

Enterprise Action 8. Assess, compare, and monitor material impacts over time, with external benchmarks and between stakeholder groups and subgroups, generate options for increasing impact and make choices between options

Action is mapped to practice indicators as follows:

- ✓ Assess and compare material impacts based on methodology established in 7 (2.1.6, 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.6)
- ✓ Make choices between options to optimize impact and positive contribution to the SDGs (2.2.5)
- ✓ Monitor actual impact performance against expected impact and as against baselines, counterfactuals, and thresholds and act to optimize impact and contribution to the SDGs (2.3.1, 2.3.2, 2.3.4)
- ✓ Analyze deviations from expected outcomes and respond accordingly (2.3.3)

Guidance notes can be found below:

- ✓ **Assess and compare material impacts based on methodology established in 7 (2.1.6, 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.6)**

[Guidance Note 2.1.6](#)

See also Guidance note – Impact data collection and use

[Human Rights Based Approach to data collection](#)

The Danish Institute for Human Rights, a leading organization in the field of Business and Human Rights, stresses the importance of using a Human Rights Based Approach to data collection, based on the precepts of participation, data disaggregation, self-identification, transparency, privacy, and accountability.

[Data ownership](#)

The confidentiality, privacy and ethical considerations of collecting, using and sharing data involving or pertaining to stakeholders should be carefully and responsibly managed in line with human rights standards and the [United Nations System Organization principles](#). This starts with the recognition that the data belongs to the provider (i.e., the people experiencing the impacts) and that the enterprise is a steward of that data on their behalf. This includes informed consent or the International Standard of free, prior, and informed consent (FPIC) in relation to indigenous peoples where relevant, and taking into consideration cultural norms, legal requirements, personal data, safety, education, and literacy levels.

[Disaggregated data](#)

In accordance with the Fundamental Principles of Official Statistics (General Assembly resolution 68/261) indicators – where feasible, data is disaggregated by income, sex, age, race, ethnicity,

migratory status, disability and geographic location, or other pertinent characteristics that contribute to exclusion, inequality, or discrimination. Inclusive data sources may need to be expanded to counter shortcomings in available data sets and factors that might inadvertently compound disadvantage or discriminatory approaches.

Data quality

Impact data is actively managed, and its accuracy and completeness assessed to determine implications for decision-making, including:

- Determining the most appropriate data sources for the decisions that need to be made (i.e., enough precision for the decision)
- Where necessary, collecting data using more than one method or source (data triangulation, third party research and evidence) to corroborate findings and reduce risk (e.g. reliability, bias, relevance to context)
- Systematically checking assumptions and calculations and incorporating impact evidence risks such as checking data for double counting, drop-off rates and failure rates. This includes doing updates as needed.
- Ensuring the utility of the underlying raw data is not lost by taking it out of the context of other dimensions of impact (for example, not knowing the stakeholder group an outcome indicator relates to), or by aggregating the data in a way that may impede clear interpretation of the data and ensuring data can be compared on a period-to-period basis.
- ensuring transparent documentation and audit trails for impact data collected (including data sources, inferences and assumptions made, proxies used and any limitations) and including periodical reviews
- Assessing confidence in the data and documenting and factoring this risk into account in decision-making where confidence is low and making plans to improve confidence in future.

Risk-based approach to data verification or assurance

Decision makers will always need assurance that the information they have to inform their decisions is good enough for the decision. There is always a risk and this will need to be within the decision maker's risk appetite. If the consequences to stakeholders of decisions based on the data being wrong are high, for instance, the decisions have a big impact on stakeholders and are not easily reversed, more data and more formal assurance of the impact data being relied upon to make those decisions may be needed.

This may include collecting data using more than one method or source (data triangulation, third party research and evidence) to corroborate findings and reduce risk (e.g., reliability, bias, relevance to context) or seeking third party verification or assurance of the data.

Established criteria should be in place to guide when more data or third-party data validation or assurance of that data is required.

Guidance Note 2.2.1

See also Guidance note – Impact data collection and use

Using wellbeing as a consistent measure to value impacts

Impacts are the desired changes in wellbeing stakeholders experience resulting from the enterprise's decisions and actions. Aspects of wellbeing are economic, social, or environmental. Valuing impacts in a systematic way is important because it helps decision-makers make more objective decisions – generating options, choosing between those options, and making trade-offs in a consistent way. Without valuation, those decisions are often made based on underlying unconscious biases and assumptions which often reinforce existing inequities.

Using wellbeing to value and measure impacts requires taking into consideration:

- Stakeholders' views of the relative importance (value) of the outcomes they experience in making those trade-offs,
- material impact risks and stakeholders' risk appetite and tolerance for unexpected outcomes and
- interdependency of impacts and across the SDGs

The OECD Framework for Measuring Well-Being and Progress is an established framework for measuring wellbeing built around three components: current well-being, inequalities in well-being outcomes, and resources for future well-being.

There are a variety of qualitative, quantitative, and monetary approaches available for valuing impacts – or changes in aspects of wellbeing. The Standards do not prescribe one approach over another, rather expecting the decision-maker to select the most appropriate approach, taking into account the nature of the decision and the amount of precision required.

Making decisions in context

Making decisions in context means thinking holistically (informed by stakeholder perspectives and focusing on all material impacts in direct operations and through business relationships, as well as through upstream and downstream supply and value chains).

Making decisions in context requires an understanding of interdependency across the SDGs as actions in one area can impact other areas.

It also means taking into consideration where you are starting from (establishing baselines), understanding where you need to get to (what is needed in order to reach or exceed required thresholds in a timely way) and understanding what will happen anyway irrespective of what the enterprise does – or in other words, what contribution or difference the enterprise's decisions are making.

Leaving “no-one” behind

The enterprise should consider heterogeneity among stakeholders and seek to identify those most in need as this would potentially allow to maximize positive contribution to the SDGs.

Assessing the impacts on different groups and sub-groups of stakeholders separately is important to ensure the overarching objectives of the SDGs (to leave no one behind) are met – for example, by including previously excluded stakeholders, or by not creating benefits for one group of stakeholders at the expense of other stakeholder groups. This concept is linked to guidance note 2.1.6 on using sufficiently disaggregated data to make decisions.

Guidance Note – Impact data collection and use

(2.1.6, 2.1.7, 2.2.1, 2.2.4, 2.2.7, 2.3.5)

Impact data collection and use

This guidance note covers several indicators relating to a number of activities that underpin the SDG Impact Standards approach to impact management. These indicators refer to the data that would be collected to allow an enterprise to make decisions to increase its positive contribution to sustainability and the SDGs at a rate commensurate with stakeholder expectations and the SDG targets. These activities are data collection (2.1.6, 2.2.1), reporting and summarising data (2.2.7), generating options for increasing that contribution (2.3.1), assessing the risk in making decisions (2.2.4) and ongoing review of impact management approach (2.1.7, 2.3.5).

Management practice

This approach is based on identifying a complete set of material impacts (1.1.6) and a number of data points for each impact covering: the five dimensions of impact; a transparent stakeholder informed approach to quantifying the relative importance of different impacts (when making decisions between options with inevitable trade-offs); and include impacts along the whole enterprise supply and value chain, its products and services.

The process of engagement identifies expected changes to aspects of the well-being of people and planet. Deciding which are relevant (potential material impacts) and determining the relative importance of these and the extent to which they are caused by the enterprise becomes the expected material impacts. Once these are measured, the assessment results in the material impacts.

The requirements are:

- a complete set of material impacts (1.1.6);
- impacts defined as changes in well-being of people and planet caused by the activities of the organization (2.2.3); and
- all the data points (or metrics) for each impact (2.2.3).

This approach is designed to reduce the risk that the best option is not chosen and to increase the universe of potential insights that drive options to contribute positively to sustainability and the SDGs. Whilst many approaches to impact measurement focus on accurate measure of each impact,

few recognize the importance of data that does not relate to intended impacts but is critical to increasing performance.

Where data relates to proxies for impacts this also increases the risk that the wrong decision may be made. This risk may still be within the risk appetite of the organization and the tolerance of those who will experience the impacts.

Good decision-making is based on a combination of factors including the approach to data collection (what is collected from which source, how often, etc), the rate at which decisions are being made, the enterprise's understanding of risk, both to the enterprise and those experiencing the impacts, and the requirement to increase the likelihood that the enterprise is contributing positively to sustainability and the SDGs (and reduce the risk that it is not to an acceptable level). A fast rate of decisions based only on data relating to expected material impacts would not be sufficient. A low rate based on data requirements referenced in the Standards would not be sufficient.

The central risks are that the set of expected material impacts is incomplete (1.1.6), the data on each impact is incomplete or the data is inaccurate or not timely. In each of these situations the risk is that if the impacts or the data on impacts were complete, or if the inaccuracies were corrected, then a different decision would be made.

Measurement practice

The purpose of collecting data is to enable evidence-based decisions. Decisions are between options and the merit of each option are assessed in terms of their potential to increase the positive contribution to sustainability and the SDGs. Options are generated from the data. No enterprise can say that its approach to impact management is perfect or that it is making as much of a positive contribution to sustainability and the SDGs as possible (with existing resources). The enterprise should always be striving to improve its effectiveness and making changes across the business model.

The main means for generating options that lead to changes is by making comparisons, against targets, against past performance and against peers but also, critically, by comparing data for different data points between individuals with different characteristics but from the same stakeholder group. Evidence is required that the data is reported in a format that allows these comparisons to be made, the comparisons being made lead to insights and options and then to choices between options. Then the enterprise will monitor how the selected option is implemented and whether it is on track to achieving the expected results and impacts. An enterprise making comparisons but not subsequently making changes to its activities as a result would satisfy 2.3.1 but not 2.2.7.

Making decisions then requires a balance between the rate at which decisions are made and the data available to support the decisions. Where the available data does not cover all the requirements or where data relates to proxies for impacts, this increases the risk that the wrong decision may be made. This risk may still be within the risk appetite of the enterprise and the tolerance of those who will experience the impacts.

This does not mean a choice cannot be made. It means that the risk that the wrong decision may be made has increased.

Minimum data requirements

The enterprise should collate (2.1.7) and review its performance in generating insights and learning lessons from the data and acting on the results (2.3.5).

Whilst the balance of focus is towards decision making and responsiveness, there is nonetheless a minimum threshold for data collection. This is that:

- All expected material impacts are identified, i.e., in the sequence inputs, outputs, outcomes, aspects of wellbeing, at least outcomes and preferably aspects of well-being are the basis for measurement
- Where these are prioritized, the priorities relate to aspects of well-being (taking into consideration inequality within and between stakeholder groups) and include climate action, gender equality and decent work and also negative and positive expected impacts
- Data is collected for all metrics for those impacts expected to be most significant within context of the enterprise's resources together with a plan for collecting data on the others, which may include incomplete data or measurement at an earlier point in the above sequence
- Where output data has been used as the basis for decisions, this is appropriate in the context of the decisions recognizing the risk that this may not result in the optimal or even any positive contribution, for example a measured reduction in climate change emissions but with a non-measured increase in gender inequality.
- The assumptions are reviewed and updated when context changes.
- In deciding the balance between collecting statistically rigorous data (random samples) for the metrics for the most significant impacts and collecting some data for the metrics of all material impacts, the balance is on the risk associated with the intended decision. For many operational decisions at the rate required this is on some data on more metrics across more impacts. For strategy, business model and significant decisions this is on statistically rigorous data across all metrics and all material impacts.

As an example, an organization might identify ten expected material impacts, decide to measure all metrics for four, only the change without considering duration, causation, and relative importance for three and only the change in the outputs for the final three. Here an ambitious plan for addressing the data gaps together with an assessment of the risk of using this data in decision should be put in place.

Guidance Note 2.2.2

Additional guidance not provided.

Guidance Note 2.2.3

Risk management

Risk is unavoidable when making choices between options designed to increase positive contribution to sustainability and the SDGs. Risk as referred to in the Standards covers both the risk that the result will be less than expected and the uncertainty implicit within the impact management approach. There is uncertainty:

- that all the expected changes in aspects of well-being for people and planet have been identified;
- about the expected change (magnitude, duration, direction of the change) for each and in subsequent measurement; and
- about the extent to which proxies are good enough approximations, for example using outputs as proxies for impacts.

When making decisions between options it will often be a comparison between an existing way of doing things and a projected or forecast way of doing things. Choosing the option that is a forecast will be based on forecast data and not on actual data where there is more uncertainty. Approaches to impact measurement based only on measuring past impact could reduce an enterprise's willingness to choose options based on expected impact and reduce the rate of decision making and therefore are unlikely to be sufficient.

The approach to impact management is designed to reduce measurement uncertainties to an acceptable level, in general but specifically in 2.2.1.4 and 2.2.4.3. Uncertainty in forecasting is in part addressed in 2.1.7, 2.1.6.3, 2.1.6.4. The enterprise should consider options, and its approach to forecasting should be consistent with the approach to measurement, informed by past experience or other research and, depending on risk assessment, supported by sensitivity.

Within 2.1.6, the enterprise needs to understand the risk that the impact will be less than expected has consequences, potentially both for the enterprise and for the people experiencing the impacts. This could range from slightly lower positive impact than expected to a negative impact. It could include a positive impact for the majority of the group in line with expectations but a negative impact for a minority of the group. Forecasts and scenario planning should consider these risks, that the actual impacts do not occur as and when expected. It should also include risk tolerance from those that would experience the negative impacts.

Guidance Note 2.2.4

See also Guidance note – Impact data collection and use

See also Guidance note 2.2.1 – Using wellbeing as a consistent measure to value impacts

Selecting metrics

Collecting, monitoring, and evaluating data and metrics requires a resource commitment – from both the enterprise and those it collects data from. Therefore, data and metrics selection should focus on information that is decision-useful and proportionate to the decision being made (i.e., enough precision for the decision), including taking into consideration the risks to stakeholders if decisions based on that data and metrics results in outcomes that are different from what is expected.

When selecting metrics, there are benefits of choosing standardized metrics as they allow aggregation for portfolio analysis and comparison (not only between options but also vis a vis external organizations). Standardized metrics are more likely to be clearly defined and use the same unit of measure. There is also more data publicly available for standardized indicators. However,

first and foremost, the focus should be on selecting data and metrics that are decision-useful, which may require the use of internally generated, non-standardized or bespoke metrics.

When it is not possible to obtain reliable impact metrics, proxies (activity or output metrics) are often used instead. When using proxies, it is important to determine whether there is a strong enough and evidence-based causal link between the activities or outputs and the intended impacts and take into account additional risks that using proxies may present in decision-making.

Guidance Note 2.2.6

Comprehensive independent impact evaluations

Comprehensive impact evaluations are generally third-party independent assessments undertaken by qualified evaluators. These are additional to the regular impact assessment and monitoring activities conducted internally by management. An independent comprehensive impact evaluation may be appropriate where the potential impacts (especially risks to stakeholders) are especially high (for example, a large mining operation situated on indigenous lands). They won't be feasible (on a cost-to-value basis) for many activities, nor relevant to many types of impact decisions enterprises will need to make.

The criteria to undertake comprehensive and independent impact evaluations should be defined, transparent and based on:

- the size of the activity/project (in absolute and relative terms)
- the expected impact and impact risk (including with respect to human rights)
- the country and sector risk
- the learning potential (e.g., activities/projects in new markets and sectors)
- the strategic importance of the activity/project
- the newness of the intervention (e.g., pilots)

Results of any comprehensive impact evaluations should also be made available to stakeholders.

- ✓ **Make choices between options to optimize impact and positive contribution to the SDGs (2.2.5)**

Guidance Note 2.2.5

Choices, options, and trade-offs

Decision making means making choices between options, addressed in the enterprise's approach to internal reporting and summarising data (2.2.7), generating options for increasing that contribution (2.3.1), and assessing the risk in making decisions (2.2.4). The choices will invariably involve making trade-offs. There may be trade-offs between positive and negative impacts within an option as well as trade-offs between the positive and negative impacts in different options, or potentially impacts experienced by different people. Although the thresholds represent minimum levels, there may be

situations where all the options include impacts that do not meet thresholds and the choice is the 'least bad.'

The indicator focuses on transparency and maximizing. Transparency requires those trade-offs to be transparent and transparency requires that those involved in the decision start with a common measure, informed by the people that will or have experienced the impacts. 2.2.4.1 refers to valuation using well-being as a common measure. Maximizing the contribution means that the decisions consider the positive and negative impacts in the round and the implications for any positive contribution where options include impacts that do not meet thresholds.

Enterprises should recognize these challenges, have a documented approach to trade-offs, an approach to a common measure of valuing what is important to the people who experience impacts, and ensure that decisions made have considered trade-offs.

- ✓ **Monitor actual impact performance against expected impact and as against baselines, counterfactuals, and thresholds and act to optimize impact and contribution to the SDGs (2.3.1, 2.3.2, 2.3.4)**

Guidance Note 2.3.1 and 2.3.3

Monitoring

Monitoring means comparing progress in the achievement of impact (performance) against the ambitious and rigorous targets (targets based on the measurement requirements in 2.1.6).

The enterprise should have a framework to identify, analyze, and report internally on deviations from expected performance and the reasons why these happen as well as mechanisms in place to take corrective actions to address any deviations. Potential actions include a justified change to targets, a change to aspects of the business model or a decision to accept the difference without further action. Changes to the business model represent a subset of alternatives to be considered (2.3.3.1). Although the focus should be on first addressing negative impacts (2.3.3.2), the enterprise should also collect data on unexpected positive impacts to influence design of products and services and to increase future targets (2.3.3.3).

The deviations are opportunities for insights that lead to consider options for improved decision-making in 2.3.3.1. For the avoidance of doubt, mitigation plans include options to avoid negative impacts and/or diminution or cessation of future positive impacts.

A critical source of insights is comparison of the impacts, across the dimensions, experienced by a stakeholder group based on different characteristics within the group. Alternative characteristics or groups of characteristics should be considered, differences reported, and insights generated, and options created, and choices made.

Guidance Note 2.3.2

Risk management – data gaps

The risk that impacts will not occur as and when expected increases where there are data gaps. These arise when an enterprise is using predetermined lists of outputs, outcomes, or changes in aspects of well-being instead of meaningful stakeholder engagement as the basis for measurement or where data is not collected for all the data points for each material impact.

Predetermined lists increase the risk that relevant potential material impacts are not identified thus affecting what is prioritized and what decisions are made. Missing data points also increase the risk since having incomplete data could affect decisions.

Recognition of the risks to both quantity and quality of decisions and therefore for determining whether there is a positive contribution to sustainability and the SDGs is needed and to the extent there are significant gaps, an ambitious plan put in place for developing the approach subject to 2.1.6.

Guidance Note 2.3.4

Additional guidance not provided.

✓ **Analyze deviations from expected outcomes and respond accordingly (2.3.3)**

Guidance Note 2.3.1 and 2.3.3

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A critical source of insights is comparison of the impacts, across the dimensions, experienced by a stakeholder group based on different characteristics within the group. Alternative characteristics or groups of characteristics should be considered, differences reported, and insights generated, and options created, and choices made.