



RETHINKING CAPITAL

Rethinking Capital and Value Balancing Alliance ***Joint Statement***

The business environment has fundamentally changed. The paradigm of pure economic growth, financial success and shareholder value is outdated, and intangible assets have replaced tangible assets as today's engine of value creation. To create long-term value, companies need to account for

- their impacts on society, environment, and wider economy (inside-out perspective, value-to-society – the social license to operate)
- the current value of their intangible assets and the effect of sustainability aspects on decision-making and enterprise value (outside-in perspective, value to business – the financial license to operate and shareholder equity).

We support the latest developments towards standardization of sustainability reporting and decision-making frameworks. We also support initiatives to develop standards to represent true shareholder equity and profitability by recognizing the current value of intangibles on the balance sheet.

We recognize that decision-making and reporting needs to build on robust, comparable, and verifiable information. Therefore, accounting concepts and frameworks need to be further developed and harmonized.

Our ambitions to develop a standardized sustainability accounting framework and a standardized intangibles accounting framework are complementary. We aim for a close collaboration in developing methodologies for companies to integrate sustainability aspects and proper recognition of intangibles into decision-making and reporting applying traditional accounting.

Natural, social, and human capital aspects as well as the link between the inside-out and outside-in perspective of the double materiality can then be embedded into decision-making and reporting and compared.

Changing the economic system is a huge undertaking which needs joint efforts by all. As part of a growing international movement, we will reach out and increase our collaboration with our partners and stakeholders in this endeavour.

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