

# Valuing Impact position on the structural requirements for impact valuation

## Context and purpose

Valuing Impact is an independent advisory firm that has worked with over fifty organisations covering thousands of impact valuations across sectors and geographies. The position set out below is our own, and it draws on that body of work and on direct engagement with a large number of Capitals Coalition member organisations and practitioners considered leading users of impact valuation today.

This position is prompted by the ongoing development of internationally recognised value factors through the Capitals Coalition/IVSB (ex-International Foundation for Valuing Impacts (IFVI)). This work is important, and the ambition to create a shared standard for the field is one we support. At the same time, the experience of applying impact valuation in practice — both our own and that of the practitioners and Capitals Coalition member organisations we engage with — has revealed structural challenges in how value factors are currently designed, challenges that affect their usefulness for the decisions that companies and investors need to make.

The purpose of this paper is to articulate what we observe in practice, why it matters, and what we believe the field needs. **It is not an endorsement of any specific methodology. It is a call for structural properties that any credible approach to value factors should meet.**

In brief, we observe that current value factors fall short of three structural requirements needed to make impact valuation useful for decisions. Value factors must be **comparable** across topics, **explicit** and **consistent** about the valuation lens they apply (aligned with the questions they intend to answer), and built to serve the full range of **management decisions** rather than disclosure alone. The full argument is set out in the blog post “What value factors actually need to do”<sup>1</sup> from Valuing Impact, which identifies ten requirements. The three noted above are the most consequential for the current standard-setting process, and three further requirements developed in this statement sharpen them into design guidance for value factor development.

The Capitals Coalition and the Impact Value Standards Board describe their mandate as “building international consensus and establishing a global common baseline for impact valuation”, and the IVSB is positioned to set “the baseline for all future work on impact accounting for value creation”<sup>2</sup>. We support that ambition and submit this position as a constructive input, so that the structural requirements described below can inform the baseline before it is locked in by regulators and the wider field.

## What practitioners are being asked, and where current value factors fall short

In our work, and in our engagements with practitioners and Capitals Coalition member organisations, the same practical questions come up repeatedly. How does a company’s carbon

<sup>1</sup> <https://valuingimpact.com/all/what-value-factors-actually-need-to-do/>

<sup>2</sup> Capitals Coalition and IVSB — Impact Value Standards Board mandate and governance: [capitalscoalition.org/impact-value-standards-board-ivsb](https://capitalscoalition.org/impact-value-standards-board-ivsb). Capitals Coalition and IFVI strategic merger announcement, July 2025. Governance for Valuation — Part of the Integrated Decision-Making Framework, August 2025. Capitals Coalition protocols: Natural Capital Protocol, Social and Human Capital Protocol, and the Integrated Decision-Making Framework, available at [capitalscoalition.org](https://capitalscoalition.org).

footprint compare with the living-wage gaps in its supply chain? What is the societal and business cost-benefit of investing in regenerative agriculture, water stewardship, or climate adaptation? How can the same impact story be communicated to impact investors focused on well-being and to government clients focused on economic value added? What will it cost to remediate a human rights issue in a sourcing region, and where does that cost sit? Of the hundreds of initiatives a company runs, which ones align societal impact with business value creation? None of these questions can be answered well by a single number per topic built from a mix of economic constructs. They depend on structural properties of the value factors, and it is those properties that this paper addresses.

The current methodologies, developed from 2022 to 2025 by IFVI in partnership with the Value Balancing Alliance and now governed within the Capitals Coalition under the Impact Value Standards Board (IVSB, established in late 2025), are grounded in welfare economics. Each topic methodology draws on the established environmental and welfare toolbox (damage costs, willingness to pay, the Value of a Statistical Life, hedonic pricing, subjective well-being), selecting the techniques it considers most suitable. For environmental topics they apply the Total Economic Value framework, which decomposes value into use, non-use, option, and bequest components<sup>3</sup> and sums them into a single figure. The resulting monetary figures are aggregated across topics into an integrated impact statement. This inherits the logic of cost-benefit analysis and environmental policy appraisal: aggregate different value types to demonstrate that a policy or natural asset is valuable enough to justify action. The approach serves awareness and justification, and has served that purpose well.

Impact accounting now needs something different. A manager looking at an integrated impact statement is not asking whether nature is valuable or whether safety matters. The question is which mechanism dominates the impact, which intervention would change the outcome, and what the cost of that change would be. That requires decomposition of the total, and it requires that the monetary values across topics answer the same economic question **so that comparisons are meaningful in substance and not only in unit.**

Each valuation technique answers a specific question: a GDP-damage figure (e.g. the Social Cost of Carbon) answers what this impact costs the macroeconomy and suits regulatory appraisal; a wages figure answers how much income is gained or lost by affected workers and suits procurement and living-wage negotiation; a well-being figure (e.g. an eQALY or life-satisfaction measure) answers how the people affected are affected and suits cross-topic prioritisation. Each is defensible in isolation; the difficulty arises when they are summed into a single total that no longer answers a coherent question.

Current methodologies are built topic by topic, typically as ad hoc composites of several techniques (such as willingness to pay, the Social Cost of Carbon, the Value of a Statistical Life, ecosystem-service valuation via ESVD<sup>4</sup>, life satisfaction, and market prices), and there is no cross-cutting review to ensure the pieces work together when aggregated into an impact statement. Wages are a case in point. Worker income appears in at least three IFVI value factors and is valued differently each time: as GDP damage inside the Social Cost of Carbon (GHGs), as foregone real wages inside the occupational health and safety (OHS) methodology, and as a change in life satisfaction inside the wages methodology (methodology pending review). A company that reports on all three topics is counting the effect of income on well-being three times, through three different constructs, with no guidance on overlap. The same underlying

---

<sup>3</sup> IFVI and Value Balancing Alliance — General Methodology 1: Conceptual Framework for Impact Accounting, 2024. General Methodology 2: Impact Measurement and Valuation Techniques. Interim environmental topic methodologies (GHG, water pollution, air pollution, land use, waste). All documents available at [ifvi.org/methodology](http://ifvi.org/methodology).

<sup>4</sup> Related academic and practitioner literature — Social Cost of Carbon literature (Nordhaus, Stern, EPA 2023). Value of a Statistical Life literature (Viscusi, Aldy). Ecosystem Services Valuation Database (ESVD). The Economics of Ecosystems and Biodiversity (TEEB) reports. Harvard Business School Impact-Weighted Accounts project. OECD Better Life Index and subjective well-being measurement guidelines.

driver is being priced in ways that are not comparable to each other, and the double-counting is invisible to the user.

The Capitals Coalition convenes an important community, and the IVSB work represents real progress. Most practical experience with using impact valuation to inform business and investment decisions, however, sits with practitioners and corporates outside the governance structure. Topic methodologies are reviewed within each topic, but not across topics: the current process does not include a cross-cutting review of construct consistency, decomposability, or decision-readiness. We welcome the standard-setting ambition and believe the process would benefit from explicit practitioner review that tests value factors against the decisions they are meant to support.

## What we observe – Key requirements summary

We observe six structural requirements that value factors must meet to support decisions. The first three concern what the numbers themselves must look like: value factors should be (1) comparable across topics, so that figures answer the same economic question regardless of impact area; (2) explicit and internally consistent about the valuation lens, so that users can tell what a figure measures and from whose perspective; and (3) capable of expressing multiple perspectives on the same underlying data, so that different decisions (CBA, materiality, supply-chain engagement, strategy) can draw the view they need. The next three concern how the standard is built: (4) design for decisions first, with disclosure as a secondary application; (5) build on existing measurement systems rather than replicating them; and (6) treat relevance to real decisions — not methodological completeness — as the central design challenge. Each requirement is developed below with the structural challenge it addresses, why it matters for decision-makers, and what is needed in response.

### 1. Impact valuation is most useful when figures can be compared across topics.

**The challenge.** Current value factor methodologies use different economic constructs for different impact areas. The GHG value factor is based on GDP-damage estimates. Health impacts are valued using statistical-life approaches. Water combines ecosystem-service valuations, financial costs, and health burdens. All produce a dollar figure, but a dollar of GDP damage is not the same economic concept as a dollar of willingness-to-pay or a dollar of lost wages.

**Why it matters.** When companies combine these figures into an integrated impact statement, the totals look meaningful but are not genuinely comparable. Priority rankings derived from these totals may reflect differences in methodology rather than differences in impact. A company cannot answer the question “which of our impacts is largest?” with confidence if the figures are built on different foundations.

**What is needed.** Value factors should share a single, decision-ready valuation construct applied consistently across all topics, so that figures answer the same economic question regardless of impact area. The choice of construct is a design decision, not a methodological detail. A consistent well-being foundation (for example, a QALY-type unit) is one credible option, as are other single constructs, provided the approach is transparent and applied uniformly. What matters is that dollars across topics mean the same thing in substance, not only in unit. Where a consistent construct has been applied in practice, rankings often change: impacts that look largest on a GDP-damage basis may not hold that position when priced on a well-being basis. That is a sign that the construct chosen drives decisions, and therefore must be made explicit and consistent.

### 2. The valuation lens must be explicit and internally consistent within each value factor method

**The challenge.** Within individual methodologies, multiple valuation techniques are combined into a single figure without making the lens explicit. For example, the water methodology sums

ecosystem-service values (willingness-to-pay), financial supply costs, and health burdens (statistical-life) in a single figure. Each component answers a different question, and financial supply cost is typically itself an adaptation response to the health burden (a utility invests in treatment infrastructure precisely to prevent waterborne disease). Summed as if independent, the figure double-counts the same underlying effect and obscures the trade-off a water manager actually faces: spend more on treatment, or accept a higher residual health burden. Pricing both through a common well-being construct would make it visible which driver is larger and which intervention shifts the total most.

**Why it matters.** Decision-makers need to know what a figure measures and from whose perspective. Without clarity about the lens, the numbers cannot be interpreted correctly, and users have no way to identify overlaps or switch perspectives when their decision context changes.

**What is needed.** Each value factor should state the valuation construct it uses and the perspective from which that construct is priced, meaning who is affected and in what currency of value. Within each topic, techniques should be internally consistent, and where multiple mechanisms are priced (such as ecosystem services, financial supply cost, and health burdens for water), the methodology should present them as separate components rather than collapse them into one figure. Across topics, overlaps between methodologies (for example, income effects that enter the GHG, occupational health, and wage factors through different constructs) should be documented and adjusted for in aggregation, so that double-counting is visible and resolvable rather than invisible to the user.

### 3. Different decisions require different perspectives from the same data.

**The challenge.** Current value factors decompose impacts within topics, but the pathway-level figures are then aggregated into a single topic number from one implicit perspective, and topic numbers are aggregated further into an integrated statement. A cost-benefit analysis, a materiality assessment, a supply-chain engagement strategy, and stakeholder engagement each need different information from the same underlying impact data. Stakeholder engagement is particularly demanding: different audiences care about different currencies of value. Affected communities respond to well-being figures framed in terms of health, livelihoods, and lived experience; public authorities respond to economic value added and fiscal effects; business partners and investors respond to risk, revenue, and margin implications. A single-perspective figure cannot speak to all of these audiences at once; the underlying data has to be expressible in each lens. A company deciding whether to invest in remediation needs to know both the size of the societal harm and the cost of fixing it. A board evaluating strategy needs to see where societal impact aligns with business value creation. Aggregated outputs drawn from a single implicit perspective cannot serve these different needs.

**Why it matters.** When the numbers serve only one purpose, they reach only one audience. Impact valuation remains in sustainability reports and does not inform capital allocation, procurement, product design, or performance management.

**What is needed.** Value factors should support at least three valuation perspectives on the same underlying impact data: societal value (the effect on people and ecosystems), solution cost (what it would take to prevent or remediate the impact), and business value (the effect on enterprise value and risk). Societal value itself has to be decomposable into sub-lenses: a well-being lens (eQALY-type units, for cross-topic prioritisation and community engagement), an economic value lens (GDP or fiscal effect, for policy appraisal and dialogue with authorities), a damage-cost lens (cost of harm caused or avoided, for regulatory and legal contexts), and a market-price lens (the observable financial cost, where markets already price the effect). These are not alternatives but views derivable from the same underlying impact model, so decision-makers can switch between them without rebuilding the analysis. Different decisions draw on different combinations of these lenses: cost-benefit analysis pairs societal value with financial projections, double materiality needs parallel financial and societal views, supply-chain engagement pairs well-being impact with solution cost, strategy restructuring turns on where societal impact aligns with business

value. A value factor system that produces one number per topic from one implicit perspective cannot serve this range.

#### 4. Designing for decisions makes reporting better, not worse.

**The challenge.** The current standard-setting process is oriented primarily toward disclosure. The governance structure, the per-topic development cycle, and the single-lens output are all consistent with a reporting use case. Decision-making applications, such as CBA, investment screening, or strategy restructuring, require additional properties (cross-topic consistency, parallel perspectives, decomposable outputs) that the current design does not deliver.

**Why it matters.** A figure rigorous enough to inform capital allocation or procurement is certainly rigorous enough to disclose. The reverse is not true. Designing for disclosure alone means the numbers cannot support the broader range of management decisions where impact valuation can add the most value.

**What is needed.** Value factors should be developed with management decisions as the primary design objective and disclosure as a secondary application. In practical terms, this means that value factor methodologies should be tested against specific decision contexts before finalisation, that cross-topic consistency and decomposability should be treated as first-order design criteria rather than optional refinements, and that the governance process should include systematic representation from practitioners who use impact valuation for decisions. Reporting will follow naturally from decision-grade numbers. Numbers built only for reporting will not support decisions.

#### 5. Value factors should build on existing impact measurement, not reinvent it.

**The challenge.** Current value factor methodologies often re-specify the impact measurement that sits beneath them, rather than plugging into the measurement systems companies already use. Where well-established indicators exist (GHG inventories under the GHG Protocol, living-wage gap data, disability-adjusted life years, living income benchmarks, health state utilities, and metrics embedded in ESRS, IRIS+, and SASB), value factor methodologies often define parallel measurement requirements that do not line up with these systems. The IFVI interim waste methodology (released October 2024, now under Capitals Coalition as part of the consolidation) illustrates the problem. It traces end-of-life routes (landfill, incineration, recycling) and values the resulting effects, most of which are already priced by other topics: incineration emissions by the GHG methodology, landfill leachate and methane by the water pollution and air pollution methodologies. The user ends up with overlapping figures across waste, GHG, water, and air pollution, with no cross-methodology logic to prevent double counting — a topic-level methodology reaching into territory that is already the job of other topics.

**Why it matters.** The cost of adopting impact valuation falls heavily on companies that already have rigorous measurement in place. When the value factor requires a different measurement baseline, companies must either redo measurement or accept that the value factor does not apply to their data. Both options slow adoption, and both discourage the organisations with the most mature impact measurement from engaging with the standard.

**What is needed.** Impact accounting has two layers, measurement and valuation, and value factor design should respect the distinction. The measurement layer provides the physical or biological quantities already supplied by established systems; the valuation layer translates those quantities into monetary figures on a shared construct so that different topics can be compared. Value factors should be designed as the valuation layer only, plugging into existing measurement rather than replicating it. Where measurement gaps exist, the methodology should reference the most credible existing sources to fill them, not build a parallel measurement regime inside each value factor.

#### 6. The strongest barrier to adoption is relevance.

**The challenge.** In our experience — spanning several hundred engagements with corporates and investors over the past decade, alongside ongoing exchange with practitioners and Capitals Coalition member organisations — the barrier that comes up most consistently is not data, methodologies, or technical capacity. It is that the numbers produced do not yet connect to the

decisions that business leaders and investors make every day. When the figures do not connect to operational or strategic choices, they are tolerated as a reporting requirement rather than adopted as a management tool. This is experiential testimony from practice, not a quantitative claim about the field, and it is the single observation we most want the standard-setting process to take seriously.

**Why it matters.** If the field develops a standard that is technically sound but not useful for decisions, practitioners who need decision-grade numbers will build their own approaches. The result will be more fragmentation, not less, which is the opposite of what a standard is intended to achieve.

**What is needed.** Addressing the relevance gap should be treated as the central design challenge for value factors, above methodological completeness. In practice, this means using real decision contexts (for example, the sourcing of a high-risk input, a capital allocation choice between climate and social investments, or a materiality assessment for a listed company) as test cases during methodology development, and treating adoption by decision-focused practitioners as the primary indicator of success.

### What is at stake if these requirements are not met

A standard works only if the field uses it. The stated purpose of the consolidation now underway, including the merger of IFVI into the Capitals Coalition and the establishment of the IVSB, is to reduce fragmentation and to establish a global common baseline for impact valuation. If the value factors that emerge from the current process do not meet the structural requirements above, a predictable pattern will follow. Practitioners who need decision-grade numbers will continue to develop their own approaches, as many already do. A substantial share of the field, including many of the practitioners and corporates we work with, will keep applying alternative value factors suited to decision use, and organisations using the new standard will often do so alongside another approach for internal decisions. The objective of a single, trusted global baseline will not be achieved, and the fragmentation the consolidation was meant to resolve will persist by a different route, in a more established form.

The credibility risk is also real. A standard that produces totals whose component values are not actually comparable (dollars of GDP damage alongside dollars of willingness to pay alongside dollars of lost life satisfaction) invites critique from auditors, regulators, and academic reviewers the moment such totals are used to inform capital allocation or strategy. It is better to identify and resolve this structural gap during development than to release value factors that decision-focused practitioners will not defend and critics will challenge on economic grounds.

The opportunity is equally significant. A standard that meets these requirements can become the shared foundation that practitioners, auditors, and regulators all rely on, with disclosure and decision use drawn from the same underlying numbers. The design choices made in the coming months will determine which of these trajectories the field follows.

A related question we raise for the process itself: can a standard be set while the methodologies it standardises are still being developed in parallel? A standard, in most fields, codifies what already works in practice. In impact valuation, the topic methodologies, the cross-cutting constructs, and the decision use cases are all still under active development. Moving to standardisation before the underlying practice has settled risks locking in choices that practice would otherwise correct. We do not argue against standardisation, only that the sequencing matters: the structural requirements described above are in part a proposal for what needs to be settled in practice first, so that what is standardised afterwards rests on something the field has tested.

## What we support

We support any standard-setting process that works toward value factors meeting the structural properties described above. This paper is not an endorsement of any specific methodology, framework, or provider. The requirements are construct-agnostic: they can be met by well-being-based constructs, utility-based monetary constructs, or a revised welfare-economics approach with explicit cross-topic consistency rules. We ask only that whichever construct is chosen is applied consistently, declared transparently, and tested against the decisions it is meant to support.

No single valuation construct is free of methodological limitations — well-being measures carry known issues of adaptation and cross-cultural variability; monetary welfare measures carry distributional and discounting choices. The structural requirements above are necessary conditions for decision-grade use, not a claim that any chosen construct settles the wider methodological debate.

We recognise and welcome the ambition of the Capitals Coalition and the IVSB to develop internationally recognised value factors. The observations in this paper are offered in a constructive spirit, from a practitioner perspective grounded in our own work and in active engagement with others applying impact valuation today.

## Practical next steps

We propose four practical steps for the Capitals Coalition and the Impact Value Standards Board to consider as part of the ongoing baseline-setting process.

- 1. Practitioner review panel for cross-cutting consistency.** Establish an independent panel charged with reviewing draft topic methodologies for cross-topic consistency of valuation construct, decomposability of outputs, and readiness for documented decision use cases. The panel reports to the IVSB and publishes its review alongside each finalised topic methodology.
- 2. Named construct and overlap map per topic methodology.** Require each topic methodology to state its primary valuation construct in one paragraph at the front of the document, and to publish a short overlap map showing how its construct relates to those used in other topics, with flagged areas of potential double-counting.
- 3. Published decomposition standard.** Publish a standard for the pathway-level components that must be retrievable from each value factor, so that users can recombine the pieces in ways that suit their decision context rather than only consuming the aggregated topic number.
- 4. Staged retrofit roadmap.** Publish a staged roadmap for moving existing value factors towards a shared construct, with interim compatibility rules during the transition. Retrofitting is a multi-year exercise, and a public roadmap lets the field plan accordingly rather than build workarounds in the interim.

None of these steps require the governance structure or the topic-based development cycle to change. The requirements concern the construct that sits beneath each topic figure and its cross-cutting consistency, not the topic structure itself — per-topic reporting, as required by ESRS, ISSB, and similar regimes, remains fully compatible.

## How this paper will be used

This paper is submitted to the Capitals Coalition as a formal input from Valuing Impact, drawing on our work and on engagements with a wide range of organisations — including Capitals Coalition members — that are active practitioners of impact valuation. It is intended to contribute to the governance discussion on value factor design, specifically the question of whether the current development process adequately addresses the structural requirements for decision-making applications.

We request that the Capitals Coalition consider these observations in its ongoing work and invite a structured dialogue on how the standard-setting process can better incorporate the needs of organisations that use impact valuation beyond disclosure.

The design choice at the beginning determines the range of applications at the end. When value factors are designed for decision-making, reporting follows naturally. The reverse is not true.