



Impact Academy

Report on Impact Evaluation Methods and Regulations in Partner Countries

PREPARED BY:

**Impact Academy
consortium**



www.impactacademyproject.eu



Co-funded by
the European Union

Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Education and Culture Executive Agency (EACEA). Neither the European Union nor EACEA can be held responsible for them.

IMPACT ACADEMY

Report on Impact Evaluation Methods and Regulations in Partner Countries

Introduction

This report provides an in-depth overview of the regulatory frameworks and impact assessment methods in the EU, France, Italy, Spain, North Macedonia, and Turkey. The purpose of this report is to analyse the existing legal frameworks and impact evaluation methods that influence impact investing and social entrepreneurship in these countries. Through this comprehensive analysis, the report highlights the key regulations, tools, and standards used to assess social and environmental impacts across different regions and sectors.

Regulatory Overview by Country

European Union

The European Union (EU) has established various directives that influence the regulations surrounding impact evaluation across its member states. These include requirements for sustainability reporting, environmental impact assessments, and frameworks for integrating social and environmental factors into business and financial operations. The EU's approach promotes harmonization and aims to ensure that companies report their impacts transparently, with a growing emphasis on aligning with global standards for sustainability and social responsibility.

1. **Non-Financial Reporting Directive (NFRD)**

The **NFRD** (2014/95/EU) requires large public-interest companies to disclose non-financial information, such as details on environmental protection, social responsibility, and human rights practices. This directive applies to companies with over 500 employees and encourages the adoption of international standards like the **Global Reporting Initiative (GRI)**, **ISO 26000**, and the **UN Global Compact**. The NFRD aims to increase transparency and accountability regarding the environmental and social impacts of large companies.

2. **Corporate Sustainability Reporting Directive (CSRD)**

The **CSRD** (EU Directive 2022/2464) entered into force in 2023 and expands the scope of sustainability reporting to include large companies, listed SMEs, and non-EU companies generating substantial revenue in the EU. The CSRD introduces mandatory **European Sustainability Reporting Standards (ESRS)**, which cover **environmental, social, and governance (ESG)** aspects. Companies are required to disclose their impacts on people and the environment, as well as how social and environmental issues create financial risks and opportunities.

3. **Environmental Impact Assessment (EIA) Directive**

The **EIA Directive** (2014/52/EU) regulates the environmental impact assessment

of large public and private projects. These include infrastructure projects such as highways, nuclear plants, and waste disposal facilities. Social impacts are often considered as part of the overall assessment, ensuring that projects do not adversely affect local communities and ecosystems.

4. **Sustainable Finance Disclosure Regulation (SFDR)**

The **SFDR** (EU Regulation 2019/2088) requires financial market participants to disclose their sustainability risks and impacts, with the aim of increasing transparency and promoting sustainable investments.

France

France has been a leader in integrating social responsibility into its legal framework, with laws designed to promote transparency and sustainability in both the public and private sectors.

Specifically the PACTE (Plan d'action pour la croissance et la transformation des entreprises) law has been implemented since 2019. This law is based on the fact that 51% of French people believe that a company should be useful to society as a whole, ahead of its customers (34%), employees (12%) and shareholders (3%).

This law aims at taking in account the social and environmental issues with different proposals:

- Modification of the civil code to propose a specific status for companies with a sustainable development mission.
- This law proposes that 1 to 2 employees become board members in the board of directors.
- A higher transparency and equity in remuneration
- An increase of sanctions for companies that do not respect gender equality
- Parity procedure for executive committee recruitment
- Big companies have to publish a RSE report

We also have an anti-waste law for a circular economy (AGEC) was enacted on February 10, 2020 to reform the way products are consumed and manufactured. It has five main objectives:

- Act for solidarity-based reuse and against waste ;
- Combat programmed obsolescence;
- Stop the use of disposable plastic;
- Better inform consumers;
- Improve production by optimising waste management.

A number of regulations have been added to the AGECE law since it came into force. Today, companies are affected by the following main measures:

- A ban on single-use plastic: tableware, straws, cutlery, non-biodegradable packaging for fruit and vegetables sold in bulk. Companies must give priority to the manufacture or use of reusable plastic products.
- Displaying the reparability index: companies are required to inform consumers of the reparability of the electronic and electrical appliances they market (vacuum cleaners, lawnmowers, pressure washers, televisions, laptops, smartphones, washing machines and dishwashers). These products are rated out of 10 according to their degree of reparability.
- A ban on the destruction of unsold non-food products: when distributors, importers or producers are unable to sell new non-food products, they must reuse, recycle or donate them.

Italy

In Italy, the concept of social impact and its assessment has gained significant attention in recent years.

The introduction of Law 106/2016 marked a pivotal moment, as it formally incorporated the concept of social impact assessment (SIA) into national legislation for the first time. The law entered into force on 3 July 2016.

According to the law, SIA is defined as 'the qualitative and quantitative assessment, in the short, medium and long term, of the impact of the activities carried out on the community concerned, having regard to the objective identified' (Law 106/2016, art. 7, para. 3). A controversial aspect of the reform is that it involves a plurality of stakeholders (funders, donors, recipients of interventions, workers, volunteers, citizens, local authorities) not only as 'readers' of the final document, but as active participants in the evaluation process through their opinions and observations, contributing to the context and needs analysis.

According to art. 7, paragraph 3, the Ministry of Labour and Social Policy, shall draw up guidelines on social balance sheets and social impact assessment systems of the activities carried out by third sector organisations. The SIA is therefore understood as a qualitative and quantitative assessment of the impact of the activities on the reference community in relation to the objectives set.

With this law, the Italian government was mandated to adopt, within twelve months from the date of entry into force of the law, one or more legislative decrees on the reform of the third sector, with specific reference to the guidelines on SIA.

The decree of 23 July 2019 included the publication of guidelines for the implementation of social impact assessment systems for the activities of third sector organisations.

The legislator identifies social impact assessment as the tool through which third sector organisations can communicate to their stakeholders their effectiveness in creating social and economic value, align their operational objectives with the expectations of their stakeholders, and increase their attractiveness to external funders.

The Guidelines for the Implementation of Social Impact Assessment Systems for the Activities of Third Sector Organisations, adopted pursuant to Article 7(3) of the Law, define common criteria and methodologies that enable organisations to conduct

assessments based on objective and verifiable data. These evaluations, carried out using qualitative and quantitative methods, provide for a system of indexes and impact indicators, correlated with the information contained in the Social Report, and are intended as an experimental evaluation tool to generate a conceptual and measurable process in the medium and long term.

Specifically, the impact assessment is applicable to interventions and actions of medium and long duration (at least eighteen months) and an economic entity of more than 1,000,000 euros, developed interregionally, nationally or internationally. There are different approaches to measuring social impact, and ETSs are free to choose the metrics most appropriate to the nature of their activities and projects. The system of social impact assessment is structured in such a way as to guarantee a high degree of autonomy to organisations, while respecting certain principles and minimum content.

With regard to the characterising elements (process and measurement), the decree first points out that there are different approaches, each of which promotes certain types of logic through different metrics and measurement techniques, and concludes that it is up to the ETS to choose the SIA metrics most appropriate to the type of activities and projects carried out by the organisation.

A reference framework for the social impact assessment system to be used is provided, structured in such a way as to guarantee a high degree of autonomy for organisations, while respecting certain principles and minimum contents.

These are the listed principles that the SIA should be inspired by

- **Intentionality:** the evaluation system must be linked to the evaluation of the strategic objectives of the organisation;
- **Relevance:** inclusion of all useful information to demonstrate the general interest pursued and the community dimension of the activity carried out.
- **Reliability:** accurate, truthful and fair information, with specific reference to data sources;
- **Measurability:** activities subject to evaluation that can be expressed in quantitative terms must be adequately measured. To this end, ETSs (Enti Terzo Settore) will need to provide for an evaluation system that identifies: a) the value dimensions that the activities pursue; b) the indices and indicators that are consistent with the activities being evaluated and that allow for comparability over time, transparency

and public communication and accountability of the SIA and stakeholder participation process.

The process should make explicit the elements that make up the following dimensions of analysis:

- Evidence of the process of participation in the definition of the value dimensions of impact measurement by a range of representative stakeholder groups, both internal and external to the organisation (employees, beneficiaries, relevant institutions, suppliers, and reference communities...);
- Activities: processes aimed at responding to the needs of people in a given territory on the basis of the social mission that the organisation has chosen to pursue;
- Services: activities that are codified and therefore standardised in terms of both cost and regulation (accreditations, conventions);
- Projects: processes that have a predetermined, non-continuous duration, with the aim of identifying new solutions and thus shifting the frontier of services and activities thanks to the results of the project;
- Inputs: understood as production factors, human and financial resources used, own and external factors
- Outputs: understood as products, goods, and services resulting from the activities carried out;
- Results: understood as the indirect results of one's own actions, the effects, and changes achieved in the lives of the subjects involved and of individuals in general, in relation to the territories and the general context that are the object of the activities.

The process of measuring social impact should include the following stages:

- Analysis of the context and needs with the participation of stakeholders
- Planning of impact objectives
- Analysis of activities and choice of methodology, tools, and timing of measurement in relation to the objectives set and the characteristics of the intervention;
- Evaluation: assigning value, i.e. meaning, to the results obtained through the measurement process;
- Communicating the results of the evaluation, which will constitute the information

base for the reformulation of the strategies and consequent objectives that the organisation will set for the future development of its initiatives.

Spain

In Spain, impact assessment is closely linked to environmental and social impact frameworks:

- Environmental Impact Assessment (EIA) Law (2013)

Law 21/2013 regulates the environmental impact assessment of projects that may affect the environment. Although the law primarily addresses environmental concerns, it also requires social impacts to be considered as part of the overall assessment process.

- B Corp Certification

The B Corp certification is a well-recognized private-sector impact assessment tool in Spain. Companies certified as B Corps must meet rigorous standards of social and environmental performance, accountability, and transparency. The certification process includes an impact assessment tool, which evaluates companies on their impact across several categories, including community engagement, environmental sustainability, and worker treatment.

- ESIMPACT Study (2019)

ESIMPACT, a nonprofit association in Spain, published a comprehensive study on social impact measurement. The study provides insights into the state of social impact measurement in Spain and highlights the growing interest in this field, although impact measurement practices are still in the early stages of development.

North Macedonia

In the Republic of North Macedonia, there is legislation that pertains to environmental impact assessment (EIA) rather than specifically social impact assessment (SIA). However, the EIA process often includes considerations for social impacts alongside environmental impacts.

The Law on Environment in North Macedonia, adopted in 2005, governs environmental impact assessments for projects and activities that may have significant environmental effects. While this law primarily focuses on environmental impacts, it also requires consideration of social impacts as part of the overall assessment process. The Environmental Impact Assessment Commission, established under this law, is responsible for reviewing project proposals and determining whether an EIA is required.

Although there isn't specific legislation dedicated solely to social impact assessment in North Macedonia, projects subject to EIA requirements are expected to address social impacts as part of the assessment process. This may include evaluating potential effects on communities, livelihoods, cultural heritage, and social well-being.

Regarding the methods mentioned in your list:

- 1. Global Reporting Initiative (GRI):** While GRI standards primarily focus on sustainability reporting, they may include indicators related to social impacts. Organisations in North Macedonia may use GRI standards voluntarily to report on their social and environmental performance.
- 2. Impact Reporting and Investments Standards (IRIS):** IRIS provides metrics and standards for impact measurement and management, including social impact. While there may not be specific legislative references to IRIS in North Macedonia, organisations interested in impact measurement may use IRIS as a framework for reporting on social outcomes.

3. Integrated Reporting (IR): IR integrates financial, environmental, social, and governance information into a single report. While IR may not be mandated by legislation in North Macedonia, organisations may voluntarily adopt IR principles to provide comprehensive reporting on their social and environmental performance.

4. Social Reporting Standard: It's unclear which specific standard or framework you're referring to with "Social Reporting Standard." However, similar to GRI and IR, organisations in North Macedonia may use social reporting standards voluntarily to communicate their social performance.

5. Popular Financial Reporting: This term is not commonly recognized in the context of social impact assessment or reporting. If you're referring to popularised financial reporting methods or formats, they may not have direct relevance to social impact assessment in Macedonia.

6. ROI (Return on Investment): While ROI is primarily a financial metric, it can indirectly reflect social impact when used to evaluate investments in social programs or projects. However, it's not typically considered a method for formal social impact assessment in the context of legislation in Macedonia.

In summary, while there may not be specific legislative references to social impact assessment methods in Macedonia, organisations may voluntarily adopt international standards and frameworks, such as GRI and IRIS, to assess and report on their social impacts. Additionally, social impacts are considered as part of the broader environmental impact assessment process under the Law on Environment.

Turkey

In Turkey, Social Impact Assessment (SIA) is integrated into broader Environmental, Social, and Governance (ESG) frameworks:

- **Turkish Sustainability Reporting Standards (TSRS)**
Introduced in 2023, the TSRS mandates certain companies to report on their ESG performance, including social and environmental impacts. These standards align with international sustainability reporting frameworks and require companies to assess and disclose their environmental and social performance alongside financial results.
- **Environmental Impact Assessment (EIA) Regulations**
Updated in 2022, the EIA regulations in Turkey now include requirements for assessing the social impact of projects. These regulations ensure that new developments consider not only environmental but also social factors such as community well-being and public health.
- **Borsa Istanbul's ESG Reporting**
Since 2017, Borsa Istanbul has incorporated ESG performance into its annual reports, requiring listed companies to disclose their progress in addressing sustainability and social responsibility.
- **Green Bonds and Sustainable Financing**
Turkish financial institutions have actively engaged in issuing green bonds and promoting sustainable financing, which are aimed at funding projects with positive social and environmental outcomes.

Conclusion

The analysis of impact evaluation methods and regulations in the EU, France, Italy, Spain, North Macedonia, and Turkey reveals a growing commitment to integrating social and environmental considerations into business and regulatory practices. While the legal frameworks for environmental impact assessment are well-established in most countries, social impact assessment remains less formalized, though it is gaining attention, especially in the private and third sectors.

Countries like France and Italy have taken significant steps in formalizing social impact assessments, while others, such as Turkey and North Macedonia, are integrating social considerations into broader ESG and environmental impact regulations. The adoption of international standards such as the Global Reporting Initiative (GRI) and B Corp certification is helping to standardize and enhance the reporting of social and environmental impacts across sectors.

While progress is being made, further alignment and harmonization of impact assessment frameworks across countries analyzed, are needed to ensure consistency, transparency, and effectiveness in measuring and reporting social and environmental impacts.

Sources:

Legislation and Official Documents:

- Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial and diversity information by certain large undertakings and groups. *Official Journal of the European Union*. Retrieved from <https://eur-lex.europa.eu/eli/dir/2014/95/oj>
- Commission Guidelines on Non-Financial Reporting (2017/C 215/01). *Official Journal of the European Union*. Retrieved from [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01))
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting. *Official Journal of the European Union*. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>
- Regulation (EU) 2023/2772 of the European Parliament and of the Council of 13 December 2023 establishing European sustainability reporting standards. *Official Journal of the European Union*. Retrieved from <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32023R2772>
- Italian Ministry of Labour and Social Policies. (2019). Guidelines for the implementation of social impact assessment systems for activities carried out by Third Sector Entities. Retrieved from <https://www.lavoro.gov.it/documenti-e-norme/normative/Documents/2019/DM-23072019-Linee-guida-realizzazione-sistemi-valutazione-impatto-sociale-attivita-svolte-dagli-ETS.pdf>
- Italian Legislative Decree No. 112/2017 of 3 July 2017 on the reform of the Third Sector. *Gazzetta Ufficiale della Repubblica Italiana*. Retrieved from <https://www.gazzettaufficiale.it/eli/id/2016/06/18/16G00118/sg>

Reports and Guidelines:

- Spanish Data Protection Agency (AEPD). (n.d.). Data Protection Impact

Assessment (DPIA). Retrieved from <https://www.aepd.es/preguntas-frecuentes/2-rgpd/10-evaluacion-de-impacto#:~:text=La%20Evaluaci%C3%B3n%20de%20Impacto%20en,a%20cabo%20con%20los%20mismos>

- Ministry for the Ecological Transition and the Demographic Challenge (Spain). (n.d.). Glossary of Environmental Impact Assessment. Retrieved from <https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/evaluacion-ambiental/glosario.html#evaluacion-de-impacto-ambiental>
- Ministry for the Ecological Transition and the Demographic Challenge (Spain). (n.d.). Environmental Assessment. Retrieved from <https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/evaluacion-ambiental.html>

Articles and Publications:

- Norton Rose Fulbright. (n.d.). *Doing Business in Turkey: Environmental, Social and Corporate Governance (ESG)*. Retrieved from <https://www.nortonrosefulbright.com/en/knowledge/publications/f049ea76/doing-business-in-turkey-environmental-social-and-corporate-governance-esg>
- Mondaq. (n.d.). *An Overview on Environmental Impact Assessment Procedures in Turkey*. Retrieved from <https://www.mondaq.com/turkey/environmental-law/103760/an-overview-on-environmental-impact-assessment-procedures-in-turkey>