Beyond Compliance: Accounting for the Commons

Today's balance sheets follow the rules — but rules that overlook the very assets that secure our future.

By MARTIN STUDER — August 2025

Compliance, but not coherence

Every accountant knows the discipline of compliance: applying IFRS or GAAP, following disclosure requirements, ensuring audit trails. On those terms, most financial statements today are correct. They comply with the rules as written.

Yet compliance is not the same as coherence. Our balance sheets, income statements, and cash flow reports capture transactions but not the deeper flows on which they depend. The forests that stabilize climate, the aquifers that secure water supply, the resilience of a healthy workforce — these are not recorded as assets. Their depletion rarely appears as a liability. Their renewal does not strengthen equity.

The result is not fraud or mismanagement, but a structural omission. Current rules were not designed to account for the commons, and so our reports systematically understate the costs of depletion and the value of regeneration.

The hypothetical extension

What if financial reporting were extended to recognize commons-generated assets at replacement value?

- Assets: ecosystem services, human health, social trust — all forms of capital that underpin economic activity.
- Liabilities: emissions, waste, or long-term public health impacts — obligations currently shifted into the future.
- Equity: the cumulative effect of regeneration — investment in restoring soils, wetlands, or community wellbeing, which secures solvency for generations to come.

Once acknowledged, these categories would naturally flow into the profit and loss account. Today's net income, often celebrated as "value creation," would be recalibrated to reflect whether an enterprise was consuming inherited commons or reinvesting in their renewal.

Phantom profits and inherited assets

On paper, companies can look profitable even while eroding the commons. This is not deception — it is simply how the rules are written. For instance:

- Carbon emissions are treated as free inputs until regulation sets a price.
- Intensive land use generates revenue while silently depreciating biodiversity.
- Burnout and mental illness reduce future productivity but are rarely recorded as impairments of human capital.

The income generated appears as profit, but it rests on consuming assets we did not create — inherited natural and social capital. In accounting terms, we are drawing down reserves without recording the loss.

Balance sheet completeness

If we extend the logic of accounting, a 21st-century balance sheet would distinguish clearly between:

- Natural assets such as soils, forests, and water systems, recognized for their productive capacity.
- External liabilities such as emissions, waste, and long-term health burdens, recognized as provisions rather than ignored as "non-financial."
- Equity in regeneration, where restoration is not treated as discretionary CSR but as true reinvestment in capital that sustains solvency.

The Dasgupta Review framed nature as an asset that depreciates if unmaintained. Initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the EU's Corporate Sustainability Reporting Directive (CSRD) take steps toward embedding this view into reporting. Yet for now, these frameworks remain add-ons. They do not yet reshape the core statements.

Income and P&L reimagined

Imagine an income statement in which climate damage, public health costs, and biodiversity loss were treated as expenses. Reported net income would look very different.

- Fossil-fuel revenues would be offset by the cost of climate risk.
- Food and beverage profits would carry a charge for diet-related disease.
- Agricultural gains would include a deduction for soil degradation.

This is not activism — it is simply applying the same logic accountants already use for contingent liabilities or asset impairments. The difference is that today, the scope of what we consider "material" is artificially narrow.

Cash flow and deferred costs

Cash flow reporting often gives the impression of solidity. Yet operating cash inflows can appear strong when natural inputs are treated as free. Free cash flow rises when regeneration is neglected. But ultimately, deferred outflows — from climate disasters to healthcare costs — surface later, erasing the very liquidity once celebrated.

The reality is that the cash flow statement, too, is incomplete. It shows timing differences, but not whether those flows are built on the erosion of commons.

From disclosure to recognition

Progress is being made. The International Sustainability Standards Board (ISSB) under IFRS has launched S1 and S2, requiring disclosure of climate and sustainability risks. The EU's CSRD embeds "double materiality" — what affects the company and what the company affects.

But these steps remain in the footnotes. The frontier lies in recognition, not just disclosure. Externalities need to move from the sustainability report into the balance sheet and P&L, so that they become part of the numbers that guide decisions.

Accounting as stewardship

Accounting has always been more than arithmetic. Double-entry bookkeeping, born in Renaissance Venice, was designed to anchor accountability across time and partners. It was a social technology for trust.

Today, the same question arises at a planetary scale: will we account for the commons? If we do not, we risk eroding the very assets that future cash flows depend on. If we do, finance can regain its role as a steward of coherence — allocating capital not only across companies and sectors, but across generations.

Toward coherence in reporting

Extending accounting to the commons is not a critique of current professionals. It is an evolution of the standards themselves. Just as accounting once moved to consolidate subsidiaries, recognize leases, and expense stock options, so too must it now integrate ecological, social, and human capital.

For companies, this means experimenting with integrated accounts that include natural and human assets alongside financial ones. For regulators, it means updating IFRS and GAAP to align compliance with coherence. For investors, it means demanding earnings that reflect true value creation, not the consumption of inherited reserves.

The end goal is not to make business unprofitable. On the contrary, it is to ensure that profitability remains credible and durable once ecosystem services are valued at their full replacement cost — or higher, if scarcity increases. Companies that can thrive under such conditions will not only be compliant; they will be competitive in the truest sense, capable of creating value without consuming the foundations of the future.

The EIG compass — Ecology, Integrity, Generativity — offers a guide. Ecology reminds us what the economy depends on. Integrity ensures we recognize substance, not just form. Generativity frames equity as stewardship, not extraction.

This is not about rewriting history. It is about writing a future balance sheet that reflects reality — one where compliance and coherence converge.

“Accounting is not only about numbers. It is about what we choose to count — and what we choose to ignore.”

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About Bluerain *Coherence* Series

This essay is part of a broader collection exploring how valuation, healthspan, collaboration, longevity, and biodiversity can be re-aligned with the rhythms of life — at a pace that enables regeneration rather than exhaustion.

The purpose of this compendium is to:

- Contribute meaningfully to public discourse on systems change and intergenerational strategy
- Offer fresh language and framing for leaders navigating complexity
- Share what we are learning, unlearning, and building in real time

We welcome dialogue, respectful critique, and collaboration — to deepen a shared understanding of what it means to steward coherence in a time of disruption.

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About the Author

Martin Studer is an entrepreneur and impact investor focused on sustainability and longevity. Trained as an economist and certified public accountant, he brings decades of leadership experience in finance, governance, and executive management. As founder of Bluerain Partners, a Swiss family office, he works globally on projects spanning climate resilience, healthspan innovation, and intergenerational stewardship.

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We engage globally in projects that span climate resilience, health span and longevity, and the evolving nature of work and technology. We do so through investing, advising, governance, and venture development — always with an emphasis on coherence across generations, disciplines, and geographies.

These essays are authored by Martin Studer in a personal capacity. They reflect his experience, reflections, and aspirations — and may not necessarily represent the formal positions of Bluerain Partners Group AG, its subsidiaries, affiliated projects, or partners.

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