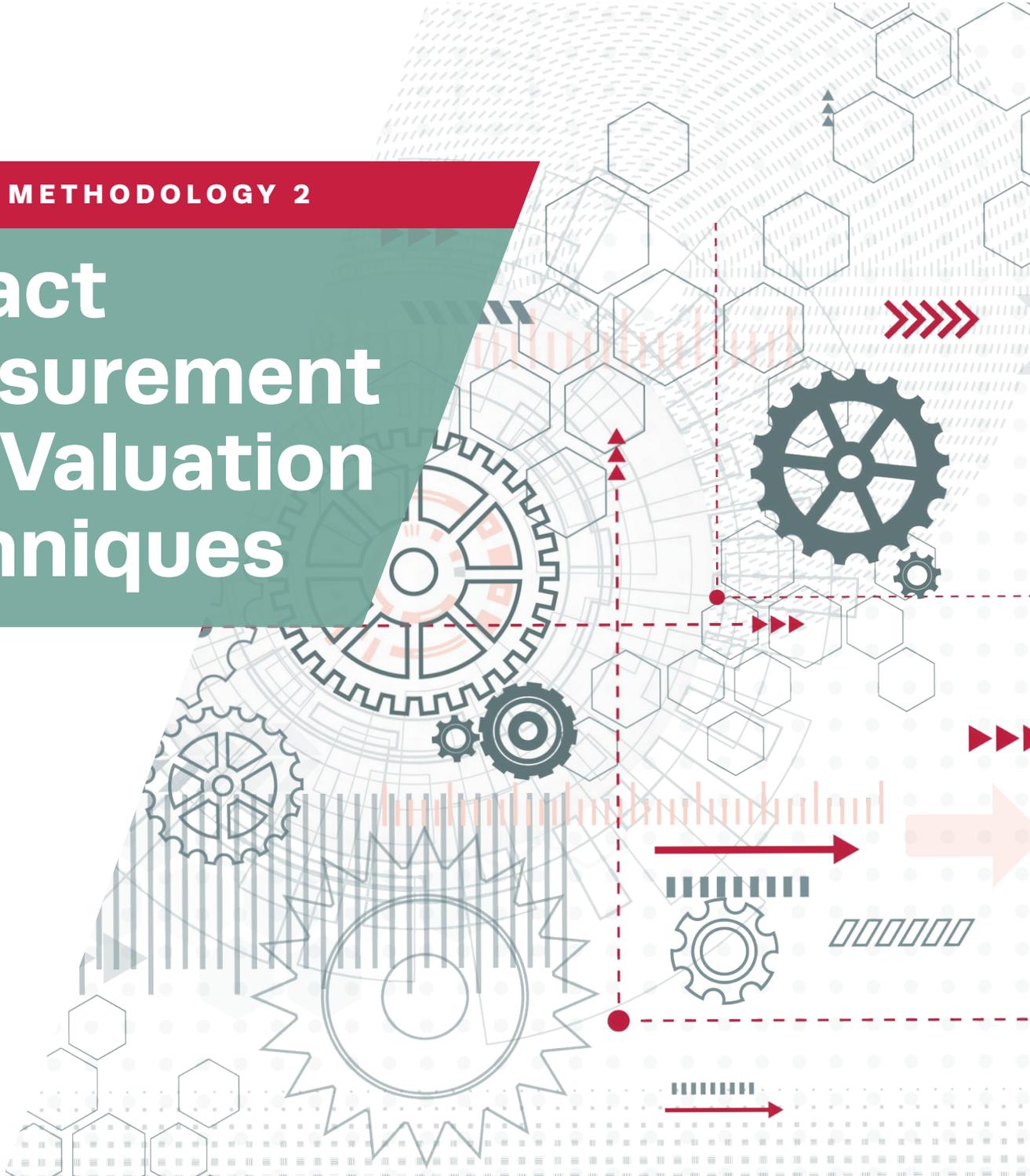


GENERAL METHODOLOGY 2

Impact Measurement and Valuation Techniques



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The Value Balancing Alliance (VBA) is an independent and not-for-profit member association organized under German law founded with the ambition of changing the way company performance is measured and valued so as to enable decision makers to act consciously.

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This publication has been produced by the International Foundation for Valuing Impacts (IFVI) in partnership with the Value Balancing Alliance (VBA) as part of the impact accounting system (the Methodology). The Methodology is a globally applicable and comprehensive open-source methodology for valuing organizational social and environmental impact that is designed for incorporation into financial analysis and organizational planning and decision-making.

The Methodology is governed by the Valuation Technical & Practitioner Committee (VTPC), an independent committee comprising 18 members, established by IFVI and authorized by its [Terms of Reference](#) to direct, validate, and approve impact accounting research and methodology produced by the cooperation of the IFVI and VBA.

VTPC members are global leaders in the fields of impact, sustainability, accounting, business, and finance. Members provide advice in their individual capacities as experts, with composition and procedures designed to ensure independence, balance, and the avoidance of conflicts of interest. Please refer to the full Terms of Reference for information regarding membership, voting, and approval processes.

Methodology development aims to follow a rigorous and credible due process balanced with the urgent and dynamic needs of stakeholders in the face of great social and environmental challenges. The development process is outlined in the [Due Process Protocol](#) and designed to be impact-focused, stakeholder-informed, collaborative, and transparent. As detailed in the Due Process Protocol, formal methodology statements undergo public exposure prior to final approval by the VTPC.

The IFVI Board of Directors provides oversight to the Due Process Protocol through its Due Process Oversight Committee. More information about the VTPC and Due Process Protocol are available in the VTPC Terms of Reference and Due Process Protocol.

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1. Introduction

1. Introduction

1.1 DOCUMENT PURPOSE

1. This document outlines the data requirements, measures, and techniques that inform the impact measurement and valuation components of the impact accounting methodology developed through the partnership between IFVI and VBA. It builds on the concepts, definitions, and principles in *General Methodology 1: Conceptual Framework for Impact Accounting* by describing the quantitative tools used to develop impact accounting methodologies and prepare impact accounts.

2. This document provides transparency into the development of impact accounting methodologies. It is not intended to serve as user guidance for applying impact accounting in decision-making and should be considered complementary to action-oriented guides such as the *Capitals Protocol*, and *Governance for Valuation*¹ and *The Principles of Social Value* by Social Value International.

3. The General Methodology is developed across several interrelated statements, and this statement should be read in conjunction with those statements. The General Methodology, including this statement, is designed to inform and explain the development of Topic and Industry-specific Methodologies.²

No content in the General Methodology overrides guidance in Topic and Industry-specific Methodologies. Specific guidance in Topic and Industry-specific Methodologies may depart from aspects of the General Methodology.

4. This statement builds on frameworks and protocols published by leading organizations in the impact management ecosystem, particularly the Capitals Coalition (2016, 2019, 2025a, 2025b), the Transparent Project (2023), key terms and concepts of the Impact Management Platform (IMP, 2023), Social Value International (SVI, 2019), and sustainability-related disclosures required by governing jurisdictions

and international standard setters (EC, 2023). This statement also builds on ISO standards for the valuation of impacts (ISO, 2019) and the OECD Framework for Measuring Well-being (OECD, 2022).

5. The Impact Accounting Methodology builds on common concepts from existing frameworks and protocols, though terminology may vary slightly. Some frameworks provide high-level principles to guide decision-making across business, finance, and policy contexts, and across different steps in the decision-making process. Impact Accounting applies these concepts to create a common global baseline for comparable impact information using monetary valuation, enabling transparency and disclosure of impact information.³ For example, the Capitals Protocol supports exploring decision options and systemic interconnections, while Impact Accounting ensures that the information disclosed to underpin those decisions is credible, consistent, and comparable.

6. In the absence of published Topic and Industry-specific Methodologies that contain standardized impact pathways, preparers can use the General Methodology to develop impact pathways for additional topics and industries in alignment with the Methodology.⁴ If a preparer develops an impact pathway for an as yet undeveloped topic, the assumptions and decisions made during the development process, including data sources, descriptions of the outcomes and impacts included in the impact pathway, and the measures and techniques used to measure and value the impact, should be disclosed to users of impact information.

7. This document is not intended to be exhaustive. As the field of impact accounting develops, the methods most suitable for measuring and valuing impacts in monetary terms within the specific context of impact accounting will evolve.

¹ More information on the capitals approach is available at <https://capitalscoalition.org/capitals-approach/frameworkintegrated/>

² Topic and Industry-specific Methodologies are available at <https://ifvi.org/methodology/> and the Global Value Factor Database can be downloaded, [here](#).

³ There are many ways to conceptualize and complement impact valuation. The Methodology is intended to provide a credible and standardized approach that promotes the comparability of sustainability-related data at scale through monetary valuation. See IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

⁴ See section 5.5 in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

1. Introduction

1.2 IMPACT MEASUREMENT AND VALUATION IN THE CONTEXT OF IMPACT ACCOUNTING

8. Impact accounting measures and values the impacts of an entity or entities. These impacts are identified by understanding the sustainability context of an entity's activities and business relationships, engaging experts, conducting topic and industry-specific research, and interacting with stakeholders.

9. The process of developing Topic and Industry-specific Methodologies can be described in three steps and builds on the logic of an impact pathway. As shown in Figure 1, the first step pertains to the impact drivers stage of the impact pathway, the second step relates to the outcomes and impact stages of the impact pathway, and the third step describes the monetary valuation of impacts.

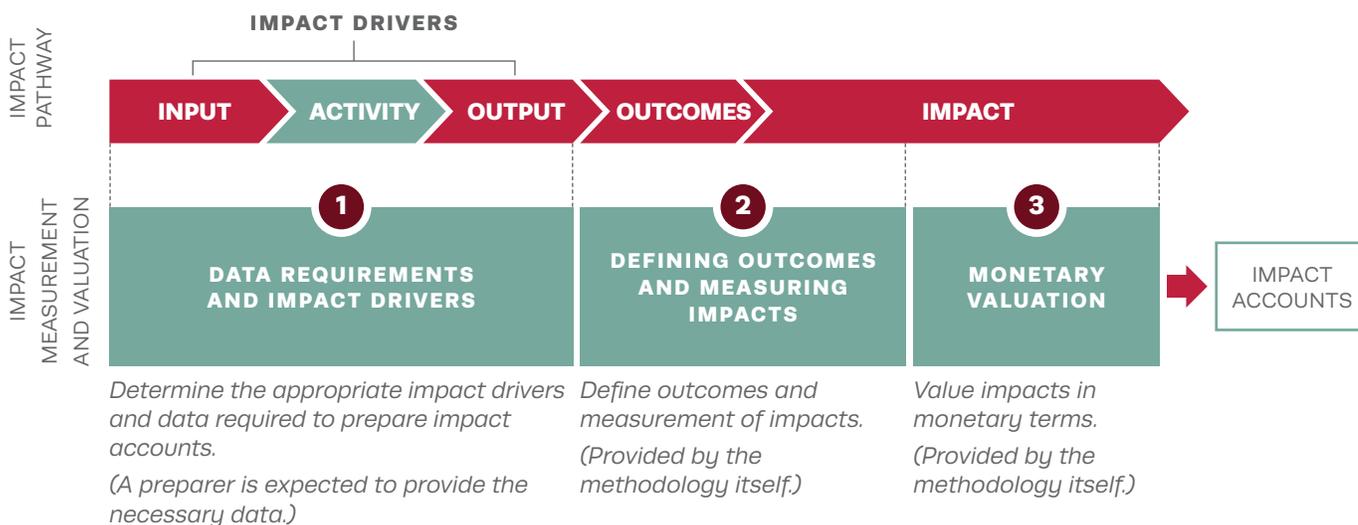


Figure 1: Process of developing a methodology based on an impact pathway

10. The steps outlined in Figure 1 summarize the measurement and valuation components described in each of the methodology sections. This statement contains a separate section that provides further information about how each step is used to develop methodologies. The sections are summarized below.

- Section 2: Data Requirements and Impact Drivers:** This section describes the types of data required to prepare impact accounts, including how data sources and modeling techniques can be used to estimate data when gaps exist.
- Section 3: Defining Outcomes and Measuring Impacts:** This section outlines the role of well-being in impact accounting methodologies.

It details the process for defining outcomes and measuring impacts and describes both objective and subjective measures.

- Section 4: Monetary Valuation:** This section outlines the conceptual foundations for monetary valuation, including how individuals' preferences can be interpreted in monetary terms, and the valuation techniques available to value impacts.

11. The three steps to measuring and valuing an impact are interrelated, and decisions made in one step may result in limitations in the others. The implications of decisions made in one step on the data requirements and viability of usable methods in other steps are considered throughout the Methodology to ensure the observance of the qualitative characteristics of impact information.

12. The inputs for each step of an impact pathway will be adjusted based on whether the scope of using the Methodology is global, involving multiple countries, or local, focused on a single country. More details about applying a global or local perspective in the Methodology are outlined in Section 4.7.

13. Impact pathways developed in Topic and Industry-specific Methodologies are aligned with the Governance for Valuation, produced by the Capitals Coalition and Value Commission. When applicable, Topic and Industry-specific Methodologies will include a summary of relevant content related to the Governance for Valuation, presented according to the template in Appendix E.

2. Data Requirements and Impact Drivers

2. Data Requirements and Impact Drivers

2.1 DATA REQUIREMENTS

14. Impact accounts require data specific to the entity being considered. Such data establishes connections between the entity's activities and the impacts being measured and valued. Impact drivers establish those connections. Impact drivers refer to the inputs and outputs of an entity that lead to outcomes and cause or contribute to impacts.⁵ Impact drivers are typically input or output-related data that are measured by the entity.

15. Impact driver data may be sourced from within the entity or external sources across the value chain. Accordingly, data collection often requires coordination and engagement across the entity, including with several internal departments and external business partners. While data availability is continually improving, it may not be possible for preparers to meet all data requirements using existing data. When data gaps are present, data may be estimated using modeling techniques.

16. Due to data limitations, some methodologies may present two sets of data requirements: the *preferred option* is more detailed for a more accurate representation, while the *minimal option* may be broader but still yields satisfactory results. The preferred option is recommended in Topic Methodologies as it supports better decision-making related to corporate management and affected stakeholder(s).

17. The impact driver data required to prepare impact accounts is specific to each impact pathway, and its selection depends on the impact measurement methods and valuation techniques used in Topic and Industry-specific Methodologies.

18. Preparers developing methodologies for as yet undeveloped topics will generally select impact drivers after identifying the sustainability topic, and in conjunction with the other steps in the impact measurement and valuation process. When developing a methodology, the sources of impact driver data, including any techniques used to estimate data, and a description of how impact drivers are connected to the impacts being measured and valued, should be disclosed.

19. The assumptions underlying the calculations, including impact pathways, should be disclosed for developed topics to further enhance the understandability of information for users. The process for developing an impact pathway should be evidence-based.⁶ If sensitive information is embedded within the calculation process, the handling of such cases should also be clearly explained.

20. Furthermore, the Methodology seeks to align its data requirements with sustainability-related disclosures required by governing jurisdictions and international standard-setters to the greatest extent possible, while still generating relevant and faithfully represented impact information. Topic and Industry-specific Methodologies outline the degree of alignment with sustainability-related disclosures and provide additional guidance as necessary.

2.2 DATA COLLECTION AND SOURCES

21. The data used to quantify impact drivers can be primary or secondary data.⁷

- a. *Primary data*: Data collected by the entity or an external party specifically for the purpose for which it is used. Some primary data sources include:
 - i. data collected from customers or suppliers within the value chain, such as through direct measurement, focus groups, or surveys;
 - ii. internal and/or reported data from accounting information systems, financial and operational data, employee engagement studies, and data from other areas of the entity; and
 - iii. physical quantities, including by-products, that are directly measured and result from an entity's activities.
- b. *Secondary data*: Data originally collected and published for a different purpose. Secondary data sources include:
 - i. data from audit and certification programs;
 - ii. estimated data derived using modeling techniques;
 - iii. government or intergovernmental organization

⁵ Adapted from Impact Management Platform. (2023). *Key terms and concepts*.

⁶ For applications of evidence-based approaches see European Commission. (2023). *Annex I European Sustainability Reporting Standards*; Global Reporting Initiative. (2021). GRI 1: Foundation 2021; IFRS. (2024). *Resources for academics – Evidence-based Standard-setting*; and Sustainability Accounting Standards Boards (SASB). (2017). *SASB Conceptual Framework*.

⁷ Adapted from Capitals Coalition. (2016). *Natural Capital Protocol*. and Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework*.

2. Data Requirements and Impact Drivers

statistics or reports;

- iv. industry, trade group, or labor organization data;
- v. past assessments; and
- vi. peer-reviewed and grey literature.

22. To measure impact drivers, primary data is the preferred source within an entity's own operations and its upstream or downstream value chain.⁸ Secondary data should be used when primary data is unavailable or secondary data is of higher quality than primary data.⁹ In practice, a preparer may need to use a combination of primary and secondary data to quantify impact drivers.

2.3 TECHNIQUES TO ESTIMATE DATA

23. Modeling techniques use primary and/or secondary data to estimate impact drivers in the methodology for an entity's own operations and value chain when data gaps exist or data are not of sufficient quality. Common techniques that quantify impact drivers are summarized in Table 1 and described below.

2.3.1 EXTRAPOLATED DATA

24. Extrapolated data refers to data specific to an activity and adapted, scaled up, or customized to be more representative of another activity being studied.¹⁰ If data from an entity's activities are unavailable or impractical to collect, a preparer may extrapolate data from a similar activity. Extrapolated data may require adaptation to ensure relevance for the specific application.

2.3.2 HYBRID APPROACHES

25. Hybrid approaches combine different modeling techniques, mainly life-cycle assessment (LCA) and input-output (IO) modeling, to use the strengths of the different approaches and overcome some of their limitations. When combining LCA and IO modeling, the detailed process analysis of LCA can be merged with the economy-wide scope of IO models.¹¹

26. Like other modeling techniques, hybrid approaches may lead to inaccuracies when applied to specific

Technique	Description
Extrapolated data	<ul style="list-style-type: none"> • Refers to data that are specific to an activity and are adapted to be more representative of another activity being studied.
Hybrid approaches	<ul style="list-style-type: none"> • Combine different estimation techniques, mainly LCA and IO modeling, to make use of the strengths of the different approaches.
Input-output models (IO)	<ul style="list-style-type: none"> • Represents interdependencies between different sectors or economies. • Quantifies impact driver data per monetary unit within tables.
Life cycle assessment (LCA)	<ul style="list-style-type: none"> • Assesses the environmental or social effects of a good or service through all stages of its life, from material extraction to end-of-life.
Material flow analysis	<ul style="list-style-type: none"> • Estimates the flows and stocks of materials within a defined system in terms of mass from extraction through processing to disposal. • Can be used to estimate impact driver data based on the flow diagrams.
Productivity modeling	<ul style="list-style-type: none"> • Analyzes the relationship between inputs and outputs of systems and/or entities by estimating the efficiency in resource use.

Table 1: Techniques to estimate data (in alphabetical order)

⁸ Capitals Coalition. (2016). *Natural Capital Protocol*; Capitals Coalition. (2019). *Social & Human Capital Protocol*; Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework*; TNFD. (2023). *Guidance on the identification and assessment of nature-related issues: The TNFD LEAP approach*.

⁹ GHG Protocol. (2011). *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*.

¹⁰ GHG Protocol. (2011). *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*.

¹¹ Reimann et al. (2010). *Evaluation of environmental life cycle approaches for policy and decision making support in micro and macro level applications*. JRC of the EU Commission.

2. Data Requirements and Impact Drivers

entities. As secondary data sources are derived from industry averages, they may fail to capture the distinct circumstances, processes, or technologies employed by an entity, and may require adaptation to ensure relevance for the specific application.

2.3.3 INPUT-OUTPUT MODELS^{12,13}

27. An IO model is a quantitative macroeconomic model that represents the interdependencies between different sectors of a national economy or different regional economies. In IO models, one unit of demand in one sector and region triggers a demand in other sectors and regions. IO models offer an econometric approach for modeling the full value chain.

28. Different types of IO models exist, including environmentally extended input-output (EEIO) models. EEIOs are based on traditional economic models and integrate satellite accounts that quantify environmental data per monetary unit for each sector and country within IO tables. Other accounts include social data, such as occupational health and safety data or education and training data, that can be integrated into input-output models.^{14,15}

29. The results from IO data models reflect sector averages and may require adaptation to ensure relevance for the specific application of an entity. The granularity of information in different IO data models varies with regard to geography, industry, and value chain stage.

2.3.4 LIFE-CYCLE ASSESSMENT

30. LCA and social life-cycle assessment (S-LCA) are techniques used to assess the environmental or social effects of a good or service through all stages of its life, from material extraction to

end-of-life, including disposal, recycling, and reuse.¹⁶ Different approaches exist, such as Product and Organizational Environmental Footprint, ReCiPe, and PSILCA.¹⁷

31. LCA model and database providers have made available a vast array of standard models and data sets, reflecting the conversions of inputs to outputs or outcomes. These standard data sets may help estimate impact drivers associated with a given good, service, or business process.¹⁸

32. Data sets offered by database providers refer to specific geographic, temporal, and technological conditions. Preparers should consider the suitability of the underlying assumptions before applying data to measure a specific impact driver.¹⁹ LCAs can be time consuming and a limitation is that quantities of inputs, such as raw materials used, are not always available in an entity's information systems.

2.3.5 MATERIAL FLOW ANALYSIS²⁰

33. Material flow analysis estimates the flows and stocks of materials within a defined system in terms of mass from extraction through processing to disposal. Material flow analysis can be used to estimate outputs based on the underlying modeling techniques and flow diagrams. This technique is focused on outputs related to environmental topics and often builds the foundational data for LCA datasets.

34. Material flow analysis is often complex and requires a large amount of data, which makes it resource intensive to apply. The method typically does not account for the economic or qualitative aspects of material flows, focusing strictly on physical units, which might not be available in internal data systems.

¹² Adapted from Capitals Coalition. (2016). *Natural Capital Protocol*.

¹³ Adapted from Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework*. and Capitals Coalition. (2025). *Governance for Valuation – Part of the Integrated Decision-Making Framework*.

¹⁴ Adapted VBA. (2021). *Methodology Impact Statement Extended Input-Output Modelling Version 0.1*.

¹⁵ Adapted Scholz, D. R. et al. (2022). *Impact measurement using the Value Balancing Alliance (VBA) method*.

¹⁶ Transparent Project. (2023). *Standardized Natural Capital Management Accounting: A methodology promoting the integration of nature in business decision making*; Capitals Coalition. (2019). *Social & Human Capital Protocol*.

¹⁷ EU Commission – Joint Research Center. (2012). *Organisation Environmental Footprint (OEF) Guide*; EU Commission. (2021). *Understanding Product Environmental Footprint and Organisation Environmental Footprint methods*; Huijbregts et al. (2016). *ReCiPe2016: A harmonized life cycle impact assessment method at midpoint and endpoint level*; GreenDelta. (2023). *PSILCA v. 3.1 – A Product Social Impact Life Cycle Assessment database*.

¹⁸ Transparent Project. (2023). *Standardized Natural Capital Management Accounting: A methodology promoting the integration of nature in business decision making*.

¹⁹ Adapted from Capitals Coalition. (2016). *Natural Capital Protocol*.

²⁰ Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework*. and Capitals Coalition. (2025). *Governance for Valuation – Part of the Integrated Decision-Making Framework*.

2. Data Requirements and Impact Drivers

2.3.6 PRODUCTIVITY MODELING^{21,22}

35. Productivity modeling refers to methods that analyze the relationship between inputs and outputs of systems or entities by estimating the efficiency in resource use. Productivity modeling can be used to estimate the environmental outputs of production processes, including emissions and waste generation. Results from productivity models may have significant measurement uncertainty as they build on data from industry reports or government statistics. In addition, the results may require adaptation to ensure relevance for the specific application.

2.4 CONSIDERATIONS FOR DATA COLLECTION²³

36. The Methodology does not specify the types of data collection or estimation necessary for applying impact accounts. When selecting between data sources or selecting a modeling technique to estimate data, the qualitative characteristic of faithful representation should be applied to ensure that impact drivers are complete, neutral, and free from error.

37. The application of faithful representation is unique to each circumstance. For instance, secondary data estimated across the value chain may be more complete than primary data collected from business partners, but it may contain gaps. The choice of a data source or modeling technique should not disproportionately emphasize either positive or negative impacts to ensure that impact information is neutral. Data, particularly estimated data, do not need

to be perfectly precise in all respects to be free from error as long as estimates are identified and inputs are reasonable and supportable.

38. Each data source and modeling technique has limitations and varying degrees of suitability. When more than one data source or modeling technique is viable, the enhancing qualitative characteristics of comparability, understandability, and verifiability may be used to decide between the available options. For instance, consideration should be given to the most used and accepted modeling techniques across the value chain to enhance the comparability of impact information. The most applied techniques may also have the highest degree of understandability and verifiability due to widespread use. Conversely, in some circumstances, novel techniques may provide a more faithful representation. The development of novel modeling techniques is necessary to advance the field of impact accounting.

39. The choice of a data source or modeling technique to estimate data requires trade-offs between the considerations described above, as well as other considerations that may be relevant for specific circumstances. Data sources and modeling techniques will be established explicitly within Topic and Industry-specific Methodologies as appropriate. Preparers developing impact pathways for as yet undeveloped topics in the Methodology should disclose the rationale for selecting a data source or modeling technique. Preparers may use the same data source or modeling technique over time to enhance the comparability of impact information.

²¹ Adapted from Capitals Coalition. (2016). *Natural Capital Protocol*.

²² Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework*. and Capitals Coalition. (2025). *Governance for Valuation – Part of the Integrated Decision-Making Framework*.

²³ For additional descriptions on the qualitative characteristics of relevance, see paragraphs 25 through 30 in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

3. Defining Outcomes and Measuring Impacts

3. Defining Outcomes and Measuring Impacts

3.1 FOUNDATIONS OF IMPACT MEASUREMENT

40. The objective of the impact measurement phase is to understand what changes in the well-being of an affected stakeholder result from an entity's activities. This step involves clearly defining outcomes and measuring the impacts resulting from them. As outlined in General Methodology 1, an outcome describes a change in the state or condition of capital(s), in physical, biological, psychological, human rights, or equity terms, that results from an entity's activities. An impact refers to the change in one or more dimensions of people's well-being directly or through a change in the natural environment.²⁴

41. In many instances, Topic and Industry-specific Methodologies do not require preparers to directly measure outcomes or collect data on well-being. Instead, preparers rely on standardized impact pathways within the Methodology that calculate changes in well-being using the impact driver data of an entity. Topic and Industry-specific Methodologies will include the best available methods for measuring impacts by evaluating peer-reviewed research, assessing the availability of third-party data, and when appropriate, the need for measurement of direct outcome data as part of minimum or preferred data requirements.

42. Impacts in the Methodology are valued using monetary valuation techniques.^{25,26} For example, the social cost of carbon, which quantifies the impact of

greenhouse gas emissions, estimates changes in the natural environment across time and values those changes in monetary terms. The output of the model is a cost per metric ton of CO₂e emitted by an entity. Throughout the Methodology, when the measurement and valuation stages are combined into a single value, descriptions of the underlying components implicit in the value are disclosed as separately as possible for clarity.

3.2 THE DEFINITION OF WELL-BEING

43. The concept of well-being is essential to understanding impacts in the Methodology. For the purposes of the Methodology, well-being is defined as the state of being or doing well in life; happy, healthy, or prosperous condition; moral or physical welfare.²⁷ The well-being of people is a complex phenomenon, and to assess well-being, it is useful to have a comprehensive framework that includes a large number of components that shape people's lives.²⁸

44. Well-being can be considered as both related, but distinct from, the concept of economic utility, which refers to the value that an individual or group of people derives from a good or service given the constraints, information, and resources available to them.²⁹ While it is possible to consider them as conceptually distinct, they are overlapping and function similarly, as well-being, like utility, is subject to the concept of diminishing marginal returns. In many instances in the Methodology, utility functions are used to proxy well-being impacts.

²⁴ Impacts measure changes against the default reference scenario, which assumes that the entity's activities, and any comparable substitutes, do not exist. For additional description of the default reference scenario, see section 4.6 Reference Scenario in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

²⁵ Preparers perform valuation of an impact by using value factors. See section '4.2 Monetary Valuation' for more details.

²⁶ Other frameworks, such as the Capitals Protocol (Capitals Coalition, 2025) refers to the measurement of impacts in physical terms as quantitative valuation.

²⁷ Adapted from Impact Management Platform. (2023)a. *Key terms and concepts*.

²⁸ Adapted from OECD. (2013). *How's Life? 2013: Measuring Well-being*.

²⁹ See page 10 of New Economics Foundation. (2008). *Measuring Well-being in Policy: Issues and Applications*.

3 Defining Outcomes and Measuring Impacts

3.3 A FRAMEWORK FOR WELL-BEING

45. While different frameworks to understand the well-being of people exist and will continue to evolve, the framework used to present dimensions of well-being in the Methodology is the OECD Framework for Measuring Well-being. The framework builds on extensive work by the OECD and other international organizations, national governments, and researchers on the measurement of societal progress.³⁰

46. The OECD framework comprises 11 dimensions of well-being and 4 distinct types of capitals: economic³¹, natural, human, and social capital. The dimensions of well-being and the capitals are presented as part of each impact pathway within the Methodology. They are also shown in Figure 2 and described individually in Appendix C.



Figure 2: Adapted from OECD Framework for Measuring³²

3.3.1 THE ROLE OF WELL-BEING DIMENSIONS AND CAPITALS WITHIN AN IMPACT PATHWAY

47. In the Methodology, well-being dimensions and the use of four types of capitals help to identify and clearly define outcomes and impacts, providing a consistent approach to describe the most relevant aspects of changes in capitals and resulting level of well-being within the impact pathway.

48. The Methodology recognizes that other aspects of well-being, including those from different countries and cultures, may be relevant and considered depending on the sustainability topic. As such, the dimensions in the OECD well-being framework are not necessarily exhaustive, and additional components that shape people's lives may be considered in Topic and Industry-specific Methodologies.

49. Each capital and well-being dimension is considered when identifying and defining outcomes and impacts. Furthermore, the dimensions are interrelated and not necessarily mutually exclusive. Dimensions may have an instrumental relationship to each other, whereby a change in one dimension causes a change in another. For instance, satisfaction with the housing dimension may lead to improved health outcomes and higher reported levels of subjective well-being. For that reason, the dimensions should be used to enhance the understandability of impacts as opposed to organizing impacts into perfectly discrete categories.

50. In Topic- and Industry-specific Methodologies, outcomes in the impact pathway are expressed as changes in capitals. These changes may be qualitatively described by well-being dimensions and may be included for context.

³⁰ OECD. (2022). *Measuring the non-financial performance of firms through the lens of the OECD Well-being Framework: A common measurement framework for "Scope 1" Social performance*.

³¹ Also described as produced capital by other frameworks, such as the Capitals Protocol.

³² The OECD Framework is used due to its global applicability, but it is not intended to exclusively inform the content of the Methodology. Additionally, the OECD Well-being framework is not meant to displace or serve as the architecture for the Methodology but only meant to qualitatively describe outcomes and impacts.

3 Defining Outcomes and Measuring Impacts

3.3.2 THE RELATIONSHIP BETWEEN STOCKS, FLOWS, CAPITALS AND WELL-BEING DIMENSIONS

51. The interpreted relationship between well-being dimensions and capitals may vary by framework.³³ The framework developed by the OECD to measure well-being distinguishes between current and future well-being. Current well-being is measured in terms of both material conditions and quality of life. Future well-being is assessed by evaluating key resources, or types of capital, that influence well-being over time and are shaped by today's actions.³⁴

52. Within the capitals approach, a capital is any form of asset that creates a flow of value to people over time, now and into the future.³⁵ Impacts are a positive or negative change in one or more dimensions of wellbeing, following a change in the state or condition of capitals.

53. The Methodology considers both temporal (e.g., long-term effects vs. immediate consequences) and spatial connections (e.g., local vs. global effects) as well as potential trade-offs of impacts, as integral components of well-being.

3.4 WELL-BEING AND THE ENVIRONMENT IN IMPACT ACCOUNTING

54. Impacts may be classified as affecting either people directly or indirectly through a change in the natural environment. When an outcome is the change in the natural environment, linkages should be made to the well-being of people. Impacts affecting the state of the natural environment are typically identified by describing aspects of nature before drawing connections to the well-being of people. Linkages between the state of the natural environment and the well-being of people should be based on underlying causal relationships.

55. The methodological choice to interpret impact through the well-being of people does not imply that

impacts to the natural environment are only relevant from an impact materiality³⁶ perspective if they have an immediate effect on actual people. Impacts that affect the state of the natural environment may exist without any clear impact on the well-being of people in the present, such as environmental impacts in a remote region of the world where the land is not utilized for economic activities.

3.5 DEFINING OUTCOMES³⁷

56. Impact pathways may contain one or more outcomes related to the sustainability topic covered in a methodological statement. In developing the Methodology, defining an outcome includes identifying changes in capitals and the affected stakeholder as a result of the entity's activities. These changes are in terms of physical, biological, psychological, human rights, or equity and may be qualitatively described through well-being dimensions, considering the perspectives of the affected stakeholder.

57. In relevant circumstances, outcomes may also be defined in relation to fundamental human rights. As such, outcomes may be defined by the extent to which an activity fulfills or violates specific human rights as outlined in globally accepted human rights declarations. Instances where an outcome relates to human rights and human rights violations occur are established in Topic and Industry-specific Methodologies.³⁸

58. The process of identifying and defining outcomes is a critical step to ensure a fair presentation. While impact drivers link impacts to an entity and monetary valuation converts impacts into a commensurable monetary unit, it is the process of clearly defining outcomes that sets the scope of an impact. To provide a fair presentation, all material outcomes related to a sustainability topic are included in an impact pathway.

³³ According to the OECD, entities contribute to well-being by influencing the current well-being (the 11 dimensions), while framing capitals as resources for future well-being. Alternative frameworks, such as the Capitals Coalition, refer to capitals as the foundation of human well-being, both currently and in the future.

³⁴ Material conditions: Income and Wealth, Work and Job Quality and Quality of life: Health, Knowledge and Skills, Environmental Quality, Subjective Well-being, Safety, Work-Life Balance, Social connections and Civic Engagement. See OECD. (2020). *How's Life? 2020: Measuring Well-being*. and OECD. (2013). *How's Life? 2013: Measuring Well-being*.

³⁵ Feedback loops can occur across various forms of capital, influencing their interactions through both balancing and reinforcing dynamics and should be considered in the methodology development process. For more information on feedback loops, refer to Capitals Coalition. (2025). *Capitals Protocol - Part of the Integrated Decision-Making Framework*.

³⁶ The definition and scope of impact materiality is discussed in Section 5: Impact Materiality and Preparation of Impact Accounts, specifically paragraph 80–83 in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

³⁷ For more information on the concept of well-defined outcome, refer to the original document. See Appendix B for a comparison of how well-defined outcomes are across the ecosystem.

³⁸ Human rights refer to rights inherent to all human beings, which include, at a minimum, the rights set out in the United Nations (UN) International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.; At outcome level, changes in capitals are measured in non-monetary units.

3 Defining Outcomes and Measuring Impacts

59. To determine whether a defined outcome should be included in an impact pathway, a principles-based approach is followed. Specifically, the qualitative characteristic of relevance is used to determine whether the defined outcome is material from an impact materiality perspective and should be included in the impact pathway.³⁹ The concept of impact materiality and its application to the qualitative characteristics of impact information are described in General Methodology 1: Conceptual Framework for Impact Accounting.⁴⁰

3.5.1 CAPITALS AND THEIR SIGNIFICANCE

60. When deciding whether a change in capital is included as part of a defined outcome, the significance of its impact on affected stakeholders is considered.⁴¹

61. The significance of an actual impact is based on its severity, while the significance of a potential impact is based on its severity and likelihood. Severity is based on the scale, scope, and irremediable character of an impact.⁴² A change in capital is more relevant as the significance of the impact increases.

3.5.2 AFFECTED STAKEHOLDER(S)

62. The perspective of the stakeholder(s) is important when determining whether individuals or groups are included in the impact pathway. Specifically, affected stakeholders are individuals or groups who experience impacts—that is, those whose well-being is or could be positively or negatively affected by the entity's activities and business relationships across its value chain. When determining whether an affected stakeholder should be included as part of a defined outcome, the following are considered.

a. **Degree of separation:** The degree of separation refers to whether a stakeholder is directly affected by the entity's activities or indirectly linked through other stakeholders, including those within the entity's value chain. A greater degree of separation may make an affected stakeholder group less relevant from an impact materiality perspective.

Nature is considered a silent stakeholder, in that nature is affected by the impacts of entities. Still, it is the responsibility of people to act as stewards of the natural environment.

- i. A greater degree of separation may reduce the capacity of the impact information to influence the decisions of users. Impact information related to a stakeholder that is further removed from the entity is less decision-useful when the entity is unable to influence decisions that lead to different outcomes.
 - ii. A greater degree of separation may reduce the need for transparency and accountability towards affected stakeholders.
- b. **Whether the affected stakeholder is society in general:** An affected stakeholder may be an individual, a group of people, or society in general when impacts affect all members of a region or the global community. When society in general is the affected stakeholder, impacts can often be linked to an entity, such as those related to greenhouse gas emissions, thereby increasing their relevance from an impact materiality perspective. In other scenarios, however, the following factors may reduce the relevance of outcomes that affect society in general.
- i. An impact that affects society in general may be caused by a diffuse set of factors, potentially reducing the reliability with which the significance of the impact and its attribution to the entity can be established.
 - ii. An impact that affects society in general may not hold an expectation for transparency and accountability to affected stakeholders, particularly if the outcomes in question are within the purview of governments or policymakers.

³⁹ For additional descriptions on the qualitative characteristics of relevance, see paragraphs 25 through 30 in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

⁴⁰ The three perspectives of the qualitative characteristic of relevance include (i) the significance of the impact on affected stakeholders, (ii) the capacity of the impact information to influence the decisions of users, and (iii) the need for transparency and accountability towards affected stakeholders. For additional description, see paragraphs 25 through 30 in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

⁴¹ Outcomes may be expressed in terms of well-being dimensions and associated indicators to illustrate how these changes affect different aspects of well-being dimensions. The OECD How's life? 2024 provides a dashboard of over 80 well-being indicators operationalizing in the OECD Well-being Framework, reflecting its 11 dimensions. See OECD. (2024). *How's life? 2024: Well-being and Resilience in Times of Crisis, refer to Table 3 and Table 4*.

⁴² For additional information on severity including scale, scope and irremediable character of an impact, see paragraph 28 of IFVI and VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

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BOX 1: STAKEHOLDER ENGAGEMENT

An entity's stakeholders are central to impact accounting, as the measurement and valuation of impacts should be informed by those affected by, and who affect, the underlying activities of entities.

It is recommended and considered best practice to engage stakeholders as much as possible when applying impact accounting. While limited resources, time constraints, and restricted access may pose challenges, it is important to seek input from stakeholders whenever feasible.

In the case of the impact accounting methodology, the measurement and valuation of impacts are standardized, designed to allow for both efficiency and comparability across users. Stakeholder perspectives are incorporated into the Methodology through its development process, ensuring opportunities for stakeholder input, and its development utilizes the best available research on the impacts and relative value of specific corporate actions. The methodologies are also contextualized based on local conditions, where appropriate, to ensure meaningful results.

This approach can be complemented by bespoke methods of measurement and valuation, in alignment with Principle 1: Involve Stakeholders and Principle 7: Verify the Result, in *The Principles of Social Value*, as outlined by Social Value International (SVI).

Impact information resulting from the application of impact accounting may be tested and verified through stakeholder engagement to ensure they accurately reflect the perspectives of stakeholders and further complemented by additional information from stakeholders to inform decision-making. Furthermore, entity level stakeholder engagement can be used to determine the materiality of sustainability topics for inclusion in impact accounts. Stakeholder perspectives may also affect the valuation perspective chosen for specific use cases or decisions informed by impact accounting. For more information, see section 4.7.

For additional sources on the application of impact accounting, refer to Nicholls, J., & Zochowski, T. (2020), *Mutually Compatible, Yet Different: A Theoretical Framework for Reconciling Different Impact Monetization Methodologies and Frameworks*. Other sources that emphasize the importance of stakeholder engagement include the *UNDP SDG Impact Standards for Enterprises and the ISO/UNDP Guidelines for Contributing to the United Nations Sustainable Development Goals (SDGs)*.

3.6 CAUSAL RELATIONSHIPS IN AN IMPACT PATHWAY

63. When considering both the degree of separation and whether the stakeholder is society in general, there may be instances where an entity's activity leads to multiple interdependent outcomes, creating a chain of events where one outcome triggers another for either the same or different stakeholder groups.

64. With multiple outcomes within a causal chain, it becomes challenging, yet necessary, to pinpoint the appropriate level of outcome to define, articulate, and value in an impact pathway, without risking double counting or unnecessary complication. In the Methodology, the qualitative characteristic of relevance is used to assess whether the identified outcomes are relevant. This is further informed by the concept of a 'well-defined outcome' as articulated in Principle 2: Understand What Changes of Social Value International.⁴³ See Appendix B for a comparison

of various definitions used across the ecosystem, including how well-defined outcomes are described by *Social Value International (SVI)*.

65. Specifically, when including an affected stakeholder as part of an impact pathway, the directness of the relationship between the stakeholder and the entity is independent of the contractual nature of the relationship. In many cases, a direct relationship exists between an entity and stakeholders who are not employed by, customers, or otherwise legally affiliated with the entity, such as community members affected by the entity's activities.

66. These relationships apply throughout an entity's value chain. In this case, most methodologies will acknowledge the potential impacts and responsibilities of an entity concerning its value chain, while considering that data availability may be limited. Assessments of materiality, viewed from a stakeholder perspective, should guide such judgments.

⁴³ This Methodology builds on concepts presented in Social Value International. (2019). *Standard on applying Principle 2: Understand What Changes*. For more information on the concepts of the chain of events and well-defined outcomes, refer to the original document.

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67. Furthermore, the development of standardized impact pathways relies on identifying causal relationships between an entity's activities and the impacts on the well-being of people. Therefore, an evidence-based approach should be applied to validate that the impact results in a material change in the well-being of people. Once identified, defining outcomes and incorporating the perspectives of the affected stakeholder(s) provide the best opportunity to measure and value impacts while minimizing the risk of double counting and optimizing well-being.

well-being. Objective well-being indicators may be used to measure changes in dimensions of current well-being, except for the subjective well-being dimension, and resources for future well-being.

- b. **Subjective well-being measures:** Subjective well-being measures use indicators from self-reported surveys to more directly reflect the experience of the individuals affected. Such evaluations reflect people's internal judgements of well-being and typically encompass three distinct aspects.⁴⁶

BOX 2: EXAMPLE OF A GREATER DEGREE OF SEPARATION AND DIFFUSE SOCIETAL IMPACTS

There may be instances where an entity's activity leads to multiple interdependent outcomes, making it challenging to pinpoint the appropriate level of an outcome to include in an impact pathway or directly attribute to an entity. For instance, although the Occupational Health & Safety (OHS) Topic Methodology includes the impacts of occupational injuries, illnesses, and fatalities, there are some broader societal impacts that are not captured. This is due to the greater degree of separation between the entity and affected societal stakeholders, as the diffuse nature of these impacts poses a risk of double-counting and makes direct attribution challenging.

These societal impacts include reduced economic spending due to workers' inability to earn, increased strain on social security systems when costs exceed employer contributions, and ripple effects on the families, communities, and coworkers of affected workers, including grief, trauma, and decreased morale.

This does not mean that all diffuse societal impacts are irrelevant. In fact, as the previous box illustrates, in some cases such as GHG Emissions, they are recognized as highly relevant. Therefore, OHS does not treat them as primary impacts, which are direct and worker-specific (e.g. human health, lost wages, healthcare), and does not include secondary impacts because they are more diffuse and therefore less relevant and risky to use for decision-making.

3.7 MEASURING IMPACT IN THE METHODOLOGY

68. The Methodology measures impact through the extent to which a defined outcome has changed against the default reference scenario. Indicators measure impacts at a point in time, with repeated measurement of an indicator used to determine changes in well-being over time.⁴⁴ Measuring changes in well-being can be done through objective and subjective well-being measures.

- a. **Objective well-being measures:** Objective well-being measures use indicators that are tangible in nature to measure changes in dimensions of well-being.⁴⁵ These measures do not capture the direct experience of individuals affected and therefore serve as proxies for
 - i. Life evaluation: Refers to a reflective assessment of a person's life or some specific aspect of it. The most used measures of life evaluation refer to "life as a whole" or some similar over-arching construct, people may also provide evaluations of particular aspects of their lives such as their health or their job.
 - ii. Affect: Refers to measures of particular feelings or emotional states, typically measured with reference to a particular point in time. Affect has at least two distinct dimensions: positive affect and negative affect. Positive affect captures positive emotions such as the experience of happiness, joy, and contentment, whereas

⁴⁴ The words indicator and metric are often used interchangeably. Impact Management Platform. (2023). *Key terms and concepts*.

⁴⁵ Adapted from Harvard T.H. Chan. (2017). *Well-Being Measurement*.

⁴⁶ OECD. (2013). *OECD Guidelines on Measuring Subjective Well-being*.

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negative affect comprises the experience of unpleasant emotional states such as sadness, anger, fear, and anxiety.

- iii. Eudaimonia: Also referred to as psychological flourishing, eudaimonia goes beyond reflective evaluations and emotional states but focuses on a sense of meaning and purpose in life, or good psychological functioning.

69. When selecting a measurement approach, the Methodology recognizes the distinct contributions of both subjective and objective measures. Objective well-being indicators are tangible in nature and useful for tracking societal well-being over time. However, they do not reflect the multi-faceted nature of well-being and may require multiple indicators to capture the dimensions affected by an impact. Additionally, aggregating objective well-being measures across dimensions can lead to double counting, as these indicators are not perfectly discrete. Objective well-being measures also fail to capture the direct experience of affected stakeholders.

70. In contrast, subjective well-being measures provide unique insights into individuals' internal assessments based on their own experiences and emotions. Indicators such as self-reported surveys may capture aspects of well-being that objective data may overlook, including emotional satisfaction and perceived quality of life. While subjective well-being measures have limitations, such as the degree of sensitivity of self-reported surveys, extensive evidence over the last two decades supports their validity. The OECD offers recommendations and guidelines, such as large data samples and consistent survey design for self-reported measures, that may improve the reliability of these indicators. Some limitations to consider include.⁴⁷

- a. Retrospective recall processes may interfere with people's long-term evaluative judgements on their well-being. When people recall experiences in retrospect, they may exhibit peak-end effects, whereby their evaluation is largely based on the most intense and the last emotion experienced.

- b. Self-reports can be influenced by momentary moods and one-off circumstances at the time of the survey, such as the weather and day-to-day events that may influence the comparability of impact information.
- c. The meaning of well-being may vary due to cultural, demographic, and linguistic differences among people, leading to variations in response styles when answering questions about subjective well-being. Such variations in response styles may skew responses and make it difficult to distinguish genuine subjective well-being from interpretation of scale use or biases of the different groups.

3.8 SELECTING WELL-BEING MEASURES

71. Measuring impacts is complex and varies by topic. The impact can be measured using either of the two well-being measures or by combining both measures. The two measures may be complementary, with each assessing different aspects of well-being. The OECD recommends measuring well-being through both objective and subjective measures, acknowledging that⁴⁸ dimensions of well-being are inherently subjective.⁴⁹ The use of a single measure may also be fit for purpose and provide a faithful representation of an impact.

72. Indicators are selected that serve as a reasonable interpretation of the underlying dimensions of well-being. The qualitative characteristic of faithful representation is applied to ensure that the indicators selected depict the underlying well-being dimensions in a manner that is complete, neutral, and free from error.

73. The application of faithful representation is unique to each circumstance. For instance, when multiple dimensions of well-being are affected, subjective well-being measures may provide a more complete measurement of an impact by capturing the combined effect of all the different changes in life circumstances in one combined measure.⁵⁰ The use of objective indicators may allow for the inclusion of a wider range of positive and negative impacts, helping to ensure that impact information is neutral. The measurement of changes in well-being does not need to be perfectly

⁴⁷ OECD. (2013). *OECD Guidelines on Measuring Subjective Well-being*.

⁴⁸ OECD. (2022). *Measuring the Non-financial Performance of Firms through the Lens of the OECD Well-being Framework: A Common Measurement Framework for "Scope 1" Social Performance*.

⁴⁹ OECD. (2022). *Measuring the Non-financial Performance of Firms through the Lens of the OECD Well-being Framework: A Common Measurement Framework for "Scope 1" Social Performance*.

⁵⁰ OECD. (2013). *OECD Guidelines on Measuring Subjective Well-being*.

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precise to be free from error, allowing for higher levels of measurement uncertainty in situations where combining well-being indicators provides more complete impact information.

74. When more than one measure is being considered, the enhancing qualitative characteristics of comparability, verifiability, and understandability may be used to decide between available options. For instance, consideration will be given to indicators that are most commonly used to reflect a dimension of well-being in order to enhance the comparability of impact information. Conversely, in some circumstances, novel techniques may provide

a more faithful representation. The development of novel measures is necessary for advancing impact accounting.

75. The choice of a well-being measure requires trade-offs between the considerations described above, as well as other considerations that may be relevant for specific circumstances. Well-being measures will be specifically established within Topic and Industry-specific Methodologies. Preparers developing methodologies for as yet undeveloped topics in the Methodology should disclose the rationale for the selection of the measure.

4. Monetary Valuation

4 Monetary Valuation

4.1 MONETARY VALUATION IN IMPACT ACCOUNTING

76. The result of the impact measurement process in the prior section is to calculate changes in the well-being of people affected by an entity's activities. The role of monetary valuation is to translate changes in well-being into monetary terms, reflecting the value of the impact on affected stakeholders. Monetary valuation in the Methodology is performed from the perspective of affected stakeholders. The well-being of people cannot be separated from social context, and the valuation of impacts may consider local or regional differences to provide relevant information.⁵¹ For more details on incorporating local and regional perspectives, see section 4.7.

77. The valuation of an impact is performed using a value factor, which, for the purpose of the Methodology, is expressed in monetary terms. A value factor translates the information that an entity collects across its operations into insights on the relative importance, worth, or usefulness of changes in the capitals to people.^{52,53} This section describes the specific approach to value factors that translate changes in well-being into monetary terms.

4.2 FOUNDATIONS OF MONETARY VALUATION

78. Valuation, whether in monetary or other terms, is inherently complex and requires the establishment of assumptions. Accordingly, there is no single approach to valuation; instead, numerous approaches and techniques can be used, depending on the use case and the availability of data.

79. A common foundation for valuation is the stakeholder-centered notion that the preferences of individuals reveal the relative importance, worth, or usefulness of a topic. Monetary valuation in impact accounting utilizes the preferences of individuals or groups to value changes in well-being, thereby creating consistent and comparable evaluations of relative importance. Monetary values are not intended to reflect the inherent value of a dimension

of well-being, but rather a representation of individual preferences at a given point in time.

80. Preferences may be expressed through an individual's willingness to pay (WTP) for a good or service, or to avoid an undesirable outcome. Willingness to pay refers to the maximum amount of money an individual is prepared to pay. Preferences may also be revealed through an individual's willingness to accept (WTA) to forgo a desirable outcome or tolerate an undesirable outcome. An individual's willingness to accept refers to the minimum amount of money an individual is prepared to accept.⁵⁴

81. Asking an individual their willingness to pay or willingness to accept should result in the same monetary valuation for identical underlying outcomes; however, in practice, the two often diverge.⁵⁵ In this statement, willingness to pay is used as the default to describe an expression of preferences; however, it is intended that a willingness to accept approach could be used interchangeably.

82. The preferences of individuals serve as the foundation of a market-based economy. Market prices for goods and services serve as an empirical starting point for determining those preferences. In many applications of impact accounting, indicators used to measure dimensions of well-being are not relatable to any market good or service. In such scenarios, a valuation technique is required that estimates the value of a non-market good or service. Several techniques exist for performing monetary valuation of non-market goods and services, including those that rely on directly asking individuals about their preferences and those that use statistical methods to infer people's preferences.

83. If a change in well-being is measured using an indicator that relates directly to a market good or service, that does not necessarily mean that a market price is the best available valuation technique, as markets are not always sufficient measures of changes in well-being. Conversely, if a change in well-being is related to a non-market

⁵¹ To read more about monetary valuation in impact accounting, refer to '4.7 The Perspective of Monetary Valuation' in *General Methodology 1: Conceptual Framework for Impact Accounting*.

⁵² Capitals Coalition. (2025). *Governance for Valuation – Part of the Integrated Decision-Making Framework*.

⁵³ The phrase 'relative importance, worth, or usefulness' does not necessarily imply monetary valuation, but the purpose of the Methodology as outlined in General Methodology 1 is to use monetary valuation as a common and comparable measure for decision-making. Monetary valuation can be supplemented and complemented with alternative valuation techniques, such as those outlined in Capitals Coalition. (2016). *Natural Capital Protocol and Capitals Coalition*. (2019). *Social and Human Capital Protocol*.

⁵⁴ ISO. (2019). ISO 14008:2019 *Monetary valuation of environmental impacts and related environmental aspects*.

⁵⁵ See page 3 of ISO. (2019). ISO 14008:2019 *Monetary valuation of environmental impacts and related environmental aspects*.

BOX 3: VALUATION OF IMPACTS RELATED TO HUMAN HEALTH OR HUMAN RIGHTS

Impacts related to human health or human rights violations have significant societal implications and capturing these impacts is crucial for a comprehensive assessment of the societal value created or eroded by an entity's activities and business relationships.

The Methodology converts these impacts into monetary values. This does not mean that it aims to determine a price for human health or human rights. Life and human rights are invaluable and cannot be traded like market goods. People cannot sell a year of their life or any of their human rights to someone else. Monetary valuation acknowledges that individuals can purchase life-protecting goods that enhance life expectancy or reduce health risks. Similarly, people can indicate how much they are willing to pay to avoid certain health risks. The valuation of these sensitive topics is built on extensive research in fields such as environmental and health economics and is frequently used in policy-making.

Incorporating the monetary valuation of impacts related to human health or human rights necessitates considering the perspectives of the affected stakeholders. This approach aligns with the guidance of international organizations on monetary valuation and builds on the *General Methodology 1: Conceptual Framework for Impact Accounting*.

good or service, using the market price of a good or service that serves as a proxy to represent the underlying change in well-being may be the best available valuation method.

4.3 TOTAL ECONOMIC VALUE

84. The concept of total economic value is adapted from the field of environmental economics, in which it is applied to disaggregate the total economic value of environmental goods into three categories: use value, option⁵⁶ See Appendix D for descriptions of use value, option value, and non-use value. In the Methodology, total economic value refers to the combination of all types of value that people derive from not only environmental goods but also market and non-market goods or services. The extent to which a value factor captures total economic value varies depending on the valuation technique used.

85. An individual's WTP measures their total economic value related to a market or non-market good, varying based on preferences and income. Ideally, total WTP across individuals captures the total economic value of a change in well-being for an affected stakeholder group; however, the mean WTP of the affected stakeholder group or underlying population is often used instead.⁵⁷ Willingness to pay differs from a market price, which does not account for some of the economic value experienced by affected stakeholders. Specifically, the difference between their willingness

to pay and the market price they pay is known as consumer surplus.⁵⁸

86. Selecting and evaluating a valuation technique for a particular impact in the Methodology involves consideration of two different perspectives related to total economic value.

- a. The first perspective applies when a well-being indicator is related to a good or service and considers the extent to which all of the use and non-use values of that good or service are captured. This perspective recognizes that individuals place value on a good independent of its actual or future use cases.⁵⁹
- b. The second perspective is the extent to which the willingness to pay for each individual in an affected stakeholder population is captured. This perspective ensures that when market prices are used to inform value factors, any differences between willingness to pay and the market price are included, to the extent feasible. This perspective also ensures that when economic value varies across an affected stakeholder population, careful consideration is taken to capture the varying degrees of economic value.

87. To ensure a fair presentation, a value factor within the Methodology aims to capture enough of the economic value tied to an impact to provide a faithful

⁵⁶ ISO. (2019). ISO 14008:2019 *Monetary valuation of environmental impacts and related environmental aspects*.

⁵⁷ ISO. (2019). ISO 14008:2019 *Monetary valuation of environmental impacts and related environmental aspects*.

⁵⁸ OECD. (2013). *OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth*.

⁵⁹ ISO. (2019). ISO 14008:2019 *Monetary valuation of environmental impacts and related environmental aspects*.

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representation, but it does not have to capture total economic value. In some instances, it is not feasible to ascribe a monetary value to every aspect of a change in well-being.⁶⁰

4.4 VALUATION TECHNIQUES^{61,62}

88. Several techniques exist to value the impacts of an entity, which reflect the last step of an impact pathway. Each technique has advantages and disadvantages for providing a faithful representation of the preferences of affected stakeholders. The approaches that are most commonly applied in the Methodology are summarized in Table 2 and described below. The following is not intended to be exhaustive.

4.4.1 COST-BASED APPROACHES

89. Cost-based techniques use the cost of compensating an individual or group of individuals for damages, the cost of restoring a negative impact to its previous condition, or the cost paid to mitigate a risk to value an impact.

90. The advantages of cost-based approaches are that they do not rely on hypothetical scenarios but instead use data from the entity, public sources, or observable compensation or repair costs. Cost-based approaches may also be less resource and time intensive.

91. The main disadvantage of cost-based approaches is that they provide a lower bound estimate of total economic value. Specific cost-based approaches may also generate value factors that are context specific, reducing their applicability to a wide range of scenarios; however, context specificity may be advantageous if the study addresses the particular parameters of the impact being valued.

4.4.2 MARKET-BASED APPROACHES

92. Market-based techniques use the observed market price of a good, service, or asset to value an impact. Market-based approaches are most applicable when the underlying well-being indicator is directly related to a market good, service, or asset. When the underlying well-being indicator is not directly related to a market good, service, or asset a

market price may be used as a proxy. A proxy should provide a reasonable interpretation of the well-being dimensions being measured.

93. The advantages of market-based approaches are that they reflect the behavior of actual individuals, are highly observable, and may be less resource and time intensive to apply.

94. A disadvantage of market-based approaches is that they reflect the willingness to pay of only the marginal consumer and provide only a lower bound estimate of economic value. Further, in many instances, market prices may not faithfully represent the willingness to pay of the marginal consumer due to distortions caused by externalities, imperfect information, imperfectly competitive markets, taxes, and/or subsidies.⁶³ When distortions are quantifiable, market prices may be adjusted to better express the economic value of an impact.

4.4.3 REVEALED PREFERENCE TECHNIQUES

95. Revealed preference techniques examine the way in which people reveal their preferences for a good or service in existing markets as surrogates for non-existing markets. These techniques estimate the value of non-market goods or services by observing value differentials and how people behave when they make real-world choices. The value factors are typically derived using econometric analysis and large data sets.

96. Several revealed preference approaches exist, including:

- a. **Hedonic pricing method:** Analyzes price differentials between otherwise identical goods or services to isolate the value of non-market aspects. For example, a price differential between otherwise identical houses may be isolated to value aspects such as pollution, noise, crime, or education facilities. Wage differentials in a labor market may be isolated to value risks to human health, such as morbidity and mortality.
- b. **Travel-cost method:** Estimates the value of recreational or leisure sites, such as rivers, parks or forests, by considering factors that affect the

⁶⁰ Adapted from Capitals Coalition. (2019). *Social & Human Capital Protocol*.

⁶¹ The valuation techniques are adopted from Capitals Coalition. (2016). *Natural Capital Protocol*; Capitals Coalition. (2019). *Social & Human Capital Protocol*; and ISO. (2019). *ISO 14008:2019 Monetary valuation of environmental impacts and related environmental aspects*.

⁶² Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework* and Capitals Coalition. (2025). *Governance for Valuation – Part of the Integrated Decision-Making Framework*.

⁶³ OECD. (2013). *Framework for Statistics on the Distribution of Household Income, Consumption, and Wealth*.

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Technique	Description	Advantages and Disadvantages
Cost-based	Uses the cost of compensating for damages, the cost of restoring a negative impact, or the cost paid to mitigate a risk to value an impact	<p>Advantage:</p> <ul style="list-style-type: none"> • Uses observable costs rather than hypothetical scenarios • Less resources and time intensive <p>Disadvantage:</p> <ul style="list-style-type: none"> • Provides a lower bound estimate of TEV • Value factors may be context specific
Market-based	Uses observed market price of a good, service, or asset to value an impact	<p>Advantage:</p> <ul style="list-style-type: none"> • Highly observable and reflects actual decisions • Less resource and time intensive <p>Disadvantages:</p> <ul style="list-style-type: none"> • Reflects WTP of only the marginal consumer • May not faithfully represent WTP due to market distortions
Revealed preference	Examines existing markets to reveal preferences for non-existing markets. Some approaches include hedonic pricing and travel-cost method	<p>Advantage:</p> <ul style="list-style-type: none"> • Values non-market goods/services by observing actual behavior and purchases • Measures WTP and captures TEV <p>Disadvantage:</p> <ul style="list-style-type: none"> • Data required may not be readily available • Several assumptions are necessary • Captures use and non-use values, but they cannot be disaggregated
Stated Preference	Asks individuals to state their preferences using questionnaires that create hypothetical markets. Some approaches include contingent valuation and choice experiment	<p>Advantage:</p> <ul style="list-style-type: none"> • Captures use and non-use values which can be disaggregated or aggregated • Measures WTP and captures TEV <p>Disadvantage:</p> <ul style="list-style-type: none"> • Results are subject to several response biases
Subjective well-being valuation	Estimates the monetary value of non-market goods or services based on people's self-reported well-being	<p>Advantage:</p> <ul style="list-style-type: none"> • Based on actual and not hypothetical experiences • Not subject to the biases present in revealed and stated preference techniques • Measures WTP and captures TEV <p>Disadvantage:</p> <ul style="list-style-type: none"> • Relatively new technique and less is known • Challenges in isolating the effect on incomes or non-market goods/services on subjective well-being

Table 2: Valuation Techniques (in alphabetical order)

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individual's cost of visiting and traveling. Typically, data is collected over an extended time period to account for seasonality effects, and socioeconomic data is collected to control for factors like age, gender, education and family status.

98. The disadvantages of revealed preference techniques are that the data required may not be readily available and several assumptions are necessary to produce reliable estimates. Another disadvantage is that revealed preference methods capture use and non-use values, but the two cannot be disaggregated.⁶⁴

4.4.4 STATED PREFERENCE TECHNIQUES

99. Stated preference techniques ask individuals directly to state their preferences using questionnaires that create hypothetical markets in which respondents trade off specific impacts and money. The questionnaires estimate the willingness to pay or willingness to accept for a defined outcome.

100. Several stated preference approaches exist, including:

- a. **Contingent valuation:** Presents individuals with a detailed hypothetical scenario in which they are purchasing or foregoing a good or service. Contingent valuation questionnaires typically include questions about demographics, socioeconomic characteristics, and the reason behind a respondent's decision.
- b. **Choice experiment:** Values specific attributes of a good or service by asking individuals to make a series of choices between two hypothetical goods or services. Each good or service is described in detail, and certain characteristics of the good or service vary among the options, including the price to be paid or the amount of money offered. This enables a statistical analysis that can value each of the individual characteristics of the good or service.

101. The advantages of stated preference techniques are that they can capture use and non-use values together or separately. Stated preference methods are the only valuation technique that can disaggregate between use and non-use value. Stated preference techniques also measure the willingness to pay of an individual, meaning that total economic value is captured.

102. The main disadvantages of stated preference approaches are that the results are subject to several response biases. Further, in responding to stated preference questionnaires, it may be challenging for respondents to truly weigh the alternative choices given to them in the time available.

4.4.5 SUBJECTIVE WELL-BEING VALUATION TECHNIQUES⁶⁵

103. Subjective well-being valuation techniques estimate the monetary value of non-market goods or services based on people's self-reported well-being. These techniques take a non-market good or service of interest, such as environmental quality, and calculate the change in income that would produce a subjective well-being impact of equivalent size. The value factors derived using these techniques can be interpreted as the amount of money that would be required to keep subjective well-being constant in absence of the non-market good or service for impacts that provide positive well-being.⁶⁶

104. The advantages of subjective well-being valuation techniques are that they are based on actual and not hypothetical experiences, do not require assumptions about rationality regarding individuals' preferences, and are not subject to the same types of biases affecting revealed and stated preference techniques.⁶⁷ The technique also measures the willingness to pay of an individual, meaning that total economic value is captured.

105. The main disadvantage of subjective well-being valuation techniques is that they are relatively new and less is known about them. Challenges may arise in isolating the effect of income or the effect of non-market goods and services on subjective

⁶⁴ ISO. (2019). *ISO 14008:2019 Monetary valuation of environmental impacts and related environmental aspects*.

⁶⁵ Subjective well-being valuation has been a more recently developed valuation technique, and in some resources has been considered a sub-category of other approaches. It is presented here as a separate technique in alignment with OECD. (2018). *Cost-Benefit Analysis and the Environment* and HM Treasury, Department for Work and Pensions. (2011). *Valuation Techniques for Social Cost-Benefit Analysis: Stated Preference, Revealed Preference and Subjective Well-Being Approaches*.

⁶⁶ OECD. (2018). *Cost-Benefit Analysis and the Environment, Future Developments and Policy Use*.

⁶⁷ OECD. (2018). *Cost-Benefit Analysis and the Environment, Future Developments and Policy Use*.

⁶⁸ HM Treasury. (2011). *Valuation Techniques for Social Cost-Benefit Analysis: Stated Preference, Revealed Preference and Subjective Well-Being Approaches*.

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well-being.⁶⁸ While the technique can in theory capture non-use values, identifying behaviors or experiences that reflect non-use values can also be difficult.⁶⁹

4.5 CONSIDERATIONS FOR SELECTING A VALUATION TECHNIQUE⁷⁰

106. A valuation technique for a given impact pathway is selected that best captures the preferences of affected stakeholders in regard to the impacts they experience, in line with the fundamental qualitative characteristic of faithful representation. The enhancing qualitative characteristics of comparability, verifiability, and understandability are also considered to ensure that impact information is decision-useful for users of impact information.

107. In practice, the following list outlines key considerations related to the qualitative characteristics when applied to select an appropriate valuation technique. The choice of a valuation technique requires trade-offs between these criteria.

- a. **Total economic value:** A value factor should capture as much of the economic value an affected stakeholder places on an impact as possible. A value factor is more complete when it reflects more of the willingness to pay of an individual and, when the underlying well-being indicator is related to a good or service, more of the use and non-use values. When value factors reflect the economic value, impact accounts prepared using those value factors are more likely to provide for a comprehensive assessment, enhancing the comparability of impact information between entities.
- b. **Certainty:** A value factor should reflect the preferences of individuals with the greatest degree of certainty possible. A value factor is more certain when measurement uncertainty is lower. Measurement uncertainty arises from using estimation techniques and refers to the degree of variation between the estimated and actual underlying valuation of an impact. The certainty of a value factor is enhanced when the preferences of individuals are directly observable.
- c. **Quality of proxy:** A value factor should serve as a reasonable interpretation of preferences. This criterion is most applicable when a market-based or cost-based approach is used and a proxy good or service serves to interpret an impact. A proxy should have face validity and provide a substantive interpretation of the underlying dimensions of well-being.⁷² A high quality proxy enhances the faithful representation of an impact, increasing the likelihood that an impact is complete and free from error, and improves the understandability of impact information.
- d. **Commonly used and accepted:** All other things being equal, determination of the appropriate valuation technique in the Methodology is also informed by its consistency with relevant industry practice and the latest academic research, and whether it is commonly used to value impacts across topics in order to enhance the comparability and understandability of impact information. Conversely, in some circumstances novel techniques may provide a more faithful representation. The development of novel valuation techniques is necessary for the advancement of impact accounting.
- e. **Ethical Considerations:** Ethical considerations should be considered when selecting a valuation technique, which is further explained in Box 4.⁷³

⁶⁸ OECD. (2018). *Cost-Benefit Analysis and the Environment, Future Developments and Policy Use*.

⁷⁰ For additional descriptions on the qualitative characteristics of relevance, see paragraphs 25 through 30 in IFVI & VBA. (2023). *General Methodology 1: Conceptual Framework for Impact Accounting*.

⁷¹ Localized value factors through value transfer do not necessarily lead to improved certainty.

⁷² Adopted from OECD. (2011). *How's Life?: Measuring Well-being*.

⁷³ See Capitals Coalition. (2025). *Capitals Protocol – Part of the Integrated Decision-Making Framework. for more information on Ethical Considerations*.

BOX 4: ETHICAL CONSIDERATIONS

Monetary valuation raises a range of important ethical considerations that should be taken into account when selecting valuation techniques. For instance, there are important ethical considerations regarding how the impacts on current generations are weighed against those on future generations, particularly in the context of using discount rates. Some may choose to place equal weight on future generations, while others may prioritize the needs of current generations. Another ethical consideration may involve conflicts between human well-being and the well-being of nature, including that of animals.

The monetization of impacts is not equivalent to pricing human health or human rights, nor does it imply that these are tradable in markets. Ethical considerations should guide the decision of whether and how to assign monetary values to impacts, recognizing that some impacts may be difficult or inappropriate to quantify in economic terms.

In specific contexts, the use of valuation techniques can help decision-makers understand trade-offs more clearly. However, decision-makers must remain aware of the assumptions and decisions underlying the valuation technique to ensure it is suitable for its intended purpose.

Incorporating ethical considerations into the valuation of impacts aligns with the Transparency Report – Value Factors in Capitals Coalition: *Governance for Valuation*, a common framework for building confidence in valuation.

108. The choice of a valuation technique requires trade-offs between the considerations described above, as well as other considerations that may be relevant for specific circumstances. Valuation techniques are specifically established within Topic and Industry-specific Methodologies. Preparers developing impact pathways for as yet undeveloped topics in the Methodology should disclose the rationale for the selection of a valuation technique.

4.6 VALUE TRANSFER AND CURRENCY ADJUSTMENTS

109. Value transfer, also known as benefit transfer, refers to the process of using a measure of economic value from an existing study and applying it in a different context, making adjustments when appropriate for spatial, temporal and other contextual differences. Transfer functions can be developed to transfer the values in a study in a defined location and context to other locations and contexts while controlling for relevant variables.

110. Spatial value transfer applies when an economic value from a specific country, region, socioeconomic group, or demographic group is adjusted for applicability in other contexts. When adjusting for geographical differences, national-level and, in some cases, subnational-level adjustments are possible. It is important to adjust for physical and environmental conditions in various locations. When adjusting an economic value to other countries, a control for the income level or inequality may be included.

111. Temporal transfer requires the consideration of two types of time-related value conversion:

- a. **Value over time:** Valuation may change over time as outcomes and preferences related to those outcomes change. If marginal cost increases over time, valuation factors will increase over time. For example, an additional unit of GHG emissions causes more damage the higher the accumulated level of emissions already in the environment. When valuations for different years are provided, the year closest to the timeframe should be used.
- b. **Price over time:** Due to price inflation, the real value of nominal valuation coefficients changes over time. Valuation factors should be expressed in the base price year when preparing impact accounts.

112. The studies used to develop value factors are in a variety of currencies and may need to be converted to another currency to prepare impact accounts. Consistent data sources should be used for exchange rates. Exchange rates and their sources should be disclosed to users of impact information.

4.7 GLOBAL AND LOCAL PERSPECTIVES IN VALUATION

113. As local context varies across countries, and impact accounting is designed to incorporate local specifics, impact valuation needs to consider the scope in which it will be used to provide relevant insights and prevent unintended consequences. This involves understanding two different viewpoints: a

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global perspective when using impact accounting across multiple countries, and a local perspective when applying impact accounting within a single jurisdiction. Table 3 provides an overview of these valuation perspectives and offers additional details for each.

114. In addition to local and global perspectives, some users might want to consider an extra layered view that acknowledges society's aversion to the inequality of impacts, alongside the impacts themselves. These are called utility weights, or alternatively, distributional or equity weights. When preparers of impact accounts want to incorporate these additional equity considerations in a business decision, utility weights can serve as a supplement to the global approach of the Methodology. Although applying utility weights enhances normative sensitivity to well-being differences across populations globally, utility weights add extra complexity.^{74,75,76,77}

4.8 SOCIAL DISCOUNTING⁷⁸

115. Impact accounting depicts impacts in the period in which the related activities of the entity occur, even when those impacts materialized in a prior period or may materialize in a future period. When impacts materialize in a period other than that for which impact accounts are being prepared, they should be converted into present value using a social discount rate.

116. A social discount rate measures the rate of change over time of costs and benefits to society. The social discount rate is embedded in the economic theory of how to measure intertemporal trade-offs and is used to analyze an individual's preference for optimizing between savings today and consumption in the future. The social discount rate answers the question of what rate society should be compensated for giving up a unit of well-being today and realizing it in the future.

117. The predominant approach to determining the social discount rate is known as the Ramsey Rule and is defined below.

$$\text{Social discount rate} = \delta + \eta \times g$$

In this approach, the δ value is commonly interpreted

as the pure rate of time preference and a higher value reflects a stronger preference for well-being today than in the future. The η value describes the relationship between consumption and utility, or for the purposes of impact accounting, consumption and well-being, specifically the degree to which the value of an additional unit of well-being changes as consumption increases. When η is multiplied by the growth rate of consumption g , the combined value represents a wealth effect, whereby as wealth increases, individuals value consumption in the future less. These parameters should reflect the preferences of the underlying affected stakeholders being considered.

118. When preparing impact accounts, the Ramsey Rule is used to determine a social discount rate to convert impacts into present value. In the Methodology, social discount rates aim to be consistent and comparable but are formally established in individual Topic and Industry-specific Methodologies. The social discount rates applied in the Methodology may be adjusted over time. If the social discount rate varies for a particular sustainability topic, a rationale will be provided in the Topic or Industry-specific statement.

119. When determining a discount rate, it is important to consider that intra-generational time horizons should set δ at a non-trivial amount in excess of zero, as individuals demonstrate a stronger preference for consumption in the present than in the future. When impacts materialize over inter-generational time horizons, δ should be set at zero to avoid the assumption that the well-being of the present generation is more valuable than the well-being of future generations.

120. At the current state of development, the Methodology does not consider additional variables in the social discount rate for the uncertainty of payoffs or uncertainty in the growth rate of consumption. Those topics may be explored as future areas of development.

⁷⁴ See UK's Green Book (2022) section 11.A.3, for more information on utility weights. <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020#a3-distributional-appraisal>

⁷⁵ See the University of Leeds' TTWO0213: Audit of Distributional Weight Analysis (2023), particularly Task 2 – Technical Paper: <https://assets.publishing.service.gov.uk/media/67178d6ae319b91ef09e3812/dft-audit-distributional-weight-analysis-review-dft-technical-paper.pdf#page=21.41> and Task 3 – Think Piece: <https://assets.publishing.service.gov.uk/media/67178d87a71f39bdb1c9c147/dft-audit-distributional-weight-analysis-think-piece.pdf#page=6.29>

⁷⁶ See the Department of Health's. (2010). *Quantifying health impacts of government policies*, for more information on the application of weights to impact assessments. https://assets.publishing.service.gov.uk/media/5a7c5a3fe5274a7ee501a647/dh_120108.pdf?utm_source=chatgpt.com

⁷⁷ German Environment Agency (2024), *Methodological Convention 3.2 for the Assessment of Environmental Costs: Value Factors*. https://www.umweltbundesamt.de/sites/default/files/medien/479/publikationen/methodological_convention_3_2_value_factors_bf.pdf

⁷⁸ The concepts in this section are adopted from OECD. (2018). *Cost-Benefit Analysis and the Environment: Further Developments and Policy Use Subjective well-being valuation*.

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Technique	Description	Application	Consequences	Inputs
Local	Reflects values and impacts as perceived by the stakeholders in the country or jurisdiction where they occur.	Entity-level assessments within a single country; decisions by local managers or domestic investors.	Increases local relevance. However, it can introduce disparities when comparing impacts across countries or populations.	Applies local KPIs and parameters (e.g., actual wages, local base water price, VSLY based on local willingness to pay).
Global	Applies harmonized global parameters to remove income-based differences in valuation.	Cross-country assessments, multinational reporting, and global investor analysis.	Supports comparability and aggregation. Less sensitive to contextual differences in how impacts are experienced across income levels.	Adjusts local KPIs or applies globally harmonized KPIs and parameters (e.g., PPP-adjusted wages, global VSLY, global uniform base prices).

Table 3: Descriptions of the local and global valuation perspectives.

Appendix A: Glossary

Appendix A: Glossary

TERM	DEFINITION	BASED ON ⁷⁹
Activities	Everything that an entity does, including operations, the procurement of inputs, the sale and provision of products and/or services, as well as any supporting activities. Activities span a large number of different actions that altogether contribute to outputs and ultimately, outcomes and impact.	Impact Management Platform
Affected stakeholders	Affected stakeholders are individuals or groups whose well-being is affected or could be affected, positively or negatively, by the entity's activities and its business relationships across its value chain.	N/A
Business relationships	The relationships the entity has with business partners, entities in its value chain, and any other non-State or State entity directly linked to its business operations, products or services. Business relationships are not limited to direct contractual relationships. They include indirect business relationships in the entity's value chain beyond the first tier, and shareholding positions in joint ventures or investments.	European Sustainability Reporting Standards
Capitals	Any form of asset that translates value to people. The Capitals Protocol references four forms of capital: natural, human, social, and produced.	Capitals Coalition
Comprehensive assessment	A comprehensive assessment evaluates the societal value created and/or eroded as a result of the entity's activities and business relationships across its value chain	N/A
Direct impact	An impact caused or contributed to by the entity's own operations.	N/A
Impact	A positive or negative change in one or more dimensions of people's well-being directly or through a change in the natural environment. In impact accounting, this is expressed in monetary terms.	Impact Management Platform / Capitals Coalition
Impact accounting	A system for measuring and valuing the impacts of corporate entities and generating impact information to inform decisions related to an entity's effects on sustainability.	N/A
Impact accounts	A set of accounts that contain the material positive and negative impacts of an entity valued in monetary terms.	N/A
Impact drivers	Refer to the sequence of an entity's inputs and outputs that lead to outcomes and cause or contribute to impacts.	Impact Management Platform / Capitals Coalition

⁷⁹ Some definitions are adapted from the original source.

Appendix A: Glossary

TERM	DEFINITION	BASED ON ⁷⁹
Impact information	Impact information is derived from impact accounts and informs decision-making related to an entity's effects on sustainability. Impact information includes, but is not limited to, impacts that have been classified and aggregated for the purpose of presentation, supplemental notes that describe the assumptions, data, or methods used to measure and value impacts, and qualitative commentary that contextualizes impacts.	N/A
Impact materiality	An impact can be material if it pertains to the entity's material actual or potential, positive or negative, intended or unintended impacts on the well-being of people directly or indirectly through changes in the natural environment over any time horizon.	ESRS
Impact pathway	The series of consecutive, causal relationships, ultimately starting at an input for an entity's activities and linking its actions with related changes in people's well-being.	ISO
Indicator	Indicators are used to measure the state of something at a point in time. The words indicator and metric are often used interchangeably. Repeated measurement of an indicator makes it possible to determine changes in well-being over time.	Impact Management Platform
Indirect impact	An impact directly linked to the entity's own operations, products, or services through its business relationships in the upstream and/or downstream value chain.	N/A
Input	The resources and business relationships that the entity draws upon for its activities.	Impact Management Platform / Capitals Coalition
Outcome	The change in the state or condition of capital(s), in physical, biological, psychological, human rights, or equity terms that results from an entity's activities.	Capitals Coalition
Output	The direct result of an entity's activities, including an entity's products, services, and any by-products.	Impact Management Platform
Primary data	Data collected by the entity or an externally contracted party specifically for the purpose in which it is used.	N/A
Reference scenario	The set of activities and related outcomes that is assumed to happen in the absence of the entity's activities.	Impact Economy Foundation
Secondary data	Data originally collected and published for a different purpose.	N/A

Appendix A: Glossary

TERM	DEFINITION	BASED ON ⁷⁹
Social discount rate	A social discount rate measures the rate of change over time of costs and benefits to society. The social discount rate is embedded in the economic theory of how to measure intertemporal trade-offs and is used to analyze individual's preference for optimizing between savings today and consumption in the future.	OECD
Stakeholder	Stakeholders are defined as those who can affect or be affected by the entity.	European Sustainability Reporting Standards
Sustainability topic	A term used broadly to denote aspects of stakeholder well-being (e.g. health, wealth, safety), or business activities or practices that are evidenced drivers of well-being (e.g. employment, diversity and inclusion). This term is synonymous with 'sustainability matters', 'impact areas', or 'general issue categories' which are similar terms used by different standard setters.	Impact Management Platform
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.	Report of the World Commission on Environment and Development
Total economic value	Total economic value (TEV) refers to the combination of all types of value that people derive from market or non-market goods or services.	N/A
Value chain	The value chain of an entity is the full range of activities and business relationships related to the entity's business model(s) and the external environment in which it operates. A value chain encompasses the activities and business relationships the entity uses and relies on to create its products or services from conception to delivery, consumption, and end-of-life.	European Sustainability Reporting Standards
Value factor	An expression of the relative importance, worth, or usefulness of changes in the capitals to people.	Capitals Coalition
Well-being	Well-being can be defined as the state of being or doing well in life; happy, healthy, or prosperous condition; moral or physical welfare.	Impact Management Platform
Willingness to accept	The minimum amount of money that an individual is willing to accept to forgo a desirable outcome or tolerate an undesirable outcome.	ISO 14008
Willingness to pay	The maximum amount of money that an individual is willing to pay for a good or service or to avoid an undesirable outcome.	ISO 14008

Appendix B: Definitions in the Impact Management Ecosystem

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The General Methodology, as well as Topic and Industry-specific Methodologies, builds on frameworks and protocols published by leading organizations in the impact management ecosystem, particularly the Capitals Coalition, Impact Management Platform, Social Value International (SVI) and ISO Standards. The table below presents a selection of definitions from across the impact management ecosystem. Its purpose is to present the similarities and differences in frequently used terms within the Methodology.

DEFINITION	GENERAL METHODOLOGY ⁸¹	CAPITALS COALITION ⁸³	ISO STANDARDS ⁸⁰	IMP ⁸²	SVI ⁸⁴
Impact	A positive or negative change in one or more dimensions of people's well-being directly or through a change in the natural environment. In impact accounting, this is expressed in monetary terms.	A positive or negative change in one or more dimensions of well-being, following a change in capitals (stock or flow) as a result of human activities.	(for environment only) [A] change to the environment, whether adverse or beneficial, wholly or partially resulting from an organization's environmental aspects.	The effect(s) of organizations' actions on people and the natural environment.	How much of the Outcome Depth and Outcome Duration is caused by the activity.
Impact driver	Refer to the sequence of an entity's inputs and outputs that may have positive and/or negative impacts on people's well-being.	A measurable input to, or output from, human activities, that results in impacts.	(for environment only: [An] element of an organization's activities or products or services that interacts or can interact with the environment.	The inputs, activities and outputs of organizations that intentionally or unintentionally cause or contribute to impacts	N/A
Impact Pathway	The series of consecutive, causal relationships, ultimately starting at an input for an entity's activities and linking its actions with related changes in people's well-being.	A description of how a particular impact driver results in changes in capitals and how these changes in capitals lead to impacts.	(for environment only) Series of consecutive, causal relationships, ultimately starting at an environmental aspect and ending at an environmental impact	The sequence that links organizations' actions with their effects on people and the natural environment.	N/A

⁸⁰ ISO Standards. (2019). ISO 14008: Monetary valuation of environmental impacts and related environmental aspects.

⁸¹ IFVI & VBA. (2023). General Methodology 1: Conceptual Framework for Impact Accounting.

⁸² Impact Management Platform. (2023). Key terms and concepts.

⁸³ Capitals Coalition. (2025). Capitals Protocol – Part of the Integrated Decision-Making Framework. and Capitals Coalition. (2025). Governance for Valuation – Part of the Integrated Decision-Making Framework.

⁸⁴ Social Value International. (2019). Standard on applying Principle 2: Understand What Changes.; (2022). and The Purpose of the Principles of Social Value and the SVI Standards.

Appendix B: Definitions in the Impact Management Ecosystem

DEFINITION	GENERAL METHODOLOGY	CAPITALS COALITION	ISO STANDARDS	IMP	SVI
Material	An impact can be material if it pertains to the entity's material actual or potential, positive or negative, intended or unintended impacts on the well-being of people directly or indirectly through changes in the natural environment over any time horizon.	An impact or dependency on capitals is material if consideration of its value, as part of the set of information used for decision-making, has the potential to alter that decision.	N/A	Information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users make on the basis of the reported information.	An impact is material when it is relevant and significant for decisions to optimize wellbeing of a stakeholder group.
Outcome	The change in the state or condition of capital(s), in physical, biological, psychological, human rights, or equity terms that results from an entity's activities.	Change in the state of capital(s).	N/A	The level of well-being experienced by people or condition of the natural environment that results from the actions of the organization, as well as from external factors	Changes that stakeholders experience as a result of the activity.

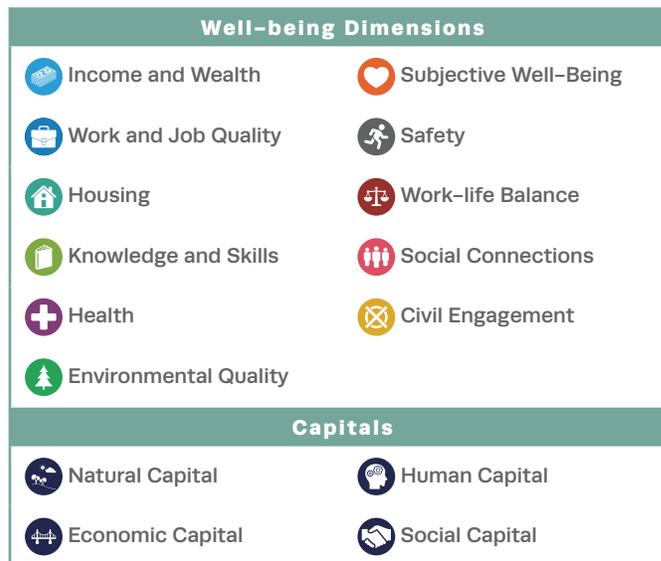
Appendix B: Definitions in the Impact Management Ecosystem

DEFINITION	GENERAL METHODOLOGY	CAPITALS COALITION	ISO STANDARDS	IMP	SVI
Well-Defined outcome	N/A	In the Capitals Protocol, a well-defined outcome refers to impact before it is measured.	N/A	N/A	A well-defined outcome describes a specific change for someone (or a group of people) that provides the best opportunity to increase or decrease value. Once identified, the well-defined outcomes lead to better resource allocation decisions being made to maximize social value.

Appendix C: Well-being Dimensions in the OECD Framework

Appendix C: Well-being Dimensions in the OECD Framework⁸⁵

The OECD Framework for Measuring Well-being is composed of 11 dimensions that describe components of current well-being related to how people experience their lives here and now and 4 dimensions that describe the resources needed to sustain well-being in the future. The dimensions are described and shown in the figure below.



Income and wealth: Together, income and wealth indicate what households have available to spend and inform about material conditions. Wealth meanwhile provides a buffer that can help to smooth consumption and enable longer-term investments, such as in housing. Economic insecurity is broadly related to the concept of income and wealth. It is important to consider the distribution of income and wealth to provide a full picture of a household's economic situation. For example, households that own much wealth but are income poor have more possibilities than their income alone would suggest, and vice versa.

Work and job quality: Work refers to productive activity, whether paid or unpaid, and job quality is about both material and non-material aspects of people's working conditions. Material aspects of working conditions include issues such as remuneration, the availability of jobs, and the risk of job loss. Non-material aspects relate to the quality of the working environment, the content of their job, how well this matches their skills and abilities, the autonomy afforded, their learning opportunities, working time arrangements, and relationships with co-workers.

Housing: Housing provides shelter, safety, privacy and personal space. The area where people live also determines their access to many different services. An ideal set of measures for housing conditions would provide information on the quality of housing, on aspects of

housing affordability, and on the amenities and characteristics of neighborhoods.

Health: Health is about being and feeling well, a long life unencumbered by physical or mental illness, and the ability to participate in activities that people value. Health refers to information about good health states alongside the most important diseases and conditions causing poor health, disability or death, including their prevalence, chronicity and intensity. Capturing both physical and mental aspects of health outcomes is vital.

Knowledge and skills: Knowledge and skills are about what people know and can do. Literacy and numeracy are foundational skills that enable full participation in daily activities such as work and leisure, but other skills such as science and digital skills are increasingly becoming a basic requirement for inclusion in economic and social activities. Beyond these core building blocks, the range of knowledge and skills that can contribute to well-being is wide, from job-specific skills to parenting. Non-cognitive abilities, such as social and emotional skills, including resourcefulness, perseverance, adaptability and team-working, can also be considered as essential competencies.

Environmental quality: Environmental quality affects human health through the quality of air, water and soil, which is related to the presence and density of haz-

⁸⁵ Adapted from OECD. (2020). *How's Life? 2020: Measuring Well-being*.

ardous substances. Environmental quality also matters intrinsically to people who value natural beauty and the amenities that affect their life choices. Finally, people benefit from environmental services and assets. For example, access to green space is associated with numerous health and well-being benefits, including psychological relaxation, stress reduction, enhanced physical activity, the mitigation of exposure to air pollution, excessive heat and noise, improved social capital and pro-environmental behaviors.

Subjective well-being: Subjective well-being is about good mental states, and how people experience their lives. Subjective well-being emphasizes three distinct elements: life evaluations, affect, and eudaimonia.

Safety: Safety is about freedom from harm, whether that harm comes in the form of crime, conflict, violence, terrorism, oppression, accidents or natural disasters. An ideal set of safety indicators would inform about the various crimes and offenses experienced by individuals, including crimes against property, contact crimes, and non-conventional crimes, including hate crimes, emotional abuse, corruption, money-laundering, and terrorism. Cybercrime and incidents of privacy breaches and consumer fraud online present new forms of criminal activities associated with the digital transformation. Other threats to people's safety include traffic accidents, natural disasters and conflicts such as wars. People's freedom to express personal, political and social objectives without fear is another element of personal safety.

Work-life balance: Work-life balance is about being able to combine family commitments, leisure, and work. The scope of this dimension includes aspects such as the quantity of time devoted to leisure and personal care as well as people's satisfaction with their time use, and some sense of the balance between both paid and unpaid work. Time use that is negatively associated with well-being, such as time spent commuting, also belongs in the scope, as this constrains time available for other activities. This dimension overlaps with aspects of job quality included in work and job quality dimensions.

Social connections: Social Connections refer to the quantity of social interactions, including frequency and amount of time individuals spend with household members, family, friends, colleagues, and other known persons, satisfaction with social interactions and perceived loneliness, and the support, including emotional and financial, provided by these connections. Measuring both the quantity and quality of social connections is particularly relevant, as the two do not necessarily

capture the same phenomena: spending a considerable amount of time interacting with people does not necessarily prevent loneliness or a lack of support.

Civic engagement: Civic engagement is about whether people can and do take part in a range of important civic activities that enable them to shape the society they live in. Civic engagement addresses whether individuals have opportunities to engage; whether they perceive that they have the skills, ability and other resources needed to engage; whether they actually take up and realize the opportunities that they have; and whether doing so makes a difference in practice. People's political rights and preferences, such as through voter turnout, and their perceived empowerment in this process, are relevant considerations.

Economic capital: Economic capital consists of produced and financial capital. Produced capital refers to man-made tangible assets such as roads, railways, buildings and machinery; intellectual property such as R&D expenditure, computer software and art works; and inventories of final and intermediate goods. Financial capital includes financial assets such as currency and deposits, equity, securities and derivatives, and liabilities in the form of loans and debt securities. Economic capital plays a crucial role in supporting material living standards, such as housing, jobs, wealth and incomes, and in producing goods and services that people consume in pursuit of their well-being today and in the future.

Natural capital: Natural capital consists of naturally occurring assets and ecosystems, from tradable items such as minerals and timber through to oceans and the atmosphere. The scope of natural capital is vast, and includes land, soil resources, water resources, mineral and energy resources, aspects of ecosystems and biodiversity.

Human capital: Human capital broadly refers to the skills, competencies, including education and tacit knowledge, and health status of individuals. Many researchers and institutions are currently using definitions of human capital that emphasize its value to economic production and income generation, particularly regarding the importance of the quality of labor. Beyond technical skills, the concept of human capital has since been expanded to include aspects of motivation and behavior, as well as the physical, emotional and mental health of individuals. Both health and education are also outcomes of intrinsic value in their own right, as well as contributing extensively to the production of other well-being outcomes.

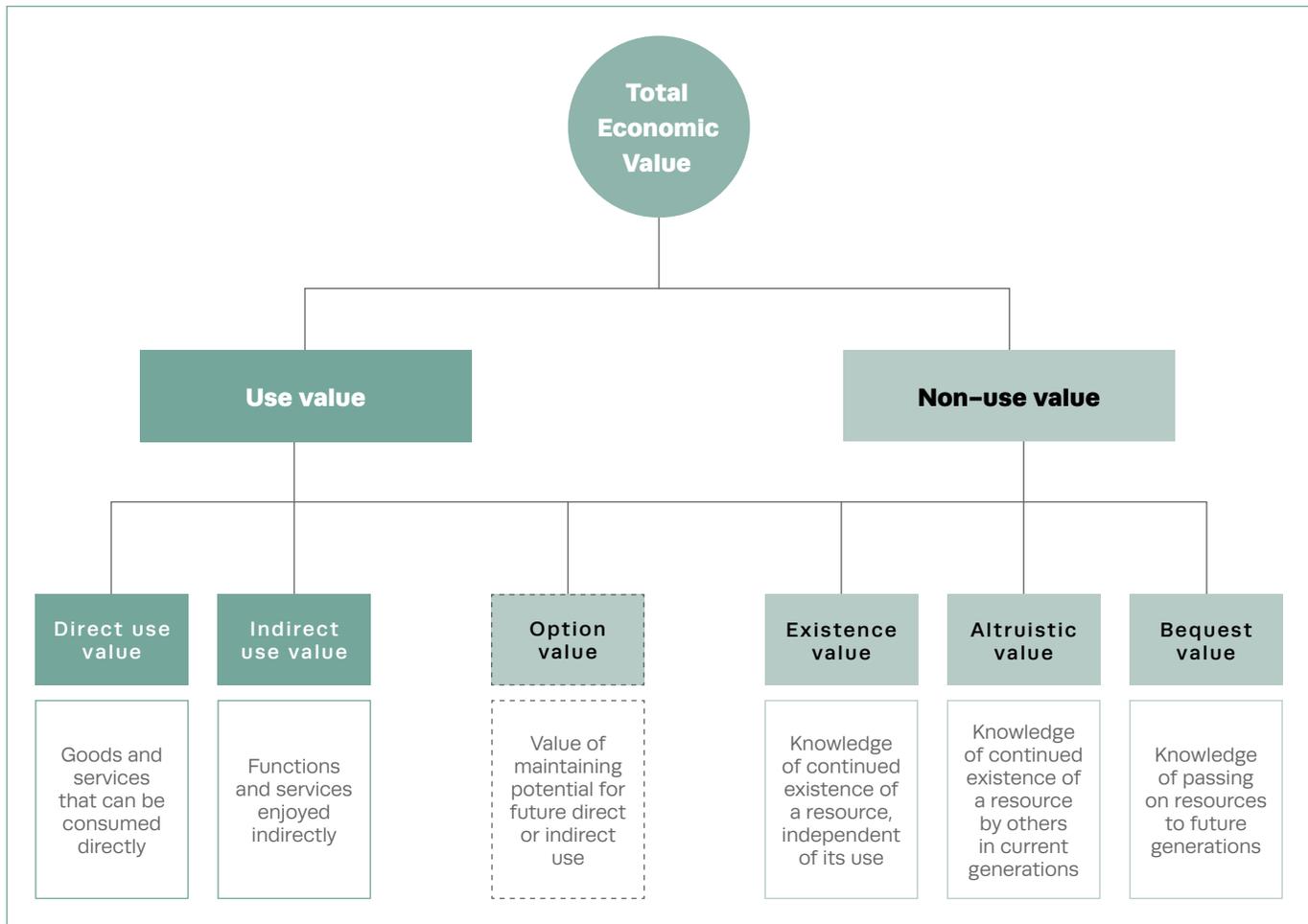
Appendix C: Well-being Dimensions in the OECD Framework⁸⁵

Social capital: Social capital is about a society's networks, norms and shared values that foster co-operation among different groups. Information on expectations of other people and public institutions, i.e., trust, engagement in activities that contribute to civic and community life, and aspects of governance and the institutional arrangements that set the framework conditions for generating social capital, including government stakeholder engagement, integrity, and gender equality in decision-making.

Appendix D: Total Economic Value Framework

Appendix D: Total Economic Value Framework⁸⁶

The Total Economic Value (TEV) framework is used in environmental economics to describe the types of value attached to environmental goods. The framework disaggregates value into three categories: use value, option value, and non-use value. This framework can be adapted to impact accounting to categorize the types of economic value contained in a good or service.



⁸⁶ ISO. (2019). *ISO 14008:2019 Monetary valuation of environmental impacts and related environmental aspects*.

Appendix E: Value Commission Transparency Report Template– (Impact) Value Factors

Appendix E: Value Commission Transparency Report Template – (Impact) Value Factors

The following template is derived from Governance for Valuation of the Capitals Coalition and Value Commission. It is intended to be a featured Appendix of Topic and Industry-specific Methodologies summarizing core aspects of the methodology in alignment with accepted transparency principles.

TRANSPARENCY REPORT – (IMPACT) VALUE FACTORS	
<p>Title and version #: Name of value factor, include name of assessment if bespoke. Outline any adaptations in each section below if applicable</p> <p>Developed by: Name of organization/person who provided the value factor data</p> <p>Governance: Summarize the key decision makers in developing the impact value factor approach, and any protocols for periodic updates</p> <p>Name of impact driver: Which impact driver does this table correspond to</p> <p>Published and updated date: Date</p>	
VALUE FACTOR UNIT	
1. Unit	<p>1.1 Outline the impact value factor unit. Indicate if the unit value is average or marginal.</p> <p>1.2 Indicate what the impact unit is scaled by.</p> <p>1.3 Outline any geographical/contextual/demographic specificities.</p> <p>1.4 Indicate the time period for which the value has been calculated.</p>
2. Linkages to other value factors	2.1 Identify any linkages to complementary value factors which are intended to be used in conjunction with this one.
SCOPE OF VALUE FACTOR	
3. Scope	<p>3.1 Define the impact pathway chosen and highlight which impact end points are included in the value factor.</p> <p>3.2 Outline how materiality informed the choice of which impact end points to include in the scope. Use Annex I of Governance for Valuation on Attribution to outline the scope of impacts included. Justify any limitations in impact scope using an assessment of relative materiality.</p> <p>3.3 Outline to what extent the perspectives of those affected or potentially affected by the business's activities were included in the materiality assessment. If such perspectives are not included, provide rationale of this exclusion.</p> <p>3.4 Confirm the extent to which the approach was able to fully capture the desired scope. If impacts could not be included in the assessment, outline why.</p>

Appendix E: Value Commission Transparency Report Template – (Impact) Value Factors

ESTIMATING CHANGES IN CAPITALS AND IMPACTS	
<p>4. Approach and specificity – changes in capitals</p>	<p>4.1 Describe the approach used to estimate changes in capitals relevant to the impact scope. If different methods were used, describe each and how they were applied to each relationship between business activities and changes in capitals identified in the impact pathway.</p> <p>4.2 Describe how the approach was tailored to the context of your business and its value chain. Comment on how well the data reflect reality (specificity, completeness, and accuracy of data).</p> <p>4.3 Highlight other core assumptions to the approach in the context of the assessment's/value factor publisher's objectives.</p> <p>4.4 Highlight any significant data gaps and how they were addressed.</p> <p>4.5 List most important data sources (and date of this source) used to inform the analysis of changes in capitals.</p>
<p>5. Approach and specificity – impacts</p>	<p>5.1 Describe the approach to valuation. Indicate if the valuation is qualitative, quantitative, or monetary. If monetary, outline if it is considered a market or non-market value, or includes aspects of both.</p> <p>5.2 Describe the approach used to value impacts. If different methods were used, describe each and how they were applied to each of the relationships between changes in capitals and impacts on people identified in the impact pathway.</p> <p>5.3 Describe how the approach was tailored to the context of your business and its value chain. Comment on how well the data reflect reality (specificity, completeness, and accuracy of data).</p> <p>5.4 Highlight other core assumptions to the approach in the context of the assessment's/value factor publisher's objectives.</p> <p>5.5 Highlight any significant data gaps and how they were addressed. 5.6 List most important data sources (and date of this source) used to inform the analysis of impacts.</p>
<p>6. Data inputs</p>	<p>6.1 List any other data sources and date of access.</p>
VIEWS OF AFFECTED STAKEHOLDERS	
<p>7. Representation of those affected</p>	<p>7.1 Confirm if and how affected stakeholders were identified in the approach.</p> <p>7.2 Outline if and how stakeholder views were integrated into the valuation. Provide a summary of how representative these views are of the wider group.</p> <p>7.3 If the views of certain stakeholders are not included, provide rationale for this.</p>

Appendix E: Value Commission Transparency Report Template – (Impact) Value Factors

ETHICAL DECISIONS	
8. Equity weightings and income adjustments	8.1 Describe any equity weightings used and why these were selected.
	8.2 If monetary values are used, outline if and how variations in wealth, income, and purchasing power have been accounted for in the results
9. Accounting for future impacts	9.1 Outline if and how future impacts have been accounted for relative to current impacts.
10. Other ethical considerations	10.1 Raise any specific ethical issues relevant to the generation or application of these value factors.
SENSITIVITY	
11. Sensitivity to key variables	11.1 Summarize approach to sensitivity analysis.
	11.2 At a minimum, list the data inputs with the most influence on the results and list the extent of change in results, if those inputs are increased or decreased by a given amount (ratio of % change).
	11.3 If any of the key inputs have been independently reviewed or assured note the implication of that for the level of uncertainty here.
ANNEX	
	Materiality chart (optional)
	Sensitivity analysis chart

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