

Due Process Protocol

for methodology development in the Partnership between International Foundation for Valuing Impacts and Value Balancing Alliance

1. Introduction

This protocol sets out the due process followed by the partnership between the International Foundation for Valuing Impacts (IFVI) and the Value Balancing Alliance (VBA) together with the Valuation Technical and Practitioner Committee (VTPC) to develop, validate, and approve an internationally accepted impact accounting system (the Methodology). It includes an overview of the governance structure, due process, and operating procedures.

This protocol has been approved by the Due Process Oversight Committee of IFVI's Board of Directors and has been adopted by IFVI and VBA, effective June 26th, 2023.

2. Overview of the Partnership between IFVI and VBA

The [Value Balancing Alliance \(VBA\)](#) and [International Foundation for Valuing Impacts \(IFVI\)](#) have joined forces to develop one common impact accounting methodology for the public good as well as to advocate for adoption globally. This methodology will allow corporates and investors to translate social and environmental impacts into the language of currency and thus make them comparable to financial performance. We believe that impact accounting significantly improves transparency about how companies create value — for all stakeholders.

This work strives to be business relevant, pragmatic, scalable, and transferable — building on frameworks and protocols published by leading organizations in the impact management ecosystem and sustainability-related disclosures required by governing jurisdictions and international standard setters, including Capitals Coalition, EFRAG, Global Reporting Initiative (GRI), IFRS Foundation, Impact Economy Foundation, Impact Management Platform, Social Value International (SVI), and the Transparent Project.

The partnership aims to produce a **globally applicable** and **comprehensive open-source** methodology for valuing organizational impact that is designed for incorporation into organizational planning and decision making and financial analysis.

3. Oversight and Governance

The VTPC is an independent committee, comprising 18 members, established by IFVI and authorized by its *Terms of Reference* to direct, validate, and approve impact-weighted accounts research and methodology produced by the cooperation of the IFVI and VBA. The VTPC oversees and is supported by the work of technical staff at both IFVI and the VBA. More details on the VTPC and its mandate can be found in the *Terms of References*.

IFVI and VBA have distinct governance bodies overseeing their operations (IFVI Board and VBA Steering Committee). As part of its oversight, the IFVI Board has a committee – the Due Process Oversight Committee (DPOC) – that includes representation from VBA’s Steering Committee and is responsible for ensuring that due process is followed throughout the development of the Methodology. The DPOC does not review or consider technical matters in the development and approval of the monetary impact accounting methodology. The DPOC regularly reviews and makes improvements to due process on a timely basis when it considers it to be necessary. Stakeholders may submit grievances first to the VTPC and then to the DPOC, as outlined in the section below.

4. Due Process

In developing the Methodology, the partnership between IFVI and VBA aims to follow a rigorous and credible process balanced with the urgent and dynamic needs of stakeholders in the face of great social and environmental challenges. The due process is built on the following key principles:

- a. **Impact focused** – processes and decisions are guided by the partnerships’ overall mission and core values
- b. **Stakeholder informed** – impartially considers the perspectives of a balanced and diverse group of global stakeholders, including those who have been traditionally under-engaged or under-represented, to develop high quality methodologies that reflect societal needs; empowers stakeholder participation in the decision making process and holding the process accountable
- c. **Collaboration** – seeks alignment, pursues coordination and avoids duplication, and builds on work of existing globally accepted disclosure standards and other leading standard setters and expert organizations
- d. **Transparency** – conducts activities in a transparent manner while respecting confidentiality where appropriate; provides insight for the public into agenda, activities, and decisions of the partnership between IFVI and VBA to ensure credibility in the process, and reliability in the methodology

The due process followed by the partnership between IFVI and VBA includes the following key steps, outlined in further detail below:

1. Establish Work Plan and Initiate Project
2. Develop Methodology
3. Public Exposure and Piloting
4. Approve & Issue Methodology

In each of these steps, the VTPC as overseeing body plays a central role. The VTPC will meet quarterly in person or virtually (quarterly meetings). Meeting quorum is 50% of all VTPC voting members (Chair, Vice Chair, and all members of the VTPC). VTPC members excluding the Chair and Vice Chair may send a representative to participate and to vote by proxy at quarterly meetings. Quarterly meetings may be rescheduled within 30 days of the originally scheduled date if the above requirements are not met. The Chair and Vice Chair of the VTPC may propose the participation of additional guests and/or other

external representatives in specific VTPC meetings without voting rights. The VTPC may hold additional meetings if requested by at least five members.

VTPC meetings are not open to the public, though quarterly meeting dates and agenda will be publicly announced on the IFVI website in advance of meetings. Aggregated meeting minutes, without identification of individual speakers, will be available publicly on the IFVI website after meetings. Outside of VTPC meetings, the technical staff and VTPC members may convene on matters that are consultative, educational, or administrative in nature. Significant deliberations by a majority of the VTPC voting members are to be conducted in quarterly meetings.

Formal votes of the VTPC are conducted in quarterly meetings and reported in meeting minutes, or reported publicly if balloted outside of a meeting. The Chair, Vice Chair, and each member of the VTPC is entitled to one vote. Decisions require a simple majority, or 51% of voting members, in order to pass. More details regarding general procedures and the composition of the VTPC are available in the VTPC Terms of Reference.

The VTPC will approve a *General Methodology*, which sets out the basic concepts, principles, definitions, and objectives that guide the partnership's approach to developing and approving the Methodology. The *General Methodology* and this document, along with *the VTPC Terms of Reference*, are intended to be complementary.

4.1 Establish Work Plan & Initiate Project

Workplans are critical for achieving transparency and ensuring methodologies are stakeholder informed. The partnership between IFVI and VBA will maintain a technical work plan that is available on the IFVI website. The technical work plan encompasses active projects that are overseen by the VTPC. The IFVI Chief Research Officer, in alignment with the VBA Director of Methodology Development and technical staff, proposes a technical work plan annually to the VTPC for approval to help the VTPC prioritize its work and manage resources effectively.

The workplan will be informed by available research and data, projects and deliverables of relevant peer organizations, and stakeholder needs, in alignment with the principles for the due process outlined above.

The technical staff develops project proposals for the VTPC's consideration and approval to commence and execute projects on the work plan. The proposal typically includes a rationale for the project recommendation, a summary of findings from research and consultations that were conducted as part of developing the proposal, and other information or data as deemed necessary. Any changes to the workplan will be approved by the VTPC and shared publicly.

4.2 Develop Methodology

As the core phase of work, methodology development includes several essential components to ensure it is aligned with partnership's core principles set out above. The VTPC and/or technical staff will pursue a variety of activities, centered on research and stakeholder consultation, to support the development of a methodology and to inform the VTPC's decision making process. Stakeholder consultations may be carried out through various means including, but not limited to, issuance of public briefing documents or discussion papers, consultation with IFVI and VBA advisory groups, and/or with other interested persons and organizations. The technical staff and/or VTPC may also convene roundtable meetings or forums, when they deem it may be necessary or advisable for the VTPC to make an informed decision.

Stakeholder engagement will strive to achieve participation from a balanced and diverse group of global stakeholders, including those who have been traditionally under-engaged or under-represented. A summary of stakeholder input may be published separately and/or incorporated in the basis for conclusions accompanying exposure draft of methodologies.

Prior to balloting, all projects are required to be discussed at least once in a VTPC quarterly meeting with the presence of a majority of the VTPC voting members or their proxy representatives.

4.3 Public Exposure and Piloting

Public exposure is a vital step in the VTPC due process to ensure the development of high quality methodologies that reflect stakeholder input. When the VTPC has reached general agreement on the methodology, the VTPC votes on whether to proceed with releasing a proposed methodology. An approval by a simple majority of the VTPC is required to proceed with releasing an exposure draft of a proposed methodology. An exposure draft is a proposal of a methodology, and will be accompanied by a basis for conclusions that explains the VTPC's rationale for the proposal, and an invitation to comment to the public on issues that are of particular interest to the VTPC. All interested parties are able to submit feedback during a public comment period.

Public comment periods are generally 60-90 days, but may be determined by the VTPC to be longer or shorter, as necessary to ensure opportunity for representative stakeholder participation. Comment periods will be announced on the IFVI and VBA website. The VTPC and/or technical staff may develop supporting material, including but not limited to, presentations, question and answer documents, and webcasts, to accompany the exposure draft. Comment letters are a matter of public record, and are published on the IFVI website after the closure of the public comment period.

Piloting by corporates and market testing with investors will provide essential feedback on the practical applicability of the proposed methodology. Feedback from piloting and market testing will be considered as input by the VTPC for proposed new or revised methodologies and future workplans. Results of piloting as it informs methodology development will be made transparent through incorporation into public comment responses and any basis for conclusion publications.

Both public commenting and piloting feedback complement each other. Feedback from stakeholders will be incorporated impartially (without preference to inputs from specific stakeholder groups), and in accordance with the stated principles above.

4.4 Approve & Issue Methodology

After the conclusion of the public comment period, the VTPC reviews the received comment letters and piloting feedback. To support the VTPC's considerations, the technical staff prepares a summary of all comments and relevant piloting feedback. The summary provides an overview of the significant issues raised, and any additional related research and/or consultations. The summary is published on the IFVI website, and significant matters are deliberated at a VTPC meeting.

After review and deliberation of the comments and feedback, the VTPC will make a determination to:

- a. Proceed with a vote to approve the methodology as proposed in the exposure draft;
- b. Evaluate and proceed with a vote on a revised methodology with limited modifications based on public input and/or piloting;
- c. Direct technical staff to conduct additional research and consultation on issues raised through public comments and/or piloting

The VTPC may determine that an additional public comment and/or piloting period may be appropriate if the extent of modifications and evidence considered is fundamentally different compared to the proposed methodology in the exposure draft. In some circumstances, the VTPC may consider removing a project from the work plan based on its deliberations. All deliberations to approve, re-expose, or remove a proposal are to be documented in VTPC meeting minutes. All decisions require a simple majority vote of the VTPC.

Upon an affirmative majority vote by the VTPC to issue a methodology, the methodology will be made available to the public on the IFVI and VBA website in a timely fashion. The issued methodology will be accompanied with a published basis for conclusions containing a rationale for the methodology, summary of research and consultation, and other supporting information as determined by the VTPC.

After a methodology is issued, IFVI and VBA may publish educational materials, develop webinars, and/or host meetings to support implementation and consistent application of the methodologies. Such educational and implementation materials will not change the content of the methodology and are not subject to the due process as described above for development of methodologies.

Technical staff may make editorial corrections to issued methodologies to remedy spelling errors, grammatical mistakes, or other drafting errors that do not alter the technical meaning of the methodology.

IFVI will consider preparing translations of issued methodologies to requests received from interested stakeholders. Please submit translation requests to contact@ifvi.org.

5. Post Implementation Review

Recognizing the limits of any due process, the complexity of the topics being addressed, and the dynamically changing ecosystem of impact, continuous improvement of the methodology is essential, even after a methodology is finalized. The VTPC will monitor and assess the market's use and

implementation of issued methodologies to assess how effectively they are achieving the intended impact and in continued alignment with the General Methodology.

While not formally part of the due process, the VTPC and technical staff conducts post-implementation review for each issued methodology through additional research and consultation with relevant market stakeholders. Post-implementation review insights will be used to inform future workplans and will follow the due process as described above.

6. Comments and Concerns Regarding Due Process

Concerns with the due process procedures or the VTPC's execution of its due process by any interested stakeholder can be shared directly with the VTPC or the Due Process Oversight Committee of the IFVI Board. Specifically, formal complaints may be sent to the Chair and Vice Chair of the VTPC at VTPCLeadership@ifvi.org and the Chair of the DPOC at DueProcessOversight@ifvi.org.

When a concern over adherence to due process is raised with the VTPC, the VTPC shall assess the concern and seek appropriate resolution. The VTPC's decision on the matter will be communicated to the party raising the concern.

If the VTPC is unable to achieve a mutually satisfactory resolution of the concern, then the complainant may request that the concern be assessed by the DPOC directly, by sending a formal complaint to the Chair of the DPOC.

Comments and suggestions on how to enhance the VTPC's due process may also be shared directly with the VTPC Chair and Vice Chair or the DPOC at the addresses above, or directly with IFVI Technical Staff at contact@ifvi.org.