

## Oiconomy Pricing Foundation Response

to the research conducted by *Wei-Ying Liao*.

**Title:** Developing a Conceptual Framework for The Comprehensiveness of Social Life Cycle Assessment - A Case Study on Oiconomy Pricing  
**Year:** 2023  
**Institution:** Utrecht University, Copernicus Institute of Sustainable Development  
**Status:** Master thesis, *Master Sustainable Development, Earth System Governance Track*

### Response of the Board of Oiconomy Pricing Foundation

We highly appreciate this study conducted by *Wei-Ying Liao*. This master thesis research addresses a relevant and urgent issue: trying to synthesize the various approaches in categorizing social impacts in the context of social LCA. This is a field with a diversity of approaches, mostly originating from the field of sustainability assessment scholars and practitioners, with some guidance from the UNEP. The aim of her thesis is to assess the completeness of one of such sustainability assessment approaches, the Oiconomy Pricing approach. The report finished with three explicit recommendations for Oiconomy Pricing Foundation (O.P.F.), and contains additional remarks and observations that are useful for O.P.F..

1. **Recommendation 1.** O.P.F. is suggested to re-examine its selection social categories, specifically through a wider participation of stakeholder groups beyond value chain actors (p. 68).

This recommendation contains two elements: increase the stakeholder participation and add some so far ignored social aspects.

We start with the second element: Table 6 (p. 55) shows which core social topics are currently ignored, especially the topics of *equal access to products*, *wealth distribution*, and *supporting small-scale entrepreneurs* are mentioned as missing.

The first topic, *equal access to products*, is indeed not included in the Oiconomy Pricing (O.P.) method. One of the starting points of the method is that only aspects, that can be influenced by value chains partners, should be included in the method. This topic requires national policy interventions and is in our view out of scope for value chains actors.

The second topic, *wealth distribution*, is addressed with the calculations about fair remuneration and fair inequality in the OPF method. In the table this topic is presented as one of the responsible procurement sub-topics. The very core motivation behind the O.P. method is that it enables end producers in their procurement strategies to first identify hidden costs and then address that in their supplier negotiations and collaboration.

The third topic, *supporting small-scale entrepreneurs*, is relevant and in scope for value chain actors. We have not included a separate assessment in the method for this. The reason is that the O.P. method urges value chain partners to jointly make

the calculations based on their activities. Proper payment of smallholders is included in the calculations, while requirements are included for enabling smallholder supplier to give inputs with the help of their next tier value chain partner. Power inequality is often the cause of unfair prices and income of small-scale entrepreneurs and consequential market failure. Therefore, the standard even requires bigger customers to assess if their small-scale suppliers have obtain the fair minimum wage. In this way the preventative costs are well presented, adding additional score simply for the fact that suppliers are supported would be a double counting.

Elsewhere in the thesis other topics are also mentioned that would need more attention.

On p. 66 it is stated that O.P. lacks indicators for *evaluating the quality of supply chain governance and value chain engagement*. This observation surprises us. As stated above, the core reasoning behind the OP method is, that it enables end producers in their procurement strategies to first identify hidden costs jointly with their suppliers and then address that in their supplier communications. We have not added specific corporate policy evaluations in the method, as it focusses on factual performance.

On p. 66 it is stated that O.P. should consider treating *gender equality* as an independent midpoint category. The current version of O.P. does address the gender wage gap, the details are available in the *Justifications* document under sections 8.8 and 9.1. It is treated as a part of the labour and social responsibilities categories, for the reason of maintaining the full list of topics short and simple for communication.

With respect to the first element in recommendation 1, increasing the stakeholder participation, we need to stress the position of the methodology and its purpose. It intends to enable value chain actors to make the calculation of hidden costs themselves based on the factual performance. As such, it initiates stakeholder engagement, as far as the corporate value chain actors are involved. For further engagement, in our view, we need to distinguish between -1- the day-to-day production processes (of the products that are assessed with the O.P. method) and -2- the development and maintenance of the O.P. methodology itself.

For the *first*, the producers in their corporate sustainability policies and programs should engage a wide range of stakeholder (workers, affected communities, environmental protection advocates, etc.) to develop their targets and programs. But for measuring the hidden cost, with the O.P. method we focus on the factual performance. The stakeholder engagement is a means to this end. That is why we do not include this.

For the *second*, development and maintenance of the O.P. methodology, we do confirm that the methodology was so far developed by scientists only, not by means of a wider stakeholder discourse. Apart from practical reasons in the development stage, this was also done to be able to capture the full complexity of the sustainability challenges.

We did however, in an indirect way, apply stakeholder engagement. Our main stakeholder is the United Nations by using its SDG's. Involvement of local stakeholders would result in numerous aspects they each want to have addressed and which might be contradicting. We use the SDGs as a proxy for these aspects, which are the result of the most extensive and legitimate supra-national stakeholder consultation process.

Once the O.P. method is fully operational, the institutional set up will need to provide for stakeholder consultations in the process of regular updates and improvements.

(This refers to pages 32, 46-47, 61-62, 66-68 of the study).



For O.P.F. this implies that we will need to better communicate how the topics suggested are included in the method and why we focus on performance data and not on companies' policies and intentions. Also, our position regarding stakeholder engagement needs to be better communicated. Existing plans for the O.P. Standard development and revision will (as planned) include stakeholder consultations.

2. **Recommendation 2.** O.P.F. is suggested to explore the feasibility of monetarization of subjective opinions.

In the report this recommendation is illustrated with practice of EDGE Certification which employs questionnaires and employee surveys to evaluate workers' perspectives on workplace gender equality. Referring to our response on the topic of treating *gender equality*, in the O.P. method we focus on performance data (here equal payment in reality) rather than more indirect forms of measuring the practice, like suggested. This approach would also apply for other topics assessment, which might be analysing with subjective data. However, our preference is to use factual data. If that is not available, survey-based data can be used, but still needs to be translated to an assessment of preventative costs. For examples of such a mixed approach, we can refer to how for example how the category 'Various Social Responsibilities' is assessed (section 9.1 in the justifications).

(This refers to pages 67-68 of the study).



For O.P.F. this implies that we should explain more clearly where we apply subjective data and how we use that in the establishment of a hidden price, as well as how we apply a hierarchy of best data sources.

3. **Recommendation 3.** OPF is suggested to publish clear guidelines and instructions for users (p. 68).

This recommendation reflects the experiences of the first users in the pilots. We do indeed see the need for publishing clear instructions and guidelines, as well as

training materials. This is part of the plans for market introduction and will be amongst the first activities after an online version of the O.P. method has been created. Another element in the plans for the future is, like also suggested, development of sector specific guidelines and default values (is in our [open R&D agenda](#)).

(This refers to pages 56-63, 69 of the study).



For O.P.F. this confirms existing plans for creating instructions and trainings the O.P. method.