



# Academic

## INTERNATIONAL WORKSHOP ADVANCES IN CLEANER PRODUCTION

“TEN YEARS WORKING TOGETHER FOR A SUSTAINABLE FUTURE”

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## Natural Capital Inclusion in Company's Financial Reports: A Discussion on Its Accounting Rules and Practical Adoption

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### Abstract

In the last decades the problem of scarcity of natural resources common to society, also known as "the tragedy of commons", has promoted heated discussions about a sustainable future. In this sense, the call for preserving the stocks of natural capital, which provide the necessary natural resources to the production systems, has been recognized. A potential alternative for this could be the inclusion of natural capital into the companies' financial statements. However, established accounting rules on what can be accounted and where, are to be respected and followed. This work aims to promote a discussion on the possibilities for the quantification and insertion of natural capital items into the accounting statements of companies. Specifically, water and electricity companies holding concession contracts are considered as a case study, to bring about a critical discussion. The challenges involved in the adoption of the IFRS international accounting standards are presented and discussed, considering the legal possibilities of including natural capital in accounting. It is observed that even with international regulating organs recognizing the importance of accounting for natural capital in a quest to better handle and preserve it so it can feed production systems, wider and deeper studies and discussions, and certain precautions before allowing their inclusion are in need. Advances and possibilities can be observed, however, the complex and standardized accounting system should be the aim of urgent actions in the sense of allowing for the inclusion of natural capital into accounting statements.

**Keywords:** *natural capital, Environmental accounting; Energy; IFRS; Concession Agreements; Sustainability.*

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