

Sustainability Accounting and Reporting: Research and Teaching

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Overview of Presentation

- Sustainability, Social and Environmental Issues
- Sustainability Accounting and reporting
- Contemporary developments
 - Climate Change and Accounting
 - Integrated reporting
- Research
- Teaching



Sustainability

Meeting the needs of the present without compromising the ability of future generations to meet their own needs

Adapted from:
Report of the World Commission on Environment and Development
United Nations, General Assembly Resolution 42/187,
11 December 1987.



Sustainability and Organisations

- Role of the organisation
 - Profit and shareholder value
 - *Other?*
- Responsibilities
 - Shareholders
 - Employees
 - Customers
 - Suppliers
 - *Community?*
 - *Stewardship of the earth?*
- Future prospects – access to resources and markets
- Risks – legal, market, cost/profit
- Competitive position
- Stakeholder (society and government) attitudes



Discussion

- What does sustainability mean to you? Is it important?



Social and Environmental Developments

- 1960s and 1970s – Birth of the Green Movement
- 1980s to Mid-1990s – Social and environmental failures, corporate and institutional responses, sustainable development emphasis
- Millennium and today: Globalisation and recognition of the fatality of environmental and social issues – IPCC report, Gore, Stern, Flannery, Garnaut



Significant Environmental issues

- Air pollution through the production of greenhouse gases, chemicals and other potentially hazardous substances
- Threats to biodiversity and land degradation through habitat destruction and deforestation
- Water pollution, which could lead to the depletion of marine resources and access to fresh water
- Production of excessive waste with inadequate disposal systems
- Noise pollution
- Australian environmental issues
- Environmental issues are interrelated and could cause climate change



An inconvenient truth

<http://vimeo.com/24857305>



Significant Social issues

- Human Rights (including indigenous and minority rights)
- Labour
- Health and Safety
- Product Responsibility
- Community Well Being
- Society



International and local responses

- World Earth summits
- Kyoto Protocol
- Millennium development Goals
- Recent Summits
- Australian developments
 - National Strategy for Sustainable development (1992)
 - Environmental Protection and Biodiversity Act (1999)
 - National Greenhouse and Energy Reporting Act (2008)
 - Carbon Tax (2012)



Sustainability and Accounting

- Costs and benefits are often used to justify decisions
- Managerial, Measurement, reporting and auditing skills of accountants
- Accounting is all about Accountability



Sustainability Accounting and Reporting

- Process of measuring and communicating sustainability performance and of being accountable to internal and external stakeholders for an organisation's social, environmental, and economic performance (GRI, 2011)
- Has internal and external aspects involving management and reporting
- Sustainability accounting – information management and accounting method that creates sustainability information
- Sustainability reporting – formalised means of communication to disclose sustainability performance
- These components are often disconnected in practice



Sustainability and the Accounting function

Similarities:

- Whole of organisation
- Accountability reporting
- Information for management
- Quality issues – accuracy, consistency, comprehensiveness, reliability, relevance, validity, auditability

Differences:

- Purposes
- Type or reports
- Legal requirements
- Users other than management
- Measurement and methodology
- Data management and systems



Issues for the Accounting function

- Measurement
 - Triple bottom line
 - Valuing sustainability (for the balance sheet)
- Boundaries
 - the entity V stakeholders
- Reporting
 - Corporate social responsibility
 - Prudent disclosure
- Assurance
 - *AUS 110: Assurance Engagements other than Audits or Reviews of Historical Financial Information*



Climate Change

- What is climate change?
 - Changes in temperature, air quality, precipitation, air mass behaviour, solar characteristics etc.
- Is it important?
 - Global warming
 - Political and social responses



Climate change and Australian business

- How does it affect you?
 - Direct: your business
 - Cost of supplies (energy)
 - Regulation on operations (emissions)
 - Response by consumers ('green' is good)
 - Indirect: your market environment
 - Consumer behaviour
 - General prices
 - Capital market reactions
 - RISK



Other Green jargon

- Greenhouse Gas
- Emissions
- Abatement
- Emissions Trading – cap and trade
- Carbon tax



Climate Change Accounting

- CMA – MCMA and PCMA
- Carbon reporting
- Accounting for Carbon Pricing



Carbon reduction methods for business

- Change light bulbs to Low emission
- Heating/Air conditioning – reduce temperature levels, timers, individual heaters
- Electricity usage, turning power off, green power, solar panels
- Shutoff of Computers/Monitors when not in use
- Use of utensils and their cleaning - detergent, water usage, etc.
- Green ICT
- Carry out regular energy audits
- Reduce Air Travel, pay carbon offsets, video and audio conferencing
- Paper reduction, double sided printing, recycled paper, softcopies.
- Stationary use – recycled products
- Telecommuting
- Packaging considerations
- Building/Construction considerations
- Transportation – Public, Bicycles, etc.
- Business activity considerations e.g. mining, manufacturing, agriculture, forestry, etc.
- Waste management
- Environmental awareness, education, training.



What is Integrated Reporting?

- A holistic and integrated representation of the company's performance in terms of both its finance and its sustainability (King report for Governance in South Africa 2009 – King III)
- Enables stakeholders to assess the ability of an organisation to create and sustain value over the short-, medium- and long-term
- Integration means performance should follow strategy and targets set



Integrated Report

- An integrated report
 - A single document reporting the company's financial, environmental, social and governance information (ESG) in a clear, concise, consistent and comparable format
 - Explanations of relationships between financial and nonfinancial performance
 - Not just combining various reports
 - Ideally a 20 page report



Integrated Reporting

- Integrated Reporting Framework is still in development
- International Integrated Reporting Committee (IIRC) established in August 2010
- Goes further than the GRI
 - Information needs of investors
 - Broader consequences of decision making



Integrated Reporting

- Part of the shift in business responsibility
- In response to recent societal trends and events – global financial crisis, the persistence of socio-economic inequality, the growing evidence of resource constraints and climate change
- IR aims to demonstrate the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates



Suggested elements of an integrated report (IIRC)

- Report profile
- Organisational overview, business model, and governance structure
- Understanding the operating context
- Strategic objectives, competencies, KPIs and KRIs
- Account of the organisation's performance
- Future performance objectives
- Remuneration policies
- Analytical commentary



Progress

- South African listed companies are required to issue an integrated report for financial years starting on or after 1 March 2010, or to explain why they are not doing so
- ICAA report
- My research



Video

- <http://www.youtube.com/user/IntegratedReporting>



Accounting Journals that focus on SA&R Research

- Accounting, Auditing and Accountability Journal
- Accounting Forum
- Accounting, Organizations and Society
- Accounting and Business Research
- Abacus
- Australian Accounting Review
- British Accounting Review
- Critical Perspectives on Accounting
- European Accounting Review
- Pacific Accounting Review
- Qualitative Research in Accounting and Management



Specialist Journals with a focus on SA&R/CSR

- Asia Pacific Centre for Environmental Accountability
- Business Strategy and the Environment
- Business and Society
- Business and Society Review
- Corporate Social Responsibility and Environmental Management
- Greener Management International
- Journal of Business Ethics
- Journal of Cleaner Production
- Journal of Corporate Citizenship
- Social and Environmental Accounting Journal
- Social Responsibility Journal
- Sustainability Accounting , Management and Policy Journal



Teaching

Why study CSR/Sustainability?

- ‘Education is critical for promoting sustainable development and improving the capacity of the people to address environment and development issues’

Agenda 21 (UN Division for Sustainable Development, 1992, p. 363)

- UN has named 2005-2014 as the Decade of education for Sustainable development
- ACCT 3010/5026 at UniSA



Summary

- Sustainability and Accounting
- Climate Change Accounting
- Integrated Reporting
- Research and Teaching equally important

