

EXECUTIVE SUMMARY

Impact Accounting Pilot in Colombia



1. Introduction and Strategic Context

Over the past decade, impact accounting has emerged as a structural response to the limitations of traditional financial accounting and sustainability reporting frameworks. While financial statements remain effective in reflecting the economic performance of organisations, they systematically exclude the social and environmental impacts - both positive and negative - that business activities generate for people, territories, and ecosystems. At the same time, ESG and sustainability reporting, while valuable for transparency and accountability, still faces important challenges in terms of comparability, methodological consistency, and direct usefulness for strategic decision-making.

In a context shaped by interconnected crises - including climate change, biodiversity loss, rising social inequalities, and increasing regulatory pressure - it is becoming increasingly clear that business management models based solely on financial indicators fail to adequately reflect the real costs and benefits borne by society. Investors, financial institutions, regulators, and multilateral organisations, among other strategic stakeholders, are increasingly

demanding information that enables them to understand not only the economic performance of organisations, but also the social and environmental value they create or destroy across their operations and value chains.

Impact accounting therefore emerges as a necessary evolution, enabling organisations to identify, measure, and monetise the effects they generate on human wellbeing and natural capital, and to integrate these dimensions into business and investment decision-making. In this context, global initiatives such as those led by the International Foundation for Valuing Impacts (IFVI) - now under Capitals Coalition's Impact Valuation Standards Board (IVSB) - aim to lay the foundations for impact accounting systems that support more informed and responsible decisions.

It is within this context that the Impact Accounting Pilot in Colombia was developed, as an applied, decision-oriented exercise designed to generate practical evidence on the feasibility and strategic usefulness of these methodologies within the Colombian business context.



2. Participating Companies, Pilot Cases, and Results

Following an open call involving 48 organisations led by Impacto Colombia, seven companies were pre-selected for an introductory workshop, and three were ultimately selected to participate in the pilot, representing different sectors: financial (Bancolombia), energy (Frontera Energy), and consumer goods (Juan Valdez). The selection was based on three criteria: maturity of sustainability practices, availability of up-to-date reporting, and sectoral diversity.

The work with each company followed a collaborative process between the organisation and the team from Valuing Impact and Social Value International, structured in four stages:

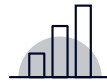


Definition of the problem: each company identified the strategic decision-making question it aimed to address through the valuation exercise.



Construction of impact frameworks:

based on that question, Impact Frameworks (or Impact Pathways according to IFVI) were designed, mapping the causal routes between the activities of each initiative and their effects on people's wellbeing and the natural environment.



Data collection: each company was asked to provide the information required to feed the model, working with data already available in their internal systems and complementing it with secondary data from external sources where gaps existed.



Construction of IP&Ls: based on this

information, integrated profit and loss statements were developed for each initiative, quantifying and comparing the social value generated.



3. Results

The results of each valuation exercise were developed by the Valuing Impact team in close collaboration with each company and subsequently shared for review and discussion. The sections that follow present, for each case, the valuation approach, the strategic question addressed, the key findings, and the decisions these results enable.

Bancolombia

Bancolombia has identified decarbonisation as a core pillar of its sustainability strategy. Through its partnership with the BONO platform, the bank aims to enable clients to measure their carbon footprint and implement reduction strategies, particularly through clean energy and energy efficiency projects, while also facilitating access to financing. However, the evaluation of these investments has so far been limited to tracking tonnes of CO₂ avoided. While this is a meaningful metric, it does not fully capture the broader social and environmental value generated by each intervention.



The programme provides a practical and precise overview of international best practices in impact measurement

**Sustainability Manager,
Bancolombia**

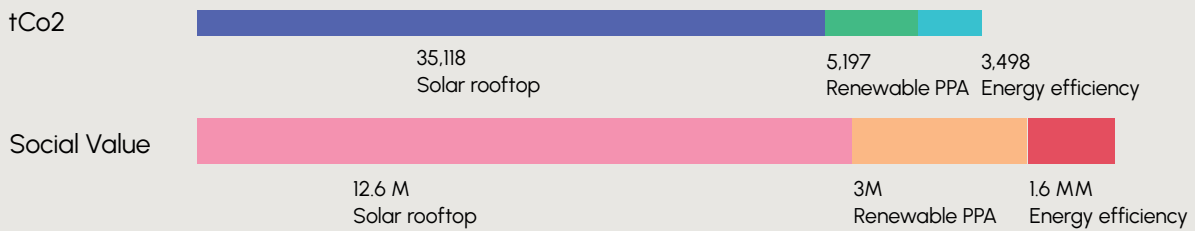
Strategic question: Which decarbonisation option has the greatest potential to generate social value?

What was done: Four decarbonisation projects from the BONO platform - rooftop solar, renewable PPA, energy efficiency, and fleet electrification - were evaluated using operational and financial data provided by the company, complemented by environmental valuation factors. An IP&L was developed for each alternative, quantifying the social value generated across natural, social, and human capital.

Key result: The four initiatives generate a combined estimated social value of USD 17.8 million. Rooftop solar leads in both absolute emissions reduction (35,118 tCO₂) and total social value (USD 12.6M), while fleet electrification delivers the highest social value per tonne avoided

(USD 665, compared to USD 360 for rooftop solar). The IP&L also highlights that air pollution, and the use of non-renewable resources are the most significant contributors to social value after climate change.

Social Value – Initiatives from the BONO Platform



Decisions enabled:

The IP&L introduces a new analytical lens for decision-making, shifting the focus from tonnes of carbon avoided to total social value generated. This enables Bancolombia to allocate capital more effectively, prioritise the most impact-efficient alternatives, strengthen transparency with investors, and demonstrate - through monetised evidence - how its financing decisions contribute to social and environmental wellbeing.

Key learnings from the exercise:

In this exercise, more than 40% of total social value is generated by impacts beyond CO₂ reduction, significantly expanding BONO's value proposition beyond carbon metrics.

The IP&L shows that prioritising initiatives based on emissions avoided versus total social value leads to different rankings, enabling a more nuanced decision logic for portfolio prioritisation and differentiation.



The support provided by the initiative's partners offers valuable insights into the Bank's processes.

Sustainability Manager, Bancolombia

Frontera Energy

Frontera Energy operates in the hydrocarbons sector in Colombia and generates significant volumes of water as a by-product of its extraction activities. The company has invested in water treatment infrastructure, including the SAARA reverse osmosis plant; however, it lacked a framework to evaluate and compare the socio-environmental value of alternative uses for treated water.



The exercise helped us see more clearly the social and environmental impact of our plant. Beyond compliance, we now have better tools for making operational decisions based on sustainability criteria

Andrés Sarmiento

VP of Corporate Sustainability and People,
Frontera Energy

Strategic question:

Which produced water management alternative delivers the highest socio-environmental return?





What was done:

Four alternatives for the use of treated water were modelled, oil palm irrigation, nature-based solutions (forest regeneration), community domestic use, and community agricultural use, using operational data from Frontera (CAPEX, OPEX, volumes, energy, and chemicals), complemented by international literature to estimate impacts on ecosystem services, agricultural productivity, income, and living conditions. An IP&L was developed for each alternative.

Key result:

All modelled scenarios generate a positive net impact. Forest regeneration delivers the highest social return on investment (SROI of 1.6—indicating that for every dollar invested, USD 1.6 of social value is generated), primarily driven by ecosystem services and carbon sequestration. Community water use and plantation irrigation generate SROI of 0.4 and 0.7, respectively. The IP&L also highlights that 98% of the environmental impact associated with the SAARA plant's operation is driven by energy consumption, pointing to a clear opportunity to reduce impact using cleaner energy sources.

SROI generated by Frontera Energy initiatives

Million of USD	Human capital	Natural capital	Social capital	Total	SROI
 Water treatment	0.07	(3.8)	0.06	(3.7)	-
 Irrigation of palm plantations	5.0	(0.8)	-	4.1	0.7
 Water for communities	5.8	0.6	-	6.4	0.4
 Nature regeneration	-	18.5	-	18.5	1.6

Decisions enabled:

Frontera can reposition an operational by-product as a lever for local development by directing future investment towards alternatives with the highest socio-environmental return. The results also strengthen engagement with communities and regulators, particularly in permitting processes, by providing monetised evidence of the benefits associated with each alternative.

Key learnings from the exercise:

When assessed through an impact lens, excess treated water shifts from an operational liability to a strategic asset for local development, strengthening its role in engagement with communities, regulators, and licensing processes.

SROI results across alternatives provide an evidence base to structure new investment or financing mechanisms linked to the socio-environmental value of water use, particularly in ecosystem regeneration, where social returns exceed those of conventional productive alternatives.



Measuring the impact of treated water use has given us a better understanding of the benefits and risks to crops. This is key information for making more responsible production decisions.

Andrés Sarmiento

VP of Corporate Sustainability and People,
Frontera Energy

Procafecol - Juan Valdez

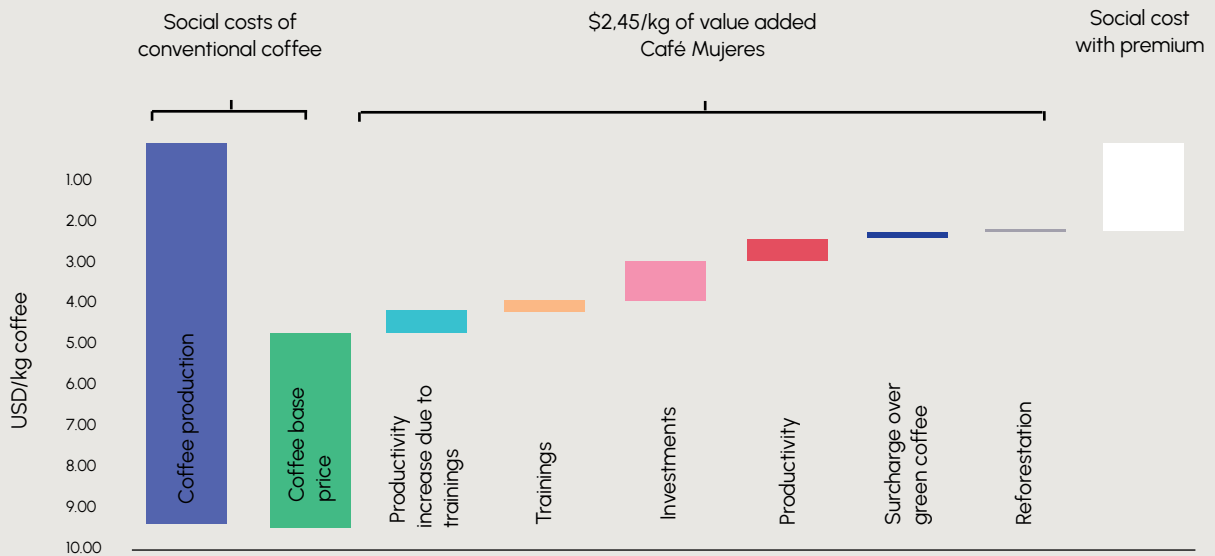
Procafecol S.A., through its Juan Valdez brand, implements the *Mujeres Cafeteras* project, which promotes the social and economic empowerment of women coffee growers by commercialising their coffee and increasing the visibility of their work through brand communications. The initiative also seeks to encourage good agricultural practices, strengthen producer associations, and foster environmental stewardship, all through a gender-equity lens. However, the organisation lacked quantified evidence to demonstrate the programme's full value beyond operational indicators such as the number of beneficiaries or the volume of coffee sold.

Strategic question: How can the value of the programme be quantified and demonstrated to support communication with partners and investors, and inform its scaling?

What was done: The impacts of the project in Valle del Cauca (41 women beneficiaries, 2023) were valued using data provided by Procafecol on training, production, prices, investments, and environmental practices. An IP&L was developed to quantify impacts across human, social, and natural capital, and the social value per kilogram of coffee produced was estimated in comparison to conventional industry practices.

Key result: The project generated a total of USD 244K in positive impacts, equivalent to approximately USD 6K of social value per beneficiary. Procafecol generates an additional USD 2.45 per kilogram of coffee, driven by productivity increases, training, territorial investments, price premiums, and reforestation activities.

Impact Valuation – Mujeres Cafeteras Programme



Decisions enabled:

Monetisation reframes the project from a shared value narrative into decision-relevant financial evidence, enabling Procafecol to justify scaling and replication to partners, clients, and investors.

Key learnings from the exercise:

The IP&L enables the identification of the highest value-generating levers within the programme with precision, providing decision-relevant insight on where to allocate resources to maximise impact when scaling.

Despite operating in a sector with inherent environmental externalities, the analysis shows that a well-designed programme can offset and exceed these impacts, delivering a differentiated and measurable value proposition in the market.

4. Conclusions and Strategic Insights

The pilot demonstrates that impact accounting is both technically feasible and strategically relevant in the Colombian context. The monetisation of impacts enabled the comparison of alternatives, the prioritisation of actions based on their social and environmental value, and the complementing of traditional sustainability indicators, thereby expanding the information base available for business and investment decision-making.

The main challenges identified relate to the availability, quality, and traceability of data, as well as the use of proxies, reinforcing the importance of strengthening internal data governance. Notwithstanding these challenges, the Impact Accounting Pilot in Colombia represents a significant milestone in the early adoption of advanced impact valuation methodologies in Latin America, establishing a solid foundation for scaling these practices, strengthening regulatory dialogue, and advancing towards decision-making more closely aligned with long-term social and environmental value creation.

From the implementation of the pilot, the following key findings and learnings emerge:



Strong business interest in impact measurement and valuation. The pilot confirmed a clear demand from companies to move towards more rigorous methodologies for measuring and valuing impact. While there is increasing awareness of the need to internalise externalities and strengthen evidence-based decision-making, there remains a gap in technical capabilities and access to standardised frameworks that enable practical implementation.



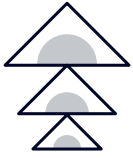
Data availability and coordination as the main constraint. The primary bottleneck was not methodological, but operational: the time and effort required to identify, collect, and validate data across different organisational areas and systems. Although much of the required data already existed, limited governance, interdepartmental coordination, and traceability created delays and constrained the depth of the analysis.



Methodological validation through a scoped application. The pilot validated the robustness of the methodological approach, albeit within a deliberately defined scope. Prioritisation of specific impact areas enabled testing in concrete scenarios; however, several relevant impacts - both positive and negative - were not captured due to time constraints, data limitations, and scope definition, highlighting the need for future expansion.

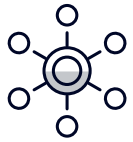


Scaling requires executive sponsorship and organisational openness. The implementation of a robust IP&L requires strong C-suite commitment to mobilise teams, prioritise resources, and enable access to key information. It also depends on an organisational culture that is open to recognising negative impacts as inputs for improvement, rather than solely as reputational risks.



Combining top-down and bottom-up approaches is critical. The pilot experience suggests that effective scaling requires a dual approach: top-down, leveraging proxies, valuation factors, and standardised assumptions to enable agility; and bottom-up, engaging internal and external stakeholders to validate data, enrich insights, and strengthen the credibility of results.

Strategic recommendations for scaling:



Integrate impact accounting into strategic decision-making. The pilot demonstrates that impact metrics provide insights beyond traditional indicators (e.g. tonnes of CO₂ avoided or number of beneficiaries), enabling more cost-effective and value-driven decisions. These metrics should be embedded in strategic committees, investment prioritisation processes, and portfolio management.



Expand measurement towards social and community impacts. While environmental impacts were more readily measurable, capturing social impacts remains more complex. There is a need to advance towards more comprehensive models that quantify changes in income, wellbeing, employability, community resilience, and access to opportunities—where the combined use of approaches such as eQALY and SROI is particularly valuable.



Advance methodologies for disclosure and transparency. Initiatives such as True & Fair provide a strong reference for linking socio-environmental information with financial reporting. Organisations should explore mechanisms to incorporate relevant externalities into financial statement notes, integrated reports, or periodic IP&L exercises.



Strengthen institutional capabilities and organisational culture. The adoption of impact accounting requires not only technical tools but also a culture oriented towards evidence-based management. Continued training, technical support, and cross-functional collaboration are essential to build and sustain internal capabilities in impact measurement and valuation.

Taken together, this pilot demonstrates that Colombia has organisations with the willingness, maturity, and leadership required to advance towards more transparent, comparable, and value-driven models of management and reporting. Continuing along this path will enable more organisations to integrate impact accounting into strategic decision-making, contributing to more informed choices, more responsible markets, and economic development that is better aligned with the country's social and environmental challenges.

5. Methodological Approach of the Pilot

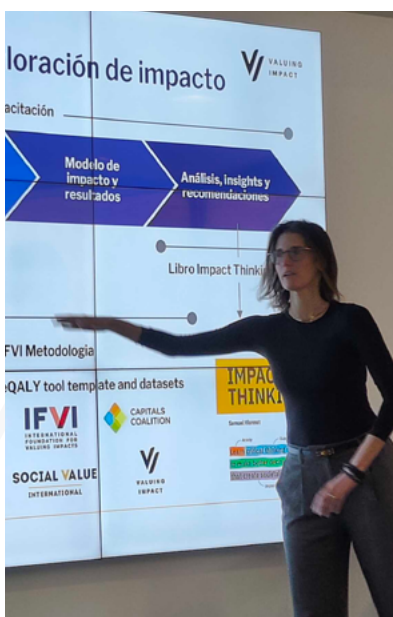
The Impact Accounting Pilot in Colombia was designed and implemented based on the conceptual and methodological framework developed by IFVI, which provides a coherent structure to understand, measure, and value the impacts that organisations generate on people and the environment. This approach has as its central purpose to inform decision-making in sustainability by integrating social and environmental considerations into business management.

According to the IFVI glossary (General Methodology 1), the project is grounded in a clear definition of impact, understood as a change in one or more dimensions of people's wellbeing, either directly or through a change in the condition of the natural

environment. This definition clarifies that the focus of analysis lies on changes in human wellbeing and the condition of the natural environment.

On this basis, impact accounting is defined, in line with IFVI (General Methodology 1), as a system for measuring and valuing the impacts of corporate entities and generating impact information to inform decisions related to an entity's effects on sustainability. While the concept of impact defines what changes should be assessed, impact accounting establishes how these changes are organised, quantified, and used, thereby forming the methodological foundation of the pilot and guiding the selection of tools applied.

Impact Pathway



According to IFVI (General Methodology 1), drawing on ISO definitions, the Impact Pathway is defined as the series of consecutive causal relationships that begin with the inputs to an entity's activities and link its actions to resulting changes in people's wellbeing. In this context, it functions as a conceptual tool to represent and analyse the causal relationships between an organisation's activities and the impacts they generate. Its main function is to make explicit the chain of causality that connects decisions and actions with changes in wellbeing that constitute impact.

The Impact Pathway is composed of the following elements:

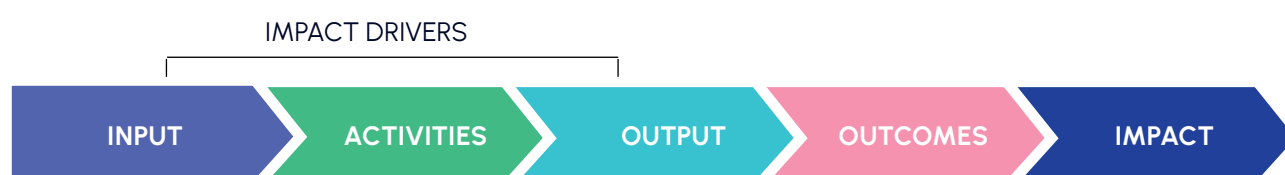
Inputs: The resources and business relationships that the entity draws upon for its activities.

Activities: Everything that an entity does, including operations, the procurement of inputs, the sale and provision of products and/or services, as well as any supporting activities. Activities span a large number of different actions that altogether contribute to outputs and ultimately, outcomes and impact.

Outputs: The direct result of an entity's activities, including an entity's products, services, and any by-products.

Outcomes: The level of well-being experienced by people or condition of the natural environment that results from the actions of the entity, as well as from external factors. Outcomes are used to describe the one or more dimensions of people's well-being that are affected by an input, activity, and/or output.

Estructura conceptual para la contabilidad de impacto



Source: IFVI, General Methodology I: Conceptual Framework for Impact Accounting

Within the framework of the pilot, Impact Pathways were referred to as Impact Frameworks and were used to structure the causal analysis, identify the points at which relevant changes occur, and define which outcomes could subsequently be translated into valued impacts, in line with the IFVI definition.

Impact Profit & Loss (IP&L)

The Impact Profit & Loss (IP&L) is an impact accounting tool aligned with IFVI that enables the integration of social and environmental impacts into a structure comparable to a financial income statement. Its purpose is to present, in monetary terms, the social and environmental value created or destroyed by an organisation as a result of its activities.

In the pilot, the IP&L was used as the primary instrument for integration and synthesis, enabling the consolidation of monetised impacts across the value chain, the comparison of strategic alternatives, and the translation of impact information into a format that is understandable and useful for management teams, finance functions, and investors. The IP&L does not replace traditional financial statements but rather complements them by expanding the view of organisational performance.

eQALY

The eQALY (equivalent Quality-Adjusted Life Years), developed by Valuing Impact, is a valuation methodology that enables the estimation of changes in people's wellbeing based on variations in their quality of life. This approach is consistent with IFVI, as it explicitly focuses on changes in human wellbeing.

In the context of the pilot, eQALY was used to value social impacts associated with dimensions such as health, safety, income, capabilities, and living conditions, particularly in cases where changes in wellbeing are not directly reflected in observable economic variables. The results obtained through this approach were subsequently integrated into the IP&L.

Social Return on Investment (SROI)

SROI, according to Social Value International, is a framework for measuring and accounting for social value. In practice, it is commonly applied as an impact valuation approach that estimates the relationship between the resources invested in an activity and the social value generated, typically expressed as a ratio of value created per unit of investment, based on the identification and valuation of changes experienced by stakeholders.

Within the framework of this pilot, SROI was used as a complementary approach to reinforce the interpretation of the results of the IP&L, providing an additional perspective on the relationship between investment and social value creation. In particular, SROI enabled the contextualisation of IP&L results from the perspective of value generated per unit of investment.

True & Fair Approach

The True & Fair Project, hosted by Social Value International (SVI), is an initiative that challenges the way financial profit is calculated by seeking to ensure that company accounts reflect the real costs of doing business. It does so by supporting the recognition of social and environmental impacts and dependencies, often treated as hidden costs, that are not currently reflected in traditional financial statements but are borne by society and the natural environment. In this context, True & Fair promotes the inclusion of such information within financial statements, drawing on existing legal and accounting frameworks to support directors in meeting the requirement to present a true and fair view of organisational performance. Rather than introducing new standards, it explores how impacts that have already been identified and, where possible, valued

can be incorporated within existing reporting frameworks.

In the context of the pilot, True & Fair provided a reference framework to reflect on the relationship between impact, profit, and financial disclosure, and to explore how the results of impact accounting can inform decision-making by directors, investors, and accounting professionals. In particular, it supported consideration of how hidden costs and risks associated with impacts and dependencies could be disclosed, without constituting a formal financial reporting exercise.

Interdependence of Methodologies in Impact Valuation

Impact valuation in the pilot is structured as an integrated methodological system, rather than a set of standalone approaches. Within this system, IFVI - now under Capitals Coalition's Impact Valuation Standards Board (IVSB) - acts as the overarching framework that defines the principles, concepts, and overall logic of impact accounting, ensuring coherence in how impacts are understood, measured, and used for decision-making, while maintaining conceptual and methodological consistency throughout the exercise.

On this basis, IP&L, eQALY, and SROI operate as complementary analytical lenses applied to the same underlying impacts, rather than as independent methodologies generating separate results. IP&L expresses impacts in monetary terms within a structure analogous to a financial income statement; eQALY enables the capture of changes in human wellbeing that are not directly reflected in economic variables; and SROI provides context on the relationship between resources invested and the social value generated. Together, these approaches offer distinct but interrelated perspectives on a single phenomenon, enabling a more comprehensive, consistent, and decision-relevant interpretation of impact.

Finally, True & Fair connects this integrated system to financial accounting logic by highlighting how social and environmental impacts and dependencies, often invisible in financial statements, can inform the interpretation of profit and financial disclosure. In this way, the system as a whole enables a progression from impact measurement and valuation to its integration into decision-making, while maintaining conceptual coherence and practical applicability across different business contexts.



6. Scope Delimitation of the Pilot

To ensure the effectiveness of the pilot and the timely delivery of results within available resources and capacities, the application of impact accounting methodologies was deliberately focused on specific business lines or initiatives, rather than covering the entirety of each company's operations.

This approach was designed to secure internal stakeholder commitment, facilitate data coordination across organisational areas, and anchor each valuation exercise in a clear decision-making context. By narrowing the scope, the pilot balanced ambition with feasibility, prioritising

initiatives that were both strategically relevant and materially significant.

The pilot acknowledges that companies generate a broader range of impacts across their operations and value chains that were not captured in this initial phase. Nevertheless, this approach establishes a realistic and replicable foundation for future expansion, contingent on strong executive-level leadership and robust internal data governance systems.



Contributions & acknowledgements

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