Reporting 3.0 Platform
Accounting Blueprint

Plenary 5 Introduction to the Pre-Exposure Draft by
Dr CT van der Lugt, 3.0 Accounting Working Group Coordinator, Amsterdam, 31 May 2017

Blueprint 2: *Accounting*

***3.0 AWG of 22 experts world-wide**, including ACCA, IIRC, CIMA, SASB, NBA, SAICA, WB, UNCTAD-ISAR, UNEP FI, Thomson Reuters, KPMG, Aegon, ABN-AMRO, Crown Estate, and 5 universities*

This Blueprint explores how accounting can be transformed to serve a green and inclusive economy

How new concepts as multi-capital accounting, integrated P&Ls and social balance sheets can be mainstreamed

Asks: What could accounting look like 20 years from now?

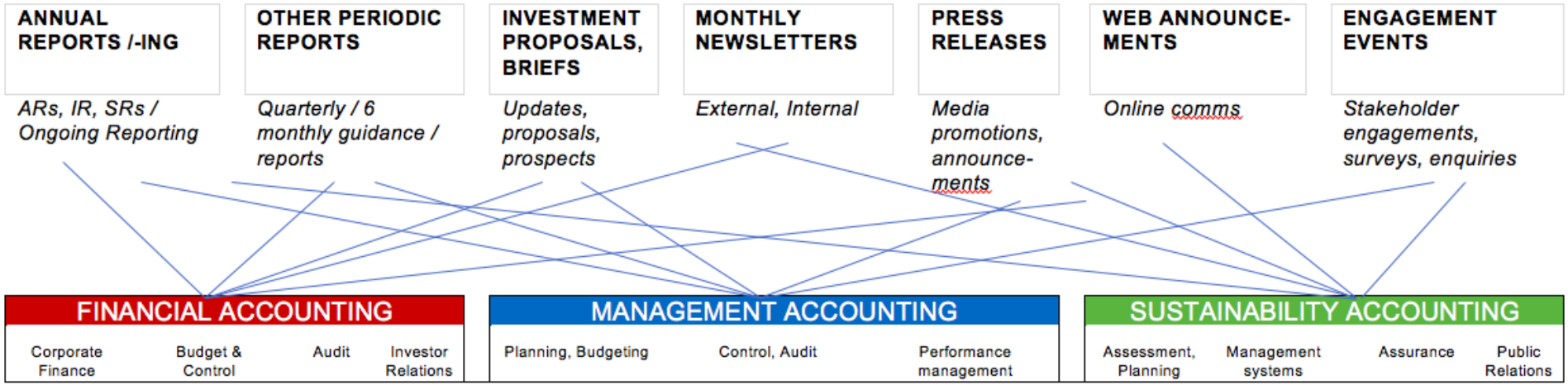
Purpose of *Accounting*

Definition of New Accounting:
“Standardized systems for *(ito process)* planning, measuring, tracking, controlling, evaluating and communicating the performance of an organization to *(ito purpose)* enable informed decision-making about its health, external impacts and future direction.”

- **Market efficiency, decision-usefulness**
- **Accountability, stewardship**

New Accounting

Three accounting subdisciplines laying the foundation for diverse communications…

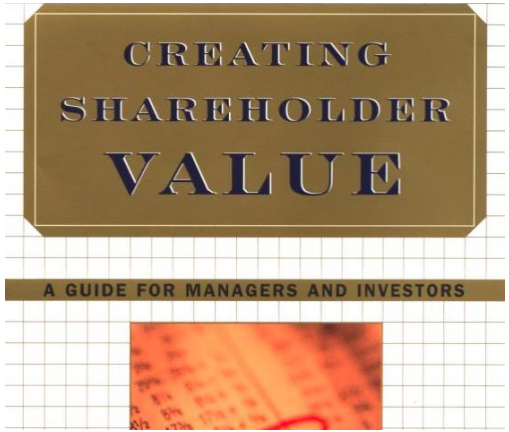


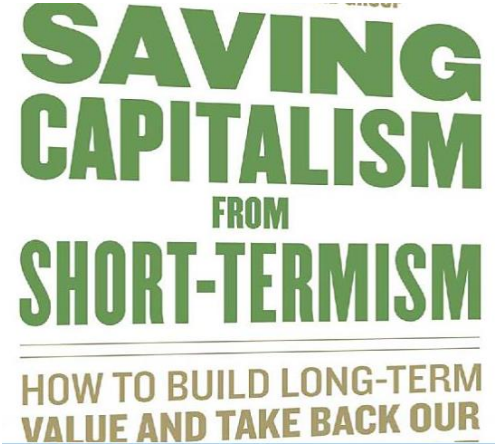
Recognition…

Probable benefit / cost, and it can be measured with reliability…

Complexity and Subjectivity

“Cash is a fact, profit is an opinion”
– Alfred Rappaport (1986)





Monetization…

Materiality

Inside-out vs outside-in views, inward vs outward impacts, Internal vs external thresholds, context at different levels…

“Salient issues” vs “business materiality”:

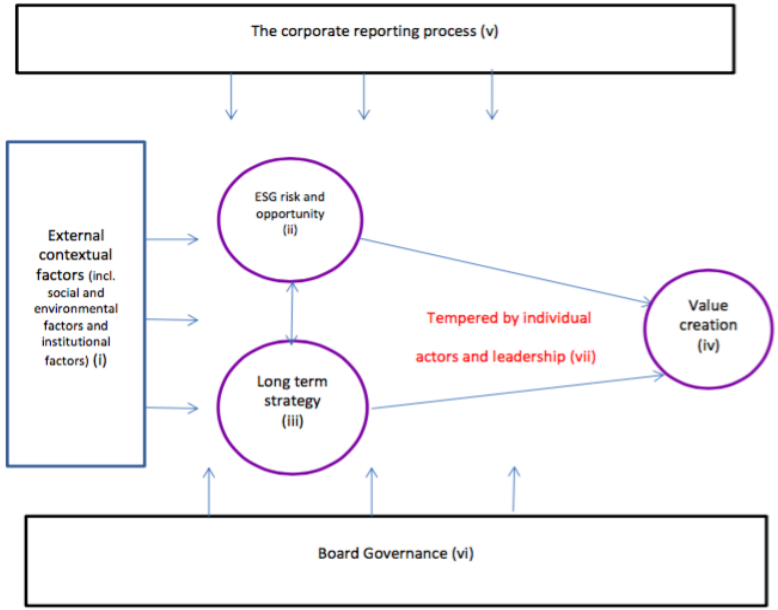
“Companies should focus their human rights disclosure on the most severe actual and potential impacts on human rights associated with their activities and business relationships. The starting point for disclosure is, therefore, risk to human rights rather than risk to business, while recognizing that where impacts on human rights are most severe, they converge strongly with risk to the business as well. “ ***(Reporting Framework for UN Guiding Principles for Business and Human Rights 2017)***

Multilayered Income Statement

Scope 1/2	Internalities	**REVENUE** **COSTS** **NET INCOME**	
		OTHER CI **COMPREHENSIVE INCOME (CI)**	
Scope 1/2	Internalities	**CI / TOTAL VALUE ADDED DISTRIBUTED** - A, B, C, D etc	**- e.g. Environmental Financial Statement**
		COMPREHENSIVE INCOME (CI)	
Scope 2/3	Externalities	**INDIRECT BENEFITS / COSTS** - A, B, C, D etc	**- e.g. Financial Environmental Statement**
		FULL COMPREHENSIVE INCOME (FCI)	

Narrative Reporting

- Business Models
- Value creation, value creation process and multiple capitals
- Risk reporting
- Governance reporting (cf Corporate Governance Codes)
- ESG Risk Reporting



Adams (2017)

Steps towards multi / interdisciplinary thinking…

Accounting may save the Planet, but accountants may kill it. From how we educate the accountants of the future, they need to know: There is strength in numbers yes, but the whole is greater than the sum of its parts...

"We are neither hunters nor gatherers. We are accountants."

THANK YOU…

Cornis Van Der Lugt PHD MBA
Stellenbosch University Business School, South Africa
3.0 Accounting Working Group Facilitator
Co-Lead Author with
Dr Carol Adams, Durham University Business School, UK