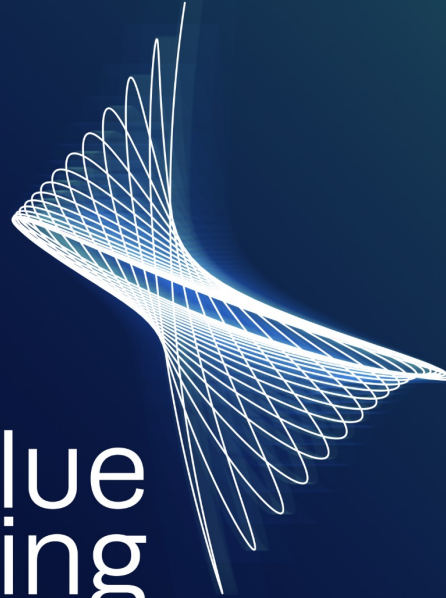


# **Management accounting of the future**

From profit maximization to  
value optimization

value  
balancing  
alliance



UNSD

Scoping Workshop on the SEEA &  
Business Accounting

New York, October 16<sup>th</sup> & 17<sup>th</sup>, 2019

Ionut-Neculai Pester

# Today's business environment

Instabilities jeopardize  
economic growth



Trade conflicts

Human Rights      Social tensions

Distribution of wealth

Forced migration



Limited natural resources

Deforestation      Air pollution

Extreme weather events

Waste      Water pollution





# Future business environment

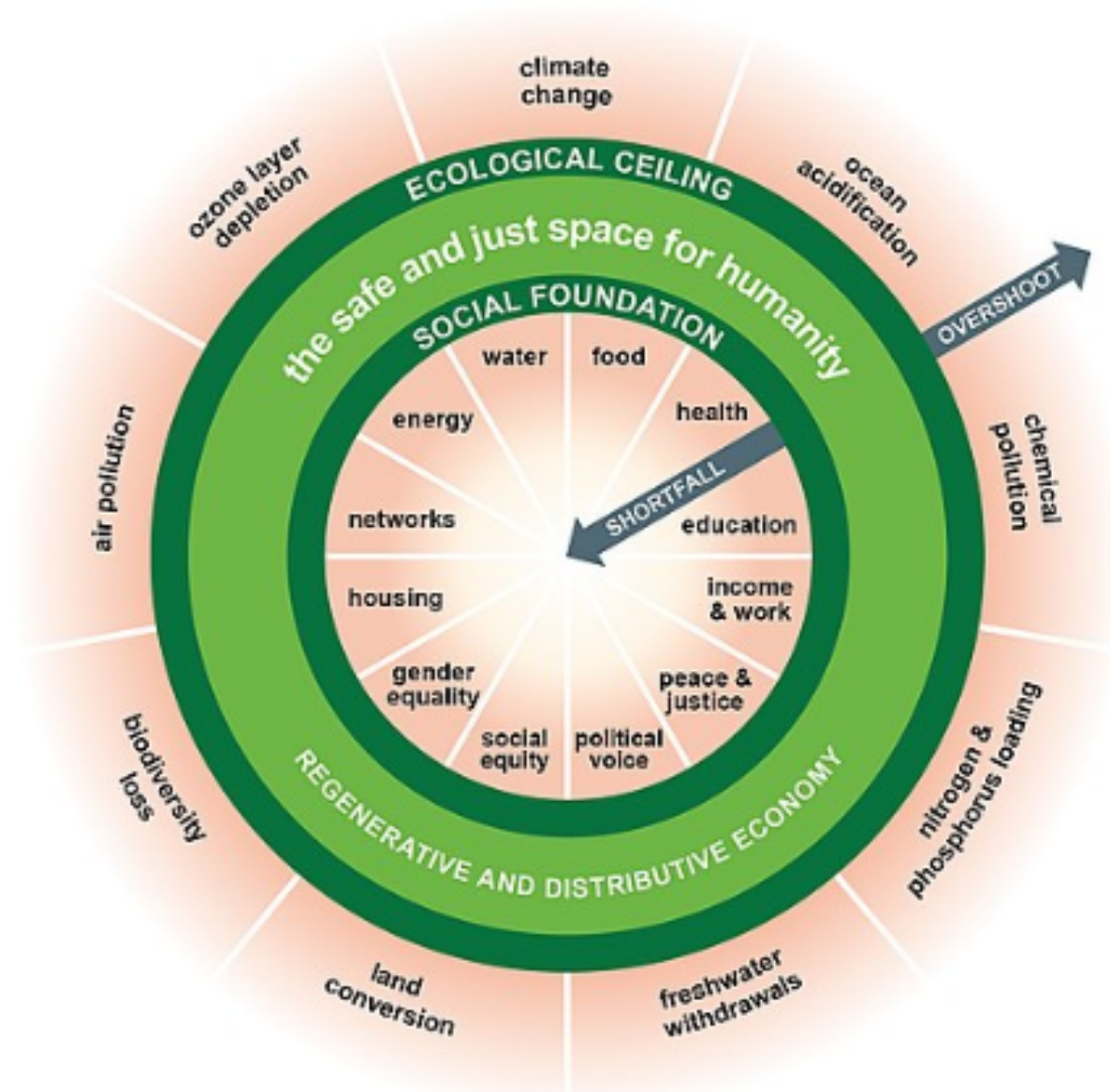
What story to tell our children?



*“Yes, the planet got destroyed, but for a beautiful moment in time we created a lot of value for shareholders.”*

# The sweet spot for business

Satisfying basic needs in the planetary boundaries



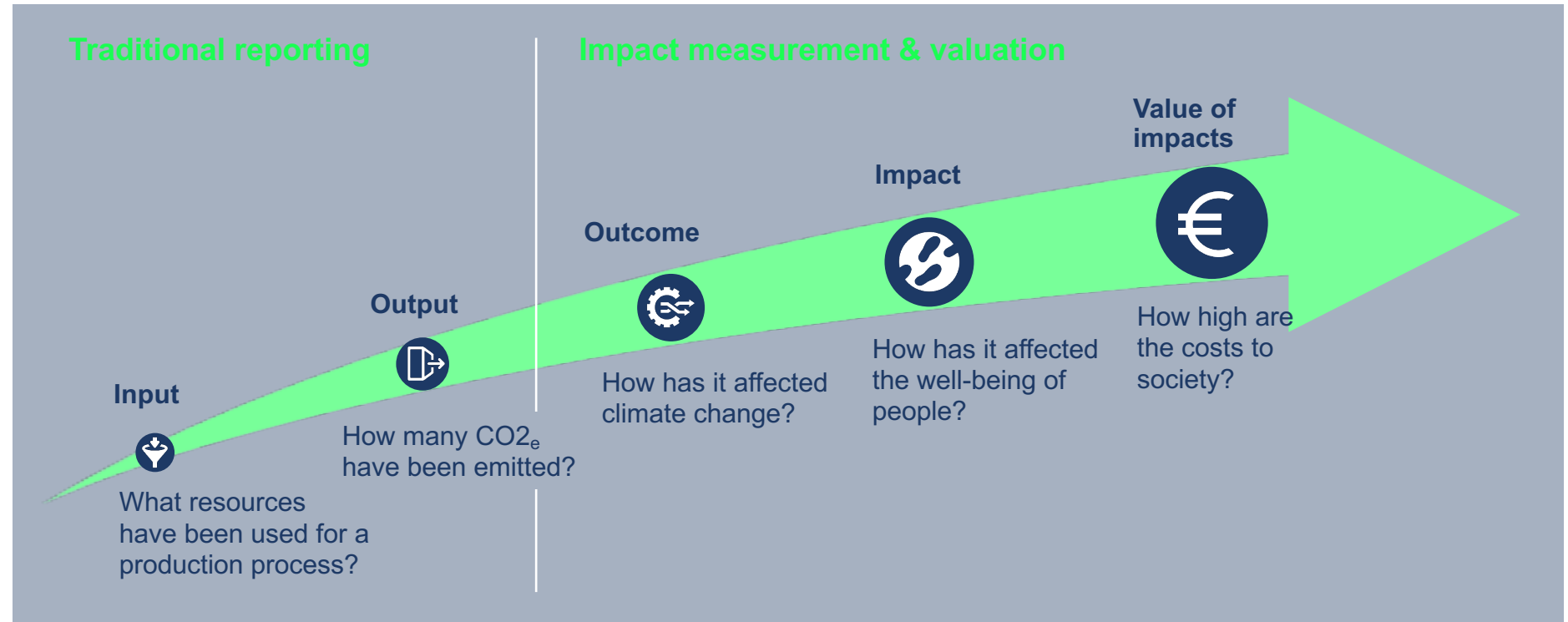
Kate Raworth, 2012





# Impact measurement and valuation

Assess the total value created by business



- Yardstick:  
How do business activities affect the well-being of people
- Metric:  
Monetary unit for pre-financial and financial aspects
- Impact:  
Taking the wider effect on society into account

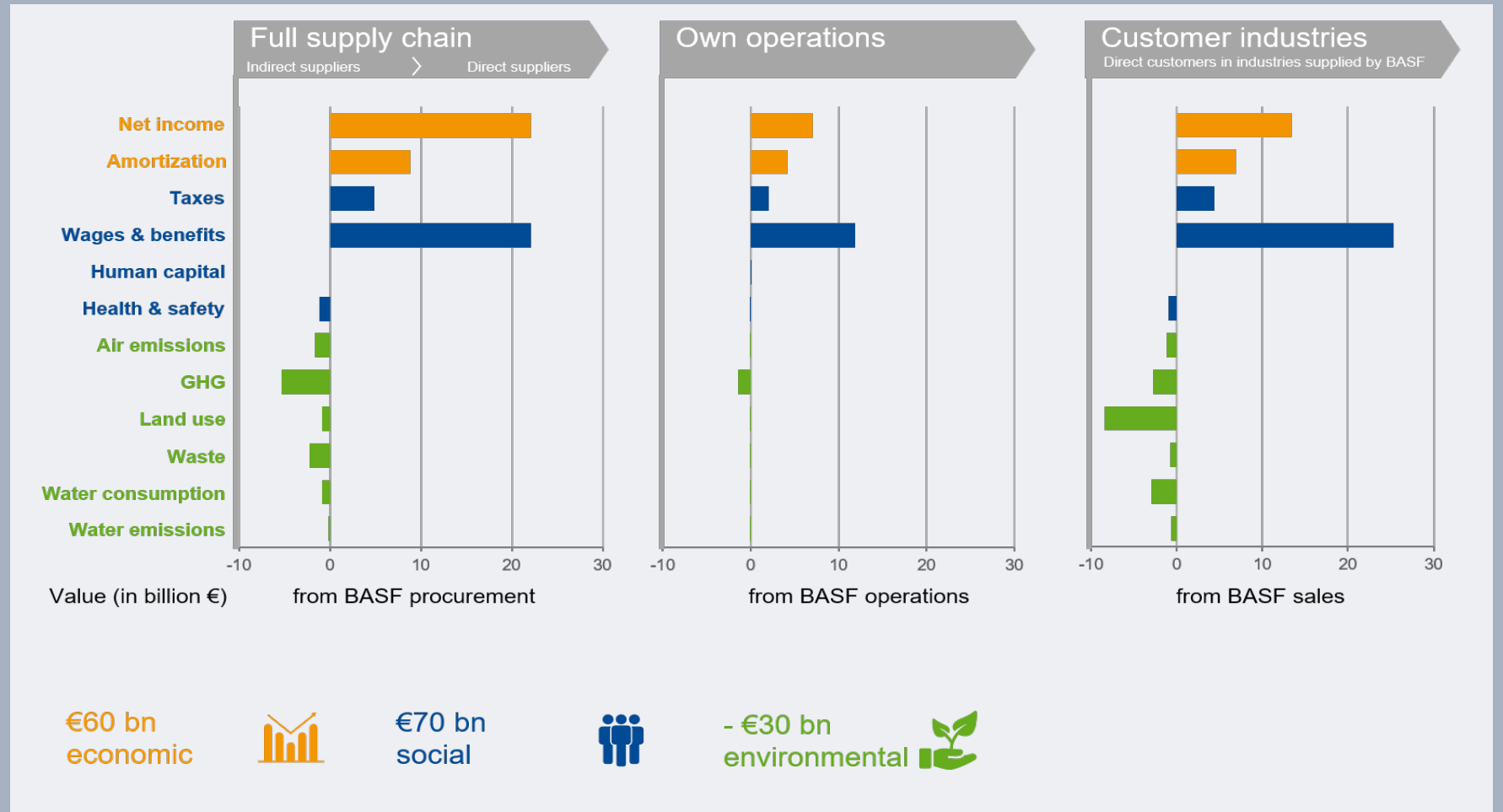
## Assess

- a. The total benefits created for society
- b. The enterprise value

# First business examples

Extending financial disclosure frames

Value-to-Society (results available since 2013)



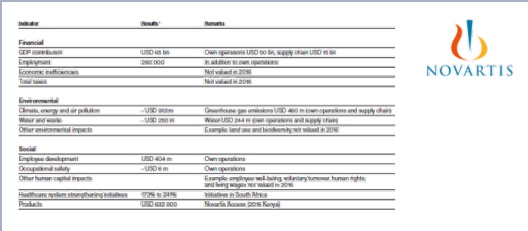


# Current company approaches

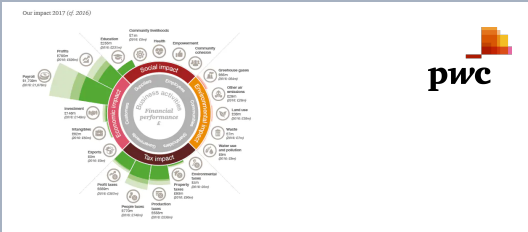
Comparability for broad uptake missing



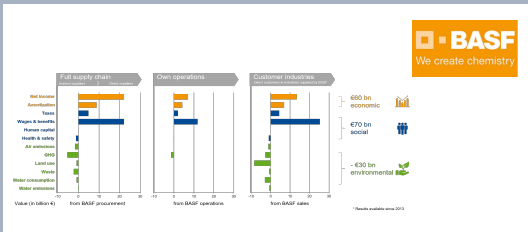
## FES impact valuation



## Total Impact



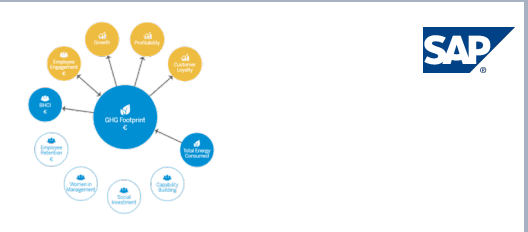
## Value-to-Society



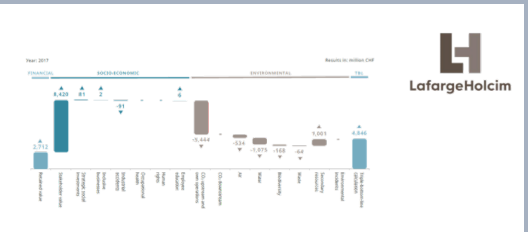
## Double Bottom Line



## Connectivity



## Integrated Profit & Loss



## Common model missing

- ❌ Scope
- ❌ Data sources
- ❌ Measurement tools
- ❌ Valuation coefficients
- ❌ Disclosure format

# The future of disclosure

Report your total value creation



## TODAY

### Financial statement

		2018
Sales <sup>1</sup>	million €	62,675
EBITDA before special items <sup>1</sup>	million €	9,481
EBITDA <sup>1</sup>	million €	9,166
EBIT before special items <sup>1</sup>	million €	6,353
EBIT <sup>1</sup>	million €	6,033
EBIT after cost of capital <sup>1</sup>	million €	825
Net income	million €	4,707
Earnings per share	€	5.12
Assets	million €	86,556
Investments including acquisitions <sup>2</sup>	million €	10,735

<sup>1</sup> Restated figures; for more information, see the Notes to the Consolidated Financial Statement

<sup>2</sup> Additions to intangible assets and property, plant and equipment

## In 2025

### Financial statement plus human, social & natural capital statement

		2018
Sales <sup>1</sup>	million €	62,675
EBITDA before special items <sup>1</sup>	million €	9,481
EBITDA <sup>1</sup>	million €	9,166
EBIT before special items <sup>1</sup>	million €	6,353
EBIT <sup>1</sup>	million €	6,033
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<sup>2</sup> Additions to intangible assets and property, plant and equipment

Indicator	Results <sup>1</sup>	Remarks
<strong>Financial</strong>		
GDP contribution	USD 68 bn	Own operations USD 50 bn, supply chain USD 18 bn
Employment	280,000	In addition to own operations
Economic influences		Not valued in 2018
Total taxes		Not valued in 2018
<strong>Environmental</strong>		
Climate, energy and air pollution	USD 60 m	Greenhouse gas emissions (USD 40 m) own operations and supply chain
Water and waste	USD 250 m	Water USD 244 m (own operations and supply chain)
Other environmental impacts		Example: land use and biodiversity not valued in 2018
<strong>Social</strong>		
Employee development	USD 404 m	Own operations
Occupational safety	USD 6 m	Own operations
Other human capital impacts		Example: employees well-being, voluntary turnover, human rights, and living wages not valued in 2018
Healthcare system strengthening initiatives	179m to 247m	Initiatives in South Africa
Products	USD 632,000	Newarth Assets 2018 Europe

## In 2030

### Integrated value balanced statement

		Total	Upstream	Operations	Downstream
Financial capital					
	xxxx				
	xxxx				
	xxxx				
	xxxx				
Natural capital					
	xxxx				
	xxxx				
	xxxx				
Social capital					
	xxxx				
	xxxx				
	xxxx				
Human capital					
	xxxx				
	xxxx				
	xxxx				
TOTAL VALUE					

Company uptake




# Join forces for transformation


Develop a model to empower decision makers to create and protect long-term value




Association (e.V.)\*, founded June 2019




BASF  
We create chemistry




Deutsche Bank




BOSCH




SK




LafargeHolcim



NOVARTIS



PHILIP MORRIS  
INTERNATIONAL



SAP

**Principles**


SIMPLE

COMPREHENSIVE


TRANSFERABLE

SCALABLE


\* VW/Porsche joined mid September

- 


**STANDARDIZATION**

Common method to assess and monetize total value created
- 

**EXTERNAL DISCLOSURE**

Design disclosure frame similar to financial statements
- 

**SCALABILITY**

Make the outcome publicly available for broad uptake via the OECD
- 

**INTERNAL BUSINESS STEERING**

Pilot the model for multi-capital decision-making and steering

# Global collaboration for a better future

Changing the enabling environment for good growth



## Association (e.V.)\*



Deutsche Bank



BOSCH



LafargeHolcim



NOVARTIS



PHILIP MORRIS INTERNATIONAL



## Policy advisor\*



## Pro-bono consultants\*

Deloitte.



EY

pwc

## Alliance

## Advisory board\*



European Commission



wbcscd



NATURAL CAPITAL COALITION



BLACKROCK



IMPACT MANAGEMENT PROJECT



ACCOUNTANCY EUROPE.

## Supporters\*



THE WORLD BANK

WORLD ECONOMIC FORUM



LUDWIG-MAXIMILIANS-UNIVERSITÄT MÜNCHEN

INTEGRATED REPORTING <IR>



Social & Human Capital Coalition



BCG



\* Not members of association





**Saori Dubourg, BASF**

“Now more than ever we need to rethink the role of business in society and take a new perspective on value creation.”

---



**Berthold Fürst, Deutsche Bank**

“Every day, we face growing economic, technological and social challenges so it is essential to anticipate how these will impact us.”

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**Lee Hyoung Hee, SK**

“Businesses need to incorporate both economic value and social value into their strategy to create virtuous cycle in the value chain.”

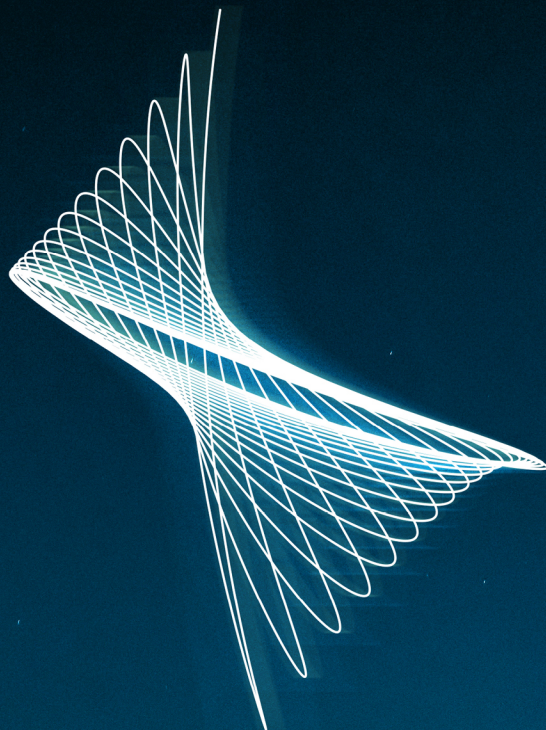
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**Patrice Matchaba, Novartis**

“We believe standardization is required in order to drive broader adoption and will ultimately serve stakeholders.”

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**Andreas Kurali, Philip Morris**

“The value balancing alliance represents a unique opportunity to contribute to the future of accounting and to provide investors and the general public a comprehensive and comparable overview.”

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**Jens Diebold, LafargeHolcim**

“The IP&L, which complements our traditional financial and sustainability metrics, enhances decision-making and sustains our value creation for shareholders, society, and the environment over the long term.”

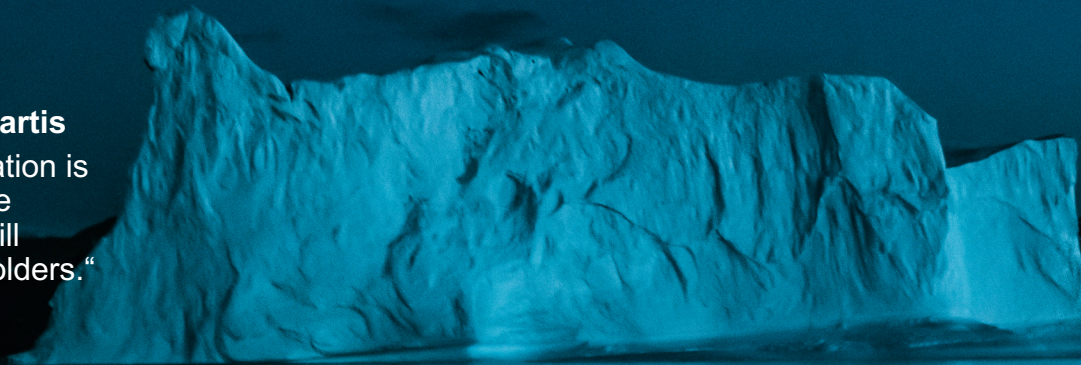
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**Luka Mucic, SAP**

“We want to help ensure that smart integration of Impact Measurement and Valuation will ultimately become standard practice.”

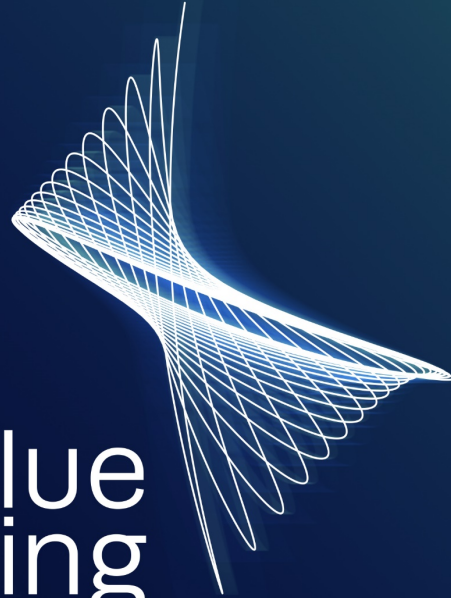
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**VBA perspective  
regarding NCA**

value  
balancing  
alliance

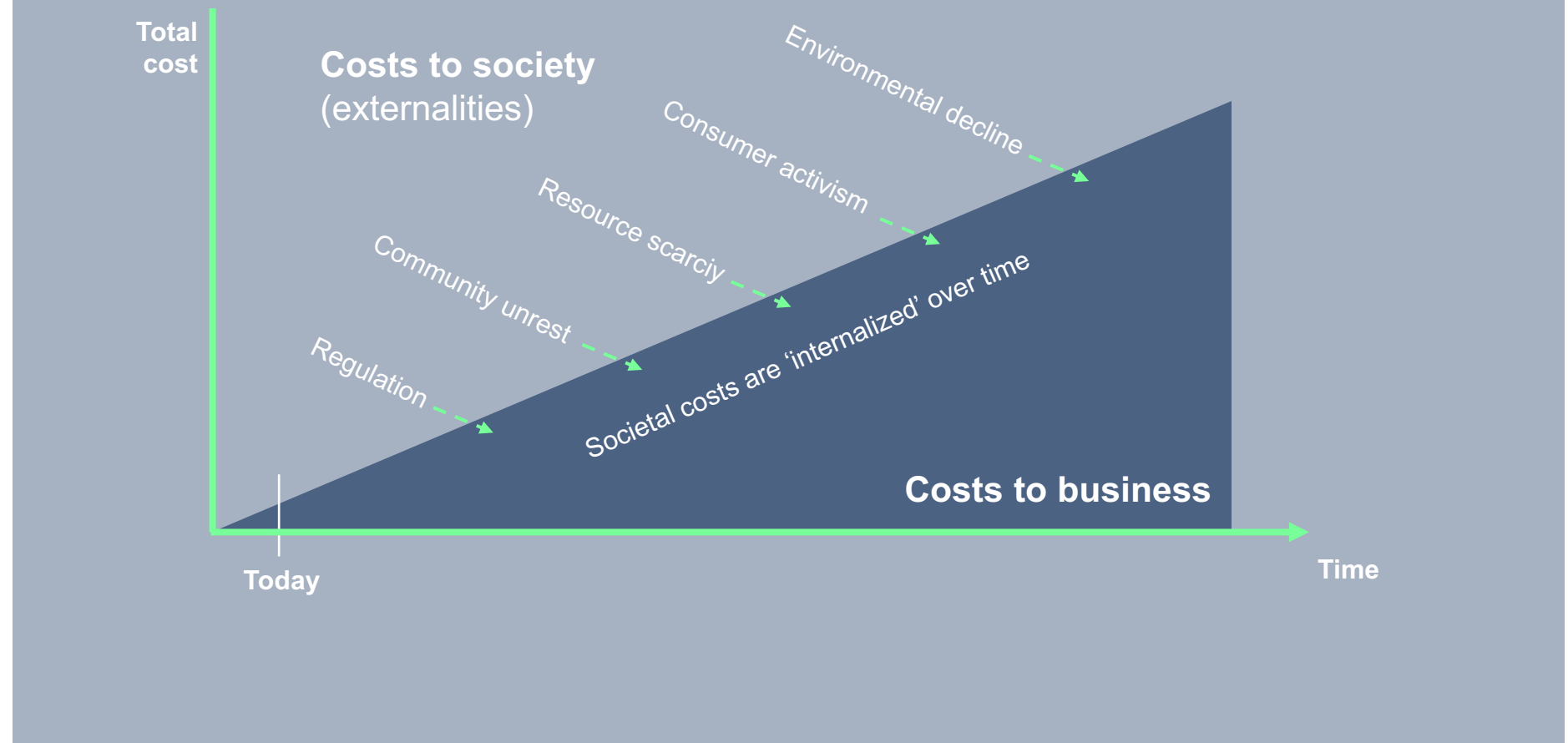




# Relevance to business

Assessing risks and opportunities

## New expectations of businesses to deliver 'good growth'



# value balancing alliance expectations

Asian Development Bank	Encore	EPA.gov	Escher	Eurostat	Exiobase
Global Water Tool	Globio	GRI Database	GTAP	Local Water Tool	Notre Dame Global Adaptation Index
OECD	Recipe	TEEBa	WIOD	World Databank	

## Gaps/limitations

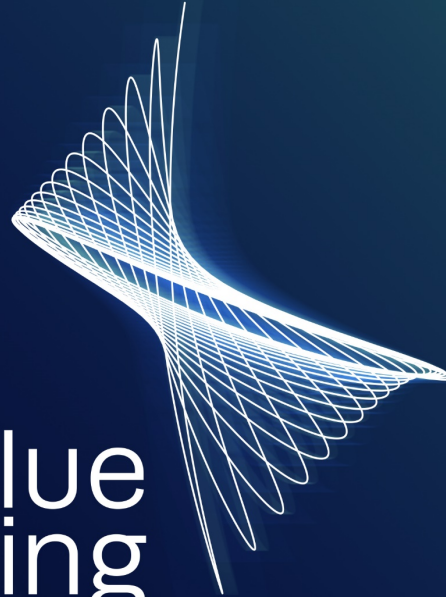
- availability
- frequency
- accuracy vs granularity
- pricing

## IN NEED OF COMMON:

- Definitions and standards
- Objectives (ie: SDG's)
- Meaningful data
- Joint effort (national statistics and business)

**Thank you**

value  
balancing  
alliance



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