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Value Factors

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About

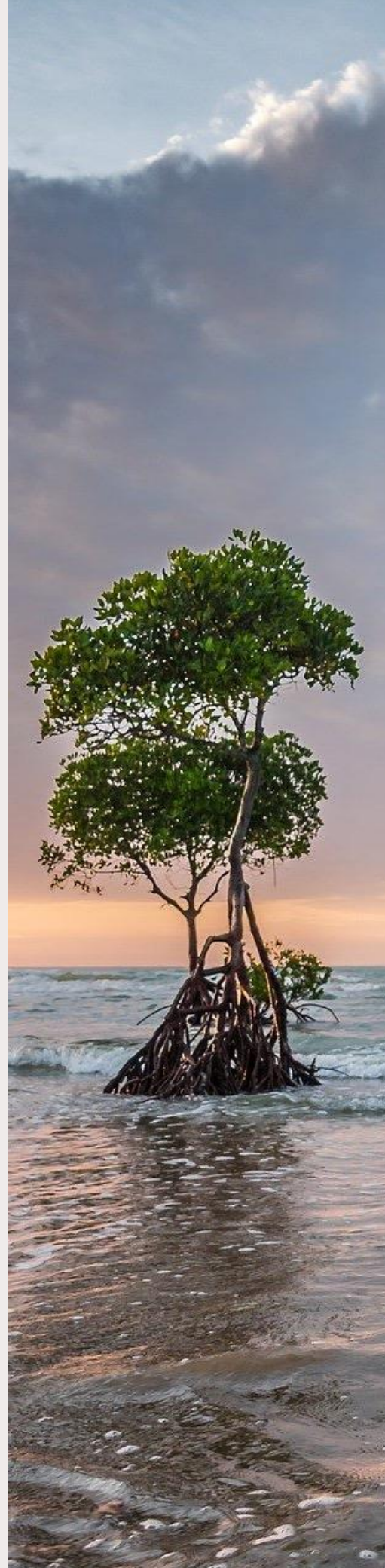
This document makes public, for the first time, a framework, methodology summary and collection of coefficients (so-called 'value factors') that together allow for the location-specific valuation of business impacts across 25 countries.

The goal of this document, then, is to accelerate the transition towards an impact economy - where financial return is not the sole measure of economic performance. An impact economy values financial return as well as positive and negative changes in well-being (so-called 'impacts') across the environment and society. It is only by valuing the impacts of a business alongside its financial returns that it becomes possible to remedy the existing market failures that continue to contribute to the growing systemic environmental and social pressures threatening humankind.

This document is aimed above all at the private sector, without the support of which the transition to an impact economy can be neither complete nor timely. At the same time, we recognise the valuable roles played by the public sector (including governments, academia and ordinary citizens) as well as the 'third sector' (charities, NGOs, and so on). We therefore make this information available to all - for the greater good.



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Background

In February this year, several providers of impact valuation methodology participated in a [sprint](#) to publish notes on their respective methodologies under the auspices of the Value Commission, supported and governed by the Capitals Coalition, the Value Balancing Alliance (VBA) and the International Foundation for Valuing Impacts (IFVI).

In response to a significant surge in interest after the above 'sprint' from companies large and small, some of the sprint participants now wish to take this initiative to its next logical step and publish alongside a set of value factors, for an agreed framework of impacts, applied to companies operating in 25 diverse countries. This will provide further encouragement and support to companies who are interested in learning more about their positive and negative impacts on the environment, on human health and on society at large.

Many of these companies are SMEs and would not have the budgets to explore their impacts without such additional support. Others may have staff and some budgets, but not quite enough to afford consulting advice and support to get their pilot study done. The value factor website conceived by some participants will enable all such interested companies to explore, understand, measure and economically size their impacts using these freely available numbers for 25 countries.

In summary, this initiative is a successor to the February sprint. Its purpose is to enable interested companies to measure and value their impacts through pilot projects appropriately, holistically, quickly, and at low or no cost.



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Purpose Statement

We inhabit a world of increasing volatility, risks and uncertainties. And we exacerbate these challenges by using macro- and micro-economic management models that neither account for the economic invisibility of nature's life-sustaining and economy-generating benefits, nor adequately reflect changes in human or social capital.

Today is the time for the most significant institution of our globalised society – the private sector, which delivers the lion's share of employment, economic output and environmental impacts – to step forward proactively with effective solutions.

A necessary component for this is a fair and standardised institutional framework to measure and value corporate impacts (i.e. GHG-driven climate costs, air pollution-driven health costs, etc.) – collectively the largest drivers of today's unmanaged social and environmental costs. Valuing impacts across all capitals (natural, human, social and financial), in order to assess materiality and set priorities that look beyond shareholders' financial capital, is clearly the way forward.

Admirable corporate and investor leadership has already emerged in this space, and institutional initiatives such as those of the Capitals Coalition, the Value Commission, the EU Transparent Project, the Value Balancing Alliance and the International Foundation for Valuing Impacts are signalling the way forward. Now, the wider business community seeks guidance for accessible impact valuation and accounting, and they should be encouraged and enabled to do so in the public interest.

As leading providers of impact data and impact valuation, and in the interest of promoting and supporting all institutional initiatives towards impact transparency, GIST Impact and WifOR Institute are collaborating to provide you this this framework, summarised methodology and collection of value factors for 25 countries. This information, made public for the first time, enables corporate and financial services stakeholders to calculate the impacts of their companies and portfolios in a standardised and science-based way.



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Alignment Statement

Value factors are indispensable to calculating impacts in a comprehensive, standardised and (above all) science-based way.

Governance is needed in this space.

To this end, the Capitals Coalition has brought the global community – including GIST Impact, WifOR Institute, the Value Balancing Alliance (VBA) and the International Foundation for Valuing Impacts (IFVI) – to form the Value Commission, which will be delivering a draft of the Value Accountability Framework this year. These efforts are also aligned with the progress and development of organizations like the International Foundation for Valuing Impacts (IFVI) and the Value Balancing Alliance (VBA), which are developing a comprehensive, independently governed, public good impact accounting methodology involving representatives from Capitals Coalition, GIST Impact, and WifOR on its Valuation and Technical Practitioner Committee.

Whilst there are a growing number of organisations developing their own value factors, we should be competing over delivery (transparency, confidence and accessibility) and not ownership or market share.

This is why it is so important that GIST Impact and WifOR Institute are showing leadership in making their value factors publicly available.

And this is why it is heartening to note that, as this first version of this document is made public, other organisations – such as the IFVI – have affirmed their support of these transparency efforts and interest in utilising them to inform the development of their official methodologies through its Due Process Protocol and independent oversight.



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Definitions

Impact

Impact is the change in one or more dimensions of people's individual or collective well-being arising from the activities of an enterprise and its value chain, either directly or through a change in the condition of the natural environment. An impact can be actual or potential, direct or indirect, intended or unintended, and positive or negative. Impacts are valued using monetary valuation techniques, by applying impact coefficients or 'value factors'. However, this anthropocentric approach has potential to be expanded to include other perspectives as well.

Input

The resources and business relationships that the entity draws upon for its activities.

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.

Output

The direct result of an entity's activities, including an entity's products, services, and any by-products.

Outcomes

The changes in conditions or states (physical, biological, psychological, etc.) of systems caused by impact drivers, which may lead to material impacts on third parties or on the impact drivers and their transactional counterparts.

Impact Drivers

Activities and transactions of agents (governments, corporations, individuals, etc.) which result in significant outcomes leading to material impacts on human well-being.

Valuation Framework

A valuation framework is any description and classification of relevant capital stocks, flows, impact drivers, outcomes and impacts that enables assessment and underpins analysis of changes in human well-being. A framework establishes what should be valued- and why.

Value Factor

Any ratio of an impact or an outcome to its respective impact driver (be it an input or an output of business activity) for a location or country.



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Note: the definitions of **impact**, **input**, **activities**, and **output** are taken and/or adapted from the IFVI-VBA *General Methodology 1 – The Conceptual Framework for Impact Accounting*, paragraphs 49-56 (pp. 17-18). Accessible [here](#).

