

# Joint Statement on Advancements in Value Accounting

The Value Accounting Network



RETHINKING CAPITAL



*Curated by*



*in partnership with*



*technical support from*



*The purpose of the Value Accounting Network is to advance the role of value accounting in decision-making, governance, and disclosure. To achieve this the members of the Value Accounting Network, collaborate and build consistency in what value accounting is, and how it is applied.*

## A shared ambition for value accounting

We are united in our shared ambition that the value provided by and experienced by people and nature must be included in all decision-making.

We recognize that one reason the global community is failing to address the collective challenges of climate change, inequity, and the loss of nature is that decisions are based on incomplete information that is not sufficiently accounting for the value provided by nature, people, society, and the economy.

We are working together through the Value Accounting Network to advance the use of value accounting in decision-making.

### **Value accounting is defined by the Network as:**

*The collection, calibration, and use of information about the relative value that an organization creates, preserves, or erodes for its stakeholders, using common units. This information is used when making decisions for a variety of purposes.*

The term value accounting encompasses impact measurement and valuation, capitals assessments and accounting, valuation, context driven information and other approaches that you may have heard of such as true price or true cost accounting.

## The system of value accounting initiatives

Internationally accepted frameworks such as the Natural, and Social and Human Capital Protocols, Social Value International's framework, and the System of Economic Environmental Accounting (SEEA) represent the synthesis of previous efforts to standardize approaches.

As momentum grows towards greater use of value accounting in decision-making, there are several new and evolving initiatives which are developing necessary methodologies and guidance to fulfil different needs and objectives.

The leaders of these initiatives regularly engage with one another through various networks and through bi-lateral agreements. They also collaborate through the Capitals Coalition which was established by the community as a forum to challenge assumptions, share learnings and best practice, and travel towards greater understanding and standardization.

It can though be overwhelming to be confronted with so many different approaches. It is not always easy to understand how they relate to each other, and which route is best suited for your needs.

The Value Accounting Network aims to help to address this challenge and will meet at regular intervals to develop a program of work that will:

- Clearly display how the various initiatives relate to and complement one another.
- Progressively build consistency in how value is reflected and support the role of audit and assurance, in holding decision makers to account.
- Support and communicate individual advances made by parts of this community towards greater application.

- Continue to explore developments in value-based initiatives, build on each other's work and harmonize terminology, measurements and boundaries, classifications, parameters, techniques, and value coefficients.

## Commonality

As a starting point we commissioned independent research from Sustain Value on the points of commonality between the initiatives. These show that all members of the network are similarly motivated and share a common understanding of the imperative to integrate information across economic, environmental and social dimensions. This commonality will also form the basis for future work together.

1. We firmly believe it is vital for businesses, finance, and governments to base decisions on value accounting.
2. We aim to modernize accounting to transform governance practices, decision making, and reporting.
3. We believe that we need generally accepted principles to account for value.
4. We believe that integrated thinking, and a holistic systems-based approach is essential.
5. We embrace and support the concept of 'capital' reflecting stocks that can change over time and that underpin increasing or decreasing flows of benefits to people, communities, the environment, and the economy.
6. We recognize the importance of accounting for holistic value creation, the value of impacts and dependencies on different capitals.
7. We recognize that the value to society (inside-out) and value to the entity (outside-in) are both essential to assess and report value.
8. We believe that the trade-offs between capitals and between stakeholders must be specified and addressed in decision making.
9. We recognize the importance of existing efforts, and we are building on the standards, frameworks and definitions that have already been agreed.

## Help create a new normal

If you are reading this, then it is likely that you are already thinking about how value accounting may be able to help you achieve your aims. Whether you work in business, finance, or government you will already be making decisions that could be improved with the contextual information and data that value accounting can provide. The role of standard setting, accountancy, academia, science, and civil society to inform and influence the use of value accounting is also essential.

If you would like to find out how the initiatives referenced here may be able to help you or would like to know more about the Value Accounting Network, then please contact [info@capitalscoalition.org](mailto:info@capitalscoalition.org)

A short introduction to each of the initiatives involved in the network and their guidance and methodologies (alphabetical order)

| Initiative  | Short introduction  | Guidance and Methodologies  |
|---|---|---|
| <a href="#">Economics of Mutuality Foundation</a>                   | <p>The Economics of Mutuality (EoM) is a management innovation based on 15 years of in-depth academic research and business practice. Developed within Mars Inc since 2007 and Oxford Said Business School (which has been a core partner since 2014) EoM is a step-by-step methodology that helps companies to put their purpose into practice – and to thrive by meeting the social &amp; environmental needs in their ecosystems. EoM promotes Mutuality as a powerful principle for organising business among stakeholders within an ecosystem through non-financial capital metrics and new modes of profit construction. Since 2020, EoM operates as an independent public interest foundation in Geneva.</p> | <a href="#">Measuring Purpose an Integrated Framework</a>   |
| <a href="#">GIST</a>  | <p>GIST is a leading impact valuation company that brings together sustainability expertise with technology and big data to help investors and companies measure, value, and benchmark business impacts across all four capitals: Natural, Human, Social and Financial. GIST’s data and software solutions provide analytics and insights that make it easy for investors and companies to measure performance across all value dimensions, manage material risks, and make informed decisions.</p>   | <a href="#">I360X</a><br><a href="#">SME360X</a>  |
| <a href="#">IDEEA Group</a>   | <p>The Institute for Development of Environmental-Economic Accounting – IDEEA Group – is a global consultancy specializing in natural capital accounting across the public and private sectors. Led by principals that pioneered the United Nations’ <a href="#">System of Environmental Economic Accounting</a> IDEEA Group are now recognised as leading authorities on the development and practical application of natural capital accounting principles to decision making. IDEEA Group support their clients with concepts, systems and practices for including natural capital in decision making.</p>   |   |
| <a href="#">Impact Institute</a>                                    | <p>The Impact Institute empowers organizations and individuals to realise the Impact Economy and as such has launched the <a href="#">Impact Economy Foundation</a> which aims to create a global community of impact professionals in order to accelerate the transition to the impact economy: an economy in which work, entrepreneurship, innovation, and technology engender a better world.</p>  | <a href="#">Reconstructing the economy for the 21<sup>st</sup> century</a><br>Also from the Impact Institute:<br><a href="#">Framework for Impact Statements</a><br><a href="#">Integrated Profit and Loss Assessment Methodology (IAM)</a><br><a href="#">Impact Institutes Global Impact Database</a><br><a href="#">Banking for impact</a> |
| <a href="#">Impact Weighted Accounts at Harvard Business School</a> | <p>The mission of the Impact-Weighted Accounts Project is to drive the creation of financial accounts that reflect a company’s financial, social, and environmental performance. Their ambition is to create accounting statements that transparently capture external impacts in a way that drives investor and managerial decision making.</p>  | <a href="#">A Framework for Product Impact Weighted Accounts</a>  |

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|--|---|---|
| <a href="#">Rethinking Capital</a>           | Creating a just and equitable society through a new economic theory and capitalising and accounting for intangible assets. Research and test the robustness of a new set of Normative Accounting principles and associated methodology in dialogue with practitioners and technical experts. These builds on existing accounting and reporting standards. Methodology available through engagement.   | <a href="#">Methodology Impact Statement General Paper v 0.1</a>  |
| <a href="#">Social Value International</a>   | A global membership body with a mission to change the way the world accounts for value. Developing national networks of practitioners from public, private & civil society to share best practice and collaborate on setting standards and assurance for social value accounting.   | <a href="#">Social Return on Investment Guide</a><br><a href="#">Standard for applying Principle 3 – Value what matters</a>                     |
| <a href="#">S&amp;P Global Sustainable 1</a> | Our comprehensive coverage across global markets combined with in-depth ESG intelligence provides financial institutions, corporations, and governments an unmatched level of clarity and confidence.   | <a href="#">Scores</a><br><a href="#">Assessments</a><br><a href="#">Evaluations</a><br><a href="#">Performance</a><br><a href="#">Insights</a> |
| <a href="#">Value Balancing Alliance</a>     | <p>The Value Balancing Alliance e.V. is a non-profit organization with the ambition to change the way how company performance is measured and valued. The alliance’s objective is to create a global standard for disclosing positive and negative impacts of corporate activity and to provide guidance on how these impacts can be integrated into accounting system for business steering.</p> <p>The Value Balancing Alliance is part of a consortium with the Capitals Coalition and WBCSD, leading the EU LIFE project <a href="#">Transparent</a>, which aims to develop standardized natural capital accounting and valuation methodologies for business, in line with the ambition of the European Green Deal. A sister project, <a href="#">Align</a>, will bring together existing work on corporate biodiversity measurement to develop a standardized approach to biodiversity measurement and valuation. Both <a href="#">Transparent</a> and <a href="#">Align</a> will be integrated to provide a holistic framework for businesses globally.</p> | <a href="#">Methodology Impact Statement General Paper V0.1</a>   |

*The network is curated by the Capitals Coalition in partnership with the Impact Management Project, with additional independent technical support provided by Sustain Value.*

[Capitals Coalition](#) The Capitals Coalition is a global collaboration of the leading c.400 organizations who are redefining value to transform decision-making. Working through collaboration, Coalition organizations have been responsible for developing generally accepted frameworks (Natural Capital Protocol, Social & Human Capital Protocol) and supporting guidance and tools and for leading projects towards greater use of valuation in decision-making.

[Impact Management Project](#) A forum for building global consensus on measuring, managing and reporting impacts on sustainability. It is relevant for enterprises and investors who want to manage environmental, social and governance (ESG) risks, as well as those who also want to contribute positively to global goals.

[Sustain Value](#) Sustain Value is a consultancy that helps businesses and financial institutions value natural, social and human capital impacts and dependencies for decision-making, reporting and informing investments. Recognized as technical leaders in impact valuation, we have been leading authors on many guides including the Natural Capital Protocol and Principles for Integrated Capitals Assessments. Amongst other things, we provide clients with cost-effective bespoke impact valuation tools.