



# Dynamic Reporting of Intangibles, A three continental approach. *Here: Cases of German Companies*

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6.-7th June 2013

World Conference on Intellectual Capital for Communities  
- 9<sup>th</sup> Edition -

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# 1. Regulation on intangibles within EU legislation on financial accounting

## Financial reporting according to EU legislation

Fourth Company Law Directive on annual accounts:

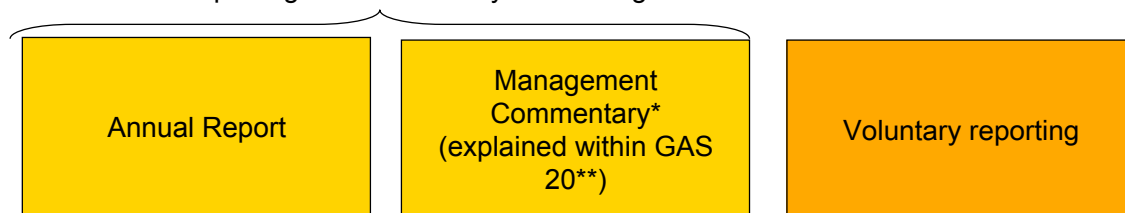
Companies can choose to disclose non-financial information on environmental, social and other aspects of their activities.

- Requirements are unclear and ineffective and applied in different ways in different Member States.
- Fewer than 10% of the largest EU companies disclose such information regularly.
- Some Member States have introduced disclosure requirements that go beyond the Fourth Company Law Directive:
  - UK introduced legislation in 2006 (now being updated),
  - Sweden adopted legislation in 2007,
  - Spain in 2011,
  - Denmark amended its legislation in 2011,
  - Update in France in May 2012

# 1. Regulation on intangibles within EU legislation on financial accounting

## German introduced legislation in 2005

Financial Reporting standardized by accounting rules



\* Not obligatory for small sized companies (§ 264.1 German GAAP)

\*\* GAS: German Accounting Standard

- Intellectual Capital Statement,
- Sustainability Report
- Integrated Report (IIRC)

Obligatory information within Management Commentary referring to intangibles as well as social and environmental dimension for **large corporations**

- Analysis of the business performance considering non-financial indicators
- Future development of the company with its key resources and risks

# 1. Regulation on intangibles within EU legislation on financial accounting

## EU Strategies

- COM(2013) 207, Strasbourg, 16<sup>th</sup> April 2014:  
**Proposal** for a Directive of the European Parliament and of the Council: amending Council Directives 78/660/EEC and 83/349/EEC as regards **disclosure of nonfinancial and diversity information** by certain large companies and groups.  
  
Objective: increase EU companies' **transparency and performance on environmental and social matters**, and, therefore, to contribute effectively to long-term economic growth and employment.
- The Directive does not require companies to comply with **Integrated Reporting**.  
Integrated Reporting is about the integration by companies of financial, environmental, social and other information in a comprehensive and coherent manner.

## 2. The *Capitals* according to ICS, SR and IR

Intellectual Capital Statement	Sustainability Report	Integrated Report
<ul style="list-style-type: none"><li>• Human Capital</li></ul>	<ul style="list-style-type: none"><li>• Social KPI</li></ul>	<ul style="list-style-type: none"><li>• Human Capital</li></ul>
<ul style="list-style-type: none"><li>• Relational Capital</li></ul>	<ul style="list-style-type: none"><li>• Ecological KPI</li></ul>	<ul style="list-style-type: none"><li>• Social and Relationship Capital</li></ul>
<ul style="list-style-type: none"><li>• Structural Capital</li></ul>	<ul style="list-style-type: none"><li>• Economic KPI</li></ul>	<ul style="list-style-type: none"><li>• Natural Capital</li><li>• Manufactured Capital</li><li>• Financial Capital</li></ul>

### 3. Case study „Intellectual Capital Report“ within Management Commentary (1): Kali + Salz

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Separate chapter about “Important Non-Financial Matters” and “R&D”

**Strategy for dealing with sustainability matters (1 page)**

**R&D (4 pages):**

- Goals and main focuses of R&D Activities
- Use of external R&E Know-How (e.g. cooperations)
- Research personnel and research costs and development-related capital expenditure,
- Research and development projects and results including brand portfolio and patents

**Human Capital (5 pages):**

- personnel policy and management
- Employees (expenses, age structure)
- training figures,
- personnel development and
- work safety

Source: K+S: Financial Report 2012, pp. 72ff.

### 3. Case study „Intellectual Capital Report“ within Management Commentary (2): Volkswagen

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Separate chapter about “Value-enhancing Factors – Responsibility and sustainability along the entire value chain” (34 pages)

- Corporate Social Responsibility und Sustainability (3 pages)
- Research and development (5 pages)
- Procurement (4 pages)
- Production (4 pages)
- Sales and Marketing (3 pages)
- Employees (7 pages)
- Information Technology (0,5 page)
- Environmental Management in the group (7,5 pages)

Source: Volkswagen: Annual Report 2012, pp. 192ff.

## 4. Case study „Sustainability Report“: BMW

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BMW Group complies among others with the ten principles of the UN Global Compact and GRI Index

### **Structure:**

- Sustainable Management (19 pages)
- Product Responsibility (21 pages)
- Group-wide Environmental Protection (18 pages)
- Supply Chain Management (8 pages)
- Employees (24 pages)
- Corporate Citizenship (before: Society) (15 Pages)

Assurance Report (2 pages), GRI Index (3 pages) and UN Global Compact (2 pages)

Source: BMW: Sustainable Value Report 2012

([http://www.bmwgroup.com/bmwgroup\\_prod/e/0\\_0\\_www\\_bmwgroup\\_com/verantwortung/svr\\_2012/index.html](http://www.bmwgroup.com/bmwgroup_prod/e/0_0_www_bmwgroup_com/verantwortung/svr_2012/index.html))

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## 5. Case study „Integrated Report“: SAP

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### **SAP Integrated Report 2012**

- The IR contains a comprehensive and integrated presentation of the performance 2012 based on financial and non-financial measures.
- The Annual Report 2012 comprising information required by accounting and disclosure standards is published separately.
- The management report is complying to German Commercial Code as well as to IFRS Practice Statement Management Commentary.
- The social and environmental information included in the IR is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI)

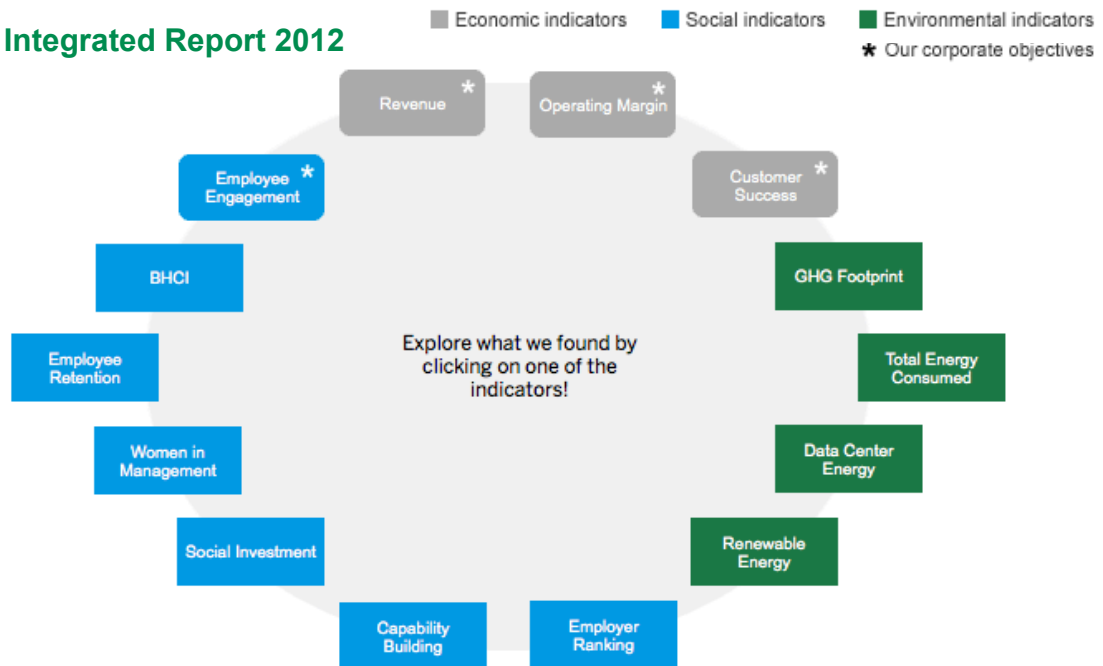
Source: [www.sapintegratedreport.com](http://www.sapintegratedreport.com)

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## 5. Case study „Integrated Report“: SAP

### SAP Integrated Report 2012



Source: [www.sapintegratedreport.com](http://www.sapintegratedreport.com)

BHCI: Business Health Culture Index  
GHG: Greenhouse Gas Footprint

## 5. Clustering of Capitals?

ICS	Summary of analysed companies	IR
<i>Structural Capital</i>	<ul style="list-style-type: none"> <li>Financial ratios</li> <li>Supply chain, Products and R&amp;D</li> <li>Sustainability: Emission and waste as well as Energy Energy</li> <li>Employees as well as Health and Safety</li> <li>Production &amp; Marketing</li> <li>Corporate Social Responsibility</li> </ul>	<i>Financial Capital</i>
<i>Human Capital</i>		<i>Manufactured Capital</i>
<i>Relational Capital</i>		<i>Natural Capital</i>
		<i>Human Capital</i>
		<i>Social and Relational Capital</i>

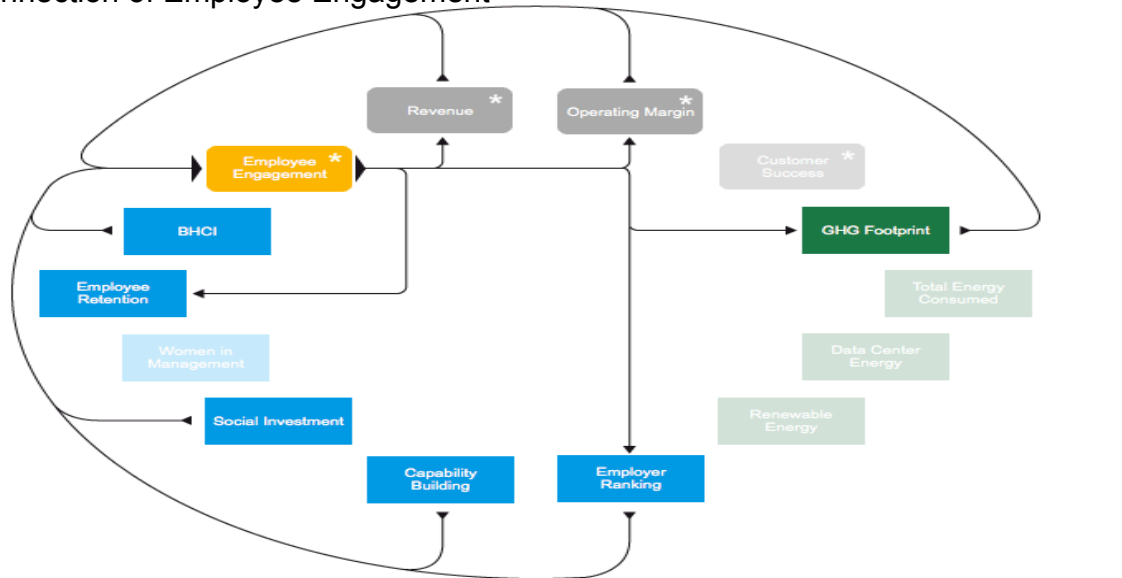
Questions?

End

## 5. Case study „Integrated Report“: SAP

### SAP Integrated Report 2012

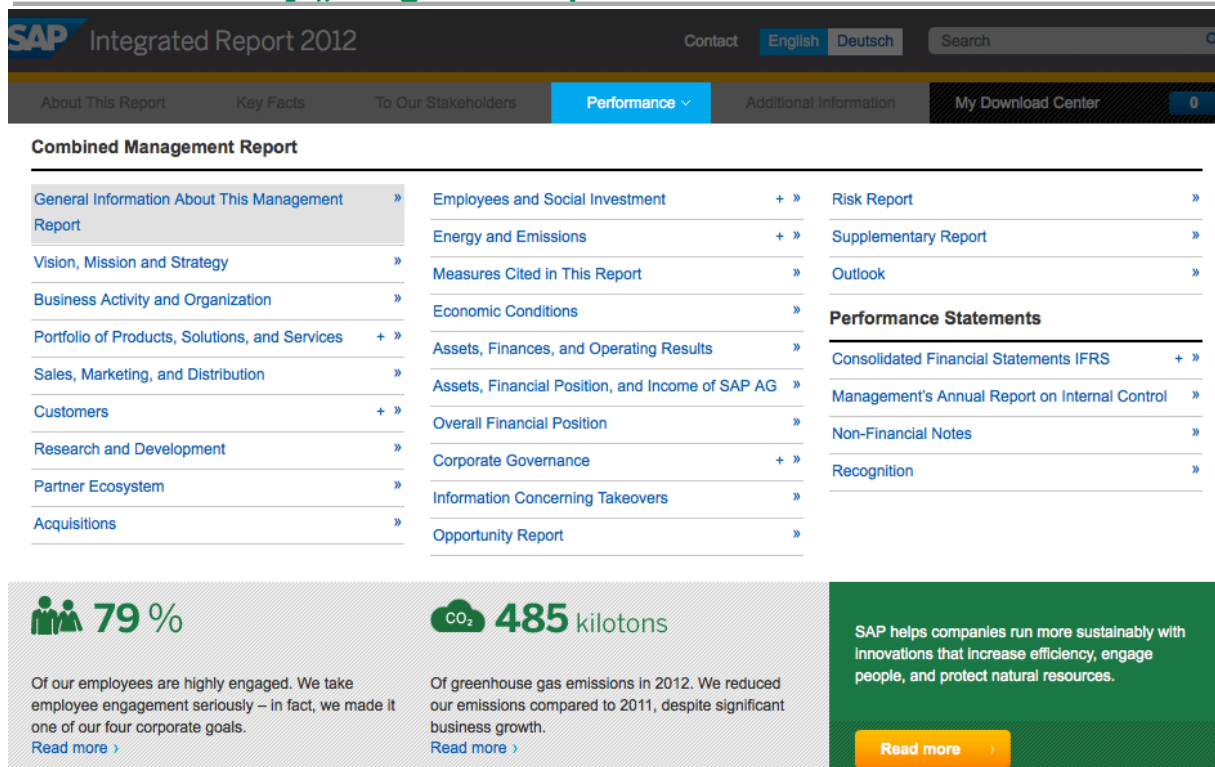
#### Connection of Employee Engagement



Source: [www.sapintegratedreport.com](http://www.sapintegratedreport.com)


Business Health Culture Index  
Greenhouse Gas Footprint

## 5. Case study „Integrated Report“: SAP




**Combined Management Report**

General Information About This Management Report	Employees and Social Investment	Risk Report
Vision, Mission and Strategy	Energy and Emissions	Supplementary Report
Business Activity and Organization	Measures Cited in This Report	Outlook
Portfolio of Products, Solutions, and Services	Economic Conditions	<b>Performance Statements</b>
Sales, Marketing, and Distribution	Assets, Finances, and Operating Results	Consolidated Financial Statements IFRS
Customers	Assets, Financial Position, and Income of SAP AG	Management's Annual Report on Internal Control
Research and Development	Overall Financial Position	Non-Financial Notes
Partner Ecosystem	Corporate Governance	Recognition
Acquisitions	Information Concerning Takeovers	
	Opportunity Report	

 **79%**

Of our employees are highly engaged. We take employee engagement seriously – in fact, we made it one of our four corporate goals.  
[Read more >](#)

 **485 kilotons**

Of greenhouse gas emissions in 2012. We reduced our emissions compared to 2011, despite significant business growth.  
[Read more >](#)

SAP helps companies run more sustainably with innovations that increase efficiency, engage people, and protect natural resources.

[Read more >](#)



## 5. Case study „Integrated Report“: SAP

### Performance Statements Non-Financial Notes

Select



- (1) General information about the non-financial Indicators
- (2) Greenhouse Gas Footprint
- (3) Renewable Energy
- (4) Data Center Energy
- (5) Total Energy Consumed
- (6) Water
- (7) Waste
- (8) Employee Retention
- (9) Women in Management
- (10) Senior Management hired from the local Community
- (11) Business Health Culture Index
- (12) Employee Engagement
- (13) Customer Success

Source:  
[www.sapintegratedreport.com](http://www.sapintegratedreport.com)



TU Clausthal  
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