

## MEETING MINUTES

### Valuation Technical & Practitioner Committee

**Meeting type:** Quarterly Meeting

**Date:** May 22, 2024

**Location:** Virtual

**Contact:** Dan Osusky ([dosusky@ifvi.org](mailto:dosusky@ifvi.org))

*This paper has been prepared for discussion of the Valuation Technical and Practitioner Committee (VTPC).*

*The mandate of the Valuation Technical and Practitioner Committee (VTPC) is to direct, validate, and approve the impact accounting research and methodology produced by the cooperation of International Foundation for Valuing Impacts (IFVI) and the Value Balancing Alliance (VBA). The VTPC has been established under Terms of Reference to ensure independence and multi-stakeholder perspectives.*

*This paper does not represent the views of IFVI, the Value Balancing Alliance, or any individual member of the VTPC. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of impact accounting methodology.*

---

#### **Objective:**

- The objective of the meeting was to discuss and highlight the current research in General Methodology 2 and Topic Methodologies on water consumption and occupational health and safety (OHS) as well as gathering general feedback from the VTPC members to proceed with the development of the Exposure Drafts.
- Additional objectives include providing an overview on the Methodology Architecture, Downstream Consumer Methodology and next steps.

## Meeting Agenda:

Time (EST)	Topic
9:00-9:10 a.m.	Welcome and Updates
9:10-9:35 a.m.	<ul style="list-style-type: none"><li>• Public Comment Preliminary Analysis and Next Steps</li></ul>
9:35-10:00 a.m.	<ul style="list-style-type: none"><li>• General Methodology 2: Impact Measurement and Valuation Techniques (GM2) Feedback and Next Steps</li></ul>
10:00-10:25 a.m.	<ul style="list-style-type: none"><li>• OHS Feedback and Next Steps</li></ul>
10:25-10:50 a.m.	<ul style="list-style-type: none"><li>• Water Consumption Feedback and Next Steps</li></ul>
10:50-11:00 a.m.	<ul style="list-style-type: none"><li>• Conclusions and Updates on Other Workstreams</li></ul>

### Welcome and Introduction

- All members of the VTPC (“member” or “members” hereinafter) are welcomed to the meeting and the technical staff provided the following updates:
  - i. A preliminary analysis of the public comment letters will be shared but more feedback is expected from VBA’s piloting.
  - ii. All Methodologies are presented as pre-exposure drafts and feedback from this meeting will inform the Exposure Drafts that will be presented for approval in the June VTPC meeting.
  - iii. It is assumed that members have reviewed the pre-read materials, allowing sufficient time for discussion.
  - iv. A series of short surveys would be conducted during the meeting to gauge members' opinions on the presented drafts. Finally, there will be a brief overview of next steps and logistical items.

## Adequate Wages and GHG Emissions Summary

- The technical staff presented an overview of the public comment period held from February 8 to April 30, 2024, for *the Exposure Draft of Social Methodology I: Adequate Wages Topic Methodology*.
  - i. 24 comment letters received, containing 240 total comments, including 183 comments that addressed the 5 questions posed for consultation.
  - ii. 15 countries represented - with most letters from Europe (15), followed by North America (4), Asia (4), and Oceania (1).
  - iii. 6 stakeholder groups represented — with most letters from Impact Ecosystem and Non-Profits (9) and Consulting (8), followed by Academia and Research (2), Companies (2), Investors (2), and Public Sector (2). \* Total sums to 25 instead of 24 because 1 letter categorized as both Public Sector and Impact Ecosystem and Non-Profits.
- The technical staff also provided an overview of emerging themes on Adequate Wages public comment letters.
  - i. The public comment letters are divided on whether to include remuneration impact as an element of positive impact
    - a) 7/18 (39%) letters in favor and 11/18 (61%) letters opposed.
    - b) Arguments raised in favor include remuneration is a significant impact on society and entities play an important role in providing opportunities that enhance the well-being of people
    - c) Arguments raised against include detraction from living wage deficit impact and human rights, disagreement with the default reference scenario and risk of impact-washing.
  - ii. The public comment letters are divided on use of subjective well-being as outcome measure
    - a) 12/18 (67%) letters in favor and 6/18 (33%) letters opposed.
    - b) Arguments raised in favor include wide use by international organizations and governments, global consistency and ability to capture impacts on overall well-being more comprehensively.
    - c) Arguments raised against include lack of clarity to companies about the tangible effects of their activities on workers, credibility concerns due to inherent subjectivity and lack of resonance with stakeholder.
  - iii. The public comment letters support application to value chain workers in principle, but want more guidance

- a) 10 out of 11 letters agreed the Topic Methodology should apply equally to value chain workers, acknowledging shifting business norms and consistency with sustainability reporting frameworks.
- b) 11 letters desired more guidance to manage data gaps. E.g., delimitation of the types of modeling that may be used, case studies, calculation tools, and detailed protocols like the PCAF Standard for GHG emissions.

- The technical staff presented an overview of the public comment period held from February 8 to April 30, 2024, for *the Exposure Draft of Environmental Methodology I: GHG Emissions Topic Methodology*.
  - i. A total of 17 letters were received including 117 individual comments to the 5 questions.
  - ii. 13 countries were represented. 9 letters came from Europe, 4 from North America, 2 from Asia and 1 each from Oceania and South America.
  - iii. Most letters came from consulting (5), impact investing (4), and non-profits (3). 5 other categories were also identified.
- The technical staff also provided an overview of emerging themes on GHG Emissions public comment letters.
  - i. The Social Cost of Carbon (SCC) approach and 2% dynamic discount rate
    - a) 8/11 letters were supportive of the SCC approach with additional comments around concerns the value is too low and clarification around averaging two models.
    - b) 6/12 letters were supportive of a 2% dynamic discount rate, matching prevailing understanding. Several asked for further detail around why this was chosen.
    - c) 2 letters, each expressed concern that the discount rate was too high or too low. These arguments were mostly around the implications for the value factor.
  - ii. Scope 3 emissions: data gaps and separate presentation
    - a) 6/11 were supportive of the presentation and guidance of data gaps in scope 3 including the alignment with the GHG Protocol. 3 letters asked for more detail in filling data gaps.
    - b) 13/14 letters were supportive of the separation of upstream and downstream emissions.
  - iii. Clarity of content
    - a) All 9 letters expressed general praise for the clarity and structure. 4 letters further encouraged more detail around filling GHG data gaps and real-world examples of the decision-usefulness of GHG impact accounts.
    - b) 4 letters asked for more detail about how the value factor was derived to be put in the main text. No letters expressed concern about the equations or calculations.

- iv. Offset projects, purchased carbon credits, renewable energy certificates, and/or avoided emissions
  - a) 6/10 letters were supportive of future development of these topics and consider them necessary and urgent. 2 letters said these should not be considered at all.
- v. Additional feedback
  - a) Other topics mentioned in feedback included (1) concerns about converting methane to CO<sub>2</sub>e, (2) establishing mapping relationships to other frameworks (SEAA, Global Biodiversity Framework, SDGs), and (3) providing multiple value factors at different discount rates or climate projections.
- The technical staff proposed next steps on Exposure Drafts for both Adequate Wages and GHG Emissions.
  - i. Immediate Next Steps
    - a) The technical staff will complete formal coding of all comment letters into one of three categories:
      - Change reflected in the Approval Draft
      - Additional research required by technical staff prior to reflecting in Approval Draft
      - Change not reflected, either because the topic is planned for a future statement, the comment was not representative of overall feedback, and/or the comment was not relevant for the objective of the Topic Methodology.
    - b) The technical staff will also review learnings from piloting with VBA member companies.
  - ii. Going Forward
    - a) GHG Emissions:
      - The technical staff proposes moving forward with a revised GHG Emissions Topic Methodology Draft for final approval by the VTPC.
    - b) Adequate Wages:
      - Based on substantive divergences of opinion in the feedback, the technical staff proposes conducting further research and stakeholder engagement prior to presenting a revised methodology for approval by

the VTPC. This also enables further discussion and input from the VTPC itself.

- Members provided the following comments for the Adequate Wages and GHG Emissions summary:
  - A member asked whether there was a sense for the level and type of background of those who provided the comments.
  - A member asked whether those who disagreed recognized that wages are a component of "GDP Value Addition" which is an important component of financial and produced capitals impact.
  - The technical staff stated that more precise data can be provided after formal processing of comment letters. However, there was some recognition of wages as a component of GVA, but not all the letters that opposed inclusion of remuneration impact mentioned this point.
  - A member asked whether the comments that oppose remuneration impact inclusion were predominantly by NGO participants, recognizing that most comments in general were not from the group that would ultimately use the methodology (preparers).
  - The technical staff stated that of the 11 Adequate Wages comment letters that opposed the inclusion of remuneration impact, 6 were from the "Impact Ecosystem and Non-Profits" stakeholder group and 5 were from the "Consulting" stakeholder group.
  - A member asked whether it would be possible to make more of an effort to get more letters from companies and preparers. There should be more diversity in letters received.
  - The member also stated that the lack of diversity is concerning and that the technical staff should leverage the network VBA and VTPC members to get more letters.
  - It was acknowledged by technical staff that this would partially be addressed by the input from the piloting process, which is focused on company input.

## **VBA Piloting Feedback - Practitioners' input from applying proposed methodologies**

- The technical staff provided an overview of the VBA's piloting which included the following:
  - i. VBA Piloting Process
    - a) VBA member companies are committed to pilot the methodology developed by the partnership between IFVI and VBA. In a large-scale testing, VBA members are applying the methodologies across the value chain and collect feedback throughout the process in form of submitted results, questionnaires, and discussion sessions for additional context.
  - ii. Role of Piloting in Due Process
    - 4.3 Public Exposure and Piloting
      - a) Piloting by corporates and market testing with investors will provide essential feedback on the practical applicability of the proposed methodology. Feedback from piloting and market testing will be considered as input by the VTPC for proposed new or revised methodologies and future workplans. Results of piloting as it informs methodology development will be made transparent through incorporation into public comment responses and any basis for conclusion publications.
      - b) Both public commenting and piloting feedback complement each other. Feedback from stakeholders will be incorporated impartially (without preference to inputs from specific stakeholder groups), and in accordance with the stated principles above.
    - iii. VBA piloting feedback will be provided in aggregated form and without attribution to individual companies.
- Members provided the following comments:
  - A member stated that piloting will be addressing mainly the "feasibility" aspect of the methodology less so other aspects, like usability, credibility, etc.
  - A member emphasized that one of the arguments for not including the remuneration impact is greenwashing. Therefore, companies involved in the piloting should have interest in direct consultation and have experience in applying the living wage.



- The technical staff stated that it is essential to figure out how to balance feedback from different groups. The technical staff also noted that feedback from the consultation is not monolithic but rather there are trends and divergence in the responses. Any further stakeholder engagement regarding Adequate Wages must include balancing different points of view.

## **General Methodology 2: Impact Measurement and Valuation Techniques**

- The technical staff provided an overview of the statement, stating that the purpose of GM2 is to outline the entity-specific data required to prepare impact accounts and describe the quantitative methods used to measure and value impacts in impact accounting.
- The technical staff also stated that GM2 provides guidance on how to choose the most suitable methods for measuring and valuing impacts.
- The technical staff also emphasized that GM2 is primarily written for two audiences:
  - a) methodology developers of standardized impact pathways; and
  - b) preparers of impact accounts.
- The technical staff voiced that the methods and techniques are not intended to be exhaustive and will evolve as impact accounting develops.
- The technical staff provided an overview of the foundational frameworks and resources used to develop the statement as well as a summary of each chapter in GM2 which included the following.
  - i. Chapter 2: Data requirements and impact drivers
    - a) Describes the data required to prepare impact accounts.
    - b) Provides guidance on data sources and modeling techniques to estimate data when gaps exist.
  - ii. Chapter 3: Defining outcomes and measuring impacts
    - a) Outlines the process for creating well-defined outcomes and describes methods that can be used to measure impacts.
    - b) This section also lays out the role of well-being in impact accounting.
  - iii. Chapter 4: Monetary valuation
    - a) Describes the conceptual foundations for monetary valuation, including how the preferences of individuals can be interpreted monetarily.
    - b) Provides guidance on valuation techniques.
- The technical staff introduced the following proposals in the presentation.
  - i. Key Proposal 1: The Role of Well-being in Impact Accounting

In the Methodology, outcomes and impacts are defined by dimensions of people's well-being. Proposals in this section include:

- a) The OECD Framework for Measuring Well-being sets out the dimensions of well-being but is not meant to be exhaustive.
- b) What is ultimately measured by impact accounting are changes in the well-being of people.
- c) Entities contribute to society by affecting:
  - current well-being dimensions; and/or
  - capitals, or future well-being dimensions.
- d) An entity can affect a current well-being dimension without affecting a capital, and vice-versa.

ii. Key Proposal 2: Well-defined Outcomes and Impact Materiality

The process of clearly defining outcomes determines what is included in impact accounts. Proposals in this section include:

- a) Impact pathways may contain one or more outcomes related to a sustainability topic.
- b) Each outcome should be well-defined by identifying:
  - the affected stakeholder; and
  - the dimensions of well-being.
- c) The following applications of the qualitative characteristic of relevance should be considered to determine whether an affected stakeholder group or a dimension of well-being is material.

- **Affected stakeholder group**

- (i) Degree of separation.

A greater degree of separation may reduce decision-usefulness. The technical staff stated that the degree of separation is between the entity and the affected stakeholder. For example, workers of the entity will be considered but not necessarily the educational attainment of those worker's children.

- (ii) Whether the affected stakeholder is society in general.

- When society in general is the affected stakeholder group, an impact may be caused by a diffuse set of factors, potentially reducing the reliability with which the significance and/or its attribution can be established.

- **Well-being Dimension(s)**

- (i) Significance of the impact. A dimension of well-being is more relevant as the significance of the impact increases.

iii. Key Proposal 3: Considerations for Selecting a Valuation Technique

The role of monetary valuation is to translate a change in well-being into monetary terms by reflecting the preferences of individuals. Proposals in this section include:

- a) The valuation of an impact is performed with a value factor that estimates the relative importance, worth, or usefulness of an impact.
- b) The DRAFT definition of a value factor is:
  - A value factor translates the information that an entity collects across its operations into insights on the relative importance, worth, or usefulness of an impact.<sup>1</sup>
- c) Valuation technique such as market-based, cost-based, revealed preference, stated preference, and subjective well-being valuation should be selected using:
  - the fundamental qualitative characteristics of faithful representation, comparability, verifiability, and understandability; and
  - the following considerations:
    - Total economic value (TEV): A value factor should capture as much of the total economic value an affected stakeholder places on an impact as possible.

---

<sup>1</sup> To be updated pending final Transparency Criteria of the Value Commission.

- Certainty: A value factor should reflect the preferences of individuals with the greatest degree of certainty possible.
  - Quality of proxy: A value factor should serve as a reasonable interpretation of preferences.
  - Commonly used and accepted: All other things being equal, a valuation technique should be selected that is consistent with relevant industry-practice and the latest academic research and is commonly used in order to enhance the comparability and understandability of impact information.
- Members provided feedback to the discussion questions.
  - A member voiced the following points:
    - They are happy that individual well-being dimensions are considered.
    - The technical staff should be careful when designing pre-defined impact pathways to ensure that negative impacts are not overlooked in favour of the positive impacts.
    - A stakeholder perspective should not be lost when defining proxies for well-defined outcomes. Regardless of the valuation technique, the stakeholder perspective should be considered.
  - A member agreed with the previous comments and acknowledged that the document is impressive and went on to discuss some areas of feedback:
    - That the statement should clarify that human right breaches are included in the Methodology and how they should be considered alongside impacts to well-being. The member stated that well-established techniques exist for valuing human rights violations, such as remediation, compensation, and restoration costs.
 

These types of impacts should be taken out of stated or individual preferences as they are non-negotiables in human rights. The Methodology should follow international standards on remediation costs regarding choices in valuation techniques.
    - As it relates to measurement uncertainty, some impacts valued using different valuation techniques may result in different outcomes. How do we deal with the error margins?

There should be a statement in the Methodology on how to address this uncertainty.

- It is good that the Methodology references the OECD which makes it interoperable with governments. However, there is criticism that the OECD framework finds economic and financial value more important than the environment. There should be some sort of statement that the Methodology does not prioritize certain dimensions over others.
- A member stated that they are delighted with the inclusion of the well-being dimensions. The member stated that the well-being work addressed in GM2 can answer and provide clarity for questions asked in the Adequate Wages methodology. The member also asked whether there would be an exemplar of the work.
- The technical staff stated that there is interest in examples. However, examples is outside the scope of the Methodology but can be a part of supplemental guidance documents. The technical staff also noted that the development of such documents does not go through the VTPC process.
- The technical staff stated that that the primary audience for GM2 is the technical staff and VTPC members. GM2 is intended to establish the guiding principles without being too prescriptive. The technical staff acknowledged that there might be preparers that are interested in producing their own impact pathways and can imitate the principles in GM2 to do so.
- A member raised the following concerns:
  - GM2 overlaps with Measure and Value section of the Natural and Social and Human Protocols and that redundancy should be considered in the ecosystem. The member stated that it is impressive that GM2 includes a lot of different concepts in the space.
  - In the case of Natural Capital, the Methodology should consider more clearly changes in Natural Capital and how changes in well-being are linked to Natural Capital.
  - If the main audience is the technical staff than the Methodology should be kept for internal purposes and a more accessible document should be provided for preparers.
  - The difference between subjective well-being valuation and stated preference is not clear and should be clarified in the statement.
- A member raised the following points:

- What is the purpose of renaming OECD's current and future well-being dimensions in the Methodology. The dimensions titles should be consistent with the OECD framework.
  - The separation of well-being dimensions is not separated but highly linked to each other and whether there is an explanation missing that is not clear.
  - A well-defined outcome identifies the affected stakeholder and sets the scope of the impact, but this logic is not applied in the OHS and Water Methodologies.
  - Whether the degree of separation means that more separated affected communities are less important from a stakeholder perspective. The member also posed the same question to a broader societal impact such as climate change.
- A member voiced the following points:
    - It is good that both current and future well-being are accounted for in the Methodology.
    - It is necessary to publish the architecture to emphasize what should be valued and why. For example, the architecture can bring clarity in the difference between an outcome and impact, making it clear that an impact is the economic value of the outcome.
  - The technical staff responded to the point of renaming the dimensions, stating that they had attempted to reflect the evolution in the naming convention for well-being across several publications and would revisit the terminology.
  - Furthermore, the technical staff clarified that the degree of separation consideration related to affected stakeholders does not imply that communities that are more removed are any less important or should not be considered; however, it is intended to address queries akin to the previous example, namely, should the effects of the children of workers should be considered.
  - The technical staff launched a survey to assess whether revisions on the pre-exposure draft are substantive, minor, or largely ready for approval. The results were the following: 0 votes for substantive revisions, 10 votes for minor revisions and 2 votes for largely ready for approval. The technical staff then stated the following takeaways:
    - Although the Methodology does not specifically mention human rights, there may be an acceptable way to incorporate it.

- There should be alignment in definition, purpose, and scope with the Natural Capital and Social & Human Capital Protocols.
- There is a need for continual work on the architecture and greater clarity in certain sections in the Methodology.



## Occupational Health and Safety Pre-Exposure Draft

- The technical staff then provided an overview of the development of the OHS Pre-exposure Draft and included the following:
  - i. Desk research began in December 2023:
    - a) Existing OHS impact accounting methodologies and frameworks (VBA, IWAI, Capitals Coalition, WifOR, Impact Institute, Valuing Impact)
    - b) Sustainability standards (ESRS S1-14, GRI 403-9, GRI 403-10) + scan of gov't regulations
    - c) Public datasets (ILOSTAT, WSPD, WHO)
    - d) Academic and public sector studies on social costs of OHS impacts
  - ii. Drafting and Expert consultation during Q1 2024: 11 researchers from across academia, public sector, consulting, and the impact management ecosystem, with expertise in economics, public health, and sustainability management.
    - a) Key takeaways:
      - Considerable convergence on the main impacts to include in impact pathway
      - Movement toward preference-based health valuation as best practice
      - Methods exist to convert lost workdays into health outcomes
      - High % of OHS incidents go under-reported
  - iii. Drafting and Expert consultation during Q1 2024: Preparers and Users including 6 individuals and 36 members of a “community of practice” of corporate OHS leaders, including those with multi-country operations and expertise in sustainability standards.
    - a) Key takeaways:
      - Most entities have lost workdays data
      - Those with primary data on health outcomes would rather not disclose that data
      - Area for future research: spillover effects on community when a worker is incapacitated
      - High % of OHS incidents go under-reported
  - iv. In April 2024, Pre-exposure Draft circulated to VTPC:

- a) Q1 2024 meeting discussion
  - b) Written feedback on the Pre-exposure Draft
  - c) Direct conversations with VTPC Members
- The technical staff provided an overview of the data requirements which included the following:
  - i. In response to feedback on data feasibility of Pre-exposure Draft, the technical staff sought to reduce total number of data points required for an entity's Own Workforce from 15 to 8.
  - ii. The simplification results in negligible reductions in accuracy based on technical staff's robustness checks using multiple example datasets and also enables alignment with ESRS S1-14 paragraph 88(e) disclosure requirement.
  - iii. The remaining open issues include:
    - a) Whether the Topic Methodology should require average daily wage among affected workers or average daily wage among all workers. The latter is simpler to obtain from financial accounts but could overestimate lost wages if recordable incidents tend to affect lower-paid workers.
    - b) Whether entities should be fully responsible for OHS incidents in the value chain or if a more nuanced approach should be sought and whether the data requirements for the value chain are feasible.
    - c) Whether and how to correct for underreporting of OHS incidents, which is thought to be present in all countries, though with no consensus on exact scale. Data triangulation finds under-reporting rates from 23-144%.
- The technical staff proceeded to explain the valuation of human health which included the following:
  - i. Inclusion of a single globally representative VSL:
    - a) Estimates of the value of a statistical life (VSL) vary empirically by subpopulation, reflecting both income differences (i.e., willingness to pay is constrained by ability to pay) as well as genuine differences in attitudes toward health risk. National and local VSLs may therefore be valuable in complementary analyses of impact accounts, as initial VTPC feedback has indicated.

Nonetheless, both the OHS and Water Consumption Pre-exposure Drafts currently use one global VSL as their

primary presentation, reflecting the stance that each person's life is equally valuable. A single VSL is intended to avoid distortionary results when impact accounting decisions cross country/demographic lines — e.g., avoiding a result where 1 fatality in a multinational's China factory appears less damaging than 1 fatality in its U.S. factory.

- ii. Inclusion of a preference-based valuation approach
  - a) The value of human health can be estimated in several ways, including market price proxies (previously used by IWA and VBA) and productivity lost (based on GDP per capita). The Pre-exposure Draft features a preference-based approach, adopting for the time being a VSL from the OECD's global meta-analysis of WTP studies.

The scientific and policy communities are moving toward preference-based approaches as the best approximation of the value people place on health. On the other hand, market price proxies tend to understate value and production lost approaches do not consider life beyond paid work.
- Members provided feedback to the discussion questions.
  - A member voiced that the Methodology is well-developed and stated the following:
    - It is better to use the average wage of all workers to avoid the release of sensitive information of those who are affected. Thus, a conservative approach is recommended.
    - Regarding value chain responsibility, companies should be responsible to some extent but not fully. The extent of that responsibility may depend on economic attribution such as the amount purchased.
    - As a practitioner, it is doable to collect number of days lost due to injuries and illnesses, but we need to address the risk of under-reporting in the value chain perhaps through input-output modeling.
    - A global VSL is required. However, a country specific VSL can be useful for internal decisions and complementary analysis. VSL is the most criticized part of Impact Accounting. Therefore, it is important to emphasize that VSL is not a valuation of human life itself but a reduction of risk which is applied in economic analysis.
  - A member raised the following points:

- They were recently at a conference where a speaker emphasized that there will be a massive fall off in voluntary reporting due to the European Corporate Sustainability Due Diligence Requirements (CSDDR). Additionally, the member stated that it is good to see that the OHS Methodology data requirements are aligned with current reporting standards.
  - It should be the average wage among all workers to account for future opportunities. If somebody gets killed or injured at 25 years old, it takes account future opportunities and earning potential in a fair way.
  - How are we thinking about contracting contingent workers, such as Uber drivers? We need to ensure that we incorporate the safety and health aspects of these workers as well. In terms of the value chain, companies like Apple outsource a lot of work, including the mining of minerals. The health and safety of those type of workers should also be accounted for, as the shadow workforce is growing globally.
- A member asked whether the average wage calculation being considered is globally or by country.
  - A member stated that it should be the average wage of the entity differentiated by country because there is a major difference between the employees in Switzerland and Rwanda.
  - The technical staff confirmed that wage would be averaged across all of an entity's workers in a particular country.
- A member posed a question to another member regarding whether those objecting to the VSL term recognize that lost livelihood incomes need to be recognized as inside-out health impacts (e.g., air pollution). The member also asked if the converging point is referring to VSL as "lost livelihood," a practice followed by several practitioners.
- The technical staff stated that the average wage of workers at the entity is used to calculate lost wages due to time away from work for treating and recovering from OHS incidents.
- A member raised the following:
  - They agree with accounting for future wage loss potential but are not sure this should be accounted for by averaging over all workers. They encourage accounting for future wage loss in a different way.

- The OHS Methodology should apply only to an entity's own workforce but encourage a "control and influence" boundary approach to value chain workers.
  - If an under-reporting adjustment is included, guidance should be provided about the threshold for what is and is not a reportable incident.
- The technical staff responded that it may be assumed that workers affected by OHS incidents are, on average, lower paid compared to workers across the entity. Therefore, using the average wage across the entity would be a more conservative approach to addressing this negative impact.
- The technical staff also noted the interesting perspective shared by a member on how the average wage can be used to proxy the future wage growth of the worker. Even though this approach has less precision, it can help account for future growth. Instead of performing future wage growth modeling, the technical staff can consider using the average wage of all workers in an entity.
- A member noted that disclosing data on affected workers is not easy. From a data perspective, the average wage is most appropriate. Additionally, in terms of full responsibility of the value chain, it is not recommended, and many companies will resist reporting information due to the responsibility involved.
- A member raised the following:
  - It is not easy for companies to get this type of data and whether there are other data sets that can be used as proxies to take the burden away from companies.
  - Value chain impacts should be included in the OHS Methodology if value chain impacts are included in the General Methodology. We need to maintain consistency between OHS and other impacts. While a company does not control what happens in the value chain, it should still be held responsible in some way.
  - In agreement with the previous member, a member raised that as a practitioner, industry and country level wage estimates are used to estimate the loss of livelihood. The member also said that it is hard to please anyone with the term "VSL" and urged the technical staff to consider the term "loss of livelihood" or "loss of life."
- The technical staff thanked the members for their comments and launched a survey to assess whether revisions on the pre-exposure

draft are substantive, minor, or ready for approval. The results were the following: 2 votes for substantive revisions, 9 votes for minor revisions and 0 votes for largely ready for approval.

## Water Consumption Pre-exposure Draft

- The technical staff then provided an overview of the development of the Water Consumption Pre-exposure Draft and included the following:
  - i. Desk research began in December 2023:
    - a) Extensive literature review, an assessment of existing methodologies (VBA, IWAI, Transparent, Wifor, GIST, Capitals Coalition, PWC), and an analysis of data requirements for ESRS and GRI.
  - ii. Drafting and Expert consultation during Q1 2024: 10 individuals with expertise across environmental science and economics, including technical experts to systems thinkers.
    - a) Key takeaways:
      - Methodological strategies for linking outputs to impacts and monetary valuation for all 4 impacts
      - Usability of the WWF Risk Filter and WRI Aqueduct Databases
      - The importance of local valuation of water consumption
      - Reflections on the materiality of water within corporate thinking
  - iii. Drafting and Expert consultation during Q1 2024: Preparers and Users including 9 individuals representing consultants and corporates with expertise in water consumption or impact valuation.
    - a) Key takeaways:
      - The poor but developing data landscape for water consumption
      - The wide variety of approaches for estimating water data
      - The importance of a clear conceptual framework
      - How to organize the calculations to maximize usability
  - iv. In April 2024, Pre-exposure Draft circulated to VTPC
    - a) Q1 2024 meeting discussion
    - b) Written feedback on the Pre-exposure Draft
    - c) Direct conversations with VTPC Members

- The technical staff provided further context for the water consumption pre-exposure draft discussion which included the following:

Along with the pre-exposure draft sent on April 12th, a complimentary memo provided context and posed several targeted questions for feedback. Below, some of the context from the memo has been added for two questions to prepare for discussion about the pre-exposure draft.

- i. Two options based on data availability.
  - a) Because water consumption impacts occur locally, preparing impact accounts with the most precise locations of water extraction result in the most representative estimates. However, data availability may limit application at this level of detail.
  - b) *Preferred option*: This option should be used when entities have knowledge of the location water consumption data that is tied to a specific location. *Alternative option*: This option can be used if the entity does not have knowledge of water consumption at a subnational geographic unit. Then national data can be used.
  - c) Having two options should expand the accessibility and use of the Water Consumption Methodology, particularly for SMEs or those new to impact accounting. It should also aid in quantifying value chain water consumption impacts where entities may not have location data.
- ii. Calculation of water consumption impacts
  - a) The methodology averages the three impacts for present stakeholders: malnutrition ( $VF_{\text{nutrition}}$ ), infectious disease ( $VF_{\text{disease}}$ ), and ecosystem services ( $VF_{\text{es}}$ ). Because it is difficult to know which stakeholder would have been affected the methodology assumes that all three would be equally affected by, averaging the three value factors.
  - b) An alternative approach would be to take the highest cost of the three value factors in a given area. This approach would assume that the unit of water would have been used by the user that most benefits from that use.
  - c) After averaging the impacts on present stakeholders, the financial impacts on future stakeholders ( $VF_{\text{access}}$ ) is added. This is done because  $VF_{\text{access}}$  is capturing impacts not represented by the other three value factors. In particular, it



is determining the future impacts of habitual unsustainable extraction of water in a given region.

- Members provided feedback to the discussion questions.
  - A member voiced the following concerns:
    - Adding the cost of access and the impact on stakeholders should be mutually exclusive; it should be one or the other, not both.
    - The loss of income for farmers is not captured in the Methodology.
    - It is strange that the Methodology is using an average rather than an addition and asked other members to speak on this issue. The member suggested that that the technical staff should consider using the percentage of consumption by the type of consumer as the average is a rough approach.
    - Additionally, some of the ecosystem services depend on water from rain. This raises the question of how water consumption influences ecosystem services affected by rainfall.
  - A member voiced the following points:
    - Water scarcity is attributed to three main factors: communities' usage of water, agricultural productivity and loss, and industrial use. Water scarcity is not considered as an ecosystem loss. There is a circular argument where ecosystem can generate, recycle and absorb which is different.
    - Transportation costs, along with the costs associated GHG emissions are significant. Therefore, they should be included in the overall framework for water consumption costs.
    - The technical staff agreed that using an average of three factors is a cruder approach and noted that a weighting approach has been considered. However, this approach would require a significant amount of additional information and a heavier lift for entities, though it would be more precise.
    - The technical staff mentioned that agriculture globally represents the majority of water consumption. These three impacts do not capture all uses of water. Additionally, any water consumed deprives someone else of its use, creating an opportunity cost for all users, including nature. In the Methodology, rainfall is considered as part of the water availability in a region.

- A member asked whether there is an extra benefit for water reduction year by year.
- The technical stated that the net impact is still negative in these cases and these types of insights can be glimpsed but not necessarily embedded in the Methodology.
- The technical staff thanked members for their feedback and launched a survey to assess whether revisions on the pre-exposure draft are substantive, minor, or ready for approval. The results were the following: 3 votes for substantive, 8 votes for minor and 0 votes for largely ready for approval.

### **Conclusions and Updates on Other Workstreams**

- To conclude the meeting, the technical staff provided the following updates:
  - The meeting minutes will be sent out in the following week, and additional feedback is welcomed.
  - There will be a follow-up meeting in June.
    - Pre-read materials are under development for the Methodology Architecture for the June meeting, as well as the Consumer Downstream Methodology.
    - An addendum has been made to the Terms of Reference to include and acknowledge the potential for standing observers. The technical staff expects to propose an additional observer.
  - A Conflict of Interest Policy will be shared, and members will be requested to disclose any potential conflicts of interest.
  - The Chair of the VTTC thanked the members for their participation, and the meeting was concluded.

## Appendix A: Attendance

VTPC Members		
Name	Attendance	Representative (If Absent)
George Serafeim (Chair)	Present	
Sonja Haut (Vice Chair)	Present	
Mohammed Abdulrahman Al-Akil	Present	
Tom Beagent	Present	
Dr. Duoguang Bei	Absent	
Jens Berger	Present	
Sarah Bratton Hughes	Present	
Adrian De Groot Ruiz	Absent	Werner Schouten
Christian Hell	Absent	
Klaus Hufschlag	Absent	
Amma Lartey	Absent	
Jun Suk Lee	Present	
Kelly McCarthy	Present	
Crystal Pay	Absent	Beate Stuis
Dr. Amanda Rischbieth AM FAICD	Present	
Dr. Marta Santamaria	Present	
Pavan Sukhdev	Present	
Sebastian Welisiejko	Absent	
<b>Observers:</b>		
Yulia Romaschenko	Present	

Technical Staff	
Name	Organization
Dan Osusky	IFVI
Carter Berry	IFVI
Tamsin Chen	IFVI
Mosunmola Olowu	IFVI
Marah Mohamed	IFVI
Michael Verbücheln	VBA
Francisco Ortin Cordoba	VBA