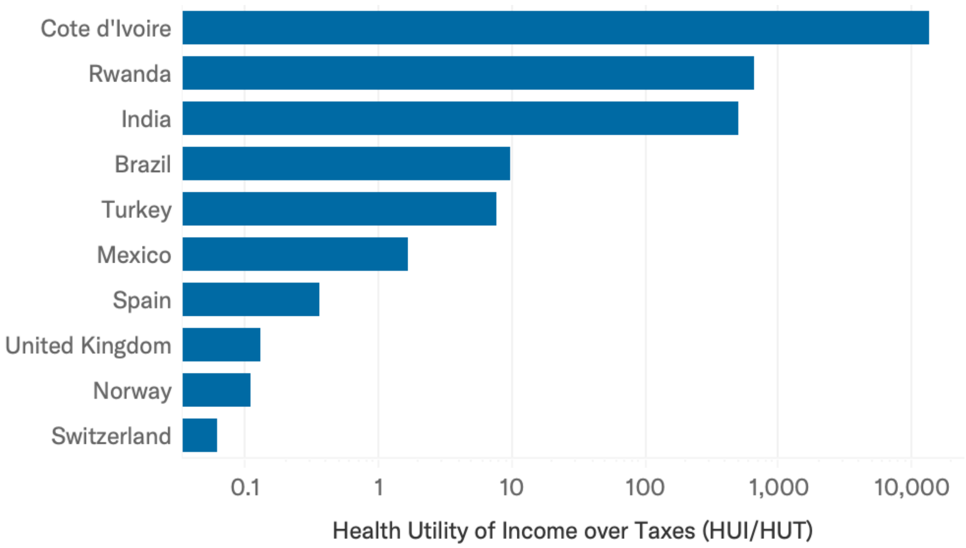
Figure 8 presents a direct comparison between the HUI and HUT factors for a selected number of countries. We can compare them directly, as they represent the value of money paid in income or taxes, translated into well-being in a specific country. We can observe that high-income countries usually have a low utility of income but a high utility of taxes. On the contrary, low-income countries have a high utility of income and a low utility of taxes. It would be expected that high-income countries, which have a better socio-economic status, have higher tax revenue and invest it better for the benefit of their population. At the same time, high-income countries have a low utility of income, as their social systems are already working relatively well for their populations, leading to a change in income that might not influence well-being in a significant way.

35 The model is in the process of being published by Valuing Nature with the support of Novartis.

Figure 8

Comparison of HUI and HUT values, which relates to the utility of taxes vs. income

The graph provides the ratio HUI over HUT for a selected number of countries. The higher the ratio, the higher the importance of income.



5

Impact valuation results analysis

The results presented here have the objective of illustrating the added value of our methodological approach, supporting various decision-making applications and insights. The results are not presented for the purpose of analysing or comparing in detail the organisations supported by Wilstar, at least not in this paper.

Simplifications and aggregation techniques have been used to focus readers on decision-making applications, although further details are available to Wilstar for its own use. Given our state of knowledge, the existing data gaps, the assumptions, and the secondary data used, the results cannot be considered precise, although they are directionally correct.

Our analysis covers the following topics:

- **Portfolio assessment and comparison** based on current and future societal value.
- **Resource allocation comparison** using the SROI metric (ratio between impact generated and financial input).
- **Analysis of impact** per type of impact pathway or value and per stakeholder. This analysis also covers the comparison between economic outcomes and societal impact.
- **Scenario building** to anticipate future value delivery and scale-up potential.

Other types of analysis and scenario testing could be built from the model, although the analyses listed above are the main ones used by Wilstar to support its activities.

5.1 Portfolio overview and analysis of scale-up potential

Based on the model developed, all organisations' results can be directly compared at a portfolio level, using both societal value indicators (change in the well-being of the targeted population) and economic outcomes (direct financial impact for different stakeholders).

Figure 9 presents the overall results, achieved in 2020, allocated to Wilstar and based on a financial contribution (or planned potential contribution) to each organisation versus its total budget at a portfolio level. This allocation is needed to understand the specific impact arising from Wilstar. Otherwise, the comparison would only assess each organisation's overall absolute impact, which may vary according to their size, budget, context, and other factors that are not directly comparable.

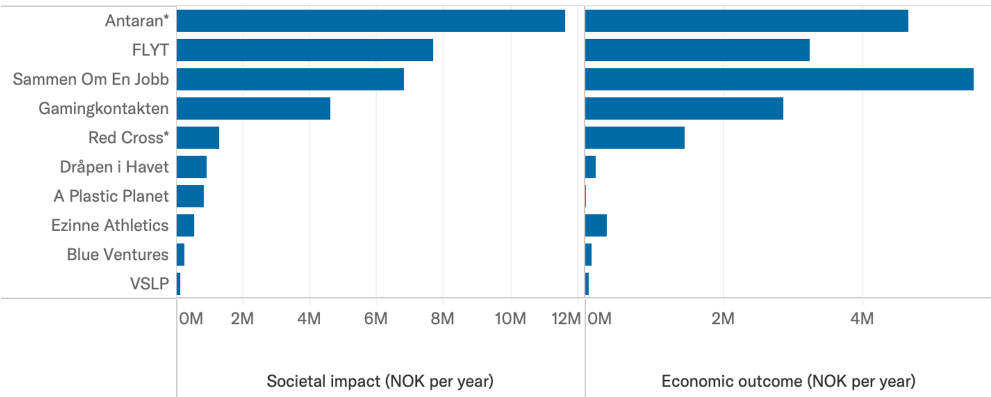
It is important to note that the results in 2020 were influenced by the COVID pandemic, which disrupted society and the economy. Whilst, the implications of the pandemic are widespread, organisations operating in low- and middle-income countries are likely to be more greatly impacted. We could reasonably assume that the impact generated by some organisations would be significantly higher than is represented here.

Additionally, as Wilstar's strategy is to invest in early-stage social entrepreneurs, some of the organisations are not yet delivering significant impact. But their potential to scale up might deliver an important impact in the future (a topic addressed further on).

Figure 9

Overview of value for Wilstar's portfolio, presenting both the societal and economic value created

Organisations with an asterisk (*) are not currently financed by Wilstar.



It is interesting to note that the correlation between societal and economic values is not straightforward. The difference observed between projects comes from the relative contribution from the income effect, tax contribution and avoided social costs, and direct health pathways (e.g., integration value and psychological health).

Each of those pathways is valued differently depending on the indicator used, whether it is an economic outcome or societal impact. For instance, direct health effects do not have an equivalent economic value, contrary to all other pathways, and taxes and avoided social costs are valued with a higher factor than income in high-income countries[36]. Those driving factors can be analysed in detail when the results are broken down per activity and pathway type.

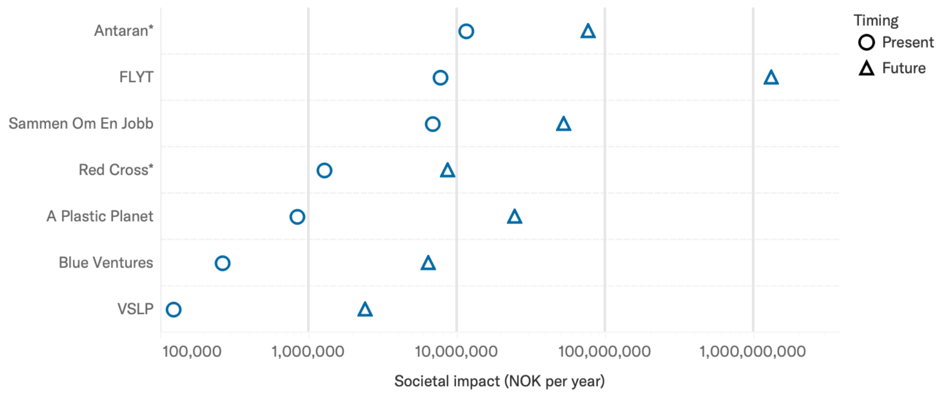
These results are built in a model (in Excel), which allows us to test different scenarios and, in particular, value the future impact of those organisations. The capacity to understand organisations' potential to scale up and address key driving factors of societal value is essential to inform investment decisions and engage with funded organisations to develop their activities and strategies.

Figure 10 shows a modelling of the current (circles) and future value (triangles) for a selected number of organisations supported by Wilstar. These assessments are only one possible scenario, assessed in our analysis for Wilstar, based on data communicated by each organisation on their plan in the near future (3–5 years).

As Wilstar's strategy is to finance social entrepreneurs and social initiatives that are at the beginning of their development but could have significant potential to scale up, this analysis is a very valuable test for this assumption. These results rely on strong assumptions and potential opportunities for financing through other sources. However, one of the issues with the early-stage development of social businesses is that the sources of financing are difficult to obtain. Pure philanthropists might not provide funding to potential (for-profit) businesses, while impact and traditional investors are usually looking for more mature organisations. There is a gap in funding that Wilstar can address here through the financing of the very early-stage development of social businesses.

Figure 10

Illustration of the modelling for the present (circles) and future value (triangles) of selected organisations.
Scenarios are hypothetical and might not reflect the latest scale up strategy of the organisations in 2021.
Organisations with an asterisk (*) are not currently financed by Wilstar.



36 The relative utility of income and tax depends on the local context. Usually, in high-income countries, the tax utility is higher than income, while it is the contrary in low-income countries where income plays a much more important role (and utility) than tax (inefficiencies significantly reduce tax utility).

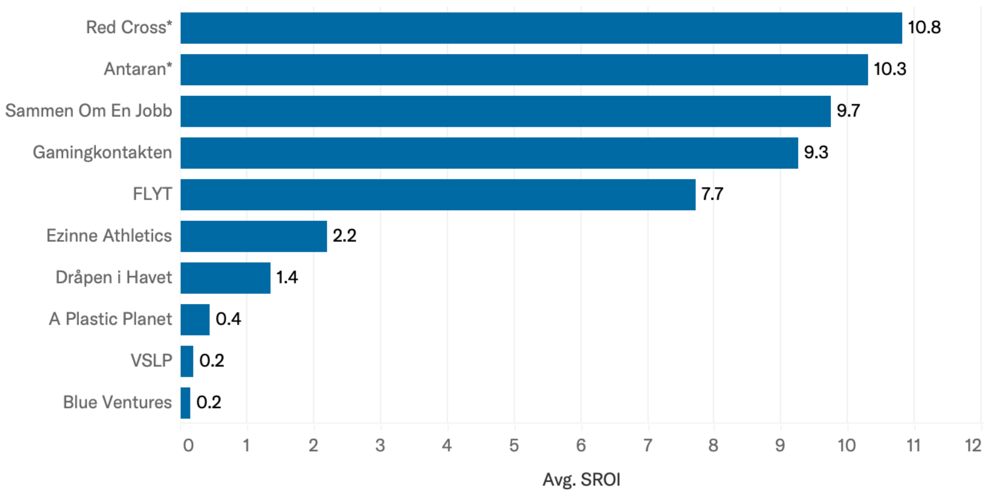
5.2 Capital allocation efficiency

Wilstar's resource allocation can be analysed in terms of the ratio between the yearly financial support provided to the organisations and Wilstar's allocation of the generated societal impact (the SROI ratio). **Figure 11** provides the SROI results for Wilstar's portfolio, highlighting a wide range of potential SROIs. Those ratios are based on current value and could change significantly depending on the scale-up strategy and the maturity of the activities of the organisations, which are often based on a long-term plan. For instance, given rates of ecological recovery through conservation, fisheries and associated livelihood benefits from Blue Ventures' activities in coastal and marine conservation will accrue in the longer term, while Ezinne Athletics or Sammen On En Jobb provide shorter-term values through their activities. The analysis takes full capacity when considering the maturity curve of the organisations supported. For this reason, the absolute societal value and its comparison across organisations is not a very important indicator in Wilstar's strategy. However, it indicates the potential gain of efficiency that an organisation might work towards over time. A complementary analysis is required to understand this potential gain of efficiency, which is about understanding which activity creates the most value, based on which type of value and for which stakeholder, which we address next.

Figure 11

SROI ratio, which supports the analysis of resources allocation for Wilstar

Organisations with an asterisk (*) are not currently financed by Wilstar.

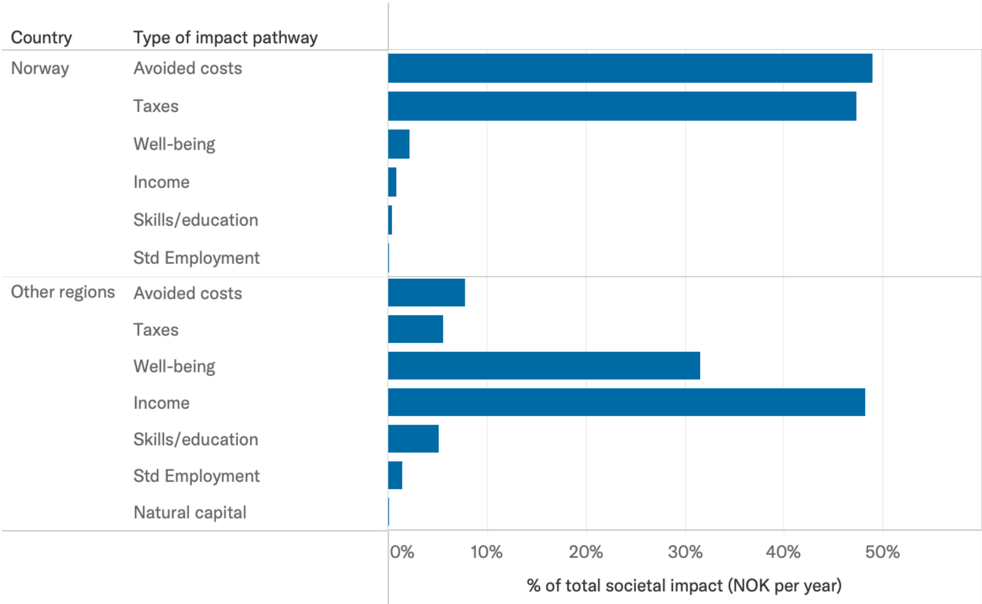


5.3 Results analysis per type of pathway and per stakeholder

Figure 12 provides a breakdown of the societal value per type of value or impact pathway for the organisations supported by Wilstar. Details can be obtained per organisation and be further broken down per activity. However, for the purpose of this paper, we kept it at a high level to highlight the possible insights that can be obtained from such analysis.

Figure 12

Breakdown of the societal impact results per type of value or impact pathway (only the organisations supported by Wilstar), split per region (Norway and the World), expressed as the % contribution to the total value per region



This analysis allows us to identify the most significant value contributions overall and per organisation. It is often challenging stakeholders' perspectives, as for some reasons, some pathways (such as personal income change or natural capital) always dominate our biased perspective due to a variety of factors (e.g., media coverage, personal interest, experience). It is interesting to note, however, that most of the value created by Wilstar in Norway is delivering social capital value through taxes and avoiding social costs. In contrast, in the rest of the world, income, well-being, and natural capital are dominant. This reflects the types of investments and organisations supported by Wilstar in each region, as well as the differences in the local socio-economic context.

This analysis per value type allows us to connect well with the topic of stakeholders, which is extremely important in interpreting the results. Societal value matters only when interpreted in relation to the stakeholders impacted.

Figure 13 shows the detailed results for Sammen Om En Jobb, or SAJO (immigrants' integration into society and the workforce in Norway), which we can split per activity considered, stakeholder, impact pathway (type of value), societal impact, and economic outcome. This view allows us to visualise more in-depth where value is created both for society and economically, for which stakeholder and from which activity. In the case of SAJO, the additional tax income and the avoided societal costs (from benefits payments) are significant contributors to the organisation's overall value. The additional taxes are generated by the employment opportunities that generate an additional income on which taxes are being paid. Similarly, the avoided social costs consider that a fraction of the beneficiaries will avoid relying on social benefits, which will lead to avoided costs for the state. In the case of Norway, tax utility to society is higher than income.

This type of analysis allows us to engage more effectively with the organisations supported to ensure that operations focus on what matters and that the discussions on potential improvements are focused on where there is the most potential for impact.

Some of the organisations' assessments also encompass the consideration of negative impacts, which happen to be significant in some instances. The method allows identification of those occurrences, and they can be addressed with the organisations supported to avoid risks and scale up positive impacts.

Figure 13

Illustration of the results for one specific organisation (Sammen Om En Jobb) encompassing the decomposition per activity, stakeholder, value type (or impact pathway), societal impact and economic outcome

Stakeholder	Activity	Type of impact pathway	Societal impact (NOK per year)	Economic outcome (NOK per year)
Immigrants	Value of integration	Well-being	200,679	0
	Jobs acquired - Income	Income	135,016	3,175,425
	Skills/knowledge - Income	Skills/education	6,025	141,704
Organisation employees	Employment - Income	Std Employment	6,716	157,956
	Capacity building - Income	Skills/education	1,315	30,933
Society	Cost to employer	Avoided costs	20,513	482,443
State	Jobs acquired - Taxes (immigrants)	Taxes	4,437,716	1,109,966
	Avoided social benefits payments	Avoided costs	1,365,618	341,570
	Employment - Taxes (SAJO)	Taxes	298,564	74,677
	Skills/knowledge - Taxes	Taxes	267,844	66,993
	Capacity building - Taxes	Taxes	58,469	14,624
Grand Total			6,798,476	5,596,292

An alternative categorisation can also be done per SDG, which we provided to Wilstar in the model developed. This categorisation is often used to report sustainability-related impacts and helps us align with IRIS+ and others, although from an internal point of view, its value is limited.

5.4 Valuing impact matters (instead of output)

One of the most common practices in social impact assessment is to report on output, such as the number of beneficiaries impacted or reached, the number of jobs created, and the number of training or capacity-building hours achieved.

We developed this report for Wilstar, as it is part of the impact pathways modelled. We can then compare the output against the impact measured.

In doing this, we applied a strict definition of output, focusing on the number of equivalent people who experienced a significant change in their lives (and not the total number of beneficiaries reached). We can further split this view by stakeholder to make it more relevant, although for this comparison, we kept the results aggregated.

Figure 14 shows the number of persons impacted (output indicator) and the societal value results side by side. We can quickly see that this indicator is far from being correlated and that there is a tendency to provide opposite results. It raises significant concerns for organisations and investors that look at the output only and base their investment strategy or operational decisions on this type of indicator.

There is a need to move towards measuring relevant and consistent impact for all organisations based on more advanced methodologies. We hope that this report will trigger some organisations to make this step.

Figure 14

The number of persons impacted (output indicator) reported against the societal value modelled

Organisations with an asterisk (*) are not currently financed by Wilstar.

	Number of persons impacted	Societal impact (NOK per year)
VSLP	20,189	123,772
Dråpen i Havet	1,518	915,356
Antaran*	359	11,637,106
Red Cross*	228	1,292,670
FLYT	159	7,690,615
Blue Ventures	127	261,219
Ezinne Athletics	37	550,872
Sammen Om En Jobb	28	6,798,476
Gamingkontakten	3	4,614,363
A Plastic Planet		846,837

6

Integrated value reporting

Financial accounting is at the core of our economic model and decision-making processes. Reporting separately, value to companies (financial value), and value to society (societal value) does not make sense, as they are strongly connected. Visualising them together is the only way we can understand the true sustainability of a business model. However, there is a lack of standards that exist to report together financial and societal impact. Reviewing accounting rules is a rising movement [37,38,39], and becoming more important, although not yet a reality.

It is a fundamental management principle that you need to measure what you want to manage. Accurate data and reliable measurements are essential to achieving real change because they create transparency, authenticity, and trust. This is why standardised impact measurement and reporting are so important.

We first developed a simple version of a parallel accounting presented in separate but comparable columns: the financial, social, human, and natural capital impacts. This solution makes it possible for impact to take its rightful place alongside profit by enabling us to arrive at a company's net impact or its financial, social, and environmental impact.

Table 3 provides the entire financial and societal impact for 2020.

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37 https://www.ifrs.org/projects/work-plan/sustainability-reporting

38 https://capitalscoalition.org/project/transparent

39 https://capitalscoalition.org/publication/disclosing-impacts-on-natural-social-human-capital-in-financial-statements

Table 3

Integrated value reporting for Wilstar 2020

Wilstar Integrated Projected Income statement 2020 (NOK)	Financial capital	**Societal value** Total	Social capital	Human capital	Natural capital	**Economic outcome** Total	Society	Individuals	Nature
Funding received	**13,000,000**								
Total grants	**(8,475,100)**								
Grant made outside the scope of the impact valuation	**(1,890,000)**								
Grant made covered by the impact valuation	**(6,585,100)**	**21,677,737**	**17,213,113**	**3,617,671**	**846,954**	**12,280,207**	**4,774,237**	**7,505,961**	**0**
Blue Ventures	**-1,642,525**	261,219	56,336	204,767	117	106,547	6,110	100,428	0
Dråpen i Havet	**-679,000**	915,356	158,891	756,465	0	167,739	39,287	128,452	0
Ezinne Athletics	**-250,000**	550,872	476,929	73,942	0	324,583	119,290	205,293	0
FLYT	**-1,000,000**	7,690,614	5,639,920	2,050,694	0	3,234,417	1,410,662	1,823,755	0
Gamingkontakten	**-500,000**	4,614,363	4,432,312	182,051	0	2,850,629	1,108,614	1,742,015	0
Sammen Om En Jobb	**-700,000**	6,798,476	6,448,725	349,752	0	5,596,292	2,090,274	3,506,018	0
A Plastic Planet	**-1,813,575**	846,837	0	0	846,837	0	0	0	0
Impact measurement	**(818,686)**								
Total operating expenses	**(3,297,065)**								
Operating surplus	**409,149**								

Given that Wilstar is a grant-making initiative, its P&L is relatively straightforward, and all its impact is created from philanthropy and business development. The impact valuation did not cover all grants provided for 2020. We split expenses into two kinds (grant covered and not covered by the impact valuation) to ensure that the reported societal value matches exactly the corresponding expenses. The scope of reporting could be increased over time to cover more of the grants made to get a comprehensive view of Wilstar's impact.

Below we present some thoughts on the value of such reporting:

Insights for different stakeholders

The current format of integrated value reporting provides in parallel the income statement, the societal value (across the three capitals: human, social, and natural) and the economic outcome (for individual or the society). The societal impact and economic outcomes are two complementary indicators that speak to different stakeholders. The societal impact is the most advanced measure of societal value, which will speak to stakeholders interested in social and environmental justice and social progress in general. The economic outcome is a direct measure of the change in the financial position of individuals and the states (society). This indicator will be interesting when it comes to engaging on the topic of direct economic costs and benefits for the beneficiaries impacted by Wilstar investments, such as local authorities (i.e., collecting taxes and avoiding social costs) and beneficiaries receiving an additional income or knowledge that they will be able to leverage on-the-job market in the near future. The direct comparison of the three types of values presented will inform an organisation's decision making and strategy at many levels.

Values are not additive

These are still three different types of value that are comparable but not additive. There is a tendency to think that a reconciliation is possible and that those values can be added (see case studies of BASF, LafargeHolcim, Argos, and others).

However, it is currently far from being the case, and a direct addition of those different values might be counterproductive, given that societal impact and economic outcome do not have a direct transferable value in the income statement, now or in the future. There are potential opportunities to recognise some of these values as intangible assets, but guidance is still lacking.

Values are comparable

Parallel accounting provides a comparative point of view to understand the relationship between an activity, which is reflected by a line in the income statement, its financial cost or revenue, its societal impact, and its economic outcome. If we take the investment in Sammen Om En Jobb as an example, Wilstar spent 700,000 NOK in 2020, leading to an approximate 6.8 million NOK in societal impact (the majority of which is social capital value) and 5.6 million NOK in economic outcome (split between social and individual values). The societal return ratio (i.e., societal impact divided by financial input) is 1:9.7, while the economic return (i.e., economic outcome divided by financial input) is almost 1:7.8. Sammen Om En Jobb already delivers a societal value above its financial input today and is likely to deliver an even more positive societal return in the future. The current overall SROI of assessed grants reached 3.3 (see **Figure 11** for detailed returns figures per investment), which means that for every NOK invested by Wilstar, it generated 3.3 NOK of value for society.

Values reflect present value

The variability between present and future societal returns is important (see Figure 10), and current accounting only provides a picture of the present. In the experiences of the authors, typical societal returns could be much higher. The low values reflect Wilstar's investment choices, investing in early-stage social entrepreneurs who have not yet developed their full potential to deliver societal value. The potential future value created by these organisations could be accounted for in the balance sheet of Wilstar rather than in the income statement. This is currently a direction explored by some organisations.

Analysing trade-off

The nature of Wilstar's business leads to mostly positive results for societal impact and economic outcome. However, it is not the case for many businesses that will likely see more nuanced results in terms of natural capital, including climate change impacts, land and water use, and air pollution, which are often negative to business valuations. Human capital, such as providing a living wage, labour rights, occupational safety, diversity, and gender, often shows both positive and negative results across the value chain of any business. Societal capital, including tax contributions and societal costs, contains both positive and negative results for any business. The analysis of such a table becomes much more complex and interesting, leading to the highlight of trade-offs reflecting societal trends, such as gender equality, which can be measured in terms of societal impact and actual financial results. Measuring and reporting on these will allow the organisation to visualise and align ESG performance with business financial performance.

Reconciliation options

Specific groups of stakeholders will still be interested in understanding in more detail how societal impact and economic outcome might be reconciled into the income statement. As indicated above, the connections exist but are not directly additive. First, the valuation technique will vary according to which type of value is measured, whether financial, societal, or economic, for the same activity or pathway. To give an example, the value of training provided to individuals can be reflected in the income statement as a cost of providing the training. The societal impact will measure the change in quality of life driven by the training provided and its influence on the future earning premium. The economic outcome measures the earning premium generated in the future as a result of the training. Second, the current rules of financial accounting do not have much flexibility to integrate the valuation of human, social, or natural capital impact. Some propositions have been suggested to reconcile societal value with financial value, particularly by recognising societal value as intangible. However, without a change in financial reporting standards and change in shareholders' priorities, the possibilities are limited; therefore, the parallel accounting methodology suggested here is best practice at the moment.

7

Selected insights

Impact measurement should be considered an essential part of investment due diligence, guiding investment decisions that can contribute to social and environmental solutions. It can also play an important role in supporting the active management of funded organisations, informing an investor's overall strategy. The potential also lies in using the impact results to raise awareness, engage with stakeholders, and drive thought leadership. We review a selected number of insights from our impact valuation experience, which we can classify in this maturity ladder towards integrating impact valuation into investment decisions.

Figure 15

Maturity ladder towards integrating impact valuation into investments decisions

1 **Due diligence / compliance**

2 **Impact awareness and understanding**

3 **Decision making and strategy**

4 **Leadership**

Due diligence is the first step when investing for impact, which translates into compliance when completed before an investment, complying with standard regulatory disclosures that can inform impact.

The second step is the **awareness and understanding of impact at the investment** level, which requires an in-depth exploration of the connection between an activity invested in and its impact. This understanding is the foundation for any investment decision and engagement with stakeholders.

The decision making and strategy phase comes as a natural next step, as awareness and understanding lead to considering changes in the way we act and invest. Taking better decisions and refining investment strategies will ultimately result in an increased societal impact.

The final step in this maturity ladder is **leadership**, by which we mean the influence on others towards better investing to create a positive societal impact. This is done by an active engagement process, for instance, through conferences, webinars, media publishing, and the generation of discussion in think thanks and other groups. Most corporations are at step one with respect to impact metrics, and a few are moving towards step two. Currently, very few have created full impact valuations and used them to inform strategy and leadership, but this is the desired future focus. Moving in this direction now will allow corporations to stay a step ahead of future regulations around society and climate challenges, which will inevitably be introduced as we continue to see the impact of issues like climate change on our planet not being addressed sufficiently.

7.1 Due diligence/compliance

Impact valuation can support due diligence and compliance processes to better capture the potential for positive impact and the potential risks of creating negative impact. Using impact valuation in due diligence is particularly interesting, as it informs investment decisions before they are approved. Very often, impact investors think of measuring their impact after the investment decision is made, which leads to limited options for change, inefficient investments, or lost opportunities. Due diligence's impact valuation should not only look at the current impact, but also at those potentially created in the future, projecting the results to account for the growth of the investment and the role of the capital brought to any organisation to scale up. This was particularly useful for Wilstar to identify the best scale-up opportunities in its portfolio of investments.

The approach is useful for investors to understand the impact they create and the investee as the detailed process of impact valuation. Building the theory of change and related impact pathways towards societal values allows them to break down where impact is being created and assists them in maximising that impact.

The mapping exercise and the related data collection to measure and value an impact are equivalent to a detailed introspection into an organisation, which reveals the level of knowledge, but also uncertainties. In all cases, it has proven to add value to organisations analysed even for the due diligence process, actively building capacity and expertise at the organisation, and providing a different lens for its activities and impact created.

7.2 Impact awareness and understanding

The perception of the impact we create and the reality on the ground is often different. Using the impact results applied to each investment, we were able to obtain a different, more objective view of the societal impact delivered by those organisations. At this stage, the objective is not to make an investment decision, but rather to understand how societal value is delivered by identifying the underlying impact drivers. This is a critical step in the maturity ladder and is often the most important barrier towards change in an organisation. The general knowledge of impact is relatively low in most stakeholder groups, limiting the capacity to improve investment for impact.

Based on our experience in this activity of measuring impact, the following insights were particularly important.

Stakeholders mapping

Impact valuation usually provides a broader view of an organisation's impact across a wide range of stakeholders who are directly or indirectly affected. Historically, impact measurement has focused on providing data to investors to report on their social contributions or their investees to understand how to maximise impact. But increasingly, other stakeholders interact with these organisations and need to understand the value of supporting them. Local authorities are often the clients of social entrepreneurs and are also those benefiting from the increased taxation and social cost savings generated by successful ventures. Knowing the holistic value of supporting social entrepreneurs can inform public procurement decisions. The state is also a beneficiary of these taxation flows and social cost savings. Understanding the value created by several social ventures can encourage governmental support and state involvement in the social value ecosystem. Many investments focused on building individual skills and opportunities create significant value for authorities and the state in general, through additional taxation income and avoided social costs.

Creating competitive advantage

Corporations focused on providing services to society, such as infrastructure projects, health or education-focused investments, will contribute significantly to these stakeholders. Being able to measure that impact and communicate it effectively can add value and create a competitive advantage.

Material impact identification and prioritisation

Impact valuation results allow investors to directly compare very different activities and pathways and capture a scope of impact that is much wider than more traditional impact assessment methods used for impact or ESG reporting. The unforeseen material impact can be identified, and the relative importance of different impacts usually challenges the prevalent perceptions of investors. We encountered in our analysis an organisation whose main communicated objective was the protection of natural capital. However, the impact valuation results demonstrated the creation of much more value through local communities empowerment, which is anticipated to lead to protection of natural capital in the long-term. In another case, we identified a significant negative impact that was overlooked entirely by the organisation in its narrative, project management and impact data reporting.

Focus on relevant data

A big maturity gap exists in the NGOs and social entrepreneurs sector regarding impact, and how it is measured. The quality of an impact valuation study is limited by the input data we use, and thus by the existing data reporting of organisations. The data and information that we used in our assessment for Wilstar cover the financials, use of funds, activities, output monitoring, evidence/measure of outcomes, and identification of risks or negative impact. It has been a real challenge to obtain this information in a transparent and clear way, even if the information exists. The professionalisation of reporting and data monitoring is a crucial corporate benefit for the funder, with the different organisations supported.

Impact measurement needs to improve

Impact measurement by organisations has historically been driven by the investees themselves; this has led to poor and limited data collection, often as a result of limited funding and resources. It also leads to a scenario in which the funded organisation 'marks their own homework' and funders accept their valuations. This leads to a significant misallocation of funds to social projects that are inefficient. More rigour by funders to measure the impact themselves and fund the social organisations to implement a measurement framework is needed if we are to create the transparency and accuracy required to achieve social and environmental targets.

Align stakeholders and raise the bar

Impact valuation helps align stakeholders, internal and external, with social impact, how it is measured, and what drives it. It allows all stakeholders to engage in discussions based on facts and impact metrics that are relevant and comparable. This understanding of impact is mandatory to progress the strategy of any organisation. Through impact measurement, the insights gathered can be used to revise strategy year-on-year, on a recurrent basis, based on relevant facts and metrics, and based on accumulated experience.

7.3 Decision making and strategy

Corporations spend significant resources and follow strict regulations when reporting financial results that can inform their strategy. But, we are increasingly aware that business activities have both positive and negative impacts on society and the environment around them, which are not taken into account when making investment decisions. Going forward, these externalities, which have not been measured historically, need to be accounted for to make the right investment decisions and correctly inform corporate strategy.

Impact metrics will assist corporations in visualising and aligning ESG with the financial performance, allowing them to communicate effectively with all stakeholders, including shareholders and regulatory authorities.

This knowledge will assist in identifying and managing both social and environmental externalities, giving investors a solid understanding of the risks surrounding particular business practices with respect to social and environmental challenges. This will allow organisations to stay ahead of regulatory changes, avoiding stranded assets, unprofitable services, and reputational risk with respect to environmental and social engagement.

These measurements have proven benefits of access to lower cost of capital for companies, attracting top talent and retaining them while increasing employee engagement and identifying new and sustainable business strategies and investment opportunities that will thrive in a zero-carbon economy.

Within the impact investment field, sustainability strategy and philanthropic investment decisions are too often based on beliefs or biased information rather than on impact metrics. Impact assessment and valuation are evolving quickly and reaching a point of maturity where the relevance of the indicators used can increasingly inform rational decisions and strategy developments.

There are various reasons for this, such as:

- Access to better data and knowledge.
- The measurement or modelling of metrics of a true and unique societal impact rather than a range of less relevant outputs, which are difficult to compare.
- The standardisation of impact pathways and impact valuation methods allows the assessment, on the same basis, of a large number of very different investments. However, there is still a significant way to go before we have a standardisation of the impact valuation methodology.
- The use of valuation, which translates impact into monetised metrics, allows the comparison of impact metrics with financial and economic information and allows us to reach a much wider non-technical audience.
- The increase in awareness and understanding of a range of stakeholders allows the use of advanced and relevant impact metrics, although progress still has to be made.

To illustrate, we used impact valuation to develop a strategic overview of all Wilstar investments, using the following key criteria:

- The type of investment (social entrepreneur or advocacy/philanthropy)
- The societal return on investment (based on impact valuation)
- The scale-up potential (based on impact valuation)

Figure 16 illustrates this strategic overview and categorisation of the Wilstar portfolio according to these criteria, including its alignment with Wilstar's strategic investment priorities. The impact valuation was particularly useful to identify the scale-up potential of organisations and, of course, to calculate the SROI ratio, which measures the ratio between the societal value delivered by an organisation and the financial input provided by Wilstar.

The classification helped Wilstar identify the current balance in the portfolio. Some work remains to identify potential growth opportunities for some organisations to have an impact at scale. Similarly, the present return on investment informs us about the current efficiency of resource use from different organisations, which highlights some challenges. However, it is interesting to see that social entrepreneurs who have already identified a scale-up strategy have a high SROI. From the figure, we can also see Wilstar's relatively traditional philanthropic investments, although it aims to focus more on social entrepreneurs in the future. The gap towards more projects related to climate change is also clear from the figure, which could be expected in this direction, and has been decided relatively recently. Wilstar is currently identifying investment opportunities related to climate change.

The insights provided by such assessment, building on impact valuation results but moving beyond it to align with the strategic directions of Wilstar, is very valuable to support the development of Wilstar's strategy.

Figure 16

Categorisation of Wilstar-supported organisations per type of investments, scale-up potential and key investment priorities of Wilstar. The present societal return on investment is also indicated for information

Organisations with an asterisk (*) are not currently financed by Wilstar.

	Types of investments	
	Sustainable business model	**Philanthropic capital dependant**
Limited / unclear scale up potential		Blue Ventures ◐ / ● Ezinne Athletics ● Dråpen i Havet ● ● Red Cross* ○ ○ ○
Scale up potential identified / system change	FLYT ○ ○ ○ Gamingkontakten ○ ○ ○ Sammen Om En Jobb ○ ○ ○ A Plastic Planet ◐ ◐ Antaran* ○ ○ ○	VSLP* ●

Legend

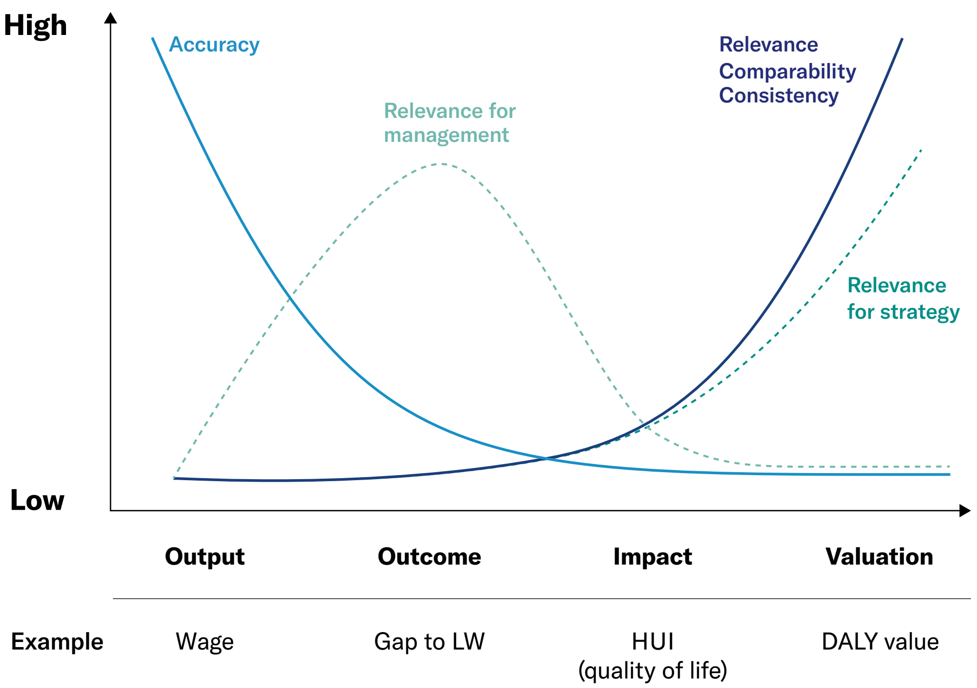
Key investment priorities of Wilstar	Present societal return on investment
● Women's empowerment	■ Limited (<2)
○ Education and equality	■ ■ Average (2–10)
◐ Climate change / marine conservation	■ ■ ■ Excellent (>10)

Another important insight developed through this work with Wilstar and through the work done by Valuing Impact is the question of choosing the right metric(s) for management or strategy decisions along the impact pathways used in our assessment.

Figure 17 shows a figure illustrating the change in accuracy against the change in relevance, comparability, and consistency when moving along a typical impact pathway (from output, outcome, impact, and value). The accuracy decreases relatively quickly when additional layers of information are added to the assessment. For instance, it is easy to accurately assess the wage provided to a beneficiary, but it becomes more challenging to determine the gap that exists between this wage and a living wage, which defines a basic but decent life[39]. It becomes even more challenging to measure or assess the impact of wages on the quality of life of the beneficiary's family, although it is the most relevant information. In our analysis, we observed that strategic decisions required the highest relevance, comparability, and consistency, even with higher levels of uncertainties in the results. Directionally correct results are often enough to make strategic decisions, while for management and engagement with a number of stakeholders, we observed that outcome information and data were the most appropriate level of information to use.

Figure 17

Relationship between accuracy and relevance, comparability and consistency, along an impact pathway



39 Anker & Anker (2017). **Living wages around the world — Manual for measurement.** Edward Elgar Publishing.

7.4 Leadership

Impact valuation processes and results are changing the way we think about impact, moving from a mostly output-focused approach towards outcomes and impacts, understanding how we change people's lives. Understanding impact more comprehensively allows any organisation to strengthen its leadership role in the social and environmental entrepreneur ecosystem.

In Wilstar, this has been done at different levels, and we share here a few positive changes.

Societal impact beyond philanthropy
The impact assessment framework and method presented here can be applied across all types of organisations, along their full value chain (supply chain, operations, and downstream), across a comprehensive range of themes, and across all types of investments. Measurement can lead to conversations at an internal level to align more closely areas of investments with the values and purpose we more readily associate with social investment and philanthropy. For Wilstar, this led to the creation of a net-zero GHG strategy at a corporate level with an associated emissions programme.

Engage financial executives
The impact valuation results are expressed in monetary units and allow a direct comparison with financial information, which assists in discussions with financial executives about what can be measured beyond the traditional scope of financial accounting. Wilstar used an audit process (ISAE3000 with EY, limited assurance) and an expert review with the consulting company FSG (sustainability specialist) to provide the required credibility and robustness in the results to engage specific stakeholders.

Bring a strategic learning agenda on what the measurement teaches us
A learning agenda often allows an organisation to understand why or why not it is reaching specific outcomes, and whether the assumptions are valid. The monetisation of outcomes was chosen to engage specific stakeholders to encourage them to participate in realising the theory of change and its desired impact. Feedback in the auditing process led the owning family to request an evaluation of assets owned and a realignment of those assets to represent the owning family's concerns about health, human rights, social engagement, and the environment. This advice also led to some owning family members investigating how they could start investing for impact and use their capital to contribute to social and environmental solutions at scale.

Measurement awareness in other areas of the family business
Wilstar also facilitates impact measurement for the wider industrial investment company upon request, and through that, Wilstar can assist those for-profit businesses in valuing their societal impact. In this regard, Wilstar valued the impact of the Red Cross partnership 'Rom for Frivillighet', which is an initiative by Linstow, the property investment division of the family business. Wilstar

assessed the social and economic value for the company, the health centre in which the initiative was located, the Red Cross, and the local town council for whom some of the services were assisting.

Measurement partnerships like this help improve understanding of impact measurement and assist in embedding social and environmental awareness into for-profit business models. Increasingly, embedding social programmes into business models of for-profit businesses could be an interesting strategy. Measuring the impact of these initiatives will be crucial in helping them scale.

Integrated reporting and the value it brings to communication

Integrated reporting can provide an opportunity to challenge the status quo around societal value and its importance in business strategy. Impact valuation provides a different way of understanding the value we create for society, and it becomes a powerful integrated tool to share with stakeholders. Knowledge of the value of impact measurement and integrated reporting contributed to the for-profit businesses to measure impact and understand how they interact with their society and environment in a more strategic and accountable way. Impact valuation can also assist societal investors in being an early part of a growing business development towards understanding real social value, doing it earlier and better, and hopefully inviting other like-minded social investors on the impact journey.

Integrated purpose

At the core of the impact assessment and valuation process is the concept of purpose. The purpose guides the measurement, and the impact metrics provide feedback on the effectiveness of the purpose. The concept of a purpose is at the core of who we are and the reason we do things as individuals, families, or businesses. It is common to see purpose formed around family values in philanthropy and corporate social responsibility. But, purpose cannot be compartmentalised into some activities, excluding others. It needs to encompass everything an organisation does, such as philanthropic grants, impact investing and traditional financial portfolios, industrial investments, business performance management, and overall leadership and engagement. Purpose will guide investments, and measurement will hold those investments to account for that purpose.

8

Looking forward

Impact valuation is an important emerging methodology that is crucial for guiding organisations towards better value creation in our society, which will provide more resilience and better performance for businesses. Although the maturity of the approach is still evolving, with standardisation a few years away, it is a methodology that can be deployed over any investment portfolio to guide an organisation's strategy and operations.

Historically, the challenge of measuring impact was at the root of many societal investor problems. Many believe that measurement is too complicated and expensive; they are uncomfortable with the idea of societal investors evaluating the performance of non-profits. What they do not see is that the current societal investor model leads to inefficiencies and often drives organisations to crowd out other sustainable solutions to the same problem. Funding sustainable businesses that can survive on their own past the start-up phase can overcome some of these challenges.

Without measuring impact and calculating value, we cannot ensure that SPOs find the capital needed to tackle the challenges we face. By understanding and reporting through impact measurement, societal investment can focus on financing more directly, maximising impact and attracting investment from the private sector, further motivating social entrepreneurs to innovate and scale. Investors want to see measurable financial and impact value creation. They want the organisations they invest in to take risks and reach new, ambitious performance and growth levels[40].

Our approach has been to kick-start this work of redefining value for Wilstar and the Arne and Lise Wilhelmsen family with respect to social investment, but with the longer-term objective of facilitating the development and measurement of the integrated purpose of all activities in full alignment with the family values.

The reconciliation of our economic and social values can only be achieved through being driven by impact data, and we hope that this white paper shows a clear and pragmatic way forward to fight myths and biases of thinking, including our double standard for measuring financial and societal value. Access to objective information and data will be key for supporting long-term value creation and ensuring a long-lived legacy in line with the aspirations of younger generations.

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40 Cohen, Ronald. **Impact** (pp. 120–121). Ebury Publishing.