

# LIFTS ACCOUNTING MODEL

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R3.0 2021 Conference

never stop daring.

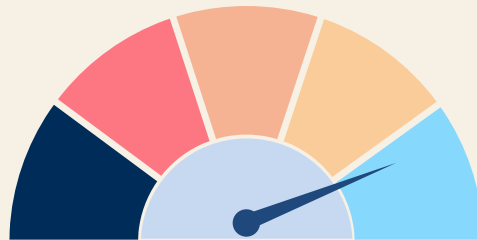


# INTERNATIONAL CENTRE OF EXPERTISE

## RESEARCH CENTRE

Integrated Multi-Capital  
Performance International  
Research Centre

May 2020



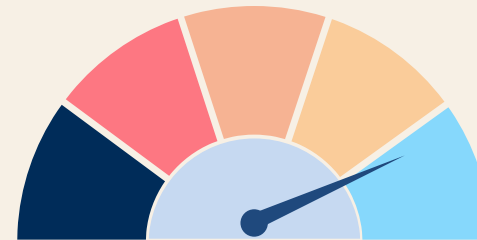
Support **organizations** in the connection finance/sustainable development with:

- Methods, tools and implementation
- Link with standards

## EXECUTIVE MBA

Executive MBA  
Part time  
Chief Value Officer

Sept 2021



Support **the teams** in the connection finance/sustainable development with :

- Training/Theory
- From practice
- Access to experts

# MULTI-CAPITAL ACCOUNTING

## Introducing the LIFTS Accounting Model

### Limits and Foundations Towards Sustainability Accounting Model

#### ACCOUNTING BASED ON PHYSICAL FLOWS

Accounting entries aggregating physical data on environmental and social indicators

#### INTEGRATED INTO FINANCIAL ACCOUNTING

Association of physical data with financial entries to facilitate control

#### EXTENDED RESPONSIBILITY

The performance of a company includes the performance of its value chain, from suppliers to end customers, and societal impact

#### SUSTAINABILITY

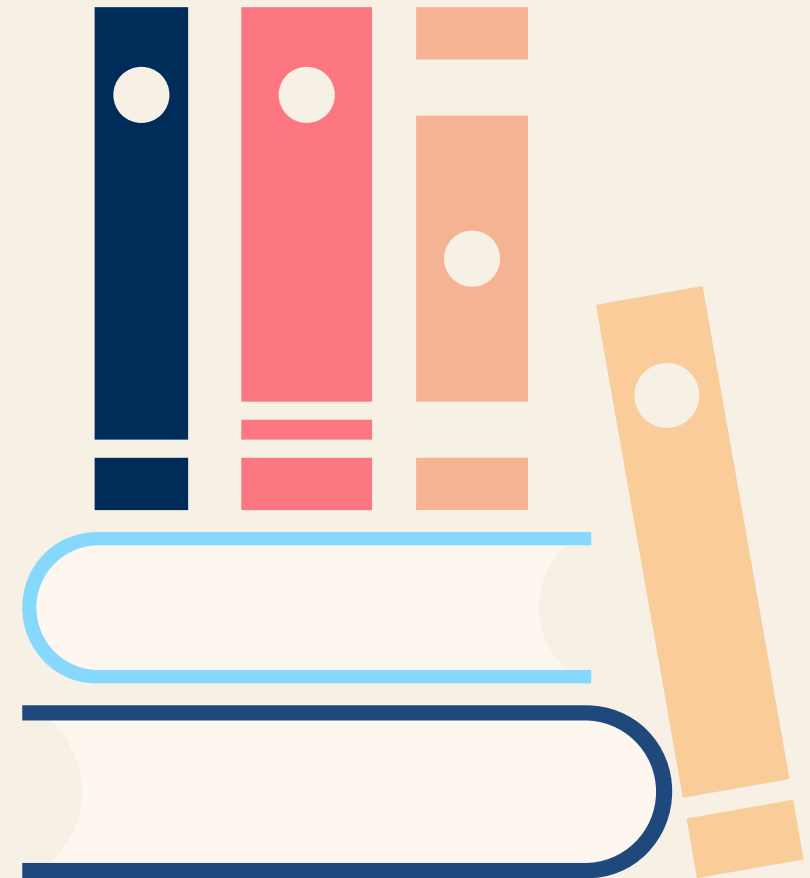
Capital is not substituted; negative impacts are not offset by positive impacts

#### PLANETARY BOUNDARIES AND SOCIAL FOUNDATIONS

Notion of budget to respect planetary boundaries (defined by the Stockholm Resilience Center) and social foundations (defined by K.Raworth, based on UN SDGS)

#### MULTI-REPORTING

Physical results can be converted into monetary or non-monetary units for a wider range of actors



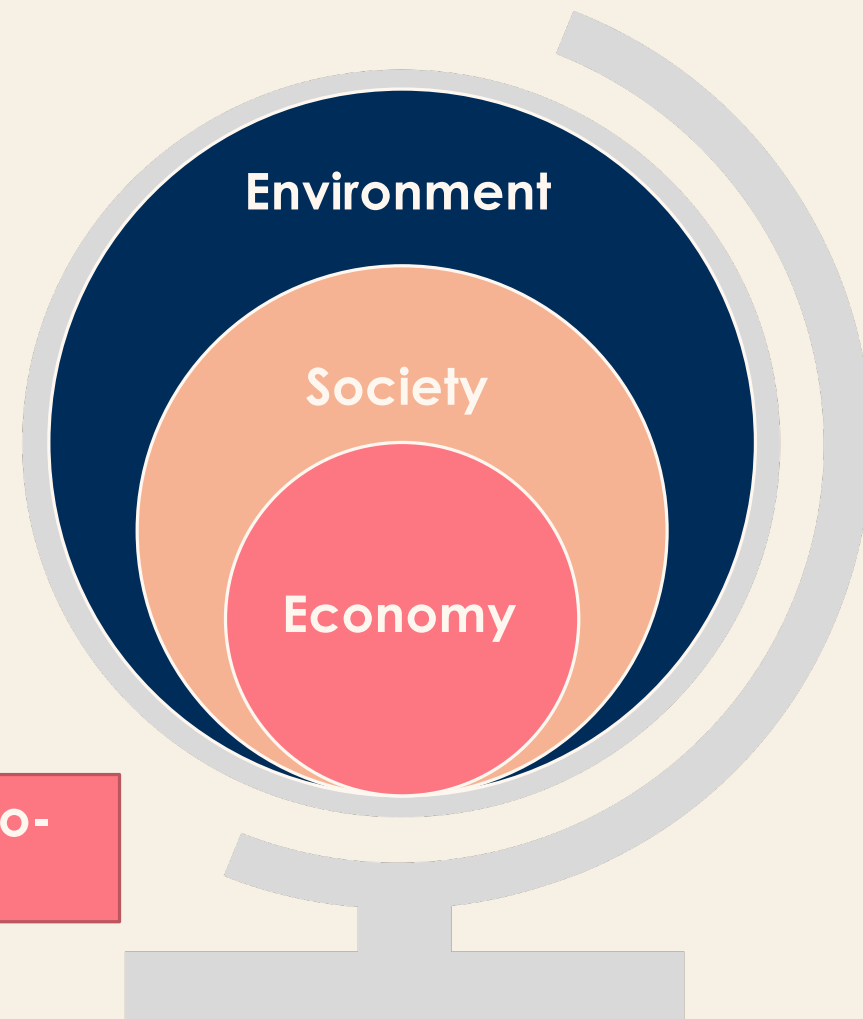
# INTRODUCTION

## A different perspective on the economy

The 3 capitals (natural, social and economic) will all be addressed in this model.

If planetary boundaries and social foundations are to be respected, it is imperative to rethink economic performance.

**Including the organization in a sustainable socio-environmental system**



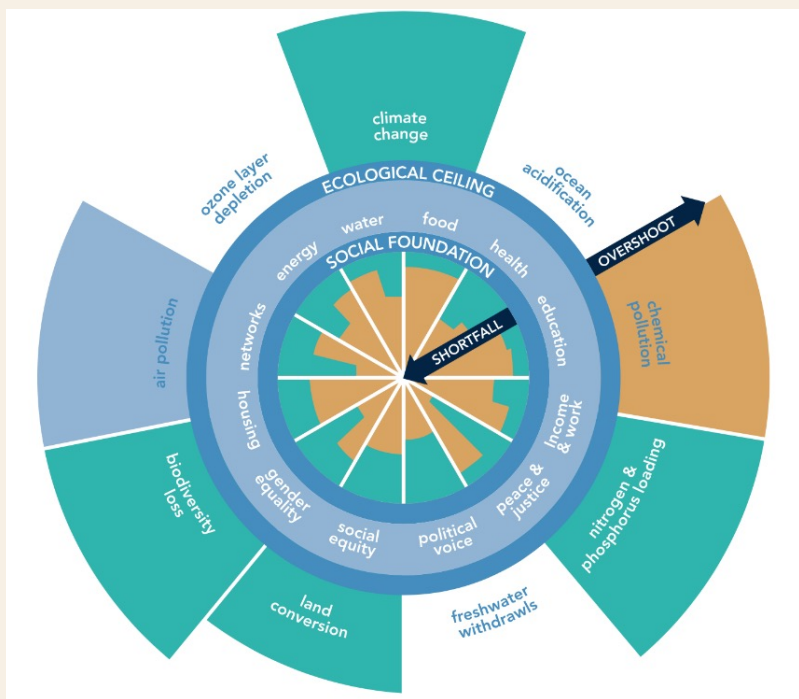
# MAIN PRINCIPLES

## The planetary boundaries and social foundations of K Raworth's doughnut

From a global scale



To an extended corporate scale



Translation of what these limits and foundations are at company level, measured by a physical indicator

+

Breakdown of the "planetary budget" into a budget for the company

=

Budget allocated for each limit and foundation

# MAIN PRINCIPLES

## A 4-step Integration to accounting : non-financial entries

1

Budget calculated for each limit / foundation =

- assigned to an inventory (asset) if limit not to be exceeded
- assigned to a debt (liability) if foundation to be respected

by an extra-financial accounting entry on each perimeter

2

Monitoring of the actual consumption of these budgets through physical accounting entries:

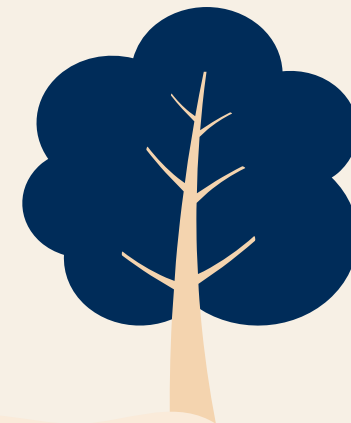
- Decrease in inventory if limit not to be exceeded
- Debt reduction if foundation to be respected

3

As soon as the limit is exceeded, or the foundation is not respected, the company has a net debt

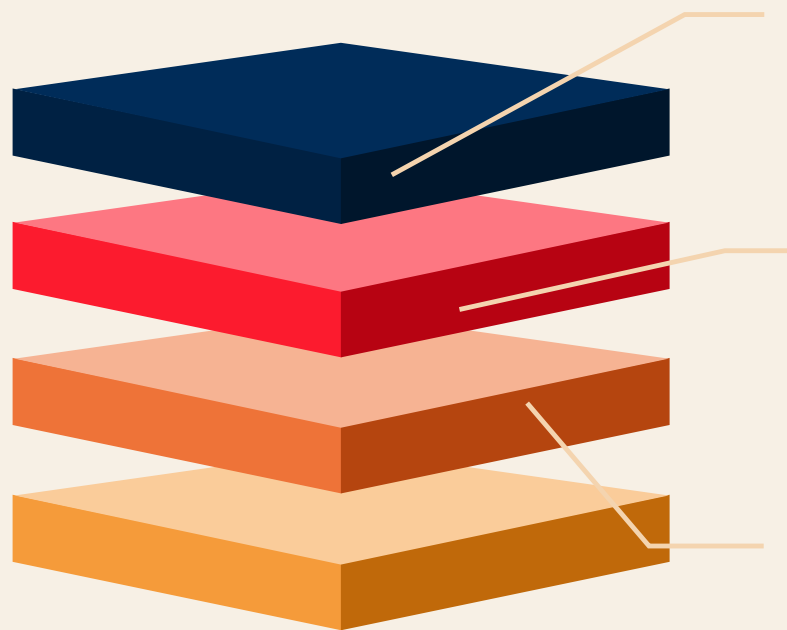
4

Each limit / foundation is measured by a physical indicator with its own balance sheet and P&L. The physical units can then be translated into monetary or other units, and a visual restitution is considered



# MAIN PRINCIPLES

Using accounting entries & supplemental entries to track environmental and social impacts



## Accounting entries with a traceable environmental or social incidence

Categorized and matched with generic or specific environmental or social metrics

## Accounting entries with no traceable environmental or social incidence

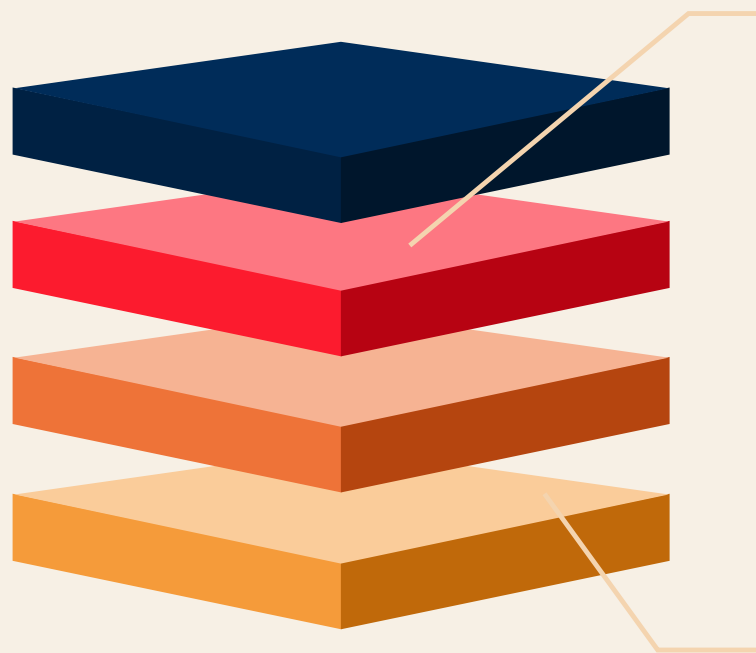
Rebates, refunds, payments in advance, ...

## Supplemental entries with environmental or social incidence for which there are no accounting entries

Commuting of employees to and from work

# MAIN PRINCIPLES

## Audit trail and transparency



### Financial Control

Information on financial balances is retained throughout the tool, which allows to control the net financial income in our multi-capital entries.

Another check lies in the analysis of entries qualified "without impact" to ensure that no material element has been left out from the calculations. In which case, they would need to be reclassified.

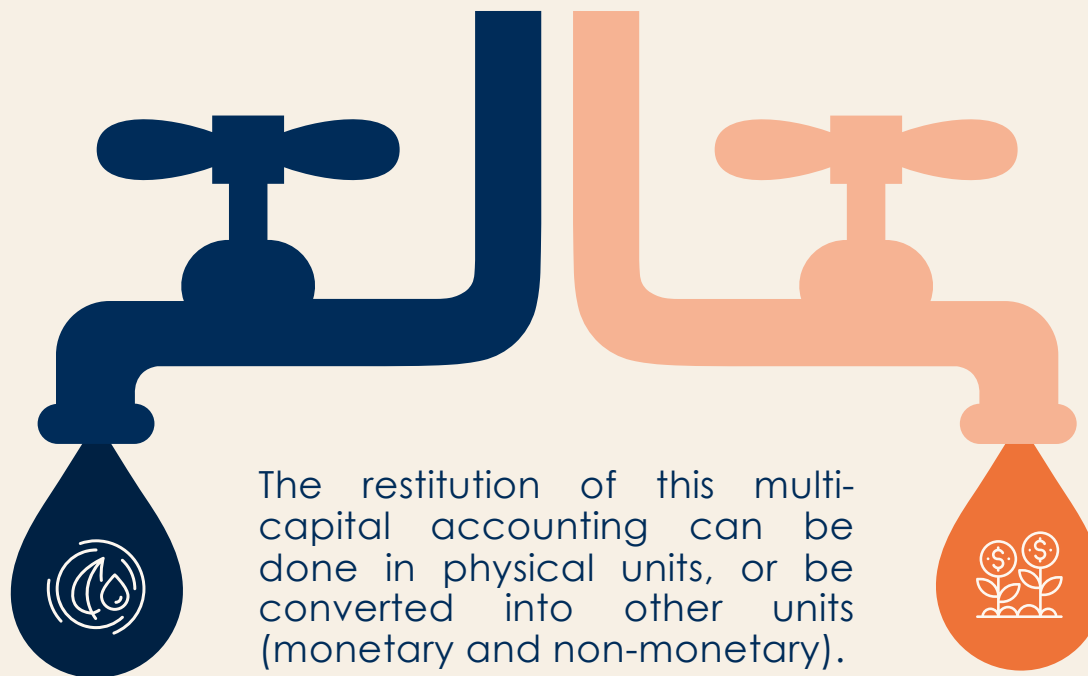
### Non-Financial Control

We make sure that the total non-financial data are consistent with the documents initially used (i.e. total employees, total emissions, etc.) through consistency checks.



# MAIN PRINCIPLES

One model - several restitution units considered

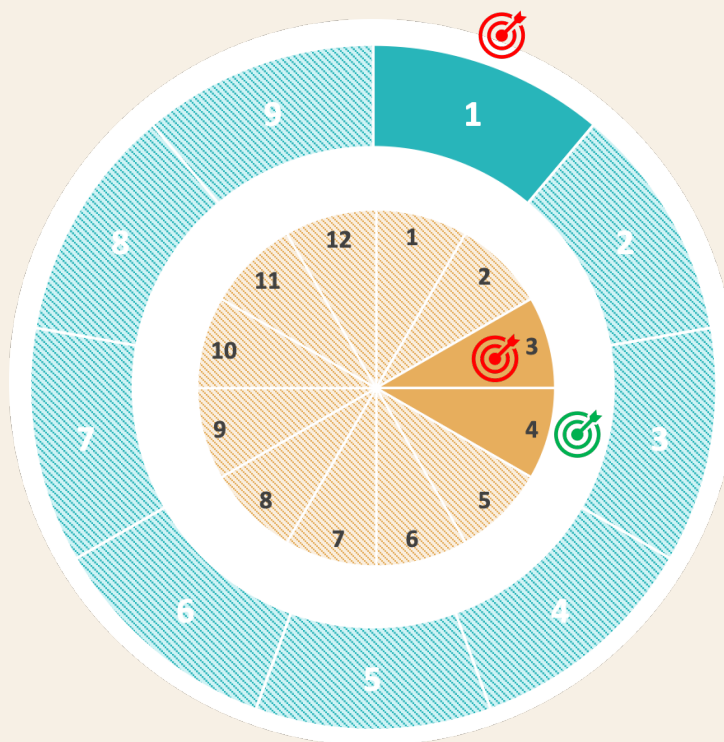


# MAIN PRINCIPLES

## Example of visual restitution

### SOCIAL FOUNDATIONS

1. Water
2. Food
- 3. Education**
- 4. Income and work**
5. Health
6. Peace and justice
7. Political voice
8. Social equity
9. Gender equality
10. Housing
11. Networks
12. Energy



### PLANETARY BOUNDARIES

- 1. Climate change**
2. Ocean acidification
3. Chemical pollution
4. Nitrogen & phosphorus loading
5. Freshwater withdrawals
6. Land conversion
7. Biodiversity loss
8. Air pollution
9. Ozone layer depletion

Une école

 CCI NANTES ST-NAZAIRE



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