EXECUTIVE SUMMARY

Increasing importance of the impact notion

The notion of impact was first used by public authorities in order to assess and measure the effectiveness of public policies, as a decision-making tool for a proper public funds allocation. The SSE community also used it to demonstrate he positive social impact of their activity in order to attract investors and subsidies. Since then, the notion has been used in financial and economic spheres. The impact of a company can be defined as "the effect that a company has or may have on the economy, the environment and the population, including its effect on human rights, as a result of the company's activities or business relations. Impacts can be proven or potential, negative or positive, long or short-term, intentional or not, reversible or irreversible. The notion of impact refers to the company's contribution, negative or positive, to sustainable development[1]".

The notion of impact offers a new perspective on company's responsability towards its environment and stakeholders. Corporate social responsibility (CSR) is indeed defined in the ISO 26000 standard as "the responsibility of a company towards the impacts of its decisions and activities on society and the environment, resulting in transparent and ethical behaviour that:

- contributes to sustainable development, including the health and welfare of society;
- takes into account the needs of stakeholders;
- respects existing laws and is compatible with international standards;
- is integrated throughout the organisation and implemented in its relationships.

[1] Definition of impact according to the European Financial Reporting Advisory Group (Efrag).

Considering impact as the consequence of a company's activity allows a deeper comprehension of the company's responsability. It helps defining to what extent the company is sustainable as well as the quality of the dialogue with its stakeholders, by using impact measurement methods relying on concrete and objectified data.

Therefore, the notion of impact plays a central role in corporate social responsability and creates new challenges for companies. They need to choose appropriate methodologies and perimeters in order to measure their impact properly. But impact analysis is more than a simple measure. It aims to be integrated into companies strategy to develop a more sustainable business model.

The necessity of impact measurement

Stakeholders expect greater transparency from economic actors about the economic, social and environmental consequences of their activities. Companies are called upon to take part in the transition to a more sustainable model, in particular within the framework of the United Nations Sustainable Development Goals.

Thus, companies are expected to assess their impact in order to meet these increasing challenges. They not only need to comply with new regulatory requirements, but also to meet the growing expectations of their stakeholders, such as investors in impact finance, contractors or customers.

The notion of impact is broad and it is important to identify which method is appropriate to the specific goals and constraints of companies. Is impact measured for communication purposes to investors or to consumers, for internal steering or for regulatory compliance purposes?

The purpose of impact measurement

The notion of impact covers all the consequences of a company's activity on its environment and stakeholders. The scope of impact analysis must be specific to the nature of the business and to the human and financial resources of the company. For instance, impact can be measured :

- at the level of a product, a sector of activity, a business unit, a geographical area;
- for regulatory compliance purposes;
- for communication with its stakeholders (investors, customers, principals, etc.);
- for internal steering purposes.

It is therefore crucial to clarify the scope and purpose of the impact assessments in order to choose an appropriate method and to obtain more transparent and unbiased results.

The selection of an appropriate impact measurement methodology

Choosing the appropriate impact measurement methodology requires to define the scope and objective of impact assessment by considering in particular:

- the business sector;
- the resources of the company. Depending on the frequency, the goals and the human and financial resources of the organisation, assesment can be outsourced or done in-house;
- the regulatory framework.

Anchoring impact in the company's strategy

Impact measurement helps to identify and develop companies contribution to society, offering support to maximize their positive impacts and reduce their negative impacts. Impact allows us to think about companies global performance in order to develop more sustainable business models.

Global performance refers not only to the financial performance of the company, but also to its environmental and social performance. Rooting the notion of impact in the governance and strategy helps developing a more responsible business model, integrating social, environmental consequences of companies activity in strategic decision making.

It is crucial in order to make companies strategies more sustainable to integrate impact into the governance. Indeed, it is important to carry this new vision of the company, as it offers new perspectives for strategic dialogue. In order to do so, it can be useful to create comittees devoted to impact or to define a raison d'être[2] or to become a "société à mission"[3].

Impact monestisation methods are an intersting tool to foster the inclusion of impact in companies strategic choices. They aim to translate specific social or environmental consequences of businesses into monetary value and makes it easier to compare with financial data. It allows making trade-offs and adds value to certain data. However, monetisation has methodological and conceptual limits and should be implemented with caution.

Impact must always be integrated into the governance and strategy by considering the sector and the human and financial resources of the company, particularly in order to remain feasible for SMEs and VSEs.

The notion of impact offers a new opportunity for companies to think about their activity, by considering its consequences on their stakeholders over a long period of time. Considering and measuring impact not only respond to a growing demand from markets, stakeholders and regulators, but also is a relevant tool to develop more sustainable strategies, within a global performance logic.

[2] As defined in Article 1835 of the Civil Code, "principles with which the company equips itself and for the respect of which it intends to allocate resources in the fulfilment of its activity". They may or may not be incorporated into the statutes.
[3] As defined in Article L210-10 of the French Commercial Code. It is a matter of a company publicly affirming its raison d'être, as well as one or more social and environmental objectives that it has set itself to pursue within the framework of its activity. This status is made possible under several cumulative conditions, in particular the implementation of a committee to monitor the raison d'être and the audit by an independent third-party organisation.