Due Process Oversight Committee of the International Accounting Standards Board (**DPOC**)

IFRS Foundation

7 Westferry Circus

London, E14 4HD

8th March 2024

For the attention of Teresa Ko, Chair of DPOC & Henry Rees, Head of Governance, IFRS Foundation

Copy to Bruce Mackenzie, Chairman of the Interpretations Committee of the IASB (the **Committee or IFRIC**)

Dear Teresa & Henry

Supplemental Letter: Two submissions to the Committee on Climate-Related Commitments (IAS37)

Six governance issues under the Due Process Handbook

This supplemental letter is being sent under paragraph 9.1 of the IASB's Due Process Handbook (**Handbook**). Its purpose is to confirm whether and to what extent the six governance issues in our letter of 29th February 2024 have now been addressed. It concludes that five of the six issues have been addressed and/or will be addressed by actions committed to or discussed in the Committee meeting on 5th March 2024.

Governance Issue 6 (the independence and perceived independence of the global audit firms) should remain a material concern in this 'hot topic' area for all concerned. Further comments on this are at the end of this letter.

Thank you and three major positives

Thank you to the Committee chair, staff and members for an excellent technical discussion on 5th March. The meeting outcome exceeded our expectations. The three major positives from the meeting being that:

1. negative clearance should be given by the IASB on or around 26th April 2024—accelerating adoption by around three months when compared to a second public consultation.

2. the Three Principles needed to flip today's upside-down incentives were again confirmed—
   - That a commitment to reduce carbon emissions **can be** a constructive obligation;
   - That if a constructive obligation then a provision **must be** recognised if the recognition criteria are met;
   - That if a provision is recognised then investments to meet the commitment **could be** recognised as assets.

3. it confirmed that the Connectivity Program led by IASB Vice-Chair Linda Mezon-Hutton and the IASB program on targeted improvements to IAS37 will continue the conversation after the IFRIC Final Agenda Decision is ratified.

If companies and investors are enabled to take decisions that '*action'* the Three principles, the 5th March meeting will be remembered as a pivot moment in tackling the climate and biodiversity crises. There is still work but the IFRS Foundation's three programs can achieve this between them in 2024. We explain how below.

Governance Issues 1 and 3 addressed and request to meet the Connectivity Program leadership

The meeting addressed Governance Issue 1. We were grateful for the seriousness with which the Committee discussed this issue in the context of tackling these twin crises—and the attendance of additional IASB members.

It will address Governance Issue 3 through the commitments made by IASB Vice-Chair Linda Mezon-Hutter to continue the conversation within the IASB and ISSB and as part of its Connectivity Program—including to '*close the gap between IAS37 and S2'*. Rethinking Capital offered a meeting to describe 'six bridges' to enable the Connectivity Program in a letter dated 7th November 2023 to the ISSB Chair and Vice-Chair. A copy is attached.

Could we please ask to meet with Linda and the Connectivity Program leadership to discuss this letter?

Governance Issues 2, 4 and 5

We stated that two primary user groups which would benefit most were not fully and fairly consulted in the first consultation. Their comments were reflected in the Second Submission and we have been engaging these groups planning to raise issues in a second consultation that enable these two benefits from the Three Principles—that—

- For net zero focused investors and investor coalitions as primary users the economic benefits are (a) the potential to unlock future economic benefits and better returns (b) accountability for net zero commitments.

- For the net zero community as primary users, the economic and other benefits are (a) the potential for an entity and its investors to unlock future economic benefits and better returns—the concept of flipping the incentives and (b) accountability for net zero commitments.

As a second consultation is not now to happen, we ask that five technical areas be addressed for the benefit of these primary users. Four are for reflection in the Final Agenda Decision and each was raised in the Committee meeting.

The overriding issue is 'back testing'. The principle of back testing of the Tentative Agenda Decision (**TAD**) was raised by each of Andre Besson and Jon Nelson in the Committee meeting—both of whom said that they had back tested the TAD against the oil and gas fact pattern in the Second Submission. Though neither stated their conclusion.

The acid test of whether IFRIC's Final Agenda Decision is useful in practice can be best thought of by analogy to the quick start guide for a new washing machine—in that if a reasonable user cannot use the basic functions of the machine after reading these, they are not useful. Let's call this a **Quick Start Guide** that can now be back tested.

When applied to a Net Zero Transition Commitment or a 2030 Commitment, back testing the Final Agenda Decision as a Quick Start Guide must be able to quickly determine (a) whether the commitment is a constructive and/or legal obligation and (b) whether the criteria to recognise a provision are met.

Whether or not the TAD <u>has been</u> useful as Quick Start Guide is actually quite easy to establish in reality—a study of the [1266 largest companies that have made a net zero commitment] can be made with their auditors to confirm how many have used the TAD to recognise a provision (or a contingent liability) in their recently signed FY23 statements. There is no evidence in the market yet of companies moving from the general practice of non-recognition.

Whether the final Agenda Decision <u>will be</u> useful as a Quick Start Guide can be back tested by assessing the real-world scenario of the oil and gas (though generally applicable) fact pattern in the Second Submission in Appendix 1.

The five issues are:

No	Technical Issue	Program to be addressed in and explanation
1.	Overriding issue of back testing usefulness as a Quick Start Guide	**Reflect in the Final Agenda Decision** Andre Besson and Jon Nelson discussed and Bruce Mackenzie labelled the concept of back testing. Andre and Jon stated that when they had applied the TAD to the real-world oil and gas fact pattern of the Second Submission, the rules on whether a provision should be recognised as a constructive and/or legal obligation were clear. Following this logic, we ask that the Final Agenda Decision include paragraphs at the end with the fact pattern from the Second Submission in Appendix 1 and then stating how the Final Agenda Decision would be applied to it. And ask specifically the principle of 'affirmative actions' (see 2 below) be highlighted—explaining that greater weighting as evidence should be given to these actions as both an indicator that the entity considers there to be a constructive obligation <u>and</u> considers its commitments to contain a past event.

2.	Affirmative actions taken by the entity	**Reflect in the Final Agenda Decision** We noted and ask that Brian O' Donovan's comment agreeing with our point on 'affirmative actions by the entity' be included in the Final Agenda Decision. Brian commented words to the effect that: *"Actions taken (or already taken) by the entity by which the entity itself affirms the commitment'* is '*powerful evidence'* and that '*the actual allocation of capital is further powerful evidence'*. These are logical statements because unless the commitment is a constructive and/or legal obligation, management could be in breach of their fiduciary duties in taking affirmative actions. We ask that the words '*powerful evidence'* or similar should be included in the Final Agenda Decision for emphasis of weighting—because this would for example override other evidence such as the name given to the transition program (aims, aspirations), not part of the constructive obligation definition. This principle of affirmative actions then flows into what is the past event which creates the present obligation (see 4 below).
3.	Sequencing	**Reflect in the Final Agenda Decision** The comment of Jon Nelson on '*sequencing*' using the example of committing to buy then retire carbon credits was also noted to be included. This recognition that the provision is only released when the last action has taken place is logical and can be applied by analogy to the actions to meet commitment itself. In our Second Submission, we explain that in reality, 2030 Commitments were supported by a transition plan by which the entity explained its plan to reduce Scope 1 and 2 emissions by a set percentage by 2030. Specific activities were listed, together with target reductions per annum and capital required. Jon's logic can be applied here to the commitment also in that an annual provision will represent the annual reduction target for that year. And the provision will be released and unwound if and when the entity meets the committed target. We ask that this point be reflected in the Agenda Decision.
4.	Past event-present obligation	**Reflect in the Final Agenda Decision** Other than Brian O' Donovan's comments in 2 above, the meeting barely discussed this critical issue and was distracted by a discussion on carbon credits. We disagree with the staff analysis on this point and as explained in the Second Submission believe that with 2030 Commitments, the Original Statement and the subsequent established pattern of transition plans should create a present obligation to reduce emissions over time in a series of annual emission reduction targets in line with a transition plan. We ask that the Final Agenda Decision add wording to the effect that management should discuss this issue with its investors and other primary users as part of making its decision. The 'affirmative actions' point 2 above applies equally here. In that if *"Actions taken (or already taken) by the entity by which the entity itself affirms the commitment'* are '*powerful evidence'* and '*the actual allocation of capital is further powerful evidence'* then they must also logically be actions by which the

		entity affirms that it recognises that a past event has occurred. We ask that this point be reflected in the Final Agenda Decision. IAS37 targeted improvements program & Connectivity Program The past event-present obligation issue seems to remain the most tricky part of the interpretation—which should not be surprising with a 23 year old standard not designed with net zero commitments in mind. Though the Connectivity Program may take this issue forward, we also suggest that phasing of the IASB's program on targeted improvements to IAS37 be prioritised to create clarity on this issue in the context of net zero commitments only—and market demand for prioritisation be sought through Stakeholder Engagement. We ask that the Connectivity Program consider publishing guidance under S2—our suggestion made to the ISSB Chair and Vice-Chair on 15th December.
5.	Reliable measurement and asset recognition and revaluation	Final Agenda Decision The TAD's only conclusion here is that investments into meeting the commitment can be recognised as assets if they meet the asset definition. This does not reflect the first submission's explanation that the analogy of asset decommissioning can be applied—in that the entity is committing to decommission its carbon-emitting infrastructure and business practices. We ask that this analogy is added to the Final Agenda Decision. Connectivity Program This issue can then be continued as part of the Connectivity Program. Including how IAS38 can be applied to recognise the 'asset'—beginning with the costs to create new assets in the two primary transition activities of innovation and carbon credits (paras 21-24). We repeat our request to meet this team.

Governance Issue 6: the independence and perceived independence the global audit firms

We decided not to emphasise this issue in our first letter to DPOC but to allow those Committee members to assess their own independence. We noted that all five attended, participated and voted. And in Brian O'Donovan made our best points for which we thank him. The meeting was though led by the firms down a rabbit hole of carbon credits and as such spent much less time on the much more material issue of past event-present obligation.

'Independence' must remain a material concern in this 'hot topic' area—in the words of two Committee members. Not just for us but for the reputation and integrity of the IFRS Foundation and the firms themselves. In reality it's 'defying gravity' for members to '*demonstrate their independence'* as required by the Committee's constitution given the implications of this topic for the firms they represent. The Appendix to our first letter lists these implications.

We ask that DPOC consider this issue further—within the approval of the Final Agenda Decision and as the future stages of the IFRS Foundation's programs on Connectivity and Targeted Improvements to IAS37 are implemented.

Please acknowledge receipt of this supplemental letter. We look forward to DPOC's response.

Yours sincerely

Andrew Watson

Co-Founder

Rethinking Capital, andrew@rethinking-capital.org

Appendix 1

Fact Pattern: Oil and Gas Sector but generally typical of the 'hard to abate' sectors and companies listed on the capital markets

In 2021 or 2022 an entity makes a first public statement of its commitment to 'be net zero by 2050'. It also at the same time or subsequently, makes a second public statement (the ***Original Statement****) to reduce a percentage of its carbon emissions in Scopes 1 and/or 2 by 2030—in line with science-based targets or similar words (****a 2030 Commitment****).*

The entity then explains its current carbon emissions and then sets out separate targets in relation to each of the areas of its business where emission reductions can be achieved in this 2030 period in a Transition Plan.

The entity then takes one or more affirmative actions by which the entity itself affirms the commitment in the Original Statement and the 2030 Commitment creating an Established Pattern of Practice derived from the Original Statement that may include any of:

1. *The entity subsequently creating and possibly publishing a first Transition Plan detailing in particular how Original Statement will be achieved. The plan explains how emissions will be reduced over the time period to 2030 in a series of annual emission reduction targets and often the annual capital required. The Transition Plan also breaks down the actions needed between Scope 1 emissions (within the entity's operations)*
2. *The entity subsequently engages with Net Zero Focused Investors (and often insurers, banks and other stakeholders) to explain the Transition Plan and makes changes to it to reflect their amendments—in particular to balance the transition aims with acceptable returns for investors who commit to continue their investments on this basis. The plan is then published and shared with its investors and others.*
3. *Publication of the Original Statement and/or its Transition Plan as amended from time to time on its website and leaving it on its website. Performance against its Original Statement and its Transition Plan may be updated from time to time.*
4. *Senior executives of the entity join one or more coalitions with a mission to collaborate to achieve the emission reductions.*
5. *The entity states the emission reduction targets in its financial statements and in investor and other presentations.*
6. *Achievements against the Transition Plan are published, typically annually.*
7. *The entity begins a capital allocation program to invest into reducing its emissions which may include buying offsets.*
8. *The entity's investors and/or insurers and/or bankers and make their own transition commitments relying on these actions that derive from the entity. The entity's investors may explain to their own investors that returns expected from the entity may be lower because of the need to allocate capital into the transition.*
9. *In certain sectors, the entity may make an asset decommissioning provision or asset writedown—because it is incompatible to be aligned to the science-based targets and keep assets are current values.*
10. *In certain sectors the entity becomes a signatory to cross-industry initiatives to cut emissions such the Oil and Gas Charter at COP28 or the sector pathways in the so-called 'hard to abate sectors'—in each case to cut emissions and make other changes to increase operational efficiency in reducing carbon emissions. The other members of the group welcome the cross-industry initiative—relying on the valid expectations established across the group.*

International Sustainability Standards Board (**'ISSB'**)

c/o IFRS Foundation

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London, E14 4HD

For the attention of Emmanuel Faber, Chairman of the ISSB

November 2023

Dear Emmanuel

Six bridges: enabling and accelerating the mission of the ISSB by rethinking double entry bookkeeping

'ESG's evolution into accounting. CIO's and ESG investors are asking "what's next?" Normative accounting informs the most material decisions - those made by boards to allocate capital into environmental and social programs… it could be the simple bridge that's needed - and there's nothing to stop investors demanding those decisions be made and reported'. Aniket Shah, Managing Director and Global Head of ESG and Sustainability Strategy at Jefferies Group LLC

The purpose of this letter is to make a request of the ISSB on behalf of Rethinking Capital and its community. This ask will complement our submission to the Interpretations Committee of the IASB that a net zero transition commitment (for example a '*50% reduction in Scope 1 and 2 emissions by 2030*') should be recognised as a provision as a constructive obligation under IAS37—and then accounted for using the analogy of asset decommissioning. This submission will be heard on 28th November 2023 and then be put out for public consultation for two months.

The ask is that over the next four months, beginning before COP28, the ISSB collaborate with Rethinking Capital and the Interpretations Committee. As well as supporting the submission above, also on the application of normative accounting for intangibles to a net zero transition commitment with the aims:

1. To create a short bridge version of IAS38 (Intangible Assets) specifically applied to recognising a net zero transition commitment as an obligation and investments purposed to meet it as intangible assets.
2. To put this 'bridge standard' out for public consultation and observe testing to assess market demand.

This letter explains:

- The reason for the ask.
- The seven principles of IAS38 needed in the proposed bridge standard.
- The six bridges—benefits of collaboration for the ISSB and IASB, explained below and in Appendix 1.
- Why begin now.

By working together, we aim to prove that, though perceived as 'unsexy', double entry bookkeeping is among the most powerful innovations in human history—rethinking an innovation from the Golden Age of Islam (Appendix 2).

The reason for the ask

Attached is a presentation called *'Tackling the root cause of today's climate, natural and social inequities.'* The first page explains this insight that seems to have been generally missed:

<u>Today's financial incentives to meet a net zero transition commitment are upside down</u>

<u>Accounting practice doesn't recognise the commitment as an obligation—rewarding doing nothing</u>

<u>And expenses investments purposed to meet it through the income statement—an immediate penalty</u>

<u>By cause and effect the transition mindset is upside down</u>

<u>Net zero is guaranteed to fail playing by these rules</u>

<u>Net zero is a proxy because upside down accounting incentives pervade today's natural and social systems</u>

Normative accounting for intangibles is a rethink of double entry bookkeeping—described by Goethe as '*among the finest inventions of the human mind.'* At its heart is the simple application of double entry bookkeeping to convert each $1 invested into building a sustainable relationship with Mother Nature as a stakeholder into an investment of $1 into that relationship as an appreciating intangible asset. It flips the incentives, and mindset, and gives a logic applicable to any investment into creating a sustainable relationship with a stakeholder.

Its six benefits in the application to a net zero transition commitment are explained here in this July 2023 paper published with the Centre for Climate Engagement at Hughes Hall, Cambridge. They include that by recognising the impact on intangibles of a net zero transition commitment, key financial metrics (profitability, shareholder equity, EPS and ROE) will improve and that it will be taken into account in credit rating analysis as described here.

The seven principles of IAS38 needed in the proposed bridge standard

We describe normative accounting for intangibles as 'informed by IAS38' because, though good, IAS38 was not designed for the purpose to which we intend to apply it. However, IAS38 already supports these seven principles that would be needed in the proposed bridge standard applied first to a net zero transition commitment:

1. A stakeholder relationship is an intangible asset—from whom resources are used to create value and benefits for an entity and to whom obligations are owed. A net zero transition commitment is such an obligation.
2. A stakeholder relationship has indefinite life—it could be long or short depending on how it is governed.
3. Innovation purposed to meet a commitment creates internally-generated intangible assets.
4. Carbon credits acquired with the purpose of meeting a commitment are intangible assets.
5. Investments made with the purpose of meeting the commitment are capitalised at cost of creation.
6. Management's best estimate will be made as to whether and when these investments will meet the intended purpose of reducing carbon emissions—and supported by external evidence.
7. Capitalised investments have indefinite life and will be tested for revaluation or impairment annually by reference to whether they will or will not meet the purpose of reducing emissions in the year in question.

A publication on the concept of normative carbon pricing is planned as guidance on reliable measurement.

The six bridges—benefits of collaboration for the ISSB and IASB

By complementing the submission to the Interpretations Committee, the benefits to the ISSB of supporting this program include building six bridges described in Appendix 1. All also benefit the IASB. Of these, the four most important and aligned to the recent ISSB Consultation on Agenda Issues are:

1. **A bridge in time as a market-based solution.** By accelerating tackling the climate crisis in real decisions made and reported in 2024 and giving autonomy of transition strategy to business management.
2. **A bridge towards a sustainability version of the IASB Conceptual Framework.** Using the <Integrated Reporting> framework and our intangible taxonomy, discussed in 2023 with Paul Chan and Jonathan Labrey.
3. **Bridges to testing in existing ISSB programs.** Including the Transition Plan Taskforce and the UNFCCC's Recognition & Accountability (RAF/CPAS) workstream.
4. **Bridge to double materiality.** We believe that the double materiality concept and aims should be achieved through a logical rethink of double entry—moving to quadruple entry with the stakeholder as an entity.

Why begin now

The time to begin is now. In particular to respond to Antonio Gutteres' brutal assessment that 'humanity has opened the gates of hell'. And because if this four month window for simultaneous public consultation and testing is missed then the window will not open again for at least twelve months—if at all. Supported by demand at COP28 in the Global Youth Statement and by parallel testing, real decisions applying normative accounting would be made in 2024.

We look forward to discussing this initiative and by whom it is being supported.

Yours sincerely

Andrew Watson, Co-Founder Rethinking Capital & The Catalysts.io Limited

Appendix 1: The Six Bridges—benefits of collaboration for the ISSB

1. **A bridge in time as a market-based solution.** By accelerating tackling the climate crisis in real capital allocation decisions made and reported in 2024. As we understand it, S1 and S2 disclosures will be first made in 2025 but will be made on the assumptions that all investments purposed to meet the net zero transition commitment will be expensed. Subject to successful testing on parallel decisions, our vision and call for action will be that any entity that has made a net zero transition commitment could restate the commitment and its strategic plan in 2024.

2. **The first piece of the bridge in the IASB's program to review IAS38 and intangibles generally**. Because all business decisions should be enabled and informed by financial statements that show the commercial reality of the entity. And as a response to market demand, showing how new standards to be used in decision governance and reporting of intangibles can be introduced complementing and validly sitting alongside existing published statements designed for tax and reliable comparability of fixed assets.

3. **The first piece of the bridge into a sustainability version of the IASB Conceptual Framework.** In particular building the bigger circles of the resources (including assets) and obligations to stakeholders (including liabilities) and that an entity is in control of its decisions to meet or not meet an obligation to its stakeholders. And using this Conceptual Framework to pursue the objectives of simplicity to the user and interoperability by rethinking double entry bookkeeping as a central organising principle.

4. **The first piece of an accounting bridge between the IASB and ISSB's standards.** Using the ISSB's own intangible assets—including the <Integrated Reporting> framework complemented by a taxonomy of intangibles. This piece also enables pages 37 and 38 of the TCFD Guidelines (Accounting Considerations) which mention IAS37 and responds to the deliberations of the TCFD that a net zero transition commitment could be recognised as a provision as a constructive obligation under IAS37.

5. **Bridges to testing in existing ISSB programs**. Including the Transition Plan Taskforce and the UNFCCC's Recognition & Accountability (RAF/CPAS) workstreams.

6. **Bridges with other standard setters and interoperability**. Including:
   (a) EFRAG—explaining how double materiality principles could be achieved using double entry by imagining the relationship between an entity and a stakeholder like stocks and flows of resources and obligations.
   (b) IPSASB—for cities and countries. Because the concept of a constructive obligation is also contained in the IPSAS standards.
   (c) FASB—where US uptake of S1 and S2 will be a challenge but where FASB rules also contain the principles of asset decommissioning.
   (d) the International Foundation for Valuing Impacts—because normative accounting uses IFVI carbon metrics to set transition incentives.

Appendix 2: Rethinking Islam’s double-entry bookkeeping to be net zero’s catalyst

Islam’s hidden role in the history of double-entry bookkeeping by Robert McGarvey and Professor Jacob Soll…

Described by Goethe as ‘*among the finest inventions of the human mind*’ and by historian Robert McGarvey as ‘*the ultimate alchemy*’ most all historians believe that double-entry bookkeeping was invented by Italian Friar, Luca Pacioli in 1494. Dig deeper though and Professor Jacob Soll explains that the double-entry system had actually been in use in Northern Italy for around 200 years before Pacioli wrote it down. And, according to McGarvey, had already been the catalyst behind the Commercial Revolution that began around Florence and, by cause and effect, led to the Italian Renaissance in the late 13th century. Dig deeper again and both agree that double-entry’s origins can be traced back to Islamic Samaria in the 6th Century BC, as an application of the science algebra. Their best informed analysis though is that double-entry bookkeeping was actually imported into Italy from Islamic Finance during the 12th century.

In Futuromics, McGarvey explains that during its Golden Age from 909-1171, Islamic capitalism had developed a highly sophisticated commercial infrastructure. Muslim merchants used many of the free market incentives, banking facilities and institutions that underpin modern capitalism. And enabling all this, Islam had created an accounting system that employed an early system of double-entry bookkeeping. It had a ‘credit column’ labeled lahu (for him), a ‘debit column’ marked alayhi (against him) and an ‘equity column’ indahu (with him). Merchants valued this because it seemed to create value out of nothing—by making visible through measurement the value of a business’ assets.

McGarvey explains that trade was emerging in this period in the Northern Italian city-states of Florence, Venice and Genoa. But there was little banking in the West until the Knights Templar returned to Europe with the secrets of Islamic finance. The Templars had witnessed Islamic accountants converting merchant activities into gold in the form of collateral grade, bankable assets. Islamic bankers, meanwhile, conducted a breathtaking form of monetary alchemy as they created money, in the form of credit, seemingly out of thin air. The Templars observed a process that created solid assets out of little more than a system of collective beliefs.

In The Reckoning, Soll maps out a near 2000 year history of accounting in which good accounting creates accountability, financial stability and economic and social progress. With double-entry bookkeeping being the very best of accounting. And describes the opposite effect of bad accounting—where the global economy and society are today. Bill Gates describes this in his review of Capitalism Without Capital: The Rise of the Intangible Economy…

‘The portion of the world's economy that doesn’t fit with the old model just keeps getting larger. That has major implications for everything from…economic policy to which cities thrive and which cities fall behind, but in general, the rules that govern the economy haven't kept up. This is one of the biggest trends in the global economy that isn't getting enough attention.’

Gates’ insight that the rules that govern the economy haven’t kept up is a rare one because it hints at a root cause behind today’s natural and social inequities. When applied to the net zero transition, those implications become clear. Because at present, accounting practice globally chooses to treat climate risks, liabilities and even transition commitments as externalities—rewarding doing nothing. While forcing transition innovation and investments to be expensed through the income statement—effectively penalising investments into programs that have the ambition and purpose of a meeting a commitment to, say, bp’s to ‘*get to a 50% reduction in Scopes 1 and 2 by 2030*’. It’s fair to say that today’s net zero transition incentives are, quite literally, upside down—as is the transition belief system.

Knowing this root cause, the urgent task, beginning at COP28, is to flip the incentives and with it the system beliefs. Rethinking Capital has found this ‘flip’ by rethinking Islamic double-entry bookkeeping for intangible assets. The innovation is called ***‘normative accounting for intangibles’*** and is applied first in a net zero governance and reporting framework. At its heart is the simple application of double-entry bookkeeping to recognise each $1 of capital allocated into building equitable relationships with the environment, nature, society or people as stakeholders, as investments into an intangible asset on the balance sheet. And though that may appear too simple, even trivial, the effects of this rethinking of double-entry bookkeeping are profound—including that all key financial metrics improve as the transition is achieved, and to create positive, immediate and certain incentives to speed up the transition.

There should be little doubt that properly tested and adopted, rethinking Islamic double-entry bookkeeping is today’s catalyst for change. And not only to accelerate net zero but, by cause and effect, to flip the transition mindset

