

MEETING MINUTES

Valuation Technical & Practitioner Committee

Meeting type: VTPC Meeting

Date: Feb 20, 2025

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 discuss the preliminary analysis for the public comment period held for General Methodology 2, Water Consumption Topic Methodology as well as discuss updates of the Adequate Wages & Wage Inequality Topic Methodologies
- Additional objectives included a discussion on the 2025 Work Plan and the VTPC Second Term Process

Meeting Agenda:

Topic	Time (Eastern Time)
Welcome	9:00 – 9:10 ET
GM2 Public Comment Initial Review	9:10 – 9:20 ET
Water Consumption Public Comment Initial Review	9:20 – 9:30 ET
Adequate Wages Methodology Draft Discussion	9:30 – 10:10 ET
Wage Equity / Inequality Draft Discussion	10:10 – 10:50 ET
Conclusions	10:50 – 11:00 ET

Welcome and Introduction Updates

- All members of the VTPC (“member” or “members” hereinafter) are welcomed to the meeting and the technical staff provided the following comments:
 - The 2024 VTPC Engagement Survey is still open. Members are encouraged to provide their feedback.
 - The 2025 Work Plan was presented, as outlined in Appendix B.
 - The public comment period for the following methodologies have been concluded and preliminary analysis of the results will be shared.
 - a) *General Methodology 2: Impact Measurement and Valuation Techniques,*
 - b) *Water Consumption Topic Methodology, and*
 - c) *Occupational Health & Safety (OHS) Topic Methodology.*
 - The *Framework for Industry-Specific Product Impacts* (Product Framework) will be released the week of February 24th, and a communications toolkit will be sent to help members promote the Framework within their networks.

VTPC Engagement Survey Takeaways

- The technical staff provided an overview of the key insights from the VTPC Engagement Survey, which includes the following:
 - Practical content:
 - a) Feedback was shared to try to make the content less theoretical, to highlight the implications of various decisions with concrete examples.
 - b) Moving forward, presentations will aim to further emphasize different implications and results of methodological decisions through hypothetical examples.
 - Discussion of tactics
 - a) Feedback was shared that there was an absence of discussion regarding tactics for impact accounting, beyond methodology development.
 - b) While mandate of the VTPC is on methodology itself, optional sessions (~2 per year) will be added to enable VTPC members to learn about and discuss market adoption strategies across IFVI, VBA, and partners.
- The technical staff concluded by urging members to provide their feedback and a link to the Engagement Survey was shared.

General Methodology 2 Public Comment Feedback

- The technical staff provided an overview of the Public Comment Feedback, which includes the following:
 - There were a total of 20 comment letters received, containing 162 total comments addressed to the 6 questions posed for consultation.
 - a) 7 stakeholders' groups were represented – with most letters from Non-profits (6), followed by Academia (4), Consultants (4), Investors (3), International governmental/nongovernmental organizations (2), and Corporates (1).
 - A feedback session was also held with a total of 13 participants from diverse backgrounds, providing 19 additional points of feedback.
 - Additionally, 3 Feedback meetings were conducted, providing 21 additional points of feedback.
 - Most commentators and feedback session/meeting participants came from Europe (11) and Asia (10), followed by South America (4), and North America (3).
 - The statement received broad support with feedback emphasizing clarity and usability
- The technical staff summarized the public comment feedback, which includes the following:
 - The statement received broad support with feedback emphasizing clarity and usability
 - a) Feedback Questions 1 and 6: Overall Usability
 - The statement overall was well received by a high majority of respondents, however, with several important caveats.

- Several commentators said the statement is comprehensive and sufficiently builds on precedent frameworks.
- Commentors noted that the statement is very technical and requested case studies demonstrating how to select between measurement and valuation methods.
- Several commentators requested additional requirements for stakeholder engagement when designing impact pathways.

b) Feedback Question 2: OECD Framework

- The OECD Well-being Framework as the default for describing outcomes/impacts received majority support.
- However, concerns regarding its applicability to the corporate context (as opposed to policy) and diverse cultures were raised.

c) Feedback Questions 4 and 5: Value Factors

- The proposal to separate the measurement and valuation stages received majority support. One key commentor suggested including valuation as part of the “impact” stage of the impact pathway.
- The guidance for how to select between different valuation techniques received support from a majority of respondents

o Question 3(a): Requirements for creating well-defined outcomes and related feedback

a) Summary of responses:

- The majority of commentators agreed with the approach of creating well-defined outcomes, namely identifying the (i) affected stakeholder(s), and (ii) well-being dimension(s) affected.

- A few suggestions for improvement were provided.

b) Feedback provided:

- A comment letter/corresponding meeting focused on the need to enhance alignment with existing frameworks, particularly related to defining outcomes in terms of capitals and incorporating valuation into the impact stage of the impact pathway.
 - One commentator noted developing guidance on systems mapping and causal loops (e.g., Integrated Protocol).
 - A commentator pointed out that the description of human rights in relation to a well-defined outcome was insufficient and suggested referencing TISFD.
 - One commentator suggested including sub-factors such as specifying the direction of impact, indicating the magnitude, duration/time horizon, and geographic boundaries.
 - Commentators emphasized the need for a stakeholder perspective and engagement when defining well-defined outcomes.
- o Question 3(b): Applying impact materiality to determine when to include an impact

a) Summary of responses:

- Six comments letters and one respondent in a feedback session emphasized the need to clarify how to apply impact materiality and its connection to ESRS.
- This applies when determining whether to include or exclude an outcome after it has been clearly defined in impact accounts.

b) Feedback provided:

- A commentator requested clarity on distinguishing between activity and outcome-based data.
- Commentators suggested improvements to the impact materiality criteria, such as providing a clearer definition of 'relevance and significance,' including specifying stakeholders, and clarifying what is meant by 'separation' from stakeholders.
- Other suggestions included considering factors such as nature as a silent stakeholder and providing specific thresholds or benchmarks to determine impact materiality.

Discussion: General Methodology 2

- Members provided the following comments:
 - A member asked whether the views differed between academics.
 - a) The technical staff noted that most substantive feedback came from non-profits, while other feedback was lighter in nature.
 - A member stated that corporations are interested in use cases and how they can create value. The member emphasized the importance of making the methodology more appealing to corporations and investors, highlighting that we need their support and participation.

Water Consumption Public Comment Feedback

- The technical staff provided an overview of the Public Comment Feedback, which includes the following:
 - A total of 7 letters were received including 70 individual comments to the 5 questions.
 - a) While the number of letters was lower than the GHG methodology, the number of comments per letter was higher suggesting deep engagement from all commenters.
 - b) Two additional feedback calls were taken.
 - There were 17 attendees (20 registered) at the Public Comment Feedback Session.
 - a) The feedback session included many organizations and individuals that we had not engaged with previously and significantly expanded the global representation of comments.
 - 12 countries were represented. 5 in Europe (U.K., Spain, Germany, France, Luxembourg), 5 in Asia (China, Japan, India, Turkey, Taiwan), 2 in the Americas (U.S.A., Colombia)
 - Most comments came from consulting firms, data services, academics, and non-profits.
- The technical staff summarized the public comment feedback, which includes the following:
 - Broad support for the overall structure and approach of the methodology. Particular notes mentioned the flexibility, pragmatism, rigor, clarity, opportunity-cost logic, consideration of water stress and biodiversity, and practicality of application as very positive.
 - Evenly Mixed Views about Data Requirements and Methodology Tiers
 - a) Data Requirements:

- Several letters mentioned that the data requirements were simple and clear compared to other approaches.
- Other letters asked for more guidance when no location data is known (particularly data providers).
- Two letters asked for methodologies on different metrics: withdrawal/ discharge separated & water pollution.

b) Methodology Tiers:

- Several letters applauded the flexibility of two tiers to apply the methodology.
 - One letter was concerned about allowing the Minimum Option to be used in large countries.
 - Other letters proposed additional tiers: based on company water risk, or when even larger data gaps exist.
- Continued desire for clarity, use cases, and examples
 - Several letters asked for use cases where this work has been applied to inspire practitioners.
 - Individual letters suggested providing:
 - a) Example uses where the Water Consumption methodology is compared side by side with other notable methodologies.
 - b) Guidance on how to address significant data gaps including examples.
 - c) Additional methodological details around aggregation/disaggregation of data across scales (national to sub-national)
 - d) A template of an IFVI Water Consumption Report.
 - e) Demonstration of connection to financial and corporate value.

- Proposal for more analysis of the sensitivity and spatial implications of value factors
 - As with other topics, several letters expressed strong support for the technical approach with one stating “this was one of the strongest areas of the Water Methodology.”
 - There were several proposals for modifications of the technical approach, including:
 - a) Additional analysis around concerns that poor countries impacts are undervalued and could lead to perverse incentives.
 - b) Could more “indirect impacts” be included such as agricultural productivity or energy use.
 - c) Exploring if “positive impacts” from a company’s water-saving efforts can be considered (or against alternative counterfactuals).
 - d) Adding in rigorous sensitivity analyses for how results change in different geographies and scale of application.

Discussion: Water Consumption Methodology

- No questions were asked.

Public Comment Next steps

- The technical staff proposed the following next steps, which includes a formal coding of all comment letters into one of three categories. The coding is as follows:
 - 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.
- The technical staff will also review learnings from piloting with VBA member companies.
- The technical staff also noted that there was sufficient feedback from the comment letters and feedback sessions and proposes moving forward with revised General Methodology 2 and Water Consumption Topic Methodology Drafts for final approval by the VTPC. As per the 2025 Workplan, updated drafts of each of these will be slated for discussion and approval at the April and June VTPC meetings.

Adequate Wages & Wage Inequality Topic Methodologies

- The technical staff provided the following updates on the research since Q4'24 VTPC Meeting:
 - The main points from the Q4 VTPC Meeting include the following points:
 - a) Valuation method: Positive feedback on technical rigor and incentive-alignment.
 - b) Quantitative results: Concern about overly boosted results for low wages, diminished results for high wages.
 - c) Data feasibility: Reiteration of the importance of data feasibility and ease of comprehension for preparers. Clarification that the updated Adequate Wages Methodology does not increase data burdens.
 - d) Practical questions: Emphasis on the importance of correctly handling PPP, inflation, and taxes.
 - The research activities since Q4 VTPC Meeting include the following, in addition to ongoing desk research, team discussion, and methodology drafting:
 - a) AW roundtable: Held virtual roundtable in Dec '24 to discuss inclusion of both remuneration impact and living wage impact. Between roundtable and 1:1 listening calls, 20 stakeholders provided detailed input.
 - b) Consulting support: External consultant Dr. Daniel Fujiwara was engaged on short-term basis to support on, among other issues, resolution of overly boosted results for low wages vs. diminished results for high wages.
 - c) Individual VTPC engagement: Continued to discuss via email specific questions and comments raised by VTPC Members last meeting
- The technical staff summarized the Adequate Wages Pre-Exposure Draft, which includes the following:

- Highlights from Sections 1: Introduction and 2: Impact Pathway
 - a) Maintain inclusion of both remuneration impact and living wage impact as two elements of impact
 - Stakeholder engagement and research post-public comment period reinforced importance of including both elements of impact.
 - Nonetheless, stakeholder opinions still vary on this topic, as shared through 1:1 listening calls and roundtable discussion.
 - Crucially, inclusion of both elements enables comparability of impacts across topics and entities — consistent with General Methodology and its establishment of default reference scenario.
 - Additionally, alternative approaches would be valuable for specific use cases but lead to incomparable results and perverse incentives. E.g., If being paid the living wage (LW) generates zero impact, then a company with 10 workers paid exactly LW would have identical wage impact as company with 10,000 workers paid LW.
 - The technical staff posed the following example whether these companies have same or different wage impact: 10 workers paid exactly Living Wage versus 10,000 workers paid exactly Living Wage.
 - The technical staff posed the following questions, which were thought exercise prompts discussed with stakeholders at the Adequate Wages virtual roundtable held in December 2024:
 - Do two companies, one with 10 workers paid exactly living wage and the other with 10,000 works paid exactly living wage, have the same or different wage impact?
 - In two scenarios - many retail workers, each paid under living wage versus fewer retail

workers, each paid under Living Wage (enabled by automation technology), would replacing workers with automation increase or decrease wage impact?

- b) Emphasize acknowledgement of “counterparty cost” while clarifying where further research is needed
 - Updated draft continues to recognize that wages are paid by an entity in exchange for value given up by the worker (their cost of labor). To understand the net impact experienced by workers, both sides of the exchange must be recognized — as reiterated by stakeholders.
 - At the same time, workers benefit from non-pecuniary impacts of employment beyond wage impacts — also raised by stakeholders.
 - Some research indicates that cost of labor and non-wage employment impacts may offset each other, but further validation is required. Therefore, the draft now more prominently discusses both points of feedback while deferring formal incorporation into calculations until further research is done.
- o Highlights from Section 3: Impact Driver Measurements
 - a) Simplify minimum impact driver measurements and strengthen alignment with reporting standards
 - While anonymized wage distribution data at the individual or decile level is preferred, preparers may use simpler “minimum” requirements (at right) to model their wage distribution.
 - Model assumes log-normal wage distribution, based on strong precedent in both research and policy spheres. Spreadsheet tool helps preparers do this modeling with one click.
 - Closer alignment with ESRS S1-6, S1-10, S1-16, and GRI 2.

- b) Partially but not fully facilitate global comparability of resulting impact accounts
- Following OHS and Water Consumption Exposure Drafts, a single global value of a statistical life-year (VSLY) is used, avoiding the bias introduced by systematically lower (higher) valuations in lower-income (higher-income) places.
 - Because VTPC has not yet discussed this issue, the draft currently defaults to a global VSLY while all other variables are defined at national level (e.g., living wage by country, median wage by country) — introducing inconsistency and bias.
 - Question to grapple with: In multi-country analyses, the same wage in absolute terms (e.g., Int\$10,000) gets a higher valuation in a higher-income country than a lower-income country. Is this the desired result? (This result also occurs in parts of other Topic Methodologies like OHS and Water Consumption where income bias has been left in.)
- o Highlights from Section 4: Outcomes, Impacts and Valuation
- a) Make use of standard economic model to incorporate diminishing marginal utility of wage income
- A standard utility function used by, among others, the UK Treasury Green Book (2022), OECD (2023), Adler (2019), and Layard et al. (2008) cardinally ranks different wage amounts by how much they contribute to well-being.
 - o E.g., by this utility function, a \$100,000 wage contributes more to well-being than a \$50,000 wage, but it contributes *less than twice* the amount of well-being as the \$50,000 wage, reflecting diminishing marginal utility of income.

- Overcomes technical challenges of the *utility of income* approach highlighted by OECD public comment letter.
 - To express results in \$ terms, utility function is normalized to national median wage.
- b) Incorporate social cost of breaching right to living wage based on value of a statistical life-year (VSLY)
- VSLY used on the normative assumption that a year spent working for zero wage, in complete violation of one's human right to a living wage, is equivalent in well-being terms to one less year lived.
 - Use of VSLY takes inspiration from legal economics (calculating total damages) and welfare economics. But human rights violations still a new area for monetary valuation.
 - Living wage impact is modeled using a concave function, assuming diminishing marginal utility holds. Concavity emphasizes very deep levels of deprivation. However, a convex function could be used instead, emphasizing tipping point just below the LW. Or a linear function could be assumed if no other information indicates otherwise.
- The technical staff went through the steps of how a company can apply the Adequate Wages Methodology:
 - Step 1: Preparers fill in several cells in the Appendix B spreadsheet tool. Dark purple corresponds to Adequate Wages; light purple is Wage Inequality.
 - Step 2: Preparers click a button to model a wage distribution based on their inputs in Step 1.
 - Step 3: The tool automates the calculation of the following equations for Total Remuneration Impact and Total Living Wage Impact:

- The technical staff compared two companies in the U.S. and Mexico with similar wage characteristics, except scaled to their respective national median wages.
 - E.g., lowest wage is \$30K in U.S. firm, which is 36% of the U.S. national median wage; lowest wage is \$9K in Mexico firm, which is 36% of the Mexico national median wage.

- The technical staff also stated that the draft currently defaults to a global VSLY while all other variables are defined at national level (e.g., living wage by country or subnational unit, median wage by country), creating two major consequences to grapple with:
 - Remuneration impact much higher for U.S. firm than Mexico firm because calculation is normalized to national median wage. Is this the desired result?
 - Living wage impact relative to remuneration impact much larger for Mexico firm than U.S. firm because calculation relies on global VSLY. Is this the desired result?

- The technical staff posed the following discussion questions:
 - Remuneration impact (section 1.4): Is the rationale for the inclusion of remuneration impact made clearer in the updated draft?
 - Counterparty cost (sections 1.4 and 5): The present pre-exposure draft seeks to acknowledge feedback about both counterparty costs and non-pecuniary employment impact, and clarify their relevance to the Methodology, while also transparently communicating where further research is needed before they can be formally incorporated into calculations. Do you agree with how the pre-exposure draft has handled these points of feedback?
 - Data feasibility (section 3.1): Do these data requirements strike an appropriate balance between feasibility for preparers and ability to produce meaningful results? Even if the Preferred option may be challenging for most entities, do you agree with its inclusion to encourage greater accuracy? Do you agree with the use of

modeling (described in paragraph 34) to enable preparers to use the minimum option?

- Handling local & global values (section 4.1): What guidance should be provided to preparers for presenting impacts in a globally comparable way? In the pre-exposure draft, some variables incorporate “global normalization” (the VSLY) while others do not (Median_c and LW_c). Are there reasons why variables should be treated differently, or should they be treated consistently? To what extent should use case determine whether global normalization is performed? Are there some types of country variation that should be retained while others (e.g., income constraints resulting in lower willingness-to-pay) should be removed?
- Updated measurement and valuation approach (sections 4.2 and 4.3): Is the updated approach to measuring and valuing well-being sufficiently clear and an improvement over the previous approach?
- Importance of living wage (section 4.3): Are there additional ways to further emphasize the importance of paying a living wage in the Topic Methodology without removing remuneration impact?
- Functional form for living wage impact (section 4.3 and Appendix D): What do you think of the function used to model living wage impact? As described in Appendix D in greater detail, the function increases in a concave fashion, consistent with diminishing marginal utility. This concavity means that the social cost of violating the human right to a living wage is disproportionately higher for workers at very deep levels of deprivation relative to workers just below the living wage. Do you agree with the current working assumption of concavity or would you consider a linear or convex function instead?
- The technical staff summarized the Wage Inequality Pre-Exposure Draft, which includes the following:
 - Highlights from Sections 1: Introduction & 2: Impact Pathway
 - a) Change title to “Wage Inequality” for descriptive accuracy and strategic communication

- b) Reflects broader scope of the draft beyond a strict comparison of men's and women's wages controlling for job category.
 - c) Framing as inequality, not equality, avoids potential misconception that entities should *equalize* wages. Rather, entities are incentivized to *reduce* wage gaps up to the amount dictated by empirical research on strength of inequality-averse preferences.
- o Clarify which impacts are in scope, and which are covered elsewhere in Methodology
 - a) Inequality aversion parameter in the Atkinson index can capture a wide range of underlying reasons why inequality is undesirable (e.g., concern for well-being of others; avoidance of negative externalities of inequality like political dysfunction, low social cohesion, macroeconomic instability, low social mobility; norms about fairness and justice).
 - b) Key strength: Massively reduces assumptions needed to model all the underlying motivations.
 - c) For context, the same is true of VSL, which captures a wide range of underlying reasons why morbidity and mortality are undesirable without needing to model each one (e.g., physical pain; mental anguish; isolation; loss of social role functioning).
 - d) Note that financial shortfall faced by the "losers" of inequality (and gains faced by "winners") are not counted as impacts. Lower (higher) well-being resulting from lower (higher) wages is captured by Adequate Wages Methodology.
 - e) Instead, Wage Inequality Methodology captures all the reasons why the *existence* of winners and losers is objectionable. This preserves conceptual coherence between the two wage-related methodologies and avoids double-counting.
- o Highlights from section 3. Impact Driver Measurements

- a) Use preferred and minimum data requirements to balance feasibility with more detailed insights
 - For General Inequality: Identical to Adequate Wages Methodology.
 - For Gender Inequality:
 - At minimum, preparers need mean gross wage and number of workers by gender.
 - Preparers adhering to preferred requirements will need mean gross wage and number of workers by gender *and* job category (e.g., female junior associates, male junior associates, female managers, male managers).
 - More detailed data, more granular insights into the drivers of inequality, enabling entities to answer questions like: How much gender inequality exists at entity level vs. at each job category level? Which job categories are responsible for most gender inequality?
 - ESRS alignment quite strong, with all minimum data points either fully or partially aligned. GRI less aligned
- Highlights from section 4. Outcomes, Impacts, and Valuation
 - a) Use Atkinson inequality index to capture wide range of effects of inequality on workers and society
 - Atkinson inequality index is widely adopted (including by OECD and UNDP for similar inequality measurement purposes) and well established in the social science literature.
 - Together with Adequate Wages updates, the Atkinson inequality index overcomes technical challenges of the *utility of income* approach highlighted by OECD public comment letter.
 - For general inequality, the inequality aversion parameter is set to the central value from across

multiple empirical studies, including stated preference studies, revealed preference studies, and behavioral experiments that study how people make choices about distributing money.

b) Distinguish between and add together general inequality and gender inequality

- A much larger (2x) inequality aversion parameter is used for gender, reflecting higher degree of unacceptability when wage differences are driven by unearned advantages and disadvantages not tied to effort or choice but rather “accidents of birth” that confer wealth-related, social capital-related, geographic, racial, gender, and genetic privileges or vulnerabilities.
 - General and gender inequality are added together assuming distinct, non-overlapping reasons for inequality aversion — one is gender-agnostic inequality aversion, the other is gender-driven.
 - General and gender inequality overlap in *measurement* terms, but not *valuation* terms. Similarly, other Topic Methodologies have had the same impact driver leading to multiple distinct impacts that can be safely added together.
- o The technical staff introduced 3 hypothetical companies as an example:

a) Company A (Typical)

- Company Wage Characteristics
 - o Lowest wage: \$30 K
 - o Median wage: \$70 K
 - o CEO-to-median pay ratio: 80
 - o % under the living wage: 55%

- Total # of workers: 1,000
- Gender wage gap: 19 %
- Total wage bill: \$96.9 M
- Wage Inequality Impacts
 - General Inequality Impact ($\tau=2$): \$2.7 M
 - Gender Inequality Impact ($\theta=4$): \$177 K
- Total Inequality Impact: \$ 2.8 M
- Inequality Impact as % of total wage bill: 2.9 %

b) Company B (more unequal)

- Company Wage Characteristics
 - Lowest wage: \$15 K
 - Median wage: \$60 K
 - CEO-to-median pay ratio: 150
 - % under the living wage: 60%
 - Total # of workers: 1,000
 - Gender wage gap: 56 %
 - Total wage bill: \$96.9 M
 - Wage Inequality Impacts
 - General Inequality Impact ($\tau=2$): \$5.0 M
 - Gender Inequality Impact ($\theta=4$): \$2.0 M
 - Total Inequality Impact: \$ 7 M
 - Inequality Impact as % of total wage bill: 7.2 %

c) Company C (same as typical but no gender wage gap)

- Company Wage Characteristics
 - Lowest wage: \$30 K
 - Median wage: \$70 K
 - CEO-to-median pay ratio: 80
 - % under the living wage: 55%
 - Total # of workers: 1,000
 - Gender wage gap: 0 %
 - Total wage bill: \$96.9 M
 - Wage Inequality Impacts
 - General Inequality Impact ($\tau=2$): \$2.7 M
 - Gender Inequality Impact ($\theta=4$): \$0 M
 - Total Inequality Impact: \$ 2.7 M
 - Inequality Impact as % of total wage bill: 2.7%
- The technical staff proposed the following discussion questions:
 - a) Name of the Topic Methodology: Do you agree with the proposed renaming of the Wage Equity Methodology to Wage Inequality Methodology? The renaming is intended to reflect the broader scope of the Topic Methodology beyond a strict comparison of men's and women's wages controlling for job category. Additionally, focusing on the negative framing (inequality rather than equality) may be strategically helpful, dispelling any misconceptions that the Topic Methodology seeks the total equalization of wages, which it does not.
 - b) Other dimensions of diversity (section 1.4): Is the recognition of other dimensions of diversity beyond gender appropriate and clear? Does Appendix C make sufficiently

clear how the Topic Methodology would apply to wage differences driven by, for instance, race?

- c) Wage equity (section 3.1): To measure and value wage gaps between workers doing equal work, by holding job category constant, entities would be expected to provide mean gross wage and number of workers by both gender and job category. The valuation techniques for incorporating this element would be an extension of the method already described in section 4. As this presents an additional data requirement from entities, it is described as a preferred, rather than minimum, option for adhering to the Topic Methodology. What do you think of this approach?
- d) Data feasibility (section 3.1): Are the minimum and preferred options for data requirements appropriate?
- e) Additivity of general inequality and gender inequality (section 4.1): Should general inequality and gender inequality, as defined in the pre-exposure draft, be considered two distinct and aggregable quantities or do you view them as interrelated in a way that would require adjustments to their proposed aggregation?
- f) Atkinson inequality index (section 4.2): Does this and the following paragraph satisfactorily explain how the Atkinson inequality index captures a wide range of the effects of inequality on workers and society?
- g) Inequality aversion parameter (section 4.2): Is the use of a higher inequality aversion parameter for gender-based wage gaps clearly justified by this section? Does the use of two different inequality aversion parameters for the general and gender inequality impacts help to distinguish between the two and explain their additivity?

Discussion 1: Adequate Wages Pre-Exposure Draft

- The technical staff voiced the following points:
 - The Methodology has evolved from previous discussions. The core assumptions remain the same, despite differing opinions but we have incorporated stakeholder feedback to clarify these assumptions.
 - There is ongoing debate between remuneration impact and living wage deficit. The Methodology aims to partially align with other frameworks, such as the Capitals Coalition, Shift Project etc.
 - There are two key implications:
 - Excluding remuneration wages may distort impact measurement, particularly for organizations offering living wage jobs
 - Wages below a living wage as a negative impact may incentivize organizations to reduce their workforce, which could lead to higher unemployment.
- Members provided the following comments:
 - A member voiced the following reflections:
 - The Methodology needs to be actionable and practical. A perfect methodology should not be the goal but there needs to be balance between rigor and ease of use.
 - They agree with including remuneration impact in the Methodology.
 - Technology will disrupt jobs, and this must be considered into the Methodology. Credit should be given to companies paying living wages, especially in the face of technological disruptions.
 - The absence of remuneration impact would lower the adoption of the Methodology. Adoption is linked to ensuring the Methodology is complete and aligned with the company incentives.

- There must be ongoing discussions about the balance between local and global values in the Methodology to ensure we do not create perverse incentives.
- A member voiced that the number of public comment responses from corporates and investors is too low. The lack of consensus poses a risk to adoption. More engagement is needed to reach a better consensus - How should we proceed without full consensus? Can more consensus be achieved by engaging more corporates and investors?
- Another member noted that remuneration impact below the living wage has a negative impact for human capital. Remuneration impact and living wage impact should not be two separate impacts; they should be one, which should be negative below the living wage. While this has been discussed multiple times, there are concerns about perverse incentives of the proposed approach, which may encourage companies to continue paying below a living wage. Therefore, the member does not support including this consideration in the Methodology. Additionally, they requested to clarify the interpretation of a line graph presented by the technical team.
- A member stated that both remuneration and living wage should be included in the Methodology, as both are essential. Additionally, they expressed the following:
 - Should living wage and remuneration impact be additive or separate? They cannot be added if they represent different things. If they are going to be added, it is important to consider when they should be net negative.
 - An individual with limited financial resources hiring someone in a low-income country may create a positive impact by offering employment, even if it is underpaid, compared to a wealthier company that has a responsibility to provide a living wage.
 - Questions about whether the cost of labor refers to opportunity costs faced by the worker or costs faced by the employer to employ the worker.

- Building consensus is important to ensure that the Methodology is not restrictive to practitioners. The focus should be on long term instead of short-term adoption.
- Concern about the complexity of the Methodology for practitioners and a PhD in economics or mathematics may be necessary grasp the document. A simplified version should be created for practical use.
 - For example, the pre-exposure draft contains a linear sum of a non-linear function, and the non-linear function uses the median wage, which may be too complex. Is it possible to use linear functions instead?
- A member voiced the following:
 - Whether the preferred option and minimum data option result in the same value.
 - Whether there should be simplicity of the Methodology for adoption. They also suggested piloting to obtain real world data.
- The technical staff mentioned piloting of the new Methodology will be deferred for a few months, as companies are currently piloting Occupation, Health & Safety (OHS) and Water Consumption Topic Methodologies.
- The technical staff voiced that there is divided feedback on remuneration impacts in piloting, similar to the feedback received from public consultations.
- The technical staff voiced the following next steps:
 - Additional public comment period for the updated version of the Methodology will occur once approved by the VTPC. VTPC members are encouraged to provide feedback on this draft by March 3rd to inform a subsequent Exposure Draft to be voted on for approval.
 - There needs to be ongoing discussions with members about data feasibility and the local versus global values.

Discussion 2: Wage Inequality and Pre-exposure draft

- A member voiced the following:
 - Acknowledged that as the work becomes more public, it could be perceived as a political statement and expressed pride in being associated with the organization.
 - Emphasized that the Methodology should align with the Taskforce on Inequality and Social-Related Final Disclosures ([TISFD](#)) and their adoption efforts.
 - Mentioned GSG's piloting with Colombian companies.
 - Supported the name change from "equity" to "inequality," noting that "equity" can imply a binary concept, whereas "inequality" is more flexible, better reflects the issue, and translates better into other languages.
 - Agreed with the additivity of general and gender inequalities as distinct and aggregable quantities. Appreciated that the Methodology allows for breakdowns by gender, race, or ethnicity, but emphasized that gender remains the most universally relevant category.
 - Supported the use of minimum data requirements, which are more dynamic, while also having preferred data requirements.
 - Requested more clarity regarding the term "select cash benefits and bonuses."
 - The Methodology should explicitly address the challenges of obtaining data from both upstream and downstream sources.
 - Supported the impact pathway and use of the OECD Well-being Framework.
 - Questioned whether the incentive to reduce the gender wage gap, based on inequality Impact as % of total wage bill (2.9%), is strong enough and raised doubts about whether it should be prioritized, given the small impact.
- A member voiced whether race should have a higher aversion factor than gender? Additionally, should whether there be a difference in the

aversion factor by region if social sentiments vary, for example between Europe and the USA, with Europe potentially being more averse to inequality?

- The technical staff stated that high-level guidance is provided in the Appendix of the Methodology for how to apply the gender inequality calculation to other dimensions of diversity. The same inequality aversion parameter is used for other dimensions of diversity. The literature does differentiate between so-called merit-based and luck-based inequality, but within various types of luck-based inequality, there is not enough evidence to differentiate.
- The technical staff stated that the literature has found some evidence that attitudes toward inequality vary across cultures, citing a study by Almas (2020) comparing the U.S. and Scandinavian countries as an example. Beliefs about why inequality exists also differ across cultures; some emphasize merit, while others recognize that factors such as circumstances at birth contribute to inequality. This raises the broader question of what types of cross-country variation should be kept in the Methodology or corrected for? Should the acceptability of inequality should be treated the same globally or specific to local contexts?
- A member asked whether retaining country differences in inequality aversion would be akin to adopting a colonial mindset and whether this could lead to negative impacts in countries where inequality might be culturally accepted. They also asked whether the literature finds lower inequality aversion estimates in developing countries.
- The technical staff voiced that the literature referenced in the Methodology covers 60 countries altogether, but that literature is too nascent to provide detailed estimates for different countries. Studies on inequality aversion have different study designs, and different study designs may be driving differences in estimates. Further research is needed for more precise data.
- A member voiced the following points:
 - General and gender inequalities appear to be additive based on the information presented by the technical staff.

- As more and more different dimensions of diversity are added, the numbers would get bigger and bigger. This begs the question of whether the Methodology needs to define what those dimensions of diversity are so there is consistency across impact accounts.
- A member voiced the following points:
 - There needs to be a clear case for adoption. Companies are willing to collect the data if there is value.
 - The Methodology appears robust and feasible for companies. However, in industries where the share of female applicants is very low, how should companies address this challenge while creating opportunities for underrepresented groups?
 - The technical staff stated that this is out of scope for the current methodology, but acknowledged that this as a relevant topic under the DEI paradigm that could be further addressed in the future.
 - More details are needed on the rationale behind the use of the Atkinson index in the methodology, as opposed to other inequality indices like the Gini.
 - The technical staff voiced that the Atkinson index gets into monetary values and draws on welfare economics unlike other indices that do not use this approach.

VTPC Second Term Process

- The technical staff discussed the second VTPC term, providing an excerpt from the Terms of Reference:
 - VTPC members will be appointed for an initial term of two years, which is renewable.
 - Chair and Vice Chair will be nominated by the Global Management Team (representing equal number of officers from each of IFVI and VBA) and voted upon by the VTPC Members. VTPC members will appoint nominees by majority vote.
 - The Chair and Vice Chair will forward the nominees new or replacement members for vote by the committee.
 - VTPC member renewals and replacements, will be approved by vote by the VTPC, subject to the same voting procedures. Approval of new members will require a 51% majority vote.
- The technical staff also provided an overview of the process, which includes the following:
 - Maintaining continuity: Individual outreach to VTPC members to confirm intend for next term; identify number of new members to be filled
 - Nominations (March): by Global Management Team of IFVI and VBA. New member nominations will be proposed to VTPC– Info will be shared by April 8th.
 - Voting meeting (April): Vote on Chair & Vice Chair, member renewals, and new appointments. Details on voting process will be shared together with list of nominees.
 - Second VTPC term (June): First session of the new VTPC term.

Conclusions and Next steps

- To conclude the meeting, the technical staff provided the following updates:
 - The Product Framework launches the week of February 24th and communication materials will be shared.
 - The Methodology Architecture launches the week of February 24th,
 - The public comment period of Occupational, Health & Safety are closed; preliminary analysis is anticipated for April's meeting
 - There is ongoing research and stakeholder engagement for the Waste and Circularity Topic Methodology; The pre-exposure draft is in development (anticipated in March / April).
 - The revised versions of General Methodology 2 and the Water Consumption Topic Methodology per public comment feedback is in development (anticipated in April and June, respectively).
 - The exposure drafts of Adequate Wages and Wage Inequality is under development per discussion (anticipated in April).
- 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	Absent	
Tom Beagent	Present	
Dr. Duoguang Bei	Absent	
Jens Berger	Absent	
Sarah Bratton Hughes	Present	
Adrian De Groot Ruiz	Present	
Christian Hell	Present	
Klaus Hufschlag	Absent	
Amma Lartey	Absent	
Jun Suk Lee	Present	
Kelly McCarthy	Absent	
Crystal Pay	Absent	Beate Stuis
Dr. Amanda Rischbieth AM FAICD	Present	
Dr. Marta Santamaria	Present	
Pavan Sukhdev	Absent	Anupam Ravi
Sebastian Welisiejko	Present	Emilia Cerra
Observers:		
Yulia Romaschenko	Absent	
Richard Scholz	Absent	Lorenz Roettger

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

Appendix B: 2025 Work Plan

