1. Introduction to the VCr2025 proof-of-concept Report

1.1 Revolutionizing Risk by Weighting Value

Risk origination is a critical precondition for value creation. In the complex dynamics of today's uncertain business environment a company cannot merely be a passive manager of risk. Long-term success requires the integration of financial performance and sustainability, meaning that the origination—not just the management—of risk is necessary to create value. The Sustainable Value Creation (SVC) Initiative is a comprehensive approach to double materiality that connects these three dimensions: value, risk, and the long-term view. In doing so, it provides managers, investors, and policymakers with the tools to weigh their present profits and risk exposure against future value and risk origination.

Sustainable value creation is premised on aligning shareholder priorities—maximizing a firm's overall value—with the interests of the stakeholders that co-create this value. SVC measurements identify value creation activities (transfer-OUT) so that practitioners can mitigate the extractive transfers (transfer-IN) that can negatively impact the long-term financial viability of the firm and society at large. By embedding a comprehensive understanding of sustainability into the business model logic, the SVC Initiative provides benchmarks for decision-making and documents positive contributions to economic, societal, and environmental goals (as Net Value Creation and transfer-OUT). The trust that a firm earns from stakeholders that appropriate a substantial share of the value they create—ranging from employees and suppliers to politicians and bankers—directly strengthen its capacity for value creation and expand its strategic opportunities.

At the macro level, value creation is reflected by economic and human development. At the meso-level national elite system level, many of the business model aggregates that evidence this are measured by *The Sustainable Value Creation of Nations* project and its flagship Elite Quality Index (EQx). The simple underlying logic is that when businesses create more value than they extract over long periods they are deemed to be sustainable, as they benefit the firm's value chain, stakeholders, and ultimately society at large. *The Sustainable Value Creation of Firms* project and its flagship VCr measurements then hone in on the individual business model and the degree to which these create value and undertake risk (as risk origination is another manifestation of value).

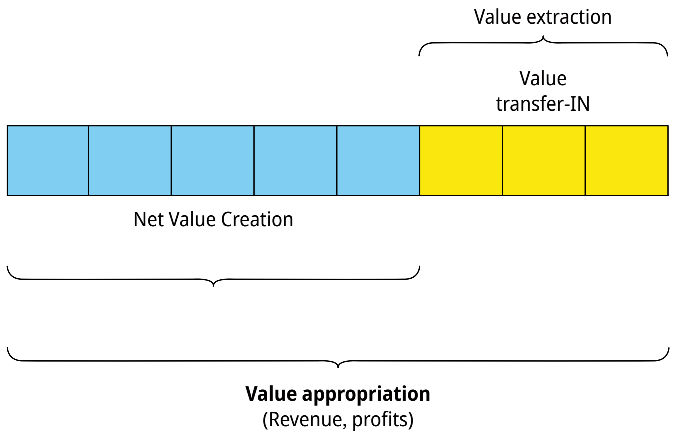
But what exactly is value? To the SVC Initiative, value is everything that humans deem worth appropriating. So where does value come from? The SVC Initiative posits that it emanates from first-order productive activities that range from agriculture and manufacturing to trade and finance.

One question then becomes central: who appropriates the value that is created and monetizes it as revenue and profits? There are two possibilities: the firms whose business models actually create the value, or others that do not. That is, revenue and profits can come from 'value created and appropriated' (a first-order productive activity) or from 'value appropriated but *not* created' (a second-order transfer activity). While all business models rely on both, it is unsustainable for the latter to systematically exceed the former. When the proportion tilts in favor of 'value created and appropriated', a state of sustainability is reached. In our understanding of the world, all value is either created or transferred, an assumption that extends to all principal-stakeholder relationships and socio-economic relations. From this simple ontology, a novel understanding of sustainable value creation takes root. In short, each and every company appropriates both value created and value *not* created—what matters is in what proportion.

The SVC Initiative revolutionizes the future of risk and value by providing the tools and measurements to weight and offset value creation and transfers. The rich and scalable framework that then emerges is powerful to the extent that it empowers leaders to optimize business performance and understand how this impacts society through benchmarks (the VCr and the industry-specific sector-VCr) that support strategic insights and transform companies from the inside. The VCr incorporates double materiality by providing signals on both a company's long-term financial prospects and its impact on society and the environment. By holistically accounting for both sustainable value creation and unsustainable value transfers, the SVC Initiative enables principals and a diverse set of stakeholders to design a better future, while informing actors in the political economy on whether they should grant or withhold a company's license to operate.

Over the last few years, the SVC Initiative has advanced both its theoretical and applied outputs. The macro-level *Sustainable Value Creation of Nations* has been brought to life through the annual Elite Quality Index (EQx) reports, now using 149 Indicators to assess the value creation of 151 nations. *The Sustainable Value Creation of Firms* is here assessed for the second year by the Value Creation Ratings Report 2025 proof-of-concept (VCr2025), which expands on last year's VCr2024 pilot, and now utilizes 102 Metrics to rate 1,000 firms from all of the world's leading stock exchanges.

A key mandate of the SVC Initiative and its macro-level (EQx) and firm-level (VCr) projects is to develop practical measurements. Both are founded on a novel but intuitive conceptual framework that focuses on the business model and is theoretically anchored in economics, management, and finance. The VCr provides a multitude of diverse insights such as how productive risk-taking increases value and is designed to be actionable by both boards and top management, and crucially by investors and other suppliers of capital. 'Revolutionizing risk by weighting value' first requires gaining an understanding into how the origination of risk translates into value creation and value transfers. It then depends on the weighting of all the available evidence to provide a measurement that enables firm decision-makers to optimize the long-term sustainability of their organizations.



Visual 1.1: Value appropriation as Net Value Creation and value transfer-IN (Source: adapted from Figure 2.11, Casas-Klett, 2026)

1.2 Managing Sustainable Value Creation

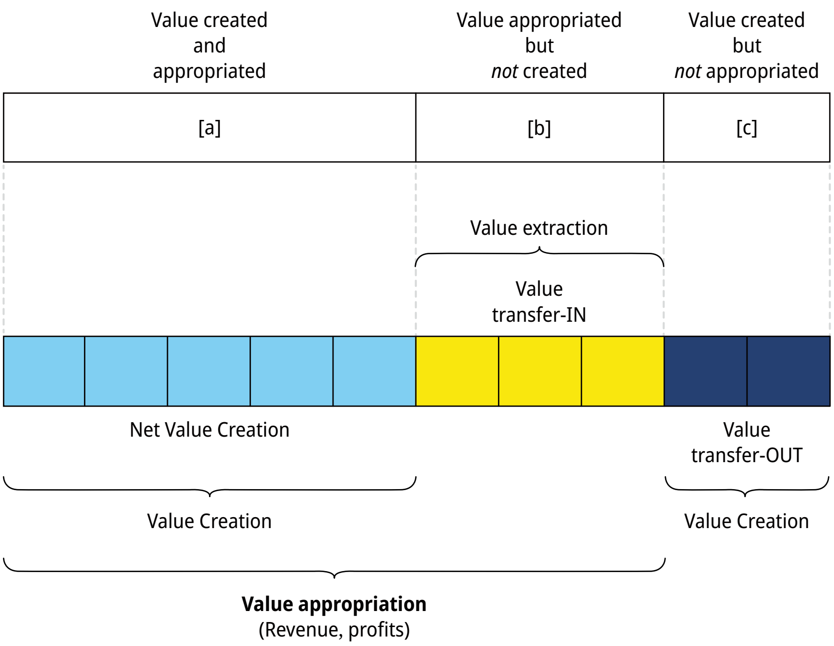
How is sustainable value creation best managed? This question is addressed by first referring to the value creation and appropriation (VCA) framework (see Brandenburger & Stuart, 1996; Coff, 1999; Amit & Zott, 2001; Lepak, Smith, & Taylor, 2007; Di Gregorio, 2013; Garcia-Castro & Aguilera, 2015). That is, with how the finances of a firm revolve around value appropriation—the revenue and profits that are documented in the profit and loss (P&L) statement.

As Visual 1.2 shows, value creation and value appropriation associate with each other in three key combinations:

[a] 'Value created and appropriated'. These are the inclusive activities accounted for in the P&L statement that are termed as 'Net Value Creation'. The default positive assumption is that all value appropriated—as revenue or profits—is value created (i.e., all value appropriated is Net Value Creation). Evidently, once transfer-IN amounts are identified, Net Value Creation is correspondingly reduced.

[b] 'Value appropriated but *not* created'. These extractive activities are termed as 'value transfer-IN'. They include benefiting from subsidies or discriminatory practices.

[c] 'Value created but *not* appropriated'. These activities represent inclusive agency and are termed as 'value transfer-OUT'. They benefit society at large and can be exemplified by innovation spillovers or the contributions of international business to global order and peace.



Visual 1.2: The three combinations of how value creation and value appropriation associate with each other (Source: adapted from Figure 2.11, Casas-Klett, 2026)

Value creation can compensate for and offset value transfers

By establishing the amounts of transfer-IN and transfer-OUT (note that Net Value Creation can be easily derived by deducting transfer-IN from revenue/profits), leaders can make informed decisions on how their activities impact sustainability. Value transfer-IN and transfer-OUT are used to calculate the VCr measurement (see the VCr formula in **Visual 2.3**) that supports the transformation of a business model towards sustainability. Besides yielding cutting-edge insights and establishing the strategic options for business leaders, the measurement also provides transparency and accountability for investors, regulators, and the general public.

In addition to the VCr, a second SVC measurement is also provided in this report, the more straightforward Value Creation Position (VCp). The VCp is a precursor to the VCr and only considers the proportion of transfer-IN in relation to revenue or profits (value appropriated). That is, the VCp expresses the percentage of a firm's revenue that results from extractive transfer-IN (see the VCp formula in **Visual 2.5**). The VCp allows analysts to focus on the size and effects of 'value appropriated but *not* created', ignoring the contributions that firms make to their stakeholders and society as a whole but do not monetize (transfer-OUT).

The VCr is therefore the more comprehensive measurement, accounting for both extractive value transfers and positive value creation, including the value that is not included on the P&L statement. In effect, the VCr expresses the relative proportion of transfer-IN vs transfer-OUT. As such, it enables the weighting and offsetting of business model activities based on the type of value these associate with.

It should be noted here that in the real world, all firms both create and extract value. Rather than opposing all value transfers, the SVC Initiative takes the pragmatic position that high levels of value creation can compensate for and offset value transfers. This acceptance of how things really are can drive realistic and meaningful change at firms and lead to transformations that contribute to making the larger goals of global development and growth feasible.

1.3 Beyond Traditional ESG and Sustainability Measurements: The VCr Means Business

> "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987).

As the value of a firm is determined by its discounted future cashflows, investors with long time horizons—such as institutional investors, pension funds, and sovereign wealth funds—make decisions based on the sustainability of the business model. At the same time, there is a broad social consensus around the idea that striving for sustainability is an essential long-term business activity. Sustainable value creation focuses on the sustainability of the business model over the long-term. Regulations and their attendant frameworks also consider this temporal dimension. The latter includes the Global Reporting Initiative (GRI) that sets global sustainability reporting standards, the International Integrated Reporting Council (IIRC) that promotes integrated financial and sustainability reporting, and the Sustainability Accounting Standards Board (SASB) that develops industry-specific sustainability accounting standards. Still, it has been repeatedly pointed out that when it comes to measuring sustainability, a debilitating debate continues to rage. A highly influential piece in *The Economist* (2022) referred to "an unholy mess", "missionary creep", and "false marketing", while many would agree that "if you want a better ESG rating all you need to do is change your rating provider" (Murray, 2021). Robert Eccles (2024), the founding chairman of the SASB, noted that in the US, "shareholder proposals, both pro- and anti-ESG, have reached the front lines of the culture wars". The election of 47th US President has raised the temperature further, with his claims that ESG investments are "political", "sick", and that such "poorly performing woke financial scams are radical left garbage that would never be funded on their own, and certainly never be funded on their own merits" (Trump, 2023). Unsurprisingly, investors are now asking questions like "what does Trump's anti-ESG campaign mean for sustainable investment?" (Johnson-Hill, 2025). Yet despite all of this noise, not everyone is giving up on supporting long-term investments in sustainability as is shown by numerous articles in the financial press such as: "Clean Energy Stocks Beat Fossil Fuels Despite Anti-ESG Backlash — And Trump's Sustainability Suspicions" (Sternberg, 2025).

Amidst all of this uncertainty and the general climate of distrust in ESG ratings, the SVC Initiative aims to reset the dial by focusing on the long-term interests of the business model, its beneficiaries, and its many diverse stakeholders. This is an optimization problem that requires measuring the sustainable value creation of firms; the value creation and the appropriateness of value transfers across the multiple stakeholder relationships associated with a business model (see the listing of 70 such stakeholder relationships in Visual 2.1).

Establishing the VCr measurement is a formidable data challenge that starts by determining which SVC Metrics should be used. The VCr2025 proof-of-concept report rates listed firms on the basis of 102 SVC Metrics, each of which measures transfer-IN and/or transfer-OUT (see the full list in Visual 5.2). Each Metric establishes a financial amount in monetary terms that is traceable to the P&L statement. In the future, the VCr will further expand on the Metrics that are used whenever a particular data source provides further evidence of value transfers. It is expected that this will enable the VCr to become increasingly precise, both in terms of the baseline measurement and the sectoral (measured in this report as the sector-VCr) and country-level variants.

Each of the 102 Metrics are assigned to one of the 12 Pillars that in turn belong to one of the four Ratings Areas. The latter are comprised of Power and Value Sub-ratings, each with Non-Market and Market dimensions as is depicted in the 2x2 matrix in Visual 1.4. These four Ratings Areas provide strong conceptual anchors and are the primary link for each of the VCr Metrics to the political economy and society.

The VCr requires that its Metrics express value creation and risk origination as well as value and risk transfers

Visual 1.3: The SVC approach contrasted with existing sustainability measurements

The Sustainable Value Creation (SVC) Approach	Traditional Sustainability and ESG Challenges
Standardization A standardized approach to sustainability measurements, anchored in the business logic of value creation and based on the dichotomous value creation and value transfer ontology that allows for comparability within and across sectors and countries.	**Inconsistent Measurements** Current sustainability frameworks suffer from evaluator effects, conflicts of interest, and inconsistencies, leading to unreliable data.
Business Model Focus A sustainability framework operating at the business model level ensures relevance for firm decision-makers and applicability in real-world scenarios.	**Reporting Focus** Many existing frameworks fail to integrate sustainability with how revenue and profits are made.
Linking Data Sources to the P&L By establishing the conceptual integrity of each indivisible data source—the SVC Metrics—and financially linking these to the P&L statement of the firm, the VCr reflects business realities and also provides sector and country baselines.	**Limited Business Data Quality** The underlying data does not clearly describe particular business phenomena, leading to a lack of consistency, traceability, and transparency.
Comprehensive Framework The SVC approach establishes an innovative framework that captures all of the relevant elements of a firm's operations and its strategic spaces through a wide-ranging set of Metrics. Using the VCr's conceptual architecture, aggregate measurements for factors such as a firm's power, market value, creative destruction, unearned income, or financial value can be determined.	**Partial Coverage of Stakeholders** Traditional frameworks often overlook many material activities—both sustainable and unsustainable. It is important that sustainability frameworks and measurements address all stakeholders — from nature and workers to suppliers of capital and taxpayers. It is also critical that they cover all facets, both the extractive and the inclusive, recognizing and rewarding positive contributions.
Sustainable Profits By establishing robust SVC Metrics linked to performance and the cost of capital through the use of a proprietary methodology that weights value and risk creation and transfers, sustainability efforts and business performance can be optimized in tandem.	**Performance Decoupling** The lack of correlation between sustainability measurements and actual firm performance.

Each SVC Metric is associated with one of the four Ratings Areas and assessed through the lens of one of the two Sub-Ratings of Power and Value. As a result, an integrated understanding is provided on how the decision-making of firms in both market and non-market contexts is orientated to create or extract value.

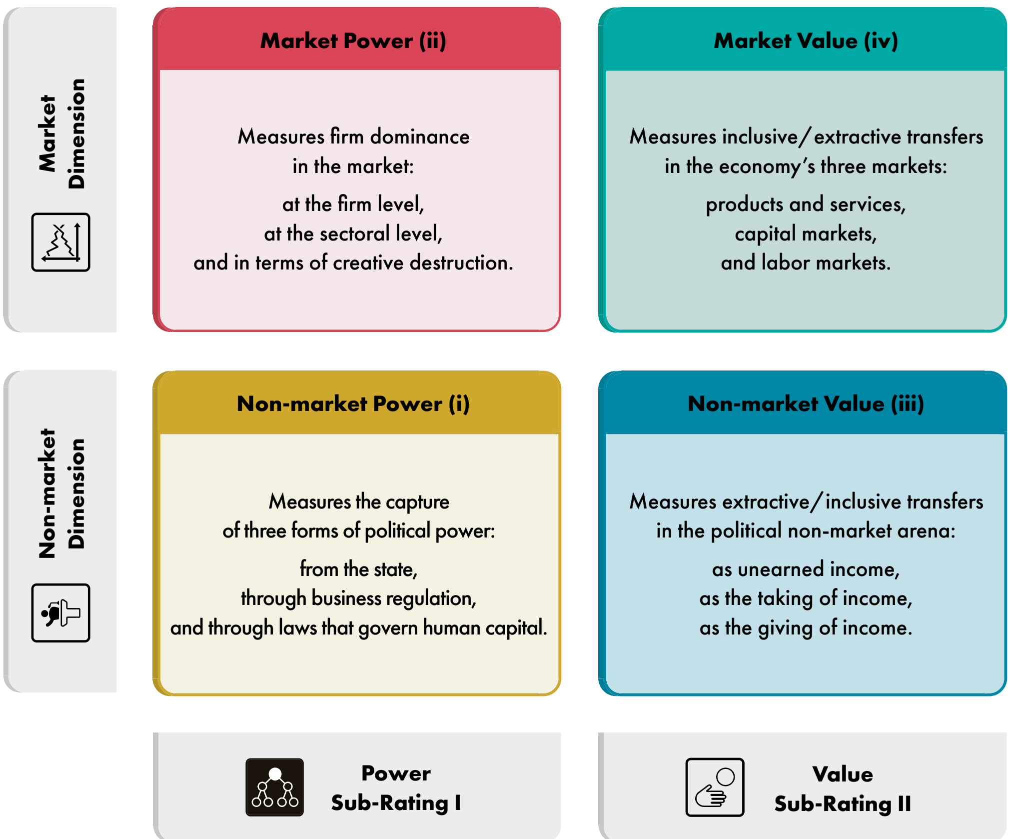
The four Rating Areas are described next:

- **Non-market Power:** Assesses the influence that firms exert through political or regulatory mechanisms that may involve preferential treatment or distortions that potentially extract value from stakeholders. Examples include transfer-IN Metrics that evaluate activities like political contributions, revenue from sinful business models such as tobacco, gambling, or war, poor stakeholder engagement, the involuntary turnover of employees, or regulatory capture.

- **Market Power:** Appraises the mechanisms that firms use to dominate markets and potentially generate negative externalities. Examples include transfer-IN Metrics on industry dominance, poison pills to sabotage M&A's, overlong board tenures, or poor operating margins.

- **Non-market Value:** Focuses on the contributions that firms make to social and environmental common goods outside of their direct market interactions. It considers transfer-OUT Metrics that reflect activities like eco-friendly practices and adherence to ethical standards that positively impact broader society such as the intensity of renewable energy use, the balance between dividends and capital reinvestment, subsidies, an above median effective tax rate.

- **Market Value:** Evaluates value created through direct participation in the market that creates positive externalities that benefit both the firm and society at large. It considers transfer-OUT Metrics that reflect activities such as significant international sales, high capital expenditure intensity, a considered approach to the amortization and impairment of goodwill, excellent operational efficiency, and competitive labor compensation.



Visual 1.4: The Four VCr and VCp Ratings Areas: The Power and Value Sub-Ratings and their Non-Market and Market dimensions

1.4 The VCr Project in Action

The SVC framework distinguishes between value that is created through first-order productive, sustainable activities and value that is transferred in ways that may not provide net gains to society. As such, this approach focuses on the alignment of a firm's long-term goals with the interests of both shareholders and a wide array of stakeholders, thereby aiming to ensure the long-term viability of the business while aligning with the future value creation interests of society as a whole.

This introductory chapter emphasizes the VCr project's deliverables. Essentially, these bring to life the unique data sets that inform the value creation/transfer ontology of the firm and provide insights that are ultimately realized in the VCr Scorecards.

They consist of:

A comprehensive framework: The notion of sustainable value creation is delivered as a framework that is able to clearly and practically integrate all of the activities of business models that are associated with value creation and risk origination, along with those that conversely reflect value and risk transfers.

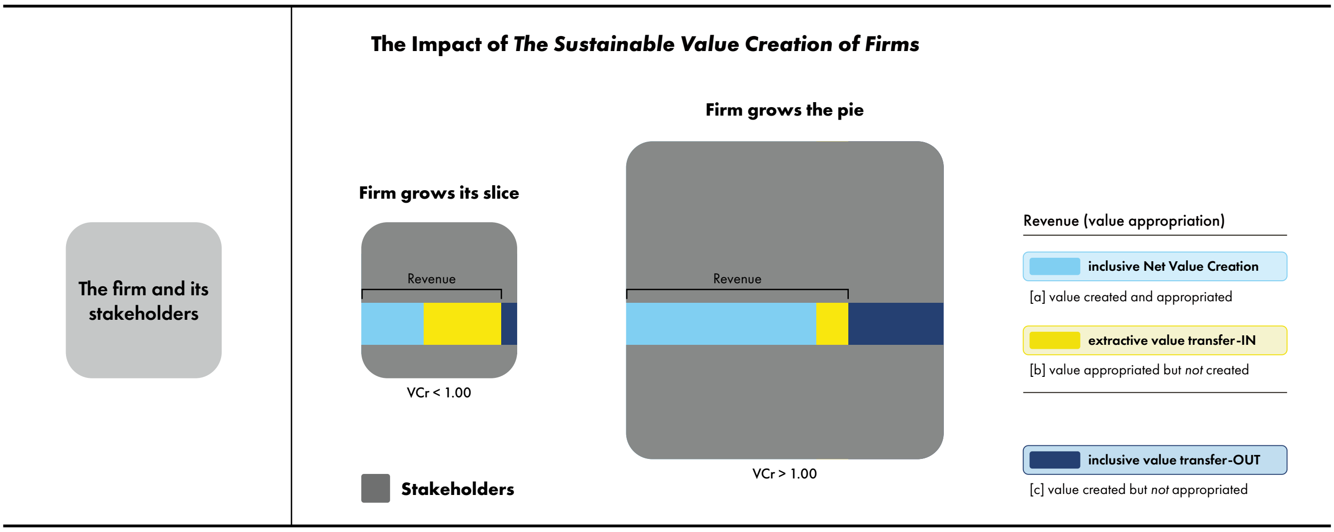
Material and Reliable Metrics: The continuous development of material and conceptually powerful SVC Metrics that describe business realities and are implemented with high-quality data and aggregated into actionable measurements like the VCr or its constituent elements provide valuable insights for boards, top management, and investors to assess and improve their sustainability efforts and long-term profit generating capabilities.

Enhanced decision-making: Empowering leaders to engage in strategic decision-making to weight and offset different business activities and evaluate feasible courses of action through a powerful toolbox comprised of a conceptual framework, measurements for the firm, and underlying Metrics that offer rich and necessary insights for transformation and growth.

Creating transparency and emitting signals worthy of trust in reporting: Fostering transparency in sustainability reporting at the business model level, so that firms are able to establish the long-term viability of their stakeholder relationships and hence establish credibility with workers, suppliers, business partners, policymakers, investors, and others. Generating the necessary trust endowments will ultimately enable organizations to flourish by incentivizing the value creation of stakeholders.

Connecting to the broader context: By revolutionizing the way that double materiality and risk is understood—positively as value creation and negatively as value transfers—and eventually providing the tools to weight and offset value, firms will better understand their role in society (see Visual 1.5) and become more integrated and inclusive forces in the socio-economic landscape.

It makes no sense to talk about a relationship between a firm and 'society' (as is the case with ESG) if there is no analysis of the political economy. The Political Economy Power and Value Matrix for the VCr (Visual 2.9) is designed precisely for this purpose, ensuring that this measurement takes a unique approach to double materiality (see Baumüller & Sopp, 2022; De Cristofaro & Gulluscio, 2023) and sustainability.



Visual 1.5: The impact of low and high sustainable value creation firms (as evidenced by their VCrs) on economic and human development

VCr2025 proof-of-concept
VALUE CREATION
RATING

VCr Firm Scorecard

The Sustainable Value Creation of Firms

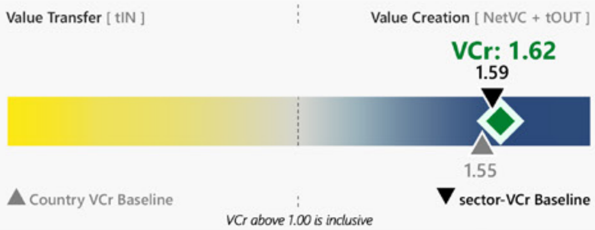
ACME INC

POC88888

All business models create value (e.g., through production, FDI, innovation) but may also derive revenue and profits from extractive value transfers (e.g., through barriers to entry, protectionist policies, subsidies).
The sustainability of a firm is the proportion of value creation in relation to value transfers.
Sustainable Value Creation (SVC) measurements—such as the VCp and the VCr—provide metrics-based evidence of value creation and robust sector and country baselines to inform investors, management, policymakers, academia, the wider community, and public debate.

Market Cap	$139,895 mio.	Sector	Industrials
Revenue	$39,496 mio.	Region	FRA
Net Income	$4,419 mio.	Headcount	176,962

VCr and Baselines (Sector & Country)



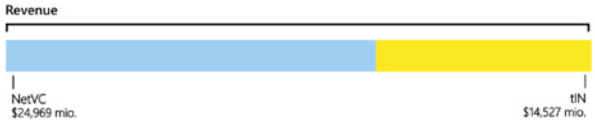
Value Creation & Transfers Monetization

Transfer-IN (tIN is extractive revenue) 'value appropriated but *not* created'	$14,527 mio.
Net Value Creation (NetVC is inclusive revenue) 'value created *and* appropriated'	$24,969 mio.
Total revenue	**$39,496 mio.**
Transfer-Out (tOUT is inclusive) 'value created but *not* appropriated'	$39,150 mio.

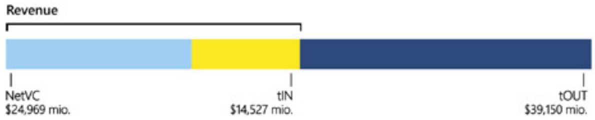
Amounts are revenue equivalent in **$ million**

VCp & VCr - Value Creation & Transfer Components

Value Creation Position (VCp): **63.2%**



Value Creation Rating (VCr): **1.62**



The VCp measures the impact of extractive value transfers relative to revenue.
The VCr is the proportion of value creation relative to revenue.

The Business Model Value Scorecard with transfer-IN/OUT

Power Sub-rating (I)	$3,448	Value Sub-rating (II)	$21,175
(i) Non-Market Power Ratings Area Influence on non-market & narrative market		**(iii) Non-Market Value Ratings Area** Value in non-market & narrative market	
Total	$3,718	Total	$3,530
(i.1) State Capture	$592	(iii.7) Giving Income	$2,245
(i.2) Regulatory Capture	$2,998	(iii.8) Taking Income	$416
(i.3) Human Capture	$6,123	(iii.9) Unearned Income	$1,702
(ii) Market Power Ratings Area Influence on market		**(iv) Market Value Ratings Area** Value creation in the market	
Total	$269	Total	$17,644
(ii.4) Coalition Dominance	$3,186	(iv.10) Producer Value	$8,014
(ii.5) Firm Dominance	$705	(iv.11) Capital Value	$5,797
(ii.6) Creative Destruction	$3,621	(iv.12) Labor Value	$3,833

Firm and Society

2x Sub-Ratings

Power (I)		Value (II)	
VCp	VCr	VCp	VCr
65.2%	1.09	98.0%	1.54

4x Ratings Areas

Non-market Power (i)		Market Power (ii)		Non-market Value (iii)		Market Value (iv)	
VCp	VCr	VCp	VCr	VCp	VCr	VCp	VCr
88.9%	1.09	76.3%	0.99	98.5%	1.09	99.5%	1.45

SVC Metrics, 'The Relevant 42' (out of 102)

87% metrics available

Percentages (%) are revenue equivalent transfer-IN and transfer-OUT

i.1	sc.PJI	Peace Justice and Strong Institutions	1.5%
	sc.POC	Political Contributions	NA
i.2	rc.CLC	Child Labor Controversies	3.0%
	rc.CCA	Compliance Cost Avoidance	5.5%
i.3	hc.BDG	Board Gender Parity	2.6%
	hc.TUR	Trade Union Representation	3.9%
	hc.STE	Stakeholder Engagement	1.2%
	hc.FWH	Flexible Working Hours	2.5%
	hc.DCS	Daycare Services	2.7%
	hc.EDI	Employees with Disabilities	2.5%
	hc.MTR	Management Training	2.7%
ii.4	co.CPO	Cartel Power	4.0%
	co.CED	Coalition Economic Dominance	1.3%
	co.CES	Coalition Economic Share	1.8%
ii.5	fd.MDO	Market Dominance	1.3%
	fd.IBM	Independent Board Members	2.2%
	fd.ACC	Anti-competition Controversies	5.0%
	fd.GPA	Golden Parachute	3.7%
	fd.SPL	Succession Plan	4.4%
ii.6	cd.INT	Intangibles	8.7%
	cd.RRC	Resource Reduction	2.2%
	cd.PKG	Packaging	2.5%
	cd.EWA	E-Waste	5.0%
iii.7	gi.CDF	Community Development Financing	2.0%
	gi.BDT	Biodiversity Targets	1.6%
	gi.REI	Renewable Energy Intensity	2.0%
iii.8	ti.ETR	Effective Tax Rate	0.3%
	ti.SSV	Safety Standards Violations	1.3%
iii.9	ui.BIM	Biodiversity Impact Mitigation	3.2%
	ui.DAP	Data Privacy	1.2%
iv.10	pv.GHW	Good Health and Well-Being	4.0%
	pv.ISA	International Sales	2.4%
	pv.GSC	Global Supply Chain	2.4%
	pv.GRP	Green Products	5.0%
	pv.CGS	Goods Cost Intensity	2.2%
	pv.PCR	Physical Climate Risk Exposure	2.1%
iv.11	cv.FDI	Foreign Direct Investment	2.4%
	cv.AIG	Amortization & Impairment of Goodwill	5.0%
	cv.LVR	Leverage Ratio	6.0%
iv.12	lv.EMS	Employee Satisfaction	2.2%
	lv.PLI	Pension Liabilities	3.3%
	lv.EMI	International Employees	4.3%

Revolutionizing Risk by Weighting Value November, 2025

1 Basic information on the firm.

2 VCr & Baselines. The VCr is shown and benchmarked against the baseline sector-VCr and country VCr. The former allows contrasts to be made between a firm's VCr score and the median score of a sample set of firms in the same sector, while the latter does the same at the country level. For interpretative purposes, while a firm VCr score of over 1.00 indicates an inclusive business model, in relative industry terms, any firm that scores above the sector median score (baseline) has a positive VCr. For policymaking at the national level and for firm strategy and management purposes, the sector-VCr baseline should also be viewed in the context of the country VCr baseline. Note that in the VCr2025 proof-of-concept report, neither the sector-VCr nor the country VCr reference a comprehensive sample of firms and therefore do not constitute a validated indication of the sustainable value creation of a sector or nation.

3 Monetizing Value Creation & Transfers. Based on the VCr, the revenue (the value appropriation of a firm) is analyzed and broken down into its value (and risk) creation and transfer components. Nominal amounts are presented in the firm's local currency for the aggregates of transfer-IN, Net Value Creation, and transfer-OUT. This enables the analyst to work with the three key figures that pertain to the three basic concepts of *The Sustainable Value Creation of Firms*. The transfer-IN and transfer-OUT figures shown here represent the aggregate totals of all included SVC Metrics.

4 The Value Creation & Transfers Components of the VCr and VCp. This key part of the scorecard displays the two SVC measurements: the VCr and the VCp. They are visually rendered on a bar that offers a breakdown of a firm's value creation (Net Value Creation and transfer-OUT) and its extractive transfer-IN, along with their respective monetized aggregates in US$ or in the firm's local currency. The 'Revenue' category label is also provided (above the bar) to indicate the breakdown of a firm's value appropriation (Net Value Creation and transfer-IN).

5 The Business Model Value Scorecard with transfer-IN/OUT. This framework is used to illustrate (in US$ or in the firm's local currency) the nominal amounts corresponding to the 2 Sub-Ratings, the 4 Rating Areas, and the 12 Pillars (levels 2 and 3 of the VCr architecture, as is explained in Chapter 2). This enables the analyst to interrogate a firm's business model across the architecture's 17 conceptual categories, all of which are associated with the firm's revenue in monetary terms. The nominal amounts coded as transfer-IN and transfer-OUT for each Pillar represent the net transfer-IN/OUT balances derived from the aggregation of their respective component SVC Metrics.

6 Firm and Society. The Political Economy Matrix is used to present the firm's unweighted VCr scores and VCp percentages for each of the 2 Sub-Ratings and 4 Rating Areas (level 2 of the VCr architecture). This enables the analyst to inquire about a firm's sustainability performance in six key areas that conceptually link to and provide insight on a firm's relationship to society. The VCp and VCr are additive at Levels 2 and 3, meaning they represent proportional shares of the total VCr or VCp rather than standalone, full VCr or VCp values in themselves.

7 SVC Metrics: 'The Relevant 42'. The most important 42 SVC Metrics (out of a total of 102 used in the VCr2025 proof-of-concept report) are listed. The selection of these 42 essential Metrics is algorithm-driven, with criteria including data availability, country, industry, and materiality. Each Metric represents either an extractive transfer-IN or an inclusive transfer-OUT activity. In cases where value creation addresses financial concerns and value transfers relate to larger societal and environmental issues, double materiality can be assumed. Critically, the impact of each SVC Metric as a percentage of revenue is graphically illustrated.

Visual 1.6: The VCr Firm Scorecard explained

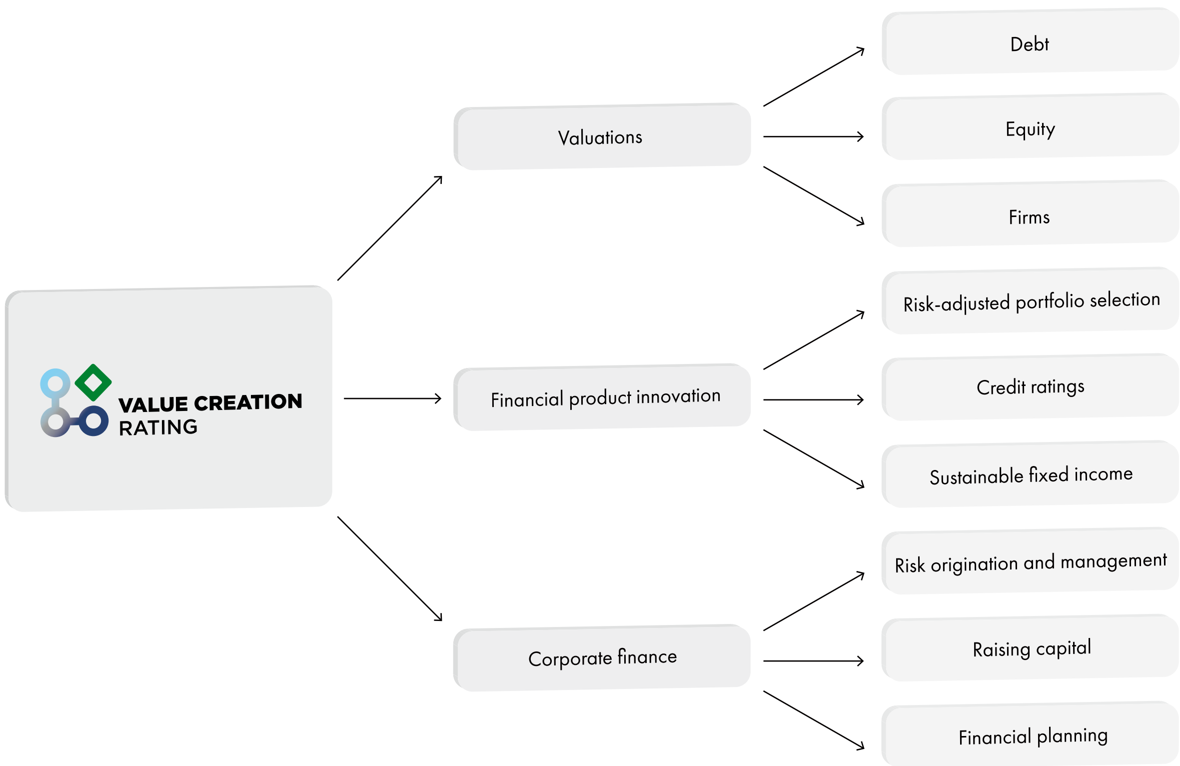
1.5 The VCr and the Finance Industry

The Sustainable Value Creation of Firms project is designed to transform how business views finance and how the finance industry allocates capital. It aims to be a balanced, comprehensive, and actionable approach that creates long-term growth opportunities by changing the way executives and investors think about firm valuations and strategy. Business models are assessed using an array of SVC Metrics that ascertain inclusive and extractive transfers by determining factors such as how a firm manages innovation, capital investments, its ecological footprint, market dominance, international business practices, and diversity, equity and inclusion policies. This research project has a parallel at the macro-level, the Elite Quality Index (EQx) that establishes *The Sustainable Value Creation of Nations.*

While last year's VCr2024 Pilot Report used 54 Metrics to determine the VCr scores for 122 companies, the VCr2025 proof-of-concept report utilizes 102 Metrics and applies these to 1,000 listed firms. Over the next two years, *The Sustainable Value Creation of Firms* project aims to expand the number of Metrics used and eventually cover over 10,000 publicly listed firms. Given existing regulatory requirements, reporting standards, and the ways in which many firms already contribute to the United Nations' Sustainable Development Goals, what does the VCr add?

A fundamental promise of the SVC Initiative is that a connection exists between agency at the micro-level and outcomes at the macro-level via the meso-level elite system. The lower transaction costs and higher levels of coordination capacity that the economy's elite business models possess—many of which are run by the listed companies measured in this report—can be deployed in the service of value creation or extractive transfers. High VCr scores may or may not correlate to firm financial performance, but they certainly contribute positively to growth and development. Cozzi, Chatzigakis and Casas-Klett articulate the transmission mechanisms between the micro, meso, and macro-levels of the economy in a formal elite theory proposal in Section 4.1.

When a firm reports that it is running a high sustainable value creation model, it is signaling that it is following a strategy that aims to maximize long-term value in collaboration with its stakeholders. It is also communicating that it expects to receive improved levels of trust from stakeholders such as investors, customers, regulators, workers, and communities. Sustainable business practices and models that align with the value chain and broader social objectives are essential, as is the material, transparent, and intuitively comprehensible reporting of these efforts. Nerlinger discusses the overlap between value and values in Section 4.2 of this report.



Visual 1.7: Possible applications of the VCr in the financial industry

All business models must appropriate value in the form of revenue (and profits)

All business models create value (e.g., through production or innovation) and engage in second-order value transfers (e.g., through trade barriers or subsidies)

Sustainability is when the proportion of value creation exceeds value transfers

It is clear that society benefits when capital is allocated to sustainable value creation projects. Financial markets also benefit when those that allocate capital have access to information and measurements about the sustainable value creation performance of firms. A critical design feature of the VCr is that it incorporates an approach to double materiality that is relevant to finance, facilitating novel firm valuations that strengthen the case for investment decisions by linking sustainability performance to returns. Visual 1.7 illustrates the various ways in which the VCr can be utilized by the financial industry. For instance, firms with a positive score (above 1.00 or the sector-VCr benchmark) may reduce their cost of capital and attract favorable investment terms.

The concept of productive risk is also essential, as without risk there are no returns. Revolutionizing risk means generating returns not through value transfer business models but via genuine value creation. This is crucial, as risk origination aggregates into an economy-wide portfolio that, being inherently diversified, drives economic growth in the long term.

The VCr's emphasis on long-term value creation integrates the notion of sustainability that matters most—the minimization of value and risk transfers—into the core business model. That is, how decision makers weight and offset their inevitable value transfers. As a result, the cost of capital and implicit risk becomes more aligned and optimized for the common good.

Based on an overarching and comprehensive elite theory, this double materiality framework has been advanced to determine the sustainability, non-sustainability, and associated risks of the business model. Each SVC Metric represents an activity in the firm's underlying business model and allows us to take a position on its value creation and appropriation that can be quantified in monetary terms. The VCr scores and baselines such as the sector-VCr serve as inputs for strategic decision-making, investment, and may also adjust the costs of equity, debt, and capital for the firm.

To summarize, *The Sustainable Value Creation of Firms* project is principally realized through the Value Creation Rating (VCr) and aims to redefine how businesses approach sustainability. The project is a response to some of the problems that have been identified with how ESG and CSR ratings currently operationalize sustainability.

We hope that this Value Creation Ratings Report 2025 proof-of-concept, including its interpretative and conceptual pieces, proves to be a stimulating and thought-provoking read and helps you and your organization to better understand and begin to address the complexities of long-term sustainable value creation.

The SVC measurements supply material evidence and baseline scorecards for value creation as a service to academia, investors, top management, policymakers, and other interested parties in the broader community

1.6 The 17 VCr Themes that Organize the Sustainable Value Creation Metrics

Sustainable Value Creation cannot be reduced to a single metric or score. It emerges from the interaction between value creation and value creation in all facets of the business model. To organize this complexity, we introduce a thematic structure consisting of 17 Themes across seven domains: Finance (FIN), Management (MAN), Operations (OPE), Governance (GOV), Environment (ENV), Society (SOC), and Technology (TEC).

The introduction of Themes supports the evolution from measurement to understanding. While last year's VCr pilot report focused on quantifying firm-level outcomes, the VCr2025 proof-of-concept report organizes these outcomes across the fundamental levels of business and social reality. All SVC Metrics are positioned within 12 Pillars that connect them to economic development, the political economy, elite theory, and the EQx measurement. The 17 VCr Themes then organize the Metrics into practical, business-focused categories, providing actionable insights that are aligned with financial and investment practice. Each theme highlights the distinct but interconnected dimensions where firms create and sustain value.

This thematic architecture draws inspiration from international standards, including MSCI's ESG themes, SASB's industry metrics, and the World Economic Forum's Stakeholder Capitalism metrics (see table in Visual 1.9). Yet, unlike these frameworks, the VCr's Themes are not designed to classify risks or compliance areas. Instead, they articulate the capabilities, behaviors, and interactions that enable firms to generate long-term value for all stakeholders. They bridge corporate strategy and economic development and complement benchmarks of prosperity and planetary stewardship like the United Nations Sustainable Development Goals (SDGs).

The set of 17 Themes thus provides a structure through which the original datasets—the Metrics of Sustainable Value Creation—enhance their relevance, facilitating analysis and strategic action by decision-makers, capital providers, and other stakeholders.

The overarching thematic categorization framework

The 17 VCr Themes are clustered into seven distinct domains (see also Visual 1.8):

Finance (FIN)
Captures the quantitative foundations of value creation—the firm's ability to manage financial strength, allocate capital efficiently and, most critically, originate and balance risk and return.

Management (MAN)
Focuses on the internal capabilities that align people, processes, priorities, and performance with innovation, global integration, and intangible assets.

Operations (OPE)
Zeroes in on the productive engine of the firm—where quality, trust, and supply chain resilience defines its competitiveness.

Governance (GOV)
Anchors the firm's legal and financial sustainability and how it ensures accountability and compliance.

Environment (ENV)
Recognizes the interdependence between business activity and planetary health.

Society (SOC)
Emphasizes the human dimension of value creation, highlighting how a firm deals with human capital, equity, and well-being.

Technology (TEC)
Addresses the transformative power of digitalization and AI as enablers of sustainable growth.

Revenue (P&L statement)

Level 1

VALUE CREATION RATING

Level 2

Power Sub-Rating I

- **Non-market Power (i) Rating Area**
- **Market Power (ii) Rating Area**

Value Sub-Rating II

- **Non-market Value (iii) Rating Area**
- **Market Value (iv) Rating Area**

17 VCr Themes

FIN

FIN1 – Financial Strength & Risk

FIN2 – Investment & Capital Efficiency

OPE

OPE6 – Product Quality & Customer Trust

OPE7 – Supply Chain & Resilience

SOC

SOC13 – Human Capital & Education

SOC14 – Diversity, Equity & Inclusion (DEI)

SOC15 – Health, Safety & Well-being

MAN

MAN3 – Innovation & Intrapreneurship

MAN4 – International Business & Globalization

MAN5 – Intangible Assets & Brands

GOV

GOV8 – Governance & Legal

GOV9 – Taxation & Auditing

TEC

TEC16 – AI & Digitalization

TEC17 – Data Governance & Security

ENV

ENV10 – Climate & Energy Efficiency

ENV11 – Natural Capital & Biodiversity

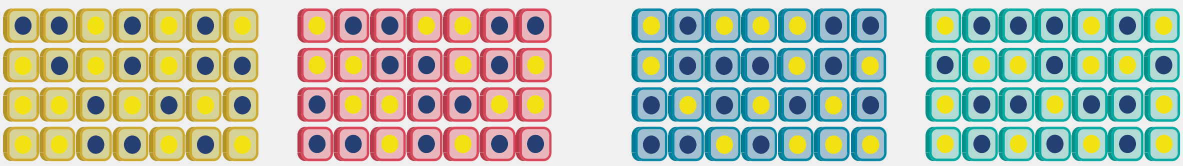
ENV12 – Circular Economy & Waste

Inclusive value transfer-OUT

Extractive value transfer-IN

Level 4

SVC Metrics
(Revenue equivalent)



Visual 1.8: The 17 Themes for SVC Metrics in the VCr architecture

The 17 VCr Themes explained

FIN - Finance

FIN1 – Financial Strength & Risk

A firm's financial strength and risk origination determines its capacity for value creation. This theme captures solvency, liquidity, and risk-adjusted performance, linking prudent balance sheet management to long-term sustainability. By ensuring financial health, firms contribute to market stability and gain investor trust.

FIN2 – Investment & Capital Efficiency

Risk-adjusted capital deployment is a key determinant of productive value creation. This theme examines how effectively firms utilize capital by emphasizing allocative efficiency.

MAN – Management

MAN3 – Innovation & Intrapreneurship

By applying novel thinking to how they manage their businesses, firms originate risk and create value. This theme measures how firms foster creativity, experimentation, and intrapreneurship to transform ideas into new products and services. It underlines that sustainable firms must continuously reinvent themselves from within.

MAN4 – International Business & Globalization

Firms create greater value when they engage in business across borders. This theme captures the business model activities of globalization—from trade and investment to governance and supply chain integration.

MAN5 – Intangible Assets & Brands

Trust, reputation, and intellectual property are central to long-term value. This theme examines how firms develop, manage, and safeguard intangible assets such as brand value to boost performance.

OPE - Operations

OPE6 – Product Quality & Customer Trust

Sustainable value depends on the reliability and quality of products and services. This theme assesses how firms deliver excellence in this regard and thus cultivate customer trust.

OPE7 – Supply Chain & Resilience

In an interconnected world, the sophistication and robustness of a firm's supply chain is a measure of managerial competence and strategic foresight. This theme addresses sustainability across value networks and highlights the balance between efficiency and resilience.

GOV - Governance

GOV8 – Governance & Legal

Good governance is the backbone of responsible capitalism. This theme examines the integrity of leadership structures, legal compliance, and shareholder accountability. It supports transparent decision-making and the equitable treatment of all stakeholders.

GOV9 – Taxation & Auditing

Tax and audit practices reflect a firm's commitment to institutional arrangements and constraints. This theme goes beyond compliance to consider the ethical dimension of fiscal behavior and how firms contribute to public goods and trust.

ENV – Environment

ENV10 – Climate & Energy Efficiency

The transition to a low-carbon economy will define the competitiveness of tomorrow's businesses. This theme considers firms' climate strategies, efforts in support of energy efficiency, and progress toward decarbonization. It positions climate leadership as a source of strategic advantage.

ENV11 – Natural Capital & Biodiversity

All firms depend on ecosystems for their resources. This theme assesses how companies manage, restore, and preserve natural capital. By linking ecological integrity to business continuity, it connects corporate strategy to planetary boundaries.

ENV12 – Circular Economy & Waste

Circularity transforms consumption into regeneration. This theme explores waste reduction, resource efficiency, and product life-cycle innovation. It reflects a systemic shift from linear growth to sustainable renewal.

SOC – Society

SOC13 – Human Capital & Education

People are the ultimate source of value creation. This theme focuses on workforce development, skills, and lifelong learning. It emphasizes empowerment through education and the role of firms in cultivating their own key capabilities to support future competitive advantage.

SOC14 – Diversity, Equity & Inclusion (DEI)

Diversity, equity, and inclusion are all ethical imperatives and strategic assets. This theme explores how firms foster diversity across gender, ethnicity, and other perspectives, to cultivate a culture of belonging and innovation. It promotes fairness as a foundational aspect of firm performance.

SOC15 – Health, Safety & Well-being

Employee well-being underpins productivity and trust. This theme examines workplace safety, mental health initiatives, and the overall quality of life that employers provide. It reinforces the fact that care and good performance are inseparable.

TEC – Technology

TEC16 – AI & Digitalization

Technological transformation drives both opportunity and disruption. This theme explores how firms utilize digital tools and AI to boost productivity, transparency, and sustainability. It underscores that responsible innovation is a key enabler of progress.

TEC17 – Data Governance & Security

As data becomes an increasingly essential resource, governance and security emerge as critical issues. This theme captures a firm's capacity to protect digital integrity, ensure cybersecurity, and manage data in a ethical fashion.

Conclusion

Taken together, the 17 VCr Themes provide a comprehensive and dynamic framework for understanding and achieving sustainable value creation. They acknowledge that corporate success, efficient capital allocation, and societal progress are all intertwined. By organizing the SVC Metrics into Themes and then clustering these into 7 domains, new analytical layers are created that facilitate better decision-making in management and finance.

Visual 1.9: The ESG themes of the four major data providers

MSCI	LSEG	S&P Global	ISS
Environment			
Climate Change	Biodiversity	Biodiversity	Management of Environmental Risks and Opportunities
Natural Capital	Climate Change	Climate Strategy	Carbon and Climate
Pollution & Waste	Pollution & Resources	Decarbonization Strategy	Natural Resources
Environmental Opportunities	Water Security	Energy	Waste and Toxicity
		Environmental Policy & Mgmt.	
		Packaging	
		Product Stewardship	
		Sustainable Forestry Practices	
		Sustainable Raw Materials	
		Waste & Pollutants	
		Water	
Social			
Human Capital	Labour Standards	Community Relations	Human Rights
Product Liability	Human Rights & Community	Contribution to Societal Healthcare	Labor, Health, and Safety
Stakeholder Opposition	Health & Safety	Customer Relations	Stakeholder and Society
Social Opportunities	Customer Responsibility	Financial Inclusion	Product Safety, Quality, and Brand
		Health & Nutrition	
		Human Capital Management	
		Human Rights	
		Labor Practices	
		Occupational Health & Safety	
		Privacy Protection	
		Transportation Safety	
Governance			
Corporate Governance	Anti-Corruption	Business Ethics	Board Structure
Corporate Behavior	Corporate Governance	Corporate Governance	Compensation/Remuneration
	Risk Management	Information Security/Cybersecurity & System Availability	Shareholder Rights and Takeover Defenses
	Tax Transparency	Innovation Management	Audit and Risk Oversight
		Market Opportunities	
		Materiality	
		Policy Influence	
		Product Quality & Recall Mgmt.	
		Risk & Crisis Management	
		Supply Chain Management	
		Sustainable Finance	
		Tax Strategy	
		Transparency & Reporting	

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