



## **Public Comment Letters**

### **Social Methodology 1: Adequate Wages Topic Methodology**

IFVI in partnership with the Value Balancing Alliance released the exposure draft for *Social Methodology 1: Adequate Wages Topic Methodology* for public comment from February 8 to April 8.

Comment letters are public and can be accessed below. Views expressed in any comment letter represent those of the relevant respondent. They do not represent the views of IFVI, VBA, the VTPC, or any of their representatives or directors. Comment letters are presented without revision, with adjustments only made as necessary for formatting purposes.

## Public Comment Submissions

1. [Ari Joury](#)
2. [RG Sciences](#)

## 1. Ari Joury

Hello,

Thanks again for presenting your methodologies on GHG and adequate wages last month. I'm hereby adding some small comments that you might choose to implement in your final release.

### **GHG methodology**

- You state that present research has not yet captured all the impacts of GHG emissions. Can you briefly state what types of impacts have been captured by research, and what types might be yet to come?
- The choice of a 2% dynamic discount rate is fair enough, but is perhaps a little too low — inflation is often well above 2%, right? On the other hand I can understand that the future might be discounted too much in many modern markets.
- Can you expand on the scenarios you use for assessing the social cost of carbon? Often, scenarios such as RCP-8.5 are used in simulations, but they are in fact quite unlikely.
- Why should scope 1, 2, 3 upstream, and 3 downstream be discounted separately? If the value factor for all GHG emissions is the same, this should not be necessary.

### **Adequate wages methodology**

- I agree that both remuneration impact and living wage deficit impact should be included. I'd like to see more detail on how the living wage deficit impact might be quantified!
- I agree with the use of the World Happiness Report's analysis as the basis of WUI factors. Overall, I find this methodology quite compelling in its simplicity.
- I would appreciate a comment, analogous to that in the GHG methodology, that simulations of wages across the value chain are appropriate where reliable data is not available.

I'm happy to respond to any further questions from your side, and I thank you for your important work!

All the best,

**Ari Joury, PhD**

*Founder & CEO*

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## 2. RG sciences

# Request for Public Comment

## Question 1: Inclusion of both remuneration impact and living wage deficit impact within the scope of the exposure draft

1. Based on the reasons articulated above, do you agree with the inclusion of remuneration impact as an element of positive impact on workers, and why or why not?

Yes, it is one of the largest impacts a company has on society and therefore should be captured.

2. Is the articulation of remuneration impact and its rationale clear? Is it clear how the default reference scenario drives the existence of remuneration impact for wages below a living wage?

The rationale and articulation of remuneration impact are clear, and the default reference scenario adequately explains its existence below living wages. However, the explanation of the living wage deficit impact is lacking somewhat. While its calculation seems intuitive, further references to support the methodology would be beneficial. There is robust academic research supporting wage utility calculations, but the evidence for living wage deficit calculations appears less substantial.

3. Do you agree that both remuneration impact and living wage deficit impact should be included within the scope of the Adequate Wages Methodology, bearing in mind they are not added together, or should they instead be separated in separate methodology statements? We support the inclusion of both within the same scope, as they are essential for defining the overall wage impact. Agreeing also with the decision not to aggregate them due to their methodological differences. The remuneration impact captures the utility of wages paid and the living wage deficit captures a somewhat fuzzier idea of a utility that should be there but is not.

## Question 2: Valuing the impact of wages on subjective well-being and the “well-being utility of income” approach

1. Do you agree with the use of subjective well-being in the Exposure Draft, and why or why not?

Yes. Wage impact works through the experience of the employee who is getting paid. Consequently, subjective well-being is the most appropriate metric to capture this effect. This approach aligns with RG Sciences' use of willingness to pay for assessing the impact of products on customers.

2. Do you agree with the Exposure Draft's use of a WUI approach, which focuses on the well-being consequences of wages, and why or why not?

Yes, we believe the idea of focusing on the well-being consequences of wages is the right idea. Yet, the methodologies for calculating WUIs and the setting of a linear relationship between wages and well-being require further clarification. The choice of a linear model raises questions, especially considering academic preferences for logarithmic utility functions, (exemplified by the World Happiness Report's formula:  $\text{Wellbeing} = 0.3 \cdot \log(\text{income})$ ). Clarifying these choices would enhance the draft's comprehensibility and alignment with established research.

3. Do you agree with the use of the World Happiness Report's analysis as the basis of WUI factors, and why or why not?

The draft would benefit from an expanded discussion on the interplay between well-being and income. A well-articulated connection could solidify the World Happiness Report's role as a foundational source, given its credibility and consistent updates. Emphasizing this link would reinforce the appropriateness of leveraging the report for establishing WUI factors.

### Question 3: Application of the exposure draft to workers in an entity's value chain

1. Is the Adequate Wages Methodology, considered in its entirety, appropriate to be applied equally to workers in an entity's workforce and value chain?

The Adequate Wages Methodology is appropriate for application across the entire workforce and value chain, provided it comprehensively captures other critical externalities, such as health & safety, diversity, training, and leave policies (e.g., sick, maternity, paternity).

2. Does the Exposure Draft provide sufficient guidance for how entities should handle data incompleteness?

Companies usually do not report granular wage data, which makes it difficult to calculate their wage impact companies. We built a model using a log normal distribution to model wages as a work around.

3. What additional guidance would be valuable, either within the Adequate Wages Methodology itself or via a separate mechanism?

We would like to see more explanations on some of the basic assumptions. Why is a linear function used? How are the inflection points defined? How do you set the diminution multiplier? Where exactly does the well-being utility of income come from? How is the link between income and well-being defined?