

Press release

Effectual joins the Value Balancing Alliance

Monetization of full costs and benefits for society as common principle for the sustainable transformation of the economy

(Munich, 8 February, 2024) Effectual Capital has joined the Value Balancing Alliance. Effectual implements sustainable investment solutions based on sustainable return – its objective, verifiable, and comprehensive framework for sustainable investing. The Value Balancing Alliance is an association of global corporates such as BASF, BMW and Novartis. Working with the International Foundation for Valuing Impacts, world's leading accounting firms and universities, VBA is developing and promoting a new standard to measure the overall impact of companies, including their impact on the environment and society.

The partners share the belief that the key to the sustainable transformation of the economy is measuring companies' impact on the environment and society as costs and benefits, i.e. in monetary terms: Put a "price" on companies' impact and it becomes relevant in the management of companies and the allocation of capital. Thus, Effectual applies the established economic theory of externalities to real-life portfolio management. The Value Balancing Alliance is working on establishing a global Impact Accounting standards in order to objectively evaluate sustainability according to traditional economic standards. Part of this development work includes extensive pilot projects in which member companies selectively test the methodology in practice. As a non-profit organization, the Value Balancing Alliance is a driving force and partner in the political decision-making process, supporting, for example, the EU in the development of green accounting principles.

"There no longer is any doubt that the sustainable transformation of the economy is necessary. However, there is disagreement about the right way to get there. We believe that sustainable value creation of business needs to be measured consistently and reported in an easy-to-understand format," says Christian Heller, CEO of the Value Balancing Alliance, and adds: "This is why we are translating sustainability information into the language of business decision makers – monetary valuation – and disclose it in an Impact Statement similar to the profit & loss account."

"Global capital markets can be a decisive driver for the sustainable transformation. However, this requires an objective, verifiable and comprehensive framework that provides investors with reliable guidance," says Dr. Andreas Gintschel, Managing Director at Effectual, adding: "Politically driven, subjective aims, on the other hand, create uncertainty – which makes reluctant, in particular, professional investors."

As an investment company with a fundamentally new approach, Effectual sees itself not only as a supporter of the goals of the Value Balancing Alliance, but also as a sparring partner to further develop the concept and broaden its scope. A first joint project is developing a framework for Sustainable Strategic Asset Allocation ("SAA"), which supplements the classic SAA approaches of institutional investors with the aspect of sustainability. Both partners will work together to further establish the monetization approach and promote its use by institutional investors.

About the Effectual Principle

„Making capital effectual for the transition to the sustainable economy.“

Effectual stands for an economically effective approach to sustainable investing. Its foundation is the theory of externalities: When overall costs to society are quantified and internalized, a Pareto-optimal equilibrium can emerge. Effectual translates this principle into the "Effectual® Sustainable Return". For the first time, sustainable portfolios can be constructed along objective, verifiable and comprehensive criteria.

The Effectual principle was developed by Dr. Andreas Gintschel and Dr. Christian Wiehenkamp for Effctl Capital GmbH, which provides licenses of the approach for investment products. Effectual was initiated and founded by the investment office Perpetual Investors GmbH, which is also behind Effctl GmbH.

The Effectual Capital Fund – Global Sustainable Equities is the first investment product to apply the sustainable return framework. The implementation partner for this Luxembourg UCITS fund is Quoniam Asset Management GmbH, a quantitative asset manager based in Frankfurt and London that develops customized investment solutions for institutional investors.

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