

Working Group „Accounting and Reporting of Intangibles“

Schmalenbach Gesellschaft

The Franco-German Roundtable on Intangibles

Paris / November 22, 2013

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**Working Group
„Accounting and Reporting of Intangibles“**



Schmalenbach-Gesellschaft
für Betriebswirtschaft e.V.

Working Group (WG) embedded in overall activities of Schmalenbach Gesellschaft (SG) (I)

- **goals of SG (www.schmalenbach.org):** Creation and promotion of close relationships between research in business economics, teaching and business practice with the aim of
 - intensifying dialogue between science and business on the application of new findings and methods in business economics
 - gaining new findings in business economics through the close Cupertino of science and business
 - stimulating research in the field of business economics and related social and natural sciences
 - preparing statements on current questions in the fields of business practice and economic legislation and
 - communicating new findings in the field of business economics and promoting the public's understanding of business problems.

Working Group (WG) embedded in overall activities of Schmalenbach Gesellschaft (SG) (II)

Management and Organisation

- Corporate Development and International Management
- External and Internal Corporate Control
- Human Resource Management
- Mergers & Acquisitions
- Organisation
- Sustainability Management
- Value Based Management in Small and Medium-Sized Enterprises

Manufacturing and Marketing

- Marketing
- Integration of New Products and Services
- Purchasing and Logistics
- R & D Management

Finance, Accounting, Taxes

- **Accounting and Reporting of Intangibles**
- Financial Accounting
- Corporate Finance
- Internal Accounting
- Taxation

Industries

- Business Economics in Construction Industries
- Business Economics in Healthcare Industries
- Regulation in Network Industries
- Retail Banking
- Strategic Planning and Controlling in Banking Corporations

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Working Group (WG) embedded in overall activities of Schmalenbach Gesellschaft (SG) (III)

- WG on Accounting and Reporting of Intangibles **founded in 1998**.
- **aims at developing proposals of**
 - how to explain sources of (market) value of a company not being reported on its balance sheet
 - how to incorporate intangibles in financial and management accounting and reporting
 - how to represent the importance and role of such values in corporate measurement and communication instruments.
- **previous work and publications** (see next slide) of WGARI dealt with:
 - structuring of intangibles
 - incorporation of intangibles in financial statements
 - incorporation of intangibles in the management report
 - recognition and measurement of intangibles in a business combination

Publications

- Kategorisierung und bilanzielle Erfassung immaterieller Werte, in: *Der Betrieb* 54 (2001), 989-995.
- Freiwillige externe Berichterstattung über immaterielle Werte, in: *Der Betrieb* 56 (2003), 1233-1237.
- Erfassung immaterieller Werte in der Unternehmensberichterstattung vor dem Hintergrund handelsrechtlicher Rechnungslegungsnormen, in: Horváth, P. and Möller, K. (Eds.): *Intangibles in der Unternehmenssteuerung*, Stuttgart 2005, 221-250.
- Corporate Reporting on Intangibles - A Proposal from a German Background, in: Current Issues in Financial Reporting and Financial Statement Analysis, in: *sbr*, Special Issue 2 2005, 65-100.
- Leitlinien zur Bilanzierung selbst geschaffener immaterieller Vermögensgegenstände des Anlagevermögens nach dem Regierungsentwurf des BilMoG, in: *Der Betrieb* 61 (2008), 1813-1821.
- Immaterielle Werte im Rahmen der Purchase Price Allocation bei Unternehmenszusammenschlüssen nach IFRS – Ein Beitrag zur Best Practice, in: *zfbf*, Special Issue 2009.
- Management Control and Reporting of Intangibles, in: *Schmalenbach Business Review*, Special Issue 4/13, 2013.

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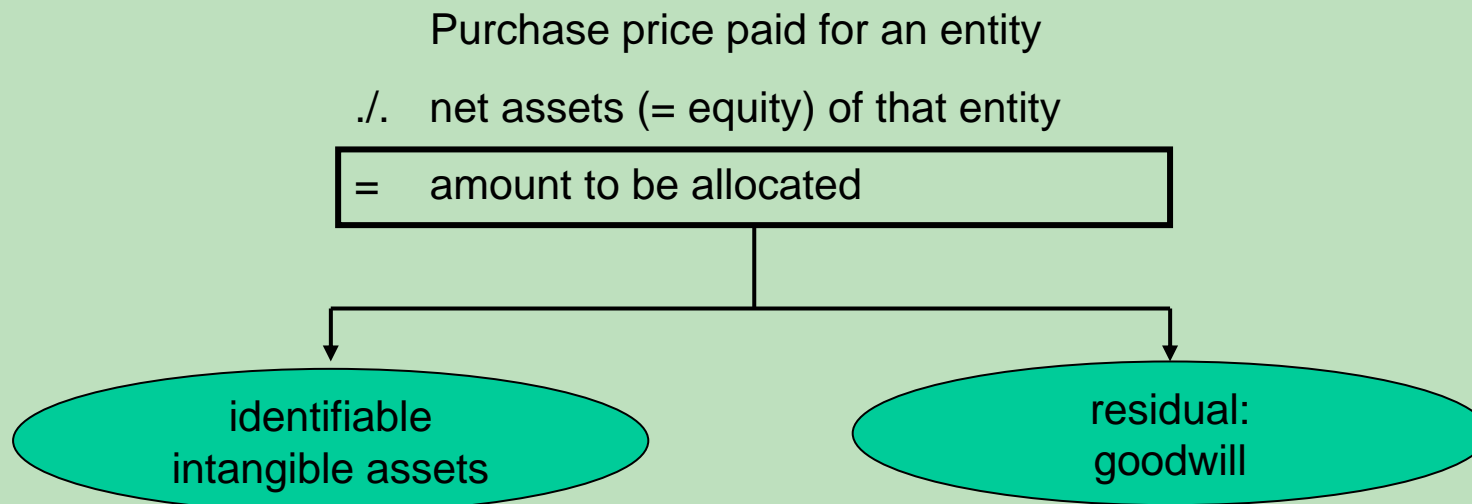
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Basic categorization of Intangibles: 7 categories of intangibles identified (publication in German language in 2001)

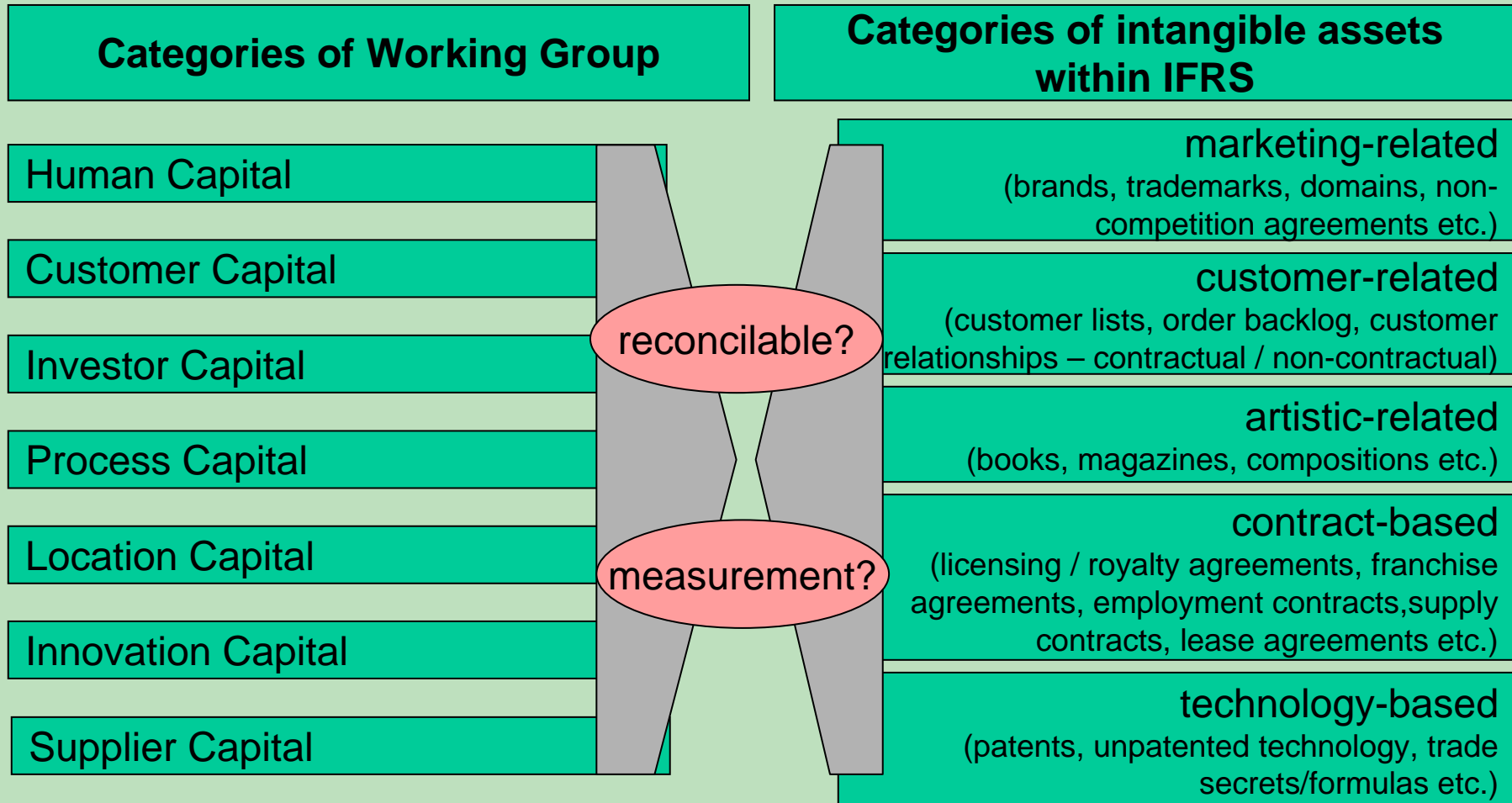
1. **Human Capital**
e.g. know how, training, development, leadership quality, working conditions etc.
 2. **Customer Capital**
e.g. customer lists, customer relationships, customer satisfaction, trademarks etc.
 3. **Investor Capital**
e.g. financing conditions, investor confidence/trust etc.
 4. **Process Capital**
e.g. quality levels/checks, distribution network etc.
 5. **Location Capital**
e.g. good connection to public transport/motorways/airports, tax aspects
 6. **Innovation Capital**
 7. **Supplier Capital**
- no clear cut possible
➤ categories are interdependent

Accounting and external reporting: Intangibles in a business combination (publication in German language in 2009)

- International Financial Reporting Standards (IFRS) require to allocate purchase price for an entity that can not be explained by on-balance assets to off-balance assets (i.e. intangibles and goodwill)



Accounting and external reporting: Intangibles in a business combination

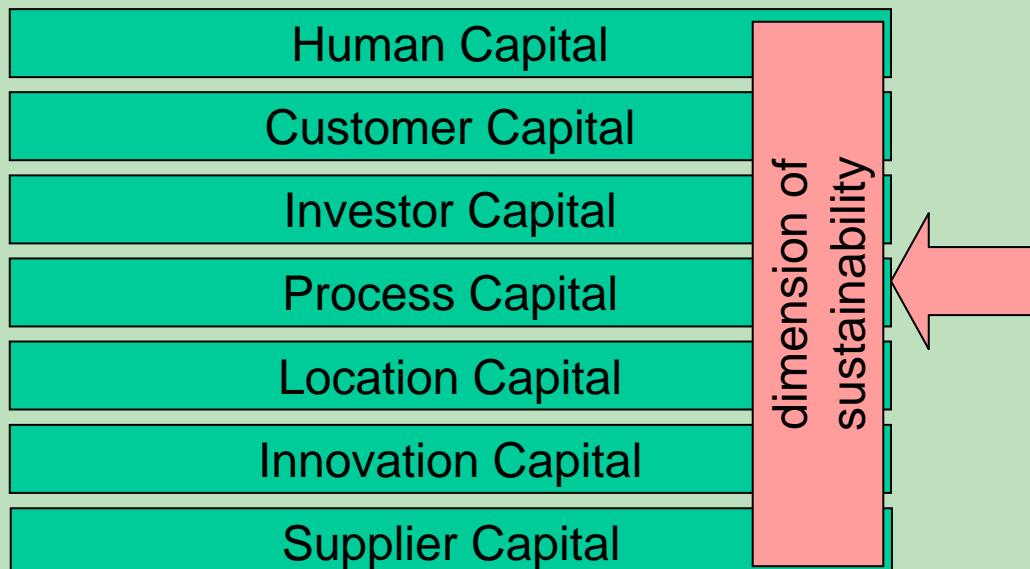


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Intangibles within management control & internal reporting: (publication in English language in 2013)

- categorization of intangibles by Working Group adjusted by aspects of sustainability
- sustainability not regarded as a separate category, but as an additional dimension of each category



- dimension of sustainability **adds ecological and social/ethical dimension** to economic value
- **not in conflict** to economic dimensions
- broadening the **notion of „value“**
- **interface to Corporate Social Responsibility Reporting / Integrated Reporting**

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Intangibles within management control & internal reporting

➤ Key questions:

- How are intangibles identified within management control systems (regardless of whether they are on-balance or off-balance)?
- How are decisions taken concerning identified crucial intangibles?
- How are they measured? Are management incentives in place?
- Is it always possible to measure in € amounts? [side aspect: only what can be measured can be rewarded]

➤ Key learning:

- Theoretically, control systems are available and designable
- In business practice, there is no management control system in place that covers all aspects of management control of intangibles.
- But: individual solutions for management control of selected are identifiable

Intangibles within management control & internal reporting

➤ Individual solutions identified and discussed:

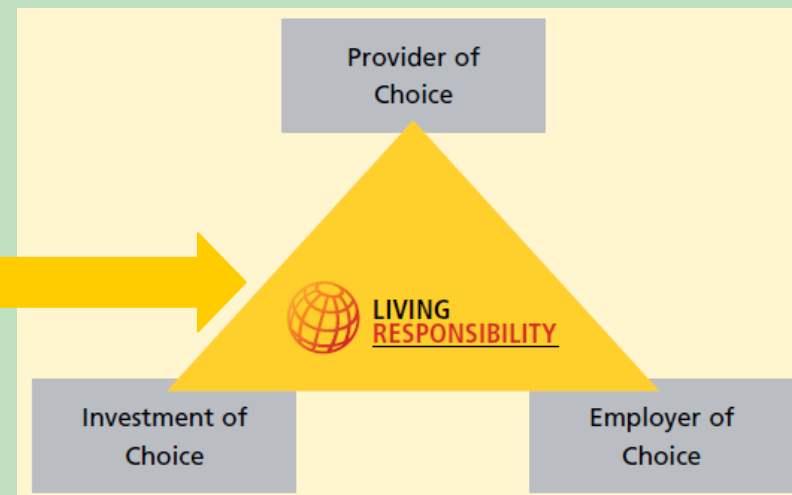
- Henkel KGaA: management control of brands
- Metro AG: Human Capital Return on Investment (HCROI), an approach to evaluate human capital management
- Bertelsmann SE: Measurement and control of corporate culture
- SAP: Monitoring sustainability
- Deutsche Post DHL: Carbon efficiency management

DP DHL: carbon efficiency management as integral part of strategy

➤ Strategy 2015 has three bottom lines:

- to be provider of choice for our customers > customer capital
- to be investment of choice for our investors > investor capital
- to be employer of choice for our staff. > human capital

Living responsibility/
environmental and
social responsibility
seen as key
stakeholder of
DP DHL



DP DHL: Why carbon efficiency management?

Our business comprises
locations in

220

countries and territories

We drive a network of more than

120,000

destinations worldwide

With our fleet of 80,000 cars/trucks etc., 155 aircrafts
and locations in 220 countries and territories, we have
a consumption (by year) of:

37 Mio. l.	fuel
435 Mio. l.	diesel
1.019 Mio. l.	kerosine
3,317 Mio. kWh	energy consumption ²

Carbon Efficiency Management / Carbon Accounting and Controlling as key institution to balance economic and social interests

- **ambition:** to improve carbon efficiency (incl. subcontractors) by 30% until 2020 (basis: 2007)
- **social benefits:** minimization of impact of our business operations on environment
- **economic benefits:** reducing amount of fuel and energy we consume, which in turn reduces our costs



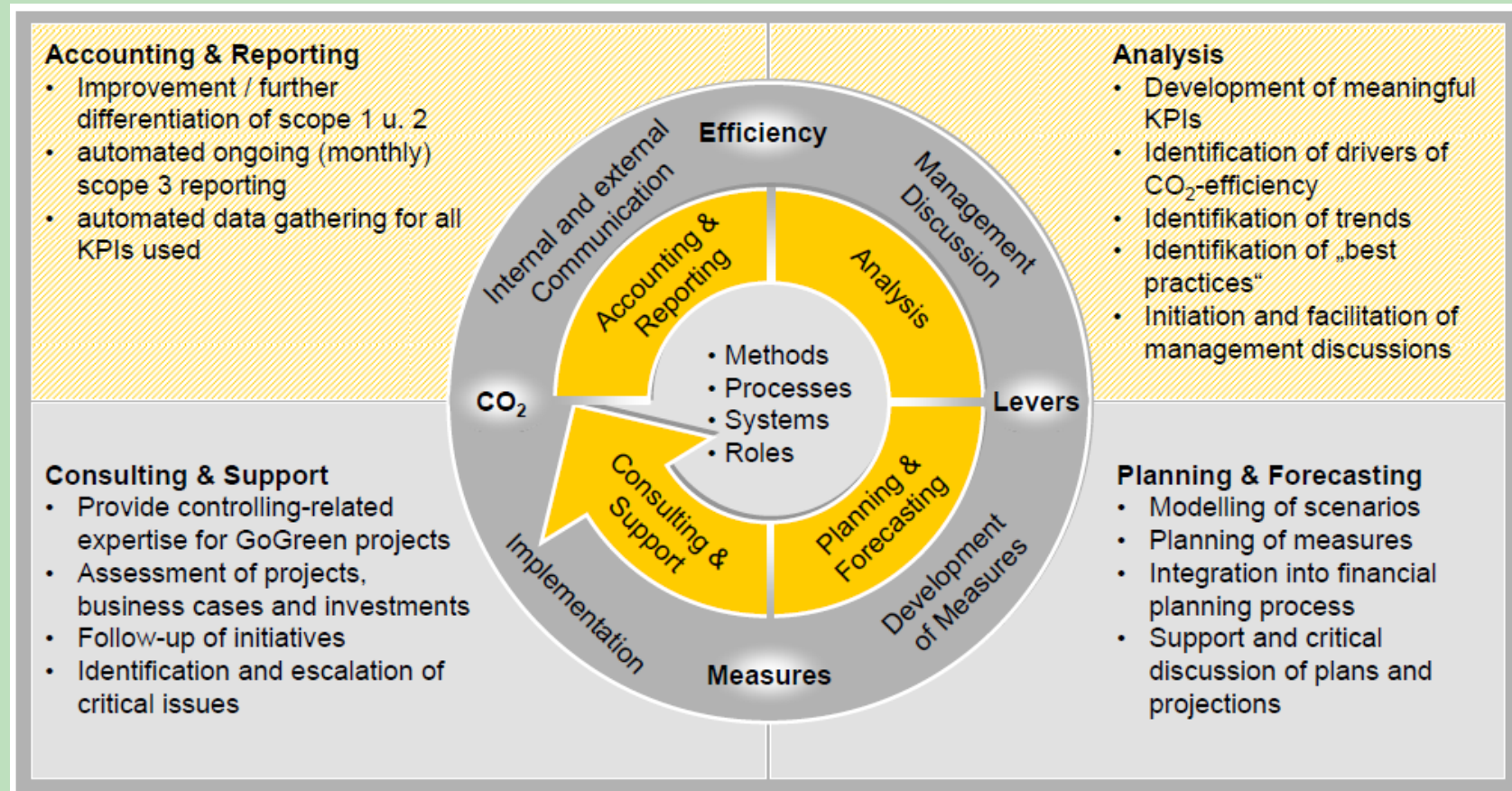
source: Corporate Responsibility Report 2011, Deutsche Post DHL

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Carbon Accounting and Controlling aims at comprehensive support for management

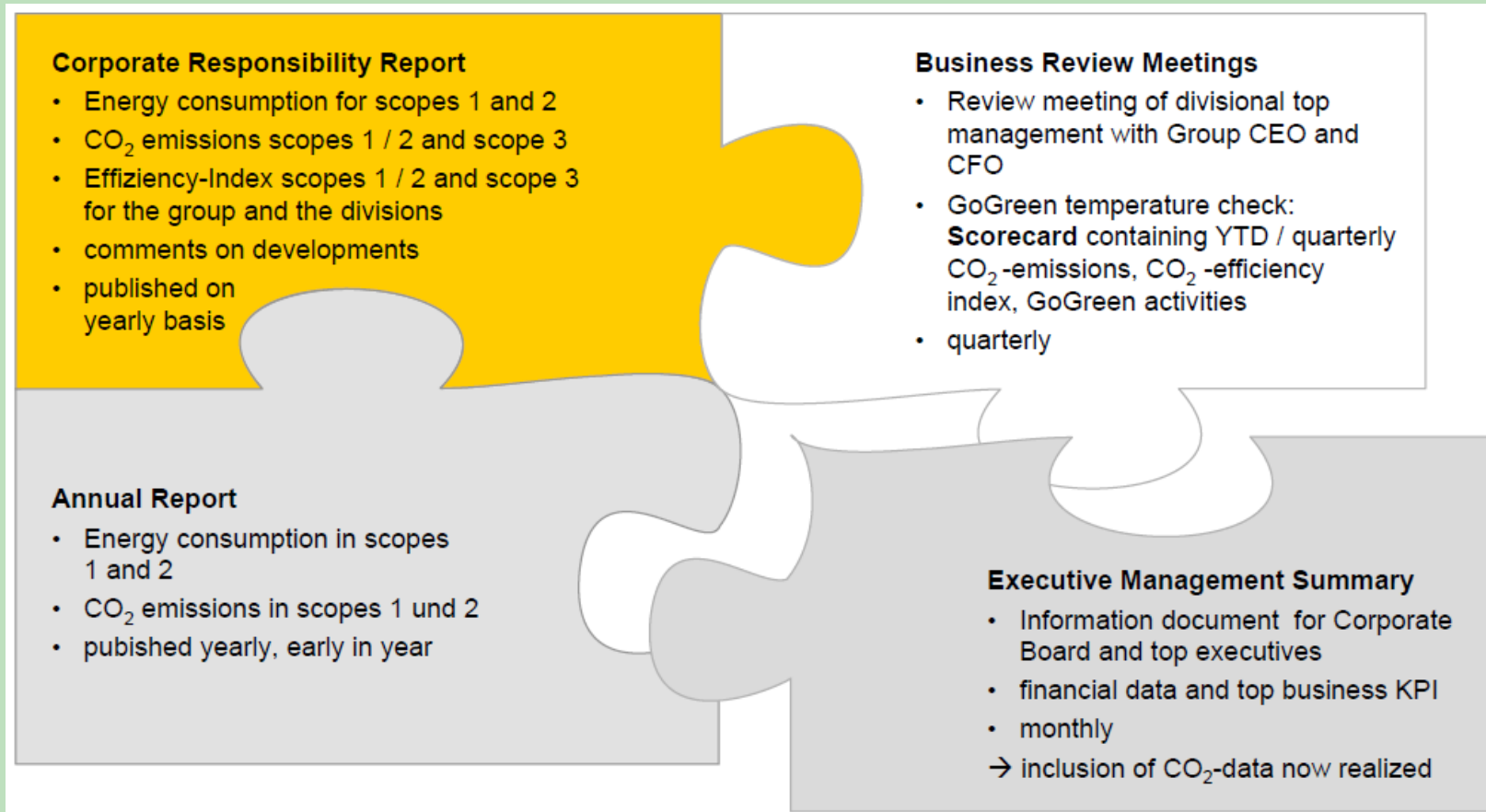


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Carbon Accounting and Controlling

Implementation: regular internal and external reporting



Thank you for your attention!

Deutsche Post DHL

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