



**CATÓLICA-LISBON**  
CENTER FOR RESPONSIBLE  
BUSINESS & LEADERSHIP

# **IFVI and VBA's Impact Accounting Methodology: Implementation Guide**

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## Contents

1. Executive Summary .....	3
2. Introduction .....	4
3. The development process: a multi-phase model for each impact topic .....	4
4. The Implementation Framework .....	7
5. Conclusion .....	15
6. References .....	15

## 1. Executive Summary

This research note presents the methodological foundations and practical implementation framework of the Impact Accounting (IA) methodology developed by the International Foundation for Valuing Impacts (IFVI) and the Value Balancing Alliance (VBA). It explains how this approach enables companies to measure, value, and report their impacts on society and the environment in monetary terms, bridging the gap between sustainability disclosure and business decision-making.

The note outlines a five-phase development process that ensures scientific rigor, expert validation, and stakeholder legitimacy for each impact topic. It then details a six-step implementation framework that guides companies through context analysis, material impact identification, data collection, outcome assessment, impact valuation, and aggregation into unified impact accounts.

Crucially, the methodology is designed for straightforward implementation. When a value factor validated by the Valuation Technical & Practitioner Committee (VTPC) is available, companies simply multiply their existing data points, often those already reported under the CSRD, by the corresponding value factor. This eliminates the need for complex modeling or outcomes definition, making impact accounting both practical and scalable.

By combining robust valuation techniques and standardized value factors, the IFVI and VBA methodology provides a clear, comparable, and decision-useful tool for embedding impact accounting in corporate strategies. It enables organizations to move beyond compliance-driven sustainability reporting and toward impact-driven decision-making, creating measurable value for both business and society.

## 2. Introduction

The global shift toward sustainability reporting rooted in double materiality has redefined how companies account for their interactions with society and the environment. Under frameworks such as the EU's Corporate Sustainability Reporting Directive (CSRD), organizations are increasingly expected not only to disclose how sustainability issues affect them but also how their activities impact people and the planet.

In response to this need, IFVI and VBA have developed a comprehensive Impact Accounting methodology. This methodology establishes a structured and standardized approach to identifying, measuring, and valuing corporate impacts in monetary terms, thereby connecting sustainability performance with core business strategy.

This research note introduces the IFVI-VBA methodology in two parts. First, it describes the five-phase development process that ensures methodological rigor and broad stakeholder input for each impact topic. Second, it presents the six-step implementation framework that enables companies to operationalize impact accounting and integrate it into decision-making and reporting. Together, these components position impact accounting as a critical lever for credible, comparable, and actionable sustainability information.

## 3. The development process: a multi-phase model for each impact topic

To ensure scientific credibility, technical robustness and social legitimacy, each impact topic (e.g., GHG emissions, water pollution, occupational safety) undergoes a five-phase development process governed by the Valuation Technical and Practitioners Committee (VTPC) (VBA et al., 2024), an independent committee established by IFVI to direct, validate, and approve research and methodology produced by the cooperation of IFVI and VBA (International Foundation for Valuing Impacts, n.d.). This process ensures that each methodology is grounded in evidence, co-created with experts, and tested in practice before being finalized. Figure 1 shows an overview of this five-phase process.

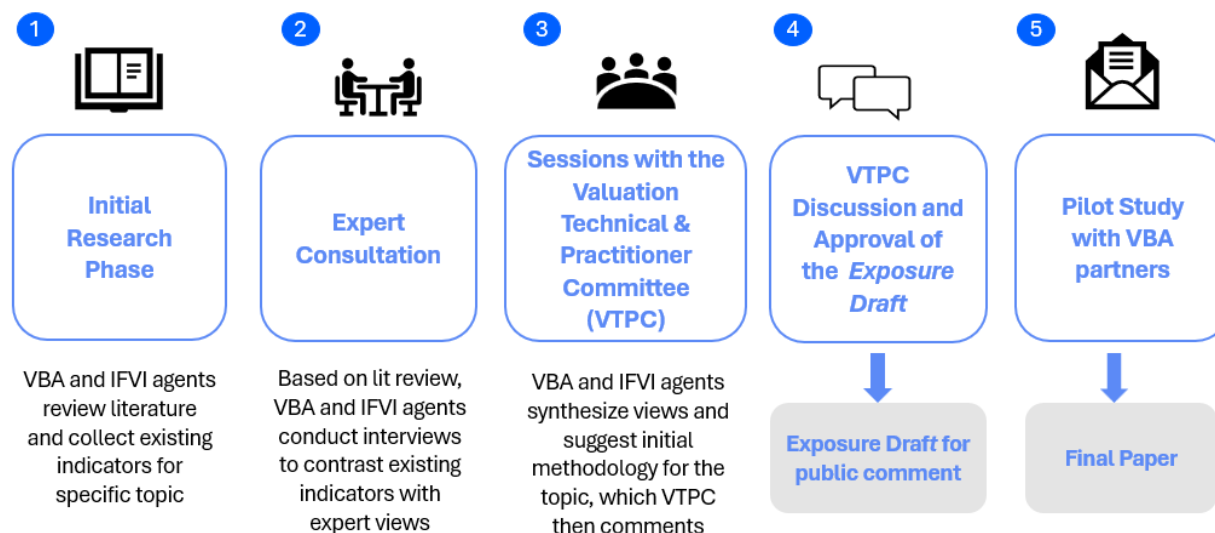


Figure 1: Five-phase IFVI and VBA's Impact Accounting development process. Adapted from International Foundation for Valuing Impacts & Value Balancing Alliance. (2024a).

### Phase 1: Initial Research Phase

This phase establishes the scientific and empirical foundation for each impact topic. IFVI and VBA conduct extensive literature reviews, drawing on peer-reviewed research, institutional reports, and established frameworks (e.g., OECD, WHO, UNEP). The objective is to map the full landscape of existing indicators, methodologies, and underlying assumptions relevant to the topic. This process results in the development of a comprehensive indicator inventory, the formulation of preliminary logic models and impact pathways, and the identification of gaps and inconsistencies in current measurement practices. By consolidating and critically assessing this knowledge base, the methodology is grounded in robust evidence, avoids duplication, and mitigates conceptual biases.

### Phase 2: Expert Consultation

Building on the findings from the literature review, IFVI and VBA conduct structured interviews with subject matter experts, including environmental economists, social scientists, sector-specific specialists, and practitioners. These consultations serve to validate the relevance and completeness of the proposed indicators and assumptions, challenge methodological choices with practical, real-world insights, and identify contextual factors or data quality limitations that could influence implementation. This phase ensures that the methodology is not only theoretically rigorous but also grounded in practical feasibility and informed by diverse stakeholder perspectives.

### **Phase 3: Sessions with the Valuation Technical & Practitioner Committee (VTPC)**

The VTPC plays a central role in transforming expert feedback and literature findings into a practical and transparent methodology. Comprising academics, practitioners, and institutional representatives, the VTPC reviews draft methodologies, provides critical input on assumptions, valuation models, and impact pathways, and ensures alignment with ethical principles and leading practices in sustainability valuation. IFVI and VBA act as facilitators and synthesizers, refining the methodology based on the committee's guidance. As such, the VTPC functions as a key quality assurance body and a gatekeeper of methodological credibility.

### **Phase 4: Exposure Draft and Public Comment**

Once validated by the VTPC, the methodology is published as an Exposure Draft and made publicly available for broad review and scrutiny. This step is critical to ensuring transparency in development, legitimacy through open stakeholder engagement, and responsiveness to input from diverse groups, including business associations, civil society, and regulators. The draft is typically accompanied by webinars, FAQs, and technical summaries to support understanding and encourage participation. All feedback received during this phase is systematically analyzed, categorized, and documented, with clear explanations of how it informs the final methodology.

### **Phase 5: Pilot Study with VBA Partners and Final Paper**

Before its official publication, the draft methodology is tested through pilot studies with selected VBA member companies. These pilots assess the methodology's feasibility and usability in real corporate settings, validate the availability of data and its integration with existing sustainability reporting systems (e.g., CSRD, GRI, internal dashboards), and evaluate the comparability and accuracy of results across different contexts and sectors. Based on pilot feedback, the methodology is refined and consolidated into a Final Paper, which includes technical annexes, data requirements, and standardized equations. Once approved by the VTPC, this Final Paper becomes the official reference for implementation.

To date, seven topics have reached the Exposure Draft stage, with the General Methodology 1 and Greenhouse Gas Emissions (GHGE) being the only ones fully completed. The General Methodology 2, Adequate Wages, Water Consumption, Occupational Health and Safety (OHS) and General Framework for Product Impact are approved for public comment (see Figure 2).

List of Topic Methodologies			Link to Reporting				
Dimension	Capital	Topic	ESRS	GRI	IFRS		
Environment	Natural Capital	GHG emissions	E1-6	305-1,2,3	S2-P29		
		Air pollution	E2-4	305-7	-		
		Water pollution	E2-4	303, 306-1, 306-5	-		
		Water consumption	E3-4	303-5	-		
		Waste	E5-5	306-2	-		
		Land use and conversion	E4-5	304-1, 304-2	-		
		Invasive alien species	E4-5	304	-		
		Animal welfare	G1-1	-	-		
		Social	Human Capital	Adequate wages	S1-10, S1-16	201-1	IAS 19
				Occupational health and safety	S1-14	403-9,10	-
Training and skills development	S1-13			404	-		
Work Conditions and Culture	S1-11, S1-10, S1-8, S1-15, S1-14			401, 408, 409	-		
Social Capital	Diversity and equal opportunity		S1-9, S1-12, S1-13, S1-16	405, 406	-		
	Land access /Indigenous rights		S3	411	-		
	Privacy and data security		S4, ESRS 2 SBM-3	418	-		
	Political influence and lobbying activities		G1-5	415	-		
	Purchasing and payment practice		G1-6	414,204	-		
Economic Capital	Taxes		-	201-1, 207	IAS 12		
	Community Investment / philanthropy		S3	201, 413	-		
	Corruption and bribery		G1-3, G1-4	205	-		
	Anti-competitive practices		G1-1	206	-		
	Ownership impacts		-	201-1, 401	-		
	Economic development		-	203	-		

The current IFVI-VBA methodology includes:

- General Methodology 1 (Approved)
- GHG Emissions (Approved)
- General Methodology 2 (Approved for public comment)
- Adequate Wages (Approved for public comment)
- Water Consumption (Approved for public comment)
- OHS (Approved for public comment)
- General Framework for Product Impact (Approved for PC)
- Wage Equity (In development)
- Resource Use & Circularity (In development)
- Air pollution (IFVI interim)
- Water pollution (IFVI interim)
- Land Use & Conversion (IFVI interim)
- Waste (IFVI interim)
- Other expected topics in the architecture

Figure 2: Current development state of the IFVI-VBA Impact Accounting indicators (source: “List of Topic Methodologies” table from IFVI & VBA (2025, p.4)).

## 4. The Implementation Framework

The implementation of IFVI and VBA’s Impact Accounting methodology in companies follows a structured six-step process organized into three overarching stages: preparation of impacts, measurement and valuation of impacts, and aggregation of impacts.

Figure 3 provides a practical roadmap that allows companies to systematically translate sustainability-related information into monetized impact accounts. Starting with an analysis of the company’s sustainability context and material impacts, the methodology guides preparers through the identification of data requirements and the understanding of outcomes and stakeholders. It then applies predefined value factors, developed and validated by IFVI and VBA, to convert these impacts into monetary terms. Finally, it aggregates the results into a single, unified impact framework that supports both internal decision-making and external reporting.

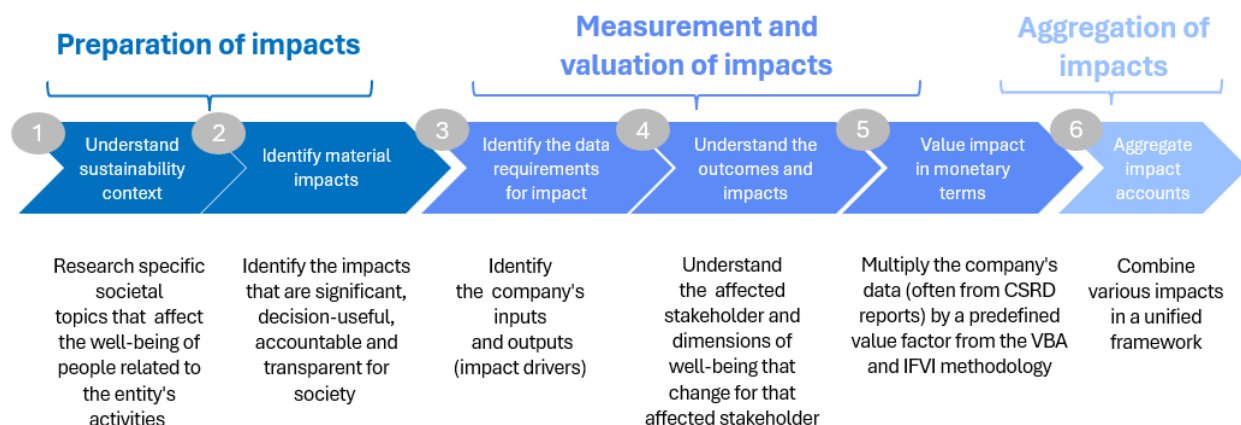


Figure 3: IFVI and VBA's Impact Accounting implementation framework.

The implementation is easier when a VTPC value factor already exists. Companies simply need to multiply their company data points (often reported in CSRD) by a value factor. In other words, steps 4 and 5 are already collapsed into the value factor. For example, when a company applies a 236USD value factor to a ton of CO<sub>2</sub> emitted, the company does not need to do extensive research and define the outcome by itself, the value factor already accounts for it. Therefore, if the value factor considered is already developed by the IFVI and VBA, companies only need to take step 5 and 6 of the implementation framework.

## Stage 1: Preparation of Impacts

### 1) Understand the Sustainability Context

Companies begin by researching societal topics that influence well-being in the regions and sectors where they operate. For example, for GHG emissions, this means analyzing average sectoral emissions across all three scopes and their societal effects. This context analysis ensures alignment with material sustainability challenges relevant to the business model and stakeholder geography.

### 2) Identify Material Impacts

Using an impact materiality perspective, companies identify impacts that are significant, decision-useful, and accountable to society, regardless of whether they create financial effects on the company. This requires companies to identify the impacts included in the company's

sustainability-related disclosures and the company’s periodic materiality assessment process and is also closely tied to the materiality assessment required for CSRD compliance.

Impacts can be visualized through materiality maps, which synthesize relevant issues, stakeholder interests, and societal priorities (see Figure 4).

Stakeholder Categories	Value Chain Stage		
	Upstream	Own Operations	Downstream
Consumers & end-users			
Employees & other workers			
Natural environment			
Governments & local communities			

Figure 4: Example of a materiality map for impact identification (source: International Foundation for Valuing Impacts & Value Balancing Alliance (2024b)).

## Stage 2: Measurement and Valuation of Impacts

### 3) Identify Data Requirements for Impact

Once material topics are identified, companies proceed to define impact drivers – the inputs and outputs associated with their operations. Inputs refer to the resources the company uses (e.g., raw materials, energy), while outputs are the direct results of its activities (e.g., emissions, waste). These impact drivers lead to outcomes, which reflect the immediate effects on people or the environment (e.g., sea level rise, reduced health). Ultimately, these outcomes result in impacts – measurable changes in one or more dimensions of people’s well-being (e.g., lower crop yields for farmers, deterioration in health or living conditions).

This step incorporates guidance like that found in the Natural Capital Protocol, the Social and Human Capital Protocol of the Capitals Coalition, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the GHG Protocol. It emphasizes that while primary data is the preferred source for an organization’s own operations and value chain, secondary data may be used when primary data is unavailable or when secondary data offers higher quality (see Figure 5 for an overview of primary and secondary data sources). In practice, companies often rely on a

combination of both primary and secondary data to quantify impact drivers (International Foundation for Valuing Impacts, n.d.).

Primary Data	Secondary Data
<p>Data collected by the company or an external party specifically for the purpose for which it is used.</p> <ul style="list-style-type: none"> <li>• Data collected from customers or suppliers within the value chain through direct measurement, focus groups, or surveys.</li> <li>• Internal and/or reported data from accounting information systems, financial and operational data, and employee engagement studies.</li> <li>• Physical quantities, including by-products, that are directly measured and result from the company's activities.</li> </ul>	<p>Data originally collected and published for a different purpose.</p> <ul style="list-style-type: none"> <li>• Data from audit and certification programs.</li> <li>• Estimated data derived from modeling or extrapolation.</li> <li>• Government or intergovernmental organization statistics or reports.</li> <li>• Industry, trade group, or labor organization data.</li> <li>• Past assessments.</li> <li>• Peer-reviewed and grey literature.</li> </ul>

Figure 5: Primary and secondary data sources (source: International Foundation for Valuing Impacts, & Value Balancing Alliance. (2024c)).

When neither primary nor secondary data is available, modeling techniques are applied to fill data gaps. These techniques provide a structured way to estimate impact drivers and form the basis for linking business activities to societal outcomes. Figure 6 outlines the most used modeling approaches for estimating impact drivers across an entity's operations and value chain when data are missing or insufficient in quality (International Foundation for Valuing Impacts, n.d.).

Technique	Description
Extrapolated Data	Adapt data from one activity to a similar one.
Hybrid Approaches	Combine different estimation techniques.
Input-output Models (IO)	<ul style="list-style-type: none"> <li>• Quantify impact driver data per monetary unit</li> <li>• Consider different sectors of a national economy or different regional economies</li> </ul>
Life Cycle Assessment (LCA)	Assess the environmental or social effects of a good or service through all stages of its life.
Material Flow Analysis	Estimate the flows and stocks of materials within a system, from extraction to processing and disposal.
Productivity Modelling	<ul style="list-style-type: none"> <li>• Estimate the efficiency in resource use</li> <li>• Estimate the environmental outputs of production processes</li> </ul>

Figure 6: Techniques for estimating impacts (source: International Foundation for Valuing Impacts, & Value Balancing Alliance. (2024c)).

#### 4) Understand Outcomes and Impacts

In this step, companies should analyze how impact drivers affect stakeholders' well-being. IFVI and VBA provide standardized impact pathways that describe the causal relationships between impact drivers (inputs, outputs, outcomes and impacts), so that companies do not need to independently model every impact chain (see Figure 7). This step is grounded in the OECD Well-being Framework, which includes 11 dimensions of current well-being (e.g., health, safety, environmental quality) and four types of capital underpinning future well-being (natural, human, social, economic) (see Figure 8 for an overview). By applying these standardized pathways, companies ensure comparability and scientific robustness.

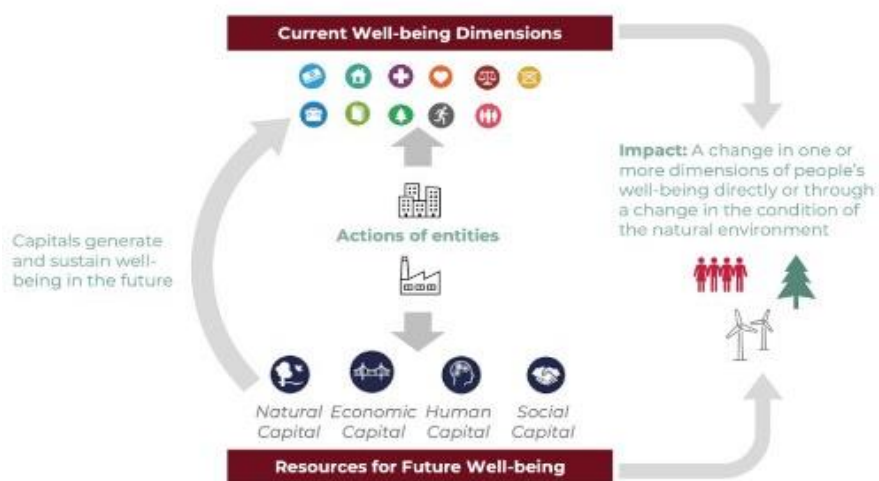


Figure 7: Impact pathway from corporate actions to current well-being and future capital resources (source: International Foundation for Valuing Impacts, & Value Balancing Alliance. (2024c)).



Figure 8: OECD Framework for measuring well-being (source: International Foundation for Valuing Impacts, & Value Balancing Alliance. (2024c)).

### 5) Value Impacts in Monetary Terms

Next, companies are required to translate impacts into monetary values using Value Factors (VFs), which are predefined coefficients that incorporate outcome valuations. These VFs are derived through established economic valuation techniques, including:

- Total Economic Value (TEV): Encompasses use, non-use, and option values of a good or service. Assumes individuals place value on a good independent of its actual or future use cases.
- Willingness to Pay (WTP): Measures the maximum amount stakeholders would pay to avoid a negative impact or gain a positive one. It ensures that when economic value varies across an affected stakeholder, careful consideration is taken to capture the varying degrees of economic value.
- Value of Statistical Life (VSL): Used to monetize health-related outcomes, especially in occupational safety.

These techniques are selected based on their faithful representation, comparability, and verifiability, ensuring that monetary values align with both scientific evidence and stakeholder preferences.

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.	+ Uses observable costs; Less resource and time intensive - Value factors may be context specific; Provides a lower bound estimate of TEV
Market-based	Uses observed market price of a good, service or asset to value an impact.	+ Highly observable and reflects actual decisions; Less resource and time intensive - Reflects WTP of only marginal consumers; May not faithfully represent WTP
Revealed preference	Examines existing markets to reveal preferences for non-existing markets.	+ Values non-market goods by observing behavior and purchases; Measures WTP and captures TEV - Data required may not be readily available; Several assumptions are necessary; Use and non-use cannot be disaggregated
Stated preference	Asks individuals to state their preferences using questionnaires that create hypothetical markets.	+ Captures use and non-use values; Measures WTP and TEV - Results are subject to biases
Subjective well-being valuation	Estimates the monetary value of non-market goods or services based on people's self-reported well-being.	+ Based on actual experience; Not subject to biases; Measures WTP and captures TEV - New technique, less known; Challenges in isolating the effect of income or non-market goods/services on subjective well-being

Figure 9: Description, advantages and disadvantages of valuation techniques (source: International Foundation for Valuing Impacts, & Value Balancing Alliance. (2024c)).

In practice, companies apply predefined value factors validated by the Valuation Technical & Practitioner Committee (VTPC). For example, greenhouse gas (GHG) emissions are monetized by multiplying Scope 1, 2, and 3 emissions by the Social Cost of Carbon (e.g., \$236 per ton of CO<sub>2</sub> for 2023). Similarly, occupational health and safety impacts are monetized using incident data, severity classifications, and VSL-based multipliers.

This standardized approach eliminates the need for companies to build complex outcome models internally while ensuring methodological rigor and comparability.

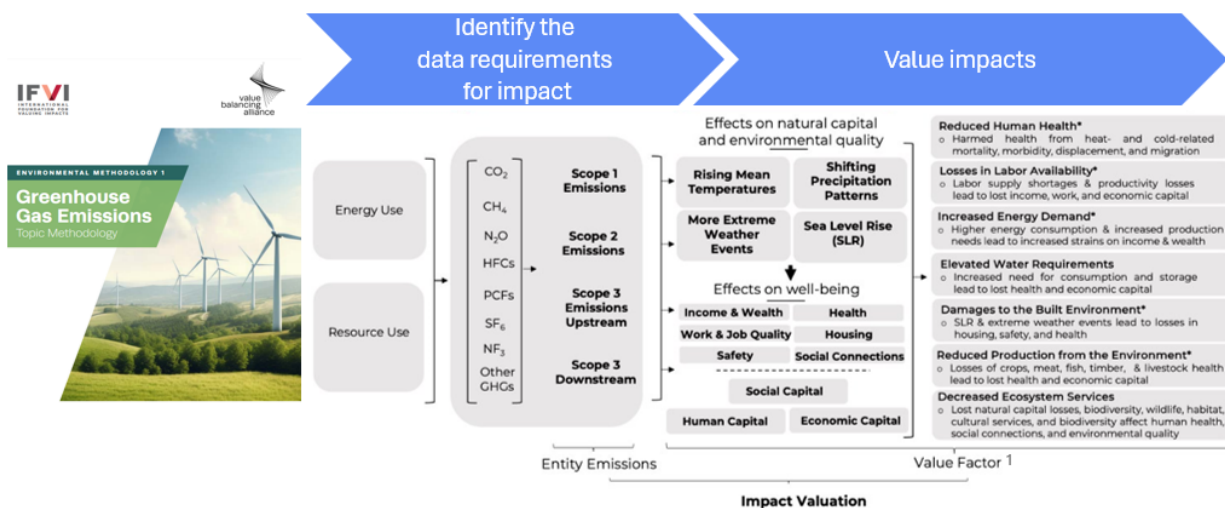
### Stage 3: Aggregation of Impacts

Once individual impacts are monetized, the company needs to aggregate them into a unified impact account. Companies can either present a single net impact value, or develop a multi-dimensional dashboard, displaying monetized impacts across different topics.

Aggregation includes: 1) Weighting and prioritization based on stakeholder relevance and corporate values; 2) Integration of stakeholder perspectives to align results with societal expectations; 3) Actionable reporting outputs, supporting both regulatory compliance and strategic decision-making.

### Example of the Impact Pathway for the Greenhouse Gas Emissions

Figure 10 illustrates the impact valuation process for the Greenhouse Gas (GHG) Emissions topic within the IFVI and VBA methodology. It shows how company-level data, such as energy use, resource consumption, and entity emissions across Scopes 1, 2, and 3, are translated into measurable impacts on natural capital, environmental quality, and human well-being. These impacts include changes in climate-related variables (e.g., rising mean temperatures, shifting precipitation patterns, sea level rise) and their downstream effects on income, health, housing, and social conditions. By applying predefined value factors, this process converts emissions data into monetized impacts, enabling companies to link operational data with their broader societal and environmental consequences in a standardized and decision-useful way.



1 A value factor translates the information that an entity collects across its operations into insights on the relative importance, worth, or usefulness of an impact.

Figure 10: Impact Pathway for the Greenhouse Gas Emissions topic. Adapted from International Foundation for Valuing Impacts & Value Balancing Alliance (2024d).

## 5. Conclusion

IFVI and VBA's Impact Accounting methodology provides a robust and actionable framework for companies seeking to integrate societal and environmental impacts into their business strategy and reporting. By applying a standardized implementation framework, companies can translate complex sustainability data into clear, monetized insights that inform decision-making and enhance accountability.

The implementation is significantly easier when a value factor validated by the Valuation Technical & Practitioner Committee (VTPC) already exists. In such cases, companies simply need to multiply their company data points, often those already disclosed under CSRD, by the corresponding value factor.

This methodology supports compliance with emerging regulatory requirements, facilitates comparability across companies and industries, and equips businesses to manage their societal footprint with greater precision. More importantly, it represents a step toward a broader redefinition of corporate performance, one that embeds value creation for stakeholders and society at the heart of business strategy.

As the methodology evolves and new impact topics are developed, it will continue to serve as a foundational tool for organizations committed to transitioning from traditional financial reporting to a more holistic, impact-based approach to corporate performance.

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