

MEETING MINUTES

Valuation Technical & Practitioner Committee

Meeting type: Quarterly Meeting

Date: June 26, 2024

Location: Virtual

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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 formally vote on whether to approve the pre-exposure drafts for public comment of General Methodology 2 and Topic Methodologies on water consumption and occupational health and safety (OHS).
- Additional objectives include a discussion on both the Methodology Architecture and Product Specific Impacts statements.

Meeting Agenda:

Time (EST)	Topic
9:00-9:05 a.m.	Welcome
9:05-9:20 a.m.	<ul style="list-style-type: none">• GM2: Measurement and Valuation Techniques Review
9:20-9:35 a.m.	<ul style="list-style-type: none">• OHS Review
9:35-9:50 a.m.	<ul style="list-style-type: none">• Water Consumption Review
9:50-10:20 a.m.	<ul style="list-style-type: none">• Architecture Discussion
10:20-10:50 a.m.	<ul style="list-style-type: none">• Product Specific Impacts Discussion
10:50-11:00	<ul style="list-style-type: none">• Conclusions

Welcome and Introduction

- All members of the VTPC (“member” or “members” hereinafter) are welcomed to the meeting and the technical staff provided the following comments:
 - i. A summary of the changes made to the pre-exposure drafts will be shared, and the VTPC are encouraged to ask any questions they need to inform their votes on whether the pre-exposure drafts are ready for public comment.
 - ii. Additionally, there will be additional opportunities to improve drafts during and following the public comment period.
 - iii. For the architecture and product specific impacts topics, there will be no decisions or approvals made, but rather an open discussion followed by next steps.

General Methodology 2: Impact Measurement and Valuation Techniques Overview

- The technical staff presented the following updates in response to VTPC member feedback.
 - i. Topic: Examples of disclosure guidance
 - a) VTPC member feedback received:

When the statement requires that assumptions and decisions should be disclosed by preparers of impact accounts, examples of the types of disclosures should be provided.
 - b) Summary of revisions:

Examples are now included to describe potential disclosures that may be provided to users of impact information. See paragraphs 4, 11, 31, 56, and 91.
 - ii. Topic: Structure of the statement
 - a) VTPC member feedback received:

The introduction section described three steps to prepare impact accounts, but section 3 described three additional steps to measure impacts. The steps throughout the statement should be clarified.
 - b) Summary of revisions:

The steps shown in the introduction section were re-labelled to show their relationship to the rest of the statement. The steps in section 3 were removed. See paragraph 7 and Figure 1.
 - iii. Topic: Well-being nomenclature
 - a) VTPC member feedback received:

References to the four dimensions in the OECD framework that describe resources needed to sustain well-being in the future should not be referred to as “future well-being dimensions” but instead as “resources for future well-being” to be consistent with the OECD.
 - b) Summary of revisions:

This change was made throughout the statement. See section 3.4 and Figures 4 and 5.
 - iv. Topic: Importance of environmental well-being dimensions
 - a) VTPC member feedback received:

Some feedback in the broader well-being discourse is that a perception exists that the OECD framework prioritizes economic dimensions over environmental dimensions. The statement should clarify that both are of equal importance.

b) Summary of revisions:

A sentence was added to clarify that all well-being dimensions are of equal importance. See paragraph 43.

v. Topic: Human rights perspective

a) VTPC member feedback received:

The statement should clarify that human rights, in addition to the OECD well-being dimensions, should be considered as potential outcomes that are in-scope for the Methodology and that human rights should be measured and valued using well-established techniques.

b) Summary of revisions:

A sentence was added to clarify that well-defined outcomes may also be defined by human rights. Any more specific guidance related to the techniques for measuring impacts relate to human rights will be established in Topic and Industry-specific Methodologies. See paragraph 44.

vi. Topic: Subjective well-being valuation techniques

a) VTPC member feedback received:

Subjective well-being valuation techniques may be included as a subset of stated preference techniques.

b) Summary of revisions:

The technical staff reviewed how subjective well-being valuation techniques are categorized in key publications and it was determined to keep them as a separate section. See section 4.4.5 and footnote 51.

vii. Topic: Measurement uncertainty

a) VTPC member feedback received:

The statement should clarify what is meant by measurement uncertainty in the section *4.5 Considerations for selecting a valuation technique*.

b) Summary of revisions:

A description of measurement uncertainty in the context of impact accounting was added to the statement. See paragraph 90 (b).

- Thereafter, the technical staff shared that they received further feedback related to well-defined outcomes and the definition of impact. The technical staff stated that there will be an opportunity to test these concepts and gather feedback during the public comment period.
- The technical staff asked members whether they had any comments or questions that may inform their vote or other VTPC members' votes for public comment approval.
- Members provided the following comments:
 - A member inquired about the differences and similarities between well-being and human rights techniques. They also asked about any reservations in turning human rights into indicators and to what extent it overlaps with subjective well-being valuation.
 - The technical staff responded by referring to the previous meeting where valuation techniques for human rights were discussed. The technical staff researched these topics and found no specific collection of techniques used for human rights violation. Therefore, the current valuation techniques in GM2 were deemed sufficient and any further techniques can be explored in Topic Methodologies.
 - The technical staff noted that the purpose of GM2 is to create a blueprint and, if necessary, Topic Methodologies will further explore the connection between the topic, human right violations and the available techniques.
- Members were asked to vote for whether the exposure draft is ready for public comment approval.
- All members voted, and with no objections, *GM2: Impact Measurement and Valuation Techniques* was approved for public comment.

Occupational Health and Safety (OHS) Topic Methodology Overview

- The technical staff presented following updates in response to VTPC member feedback.
 - i. Topic: Required data on recordable OHS incidents
 - a) VTPC member feedback received:

The OHS Methodology should simplify the data required of preparers on recordable OHS incidents to maintain closer alignment with disclosure requirements and increase feasibility of adoption.
 - b) Summary of revisions:

The previous categories of recordable OHS incidents have been simplified into six categories. This level of granularity is comparable to that of the previous VBA OHS Methodology, which has a total of 10 categories of injuries and illnesses. See paragraphs 11, 27, 28, 35, Appendix F, and Appendix H.
 - ii. Topic: Required data on lost wages (Own Workforce)
 - a) VTPC member feedback received:

Because of data feasibility and confidentiality concerns, the OHS Methodology should not require the average wage over affected workers; rather, it should require the average wage over all workers.
 - b) Summary of revisions:

The median wage over all workers has been incorporated, which also enables the incorporation of a simple assumption about future wage growth.

The median, not the mean, was incorporated in recognition of the likely skew in within-firm wage distributions that would cause the mean to be too high of an overstatement of impact. See paragraphs 44 and 52.
 - iii. Topic: Required data on lost wages (value chain workers)
 - a) VTPC member feedback received:

Because of data feasibility constraints, the OHS Methodology should not strictly require direct wage data on value chain workers.
 - b) Summary of revisions:

An option for preparers to use secondary wage data for value chain workers has been incorporated — but with a clear demarcation of a preferred vs. alternative approach. See paragraph 52.

iv. Topic: Application of the OHS Methodology to shadow workforce

a) VTPC member feedback received:

The OHS Methodology should apply to contingent workers, gig workers, and other members of the shadow workforce.

b) Summary of revisions:

The ESRS definition of ‘own workforce/own workers,’ which includes both ‘employees’ and ‘non-employees,’ is quoted in its entirety to ensure no misunderstanding and appears more prominently in the draft.

Per ESRS, ‘non-employees’ are either individual contractors supplying labor to the undertaking (‘self-employed people’) or people provided by undertakings primarily engaged in ‘employment activities’ (NACE Code N78). See paragraph 16, Appendix A, (forthcoming) section 1.3.

v. Topic: Completeness of the recordable OHS incident categories, especially long-term injuries and illnesses

a) VTPC member feedback received:

The OHS Methodology should clarify the extent to which the ‘severity’ and ‘type’ categories are collectively exhaustive of all possible recordable OHS incidents — with a special focus on long-term injuries and illnesses because they can be especially impactful.

b) Summary of revisions:

“Never return” has been renamed “Long-term incapacity” for clarity and now explicitly includes cases where workers (i) return to the workforce after 1 year away, (ii) return to the workforce after 1 year away but return in a reduced capacity, or (iii) never return. See paragraph 39 and Appendix G.

vi. Topic: Figures illustrating the distribution of key variables

a) VTPC member feedback received:

Following the Water Consumption Methodology, the OHS Methodology should be enhanced by adding figures

illustrating the distribution of value factors and other key variables.

b) Summary of revisions:

Figures 3 and 4 have been added to illustrate how variables provided to preparers by the OHS Methodology vary by country — namely, the *LostWorkdays* and *HealthcareCost* variables. See figures 3 and 4.

vii. Topic: Executive summary figure

a) VTPC member feedback received:

The executive summary figure could be simplified by reducing the variables and details presented so early in the document.

b) Summary of revisions:

The executive summary figure has been updated to make it more accessible. This was deemed particularly important since it early in the document. The figure now more closely maps to the structure of the OHS Methodology itself. See Executive Summary Figure 1.

- The technical staff asked members whether they had any comments or questions that may inform their vote or other VTPC members' votes for public comment approval.
- Members provided the following comments:
 - A member asked about the rationale behind choosing the median instead of the mean with regard to VSL. They assumed it was chosen due to consistency.
 - The technical staff noted that the Water Consumption and OHS Topic Methodologies both use the same VSL estimate, ensuring inter-methodology consistency. Additionally, there is also the matter of consistency between the overall body of work and the application of VSL used in public policies and the impact management ecosystem.
 - The technical staff also stated that the OECD recommends the median as the base value for VSL which is cited in the Exposure Draft. This recommendation for the median is in recognition of the skewed distribution of VSL estimates from around the world. However, the Methodology uses the mean from the OECD's analysis, recognizing there is a common practice of using the mean in other methodologies in the ecosystem.

- The technical staff also stated that one of the reasons for choosing the mean is alignment with existing valuation methodologies in the ecosystem and steering away from this practice will not be appropriate at this time.
- A member asked whether the recommendation of the median from the OECD is due to its different use case which might present a potential challenge.
 - The technical staff stated that the OECD guidance applies to a very wide range of use cases, even if impact accounting per se is not specifically a use case foreseen by that document.
- A member asked about the implications of using different values, highlighting the significant difference and inquired if both values can be used.
 - The technical staff stated that using a higher value is a conservative assumption with regard to measuring negative impacts and can be defended on the basis of the qualitative characteristic of faithful representation.
 - The technical staff explained that the main goal of the methodology is to enable comparability of entities' impact accounts and thus, using a single value ensures comparability and consistency.
- A member mentioned that OSHA standards are used by many companies and should be kept in mind during the public comment.
- Members were asked to vote for whether the exposure draft is ready for public comment approval.
- All members voted, and with no objections, *Occupational Health and Safety (OHS) Topic Methodology* was approved for public comment.

Water Consumption Methodology Overview

- The technical staff presented the following updates in response to VTPC member feedback.
 - i. Topic: Aggregation approach to near-term impacts
 - a) VTPC member feedback received:

The aggregation of the $VF_{\text{nutrition}}$, VF_{disease} , and VF_{es} should take the highest of the three instead of averaging them. This better represents the potential impact of water consumption and more closely aligns with the economic approach to handling opportunity costs.
 - b) Summary of revisions:

The equations and description of the aggregation has been amended as well as the country value factors presented in Appendix D. See paragraphs 44, 46b, and Appendix D.
 - ii. Topic: Calculation approach and language around the long- term impact of water access (VF_{access})
 - a) VTPC member feedback received:

There should be some clarification on why the VF_{access} is a distinct impact that is added.
 - b) Summary of revisions:

The language has further clarified that VF_{access} represents long term impacts of water consumption today, separate from the near-term impacts from the other three components.

In addition, there was a modification to the calculation that more accurately represents the component of water consumption data that is contributing to future impacts by considering the proportion of each unit of water above the sustainability rate. The changes leads to smaller VF_{access} values. See paragraph 46b, 49d and Appendix D.
 - iii. Topic: Structure of the Outcomes, Impacts, and Valuation section)
 - a) VTPC member feedback received:

The methods used to determine outcomes/impacts and monetary valuation should be more clearly delineated.
 - b) Summary of revisions:

The description of the methods used to determine impacts has been separated into two separate sections: "4.2

Outcomes and Impacts” and “4.3 Monetary Valuation”. This did not change the content or approach of these methods. See sections 4.2 and 4.3.

iv. Topic: Potential positive impacts from producing Water instead of consumption

a) VTPC member feedback received:

The methodology mentions that if water was produced, then impacts using this methodology could be positive. There was some concern that the methodology should not be applied in the same way in this case and there was lack of clarity around when it could be applied positively

b) Summary of revisions:

The potential application of the methodology to water consumption and positive impacts has been removed from the scope of the methodology. The future updates section suggests this could be an avenue of future exploration. See paragraph 19 and 55e.

v. Topic: Language on the Pressure on Biodiversity metric

a) VTPC member feedback received:

The explanation for why the Pressure on Biodiversity is used as the local scalar for ecosystem service impacts should be clarified.

b) Summary of revisions:

The section introducing this variable has been expanded to explain the role of biodiversity, the external pressures on that biodiversity, and the calculation metric from WWF. See paragraph 29c.

vi. Topic: Updates to definitions

a) VTPC member feedback received:

The definitions should align with ESRS to the maximum extent possible. Water stress should also link to “water risk”, a commonly referenced term in the ecosystem.

b) Summary of revisions:

Definitions of water consumption, withdrawal, and discharge align with the scope of ESRS and GRI. The definition of water stress was refined including linking it to water risk. See paragraph 11 and associated footnotes.

vii. Topic: Alignment with data standards section

a) VTPC member feedback received:

While important, this section is very detailed and hinders the flow and readability of the document.

b) Summary of revisions:

The text that was previously in this section has been moved to an appendix – this allows for users who value this detail to still access it. In the main text, one paragraph and table demonstrating alignment has been kept. See paragraph 33 and Table 2.

viii. Topic: Executive summary figure

a) VTPC member feedback received:

The executive summary figure could be simplified by reducing the variables and details presented so early in the document.

b) Summary of revisions:

The executive summary figure has been updated to make it more accessible. This was deemed particularly important since it early in the document. The figure now more closely maps to the structure of the methodology itself. See Executive Summary Figure 1.

- The technical staff asked members whether they had any comments or questions that may inform their vote or other VTPC members' votes for public comment approval.
- Members provided the following comments:
 - A member asked about the rationale behind scaling across consistent variables to determine the local factors.
 - The technical staff noted that there are many factors that may influence how country value factors are scaled locally. Water scarcity and biodiversity pressure were chosen because of their size of impact. The technical staff explored more complex approaches to scaling with multiple factors but, for technical reasons, has left this aspect of the methodology as is. There is a slight change in the Methodology that acknowledges the influence of other factors on the local scalar, however, using a single metric is the best scenario.
- Members were asked to vote for whether the exposure draft is ready for public comment approval.
- All members voted, and with no objections, *Water Consumption Topic Methodology* was approved for public comment.

Methodology Architecture Overview

- The technical staff provided an overview of the methodology architecture which included the following:
 - i. The methodology architecture will establish the presentation of the long-term vision, naming conventions, organization, and possible content of the impact accounting methodology produced by IFVI and VBA. Additionally, the analysis of resources to inform the provisional architecture included the following:
 - a) Impact Valuation ecosystem
 - Legacy work: Harvard Business School-Impact Weighted accounts and Value Balancing Alliance
 - Other frameworks: GIST Impact, WifOR Institute, Impact institute and Impact Economy Foundation.
 - b) Reporting Standards
 - European Commission, European Financial Reporting Advisory Group (EFRAG), Global Reporting Initiative (GRI), and International Financial Reporting Standard (IFRS) Sustainability.
 - c) Other resources/frameworks
 - Capitals Coalition, Impact Management Platform, Organisation for Economic Co-operation and Development (OECD), UN Statistical Commission and UN environment programme.
- The technical staff introduced two approaches for a provisional architecture: primary stakeholder approach and capitals-informed approach.
 - i. The pros of a primary stakeholder approach:
 - a) This approach is more aligned with the structure in social standards of ESRS.
 - b) This approach is more aligned with the broader impact management ecosystem, which emphasizes stakeholders as a key component of managing impacts.
 - c) This approach has less risk of topics “over-aggregating” in a way that could lose context
 - ii. The cons of a primary stakeholder approach:

- a) This approach includes more ambiguous definitions and overlap of impact drivers across stakeholders (e.g., distinguishing between workers and wider society).
- b) This approach is not aligned with existing valuation methodologies and capitals-based approach.
- c) This approach has the potential complexity of communicating relation between stakeholders and methodologies.

iii. The pros of a capitals-informed approach:

- a) This approach is aligned with overall structure of GRI Standards.
- b) This approach is aligned with and familiar to existing valuation community and resources.
- c) This approach has strong connections to capitals assessment and protocols, connection to stock and flow concepts.

iv. The cons of a primary stakeholder approach:

- a) This approach includes ambiguous definitions and overlaps impact drivers across stakeholders (e.g., wages affect human and economic capital)
- b) This approach has the potential cause confusion with triple bottom line as social, environmental impact along with financial performance (rather than broader economic impact).

- The technical staff discussed Gross Value Added (GVA) which is an economic productivity metric that measures the contribution of a corporate subsidiary, company, or municipality to an economy, producer, sector, or region.

GVA provides a dollar value for the amount of goods and services that have been produced in a country, minus the intermediate consumption (goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital) GVA thus adjusts [gross domestic product](#) (GDP) by the impact of subsidies and taxes (tariffs) on products.

- The technical staffed noted the following observations:
 - i. GVA is in output measure, rather than an outcome or impact measure

- ii. GVA includes multiple impact drivers (payment to suppliers, sale of products, payment of taxes, hiring / wages, etc.)
 - iii. There is a fixed way of calculating GVA that has value in connecting to GDP and certain policy conversations
- The technical staff noted that there is an established approach for GVA and it is not our role to propose a different approach to GVA. Furthermore, GVA is an input to impact accounting and can be used and presented as complimentary to impact accounts.
- The technical staff proceeded to ask whether the VTPC members had questions and comments about the presentation of the methodology architecture.
- Members provided the following comments:
 - A member voiced the following points:
 - They suggested that the primary stakeholder and capitals informed approaches be presented in a matrix form to highlight their commonalities and differences.
 - The technical staff responded, noting that the white paper includes a sample matrix with capitals and stakeholders on both sides. This matrix aims to show the ambiguities and the flexibility to view these approaches through either the capitals or stakeholder lens.
 - The selection between approaches should be informed by the users to ensure usefulness. A concern was raised about designing the framework without public input.
 - A member voiced the following points:
 - The capitals informed approach makes it easier to track the source of an impact, which is useful in impact valuation and management, it also helps readers identify the main impacts to address.
 - Taskforce on Nature -related Financial Disclosures (TNFD) should be included as a resource for the capitals informed approach, as it will influence the International Sustainability Standard Boards' (ISSB) in the new round of standards.
 - The Capitals Protocol will soon publish more categories which will be helpful to help track potential impact drivers. The social & human section in the capital informed approach is too focused on human impacts rather than social impacts.

- It would be beneficial to map both approaches and involve variety of users with different perspectives. Additionally, they voiced their support for GVA as a proxy for economic impacts.
- A member voiced the following points:
 - It is impossible to answer which approach works best. However, most organizations are focused on reporting standards and interoperability, thus this should inform the architecture.
 - It is important to cater to different audiences and ensure that the architecture is complimentary to avoid alienating organizations. The content within the matrix is more important than the right and left side of it.
- A member voiced the following points:
 - They are more aligned with the capitals approach due to its simplicity in explaining the drivers of change, especially with financial institutions. However, a challenge of the stakeholder approach is that multiple stakeholders can impact the approach.
 - This question should be opened to user feedback, but the capitals informed approach is the most effective approach.
- A member voiced that there will never be a complete answer to which approach works best. They suggested clarifying the epistemological stance and the rationale underlying any chosen approach, including its potential negative consequences.
- A member voiced that they prefer the capitals informed approach rather than the primary stakeholder approach and agreed that a matrix should be developed. Users should be asked as they curate data and to incentivize uptake in the climate of reporting standards.
- A member voiced the following:
 - From a strategy perspective, consistency with GRI and ESRS is crucial, making the capitals informed approach sensible.
 - The technical staff asked whether the member can expand on how ESRS takes a capitals informed approach as it is more aligned with the stakeholders approach.
 - The member stated that ESRS was only included as an example.

- From a company perspective, financial and sustainability departments are more comfortable with the capitals-based approach due to existing frameworks.
 - The stakeholder approach could lead to potential traps, such as the HR department overseeing worker impacts, resulting in a distortion of who is in charge. The stakeholder approach could hinder adoption but the capitals informed approach is more accessible to a broader audience.
 - Incorporating GVA into the methodology is challenging, but it is essential to provide a bridge for wider adoption. GVA is well-understood and helps scaling because it is understood by a wide audience.
- A member voiced that the capitals informed approach allows for enhancing the list of indicators from ESRS and highlighting impact materiality for each impact driver.
- A member voiced that GVA is well-understood as the impact of a business on the economy and can be a useful metric. They feel there is an incongruence to GVA, agreeing with the technical staff's suggestion that GVA is an input into topic methodologies. They also stated that conceptually, understanding the endpoints of GVA is necessary but practically it may be challenging.
- The technical staff proceeded to summarize the main points:
 - i. The architecture should take a user-centric approach.
 - ii. There is a trend towards a capitals informed approach and the development of a matrix.
 - iii. It is important to link the architecture to existing reporting standards.
 - iv. There were mixed views as to whether GVA should be included practically or just recognized as an input to impact accounting.
- The technical staff thanked members for their comments.

Industry specific product impacts

- The technical staff provided an overview of a product-impact framework which included the following.
 - i. In accordance with *General Methodology 1: Conceptual Framework for Impact Accounting*, impact accounts should provide a comprehensive assessment of the societal value created and/or eroded by an entity. A comprehensive assessment allows investors and managers to compare the impact performance of different entities, whether those entities operate in the same industry or different industries.
 - ii. For the Methodology to provide the guidance necessary to prepare a comprehensive assessment, it will need to consider impacts linked to the products, or goods and services, of various types of entities across the value chain.
 - iii. Impacts related to products are inherently complex, requiring analysis of impacts across industries and diverse product portfolios. At the same time, impacts linked to products may be significant in magnitude (positive or negative), even larger than the revenue of an entity.
 - iv. The product-impact framework under development will serve as the foundation for analyzing impacts connected to the products of entities, answering key questions related to the scope of product impacts to enable consistency and comparability across products / industries. It will also serve as a roadmap for the development of Industry-specific Methodologies – both through the official VTPC and for experimental development by others. Finally, the framework will also build on legacy frameworks of Impact-Weighted Accounts and VBA that explored downstream and product-related impacts.
- Thereafter, the technical staff introduced the initial premises for the product-impact framework.
 - i. Scope
 - a) A product-related framework for Industry-specific Methodologies has a broad scope, covering impacts that go beyond the industry-agnostic Topic Methodologies and providing guidance for B2C entities that interact directly with consumers and B2B entities that operate upstream from end-users. Its implementation should be based on common principles and impact materiality at the entity level as set out in GM1 and GM2.
 - ii. Impact pathways as the basis

- a) The framework should be defined by how products result in outcomes and impacts that affect the well-being of affected stakeholders. The impact pathway is the strongest tool to study the causal relations and determine the outcomes and impacts that should be part of the assessment.
- iii. Negative impacts & impact-washing
 - a) Strong mechanisms should be in place to ensure companies consider a broad view of their product impacts, including negative impacts, and do not use product impacts to present an inaccurate picture of an entity's societal footprint. Impact-washing claims are a concern that will have to be addressed by the document.
- iv. Value chain & attribution
 - a) The impacts on consumers should be attributed across the value chain using physical or economic properties in accordance with GM1 and are not fully attributable to the B2C entity (e.g., the impact of a carton of milk should not be solely attributed to B2C entity, e.g., the supermarket, but shared with the farmers and other actors in the value chain using an attribution mechanism).
- v. V2B effects translated to V2S
 - a) As stated in GM1, entities are not considered an affected stakeholder in the Methodology. Therefore, if a product generates value to business (V2B) impacts on other entities (e.g., cost-savings), these should be analysed from the value to society (V2S) perspective using impact pathways to discern the mechanisms through which they affect individuals or society.
- vi. Prices & product impact
 - a) Prices of goods and services are related to product impact, but they differ from the valuation of the impact in many situations (e.g., divergences with the impact pathway theory, market failures, surplus, externalities and internalities). In some specific cases, they could play a role as part of a measurement or valuation technique covered by the methodology.
- The technical staff than introduced the following questions and topics for discussion along with a description for each question.

- i. What are the most appropriate tools and approaches to measure and value product impact?
 - a) The technical staff introduced a bottom-up approach that is based on the depiction of the impact pathway and follows the General Methodology.
 - The pros of a bottom-up approach based on impact pathway:
 - Consistent approach based on impact pathways with well-defined outcomes
 - Aligned with the development of the Topic Methodologies
 - Potentially usable at the entity-specific level to reflect the idiosyncrasies of each product
 - The cons of a bottom-up approach based on impact pathway.
 - Potential high complexity for entities and difficulty in scalability across industries due to idiosyncratic differences in product portfolios
 - May not be feasible for measuring impacts that are diffuse or intangible in nature, including many consumers discretionary and staples industries
 - b) The technical staff introduced a potential top-down approaches to accelerate the integration of product impacts.
 - The pros of a top-down approach based on price & consumer surplus and externalities/internalities.
 - Methods exist to measure the consumer surplus of a product by estimating the willingness to pay (WTP) of consumers. In some cases, consumer surplus may serve as a proxy for well-being changes. Externalities and internalities would be included separately for any product markets where they are present.
 - This approach may be highly scalable and could potentially be extended as multipliers across industries and countries.

- The cons of a top-down approach based on price & consumer surplus and externalities/internalities.
 - The WTP for a product does not always reflect the changes in well-being experienced.
 - Measuring internalities and externalities separately raises challenges to scalability.
- ii. Do all industries have material product impacts?
- a) The technical staff stated that certain products have a clear connection to one or several dimensions of well-being, but in other cases it is more complex to draw the link between the use of a product and well-being. The technical staff provided the following examples.
- Case 1: The case of medicines as a product with a clear effect on well-being.
 - In this case, the impact of medicines is well-defined as a tool to increase health.
 - Case 2: Products with questionable material effects on well-being e.g., banana slicer.
 - In this case, product impacts on consumers would not be material or proven to be significant through causality. Nothing about this implies that companies that do not have product impact should not exist, but that the product does not generate material changes in consumer well-being. The cons of a bottom-up approach are based on impact pathway.
- iii. The case of B2B
- The technical staff then stated that B2B companies face two situations in the assessment of their product impact:
 - Their products can either have a clear definition of a final consumer with well-defined outcomes on well-being, or they can be diffused in nature and mainly act as enablers of other general value chains.
 - The different nature of these cases could inform the treatment of B2B companies in the product impact accounting framework.
 - The technical staff provided the following examples:

- Case 1: A value chain with a clearly defined affected stakeholder,
 - In this case, a bottom-up approach could be undertaken to attribute impact to the raw materials industry.
 - Case 2: B2B business with diffuse impacts and an enabler of value chains.
 - In this case, product impacts on consumers may not be relevant and the impact would be covered in other downstream topics¹.
- Members provided feedback to the first question.
 - A member suggested incorporating a pragmatic approach to human rights from UN frameworks and similar organizations, as seen in True Price. This approach assesses prices and payments with respect to human rights. This option would be a useful measurement in assessing impacts which may prevent greenwashing in comparison to the other approaches.
 - A member voiced that the only way to capture additionality is to include counterfactuals. For example, sector averages do not work well, as a result they use cost-based analysis along with counterfactuals i.e., renewables and new technologies.
 - A member added an additional source from [the Food and Agriculture Organizations for the United Nations](#) for the technical staff to review.
 - A member mentioned the paper "[Accounting or Product Impact in the Consumer-Packaged Foods Industry.](#)"
 - A member mentioned that between-industry comparisons might show that one industry's impacts are much bigger than another industry's but questioned whether the "immaterial" industry would agree it is immaterial.
 - A member voiced that the product methodology should be within the Human and Social block in the architecture, and not be presented separately.
 - A member voiced the following points:
 - A concern was raised about the 'value chain & attribution' section, arguing that downstream impacts should be

¹ For more information, see the Architecture proposal

accounted for despite the involvement of multiple companies. The member reiterated that all impacts should be accounted for as this aligns with the logic of including scope 3 emissions in the value chain.

- Additionally, the WTP option is a crude approach, and other options should be considered.
- A member agrees with the previous comment and struggles with the WTP option and its connection with well-being. They also mentioned that the technical staff should keep an eye out on the retail sector and 2D barcodes driven by consumers who want more information about the value chain and its traceability.
- The technical staff thanked everyone for their comments and noted that the other questions will be discussed in future small group meetings.

Conclusions and Next steps

- To conclude the meeting, the technical staff provided the following updates:
 - A new observer, Richard Scholz, Head of Impact Analysis, Wifor Institute, was proposed to the VTPC members. There was no objection for the additional observer.
 - The meeting minutes will be sent out in the following week for review.
 - A Conflict-of-Interest Policy has been shared, and members are requested to disclose any potential conflicts of interest. The deadline is July 18th.
 - The public comment periods for Topic Methodologies are planned for September / October.
 - The engagement plan for next steps is under development, and there will be updates shared in September for Adequate Wages and Water Consumption.
 - There will be continued work on methodology architecture, framework for industry specific product impacts and interim methodologies
- The technical staff 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	Xu Hu
Jens Berger	Absent	
Sarah Bratton Hughes	Absent	
Adrian De Groot Ruiz	Absent	Michel Scholte
Christian Hell	Absent	
Klaus Hufschlag	Absent	
Amma Lartey	Absent	
Jun Suk Lee	Present	
Kelly McCarthy	Absent	
Crystal Pay	Absent	
Dr. Amanda Rischbieth AM FAICD	Present	
Dr. Marta Santamaria	Present	
Pavan Sukhdev	Absent	Anupam Ravi
Sebastian Welisiejko	Absent	Emilia Cerra
Observers:		
Yulia Romaschenko	Present	

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