environmental LEADER
News and Best Practices for
Commercial & Industrial Environmental Professionals

Total Impact Valuation Gains Momentum Among

Multinationals

July 16, 2018 by Alyssa Danigelis

The Conference Board published a new study that takes a closer look at the total impact valuation. The analysis shows how this practice of quantifying and monetizing a company's economic, social, and environmental effects can be a useful metric.

Called "Total Impact Valuation: Overview of Current Practices," the study examines different approaches companies use to evaluate their total impact including the primary characteristics of these approaches, types of indicators measured as well as the similarities and differences between the approaches.
"While today this process is complicated and its results can be misleading, once refined, it has the potential to play an important role in the future of company reporting," the study says.

The Conference Board identified 14 companies worldwide that make the results of quantitative impact analyses, including both environmental and social impacts, publicly available. In addition, the companies use primarily quantitative approaches. Multinationals BASF, Samsung, and AkzoNobel are among them.

The analysis of their practices produced these four main insights:

- **Water use and greenhouse gas emissions are the most commonly monetized indicators.** "Companies typically select the indicators to include in their impact analyses based on a combination of data availability, measurability, and significance to their stakeholders," the study says. Other commonly monetized indicators from the sample companies were employee training and workplace accidents.
- **Total impact valuation is in the early stages.** "While still in its infancy, the practice has gained momentum to the extent that many accounting firms now have a presence in this realm," the study says. "Deloitte, EY, KPMG, and PwC have all established methodologies and provide relevant service offerings."
- **Only a handful of companies extend total impact valuation to the value chain.** "A valuation of impacts confined to just a company's own operations risks obscuring significant yet more distant downstream or mainstream impacts," the report notes. "Most companies engage in only this limited approach, due largely to the additional resources required for conducting a comprehensive analysis that includes its value chain."

- **Total impact valuation lacks a standard methodology.** “Variations in the methodologies used by companies makes meaningful comparisons across companies difficult, if not futile,” the study says. “For that reason, businesses should take with a grain of salt even the conclusions about the total impact valuation results of their own organization.”

Companies face unprecedented pressure to disclose environmental and social data, making total impact valuation a valuable tool, said study author Thomas Singer, a principal researcher in corporate leadership at The Conference Board.

As major fund providers push multinationals for improved ESG disclosures, new methodologies have been emerging such as an industry-specific disclosure framework from the Sustainability Accounting Standards Board (SASB) and a sustainable investing framework being developed by CUNY and Harvard University in partnership with UBS Asset Management.

Singer cautioned that corporate leaders still have a lot of work left to do around total impact valuation. “For the practice to gain more appeal across the globe, the business community must help to improve its key drawbacks — namely, the limited comparability of results given the absence of a standard methodology,” he said.