

## Introduction – Sustainability, Organisational Sustainability and Sustainability Accounting

### Understand the contested meanings of sustainability

- Currently
  - Nations with high human development have a high ecological footprint
  - Nations with low human development have a low ecological footprint
- Ideally – nations with high human development should have a low ecological footprint
  - A lot of transformation needs to occur so that countries can reach this stage
- Sustainable Development Goals (SDG's)
  - 17 SDGs define global sustainable development priorities for 2030
  - Seek to mobilize global efforts and are a call for worldwide action among governments, business and civil society
  - Explicitly call on all businesses to apply their creativity and innovation to solve sustainable development challenges
    - Unlike their predecessor, the Millennium Development Goals
  - Companies can use them as an overarching framework to shape, steer, communicate and report their strategies, goals and activities
  - Key issue: how do we translate these goals so that they are meaningful to the company?



### **What is the Meaning of Sustainability?**

- Contest and varied meaning
- Transformist view – humanity has the ability to make development sustainable to ensure that it *meets the needs of the present without compromising the ability of future generations to meet their own needs*
  - Far reaching change, new ethics and institutions, radical and pluralist approach
  - Critique – reality is more complicated and there are things not in our control, information and power asymmetries
- Reformist view – capitalism is okay and total transformation isn't needed but changes need to be made (only need to reform, not transform)

- Pragmatic, 'win-win', opportunities for industry
- Critique – does this view just prop up a morally and ecologically unsustainable model of business and maintain the destructive status quo'?
- What is sustainability
  - Common assumption – it's about the integration and interdependency of environmental, social and economic spheres
  - Socio-political perspective – economic sphere is the overarching lens to which the other spheres must submit

### Understand organisational sustainability issues

#### **Explain organisational impacts and approaches to managing impacts**

- Organisational activities impact on both 'owned' resources (e.g. assets on balance sheet) and external resources (e.g. the environment, people)
  - Undesirable impacts: financial losses, staff injury, pollution
  - Desirable impacts: financial profits, staff training, management doing something about the undesirable impacts (e.g. remediation of pollution)
- Organisational impacts can be broadly categorized

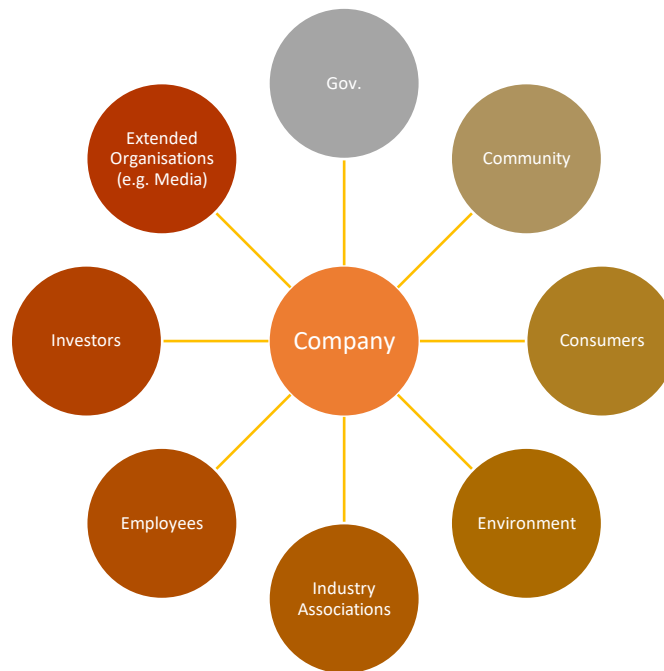
Financial Impacts	Social Impacts	Environmental Impacts
<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Solvency</li> <li>• Liquidity</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce safety</li> <li>• Training</li> <li>• Employment of minors?</li> <li>• Community impacts</li> <li>• Product safety</li> </ul>	<ul style="list-style-type: none"> <li>• Water</li> <li>• Atmosphere</li> <li>• Biodiversity</li> <li>• Ecology</li> <li>• Tricky to account for - consider inputs and outputs</li> </ul>

- Should organisations be concerned about their social and environmental impacts?
  - In theory – “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”
  - Regulation is key
    - Regulatory frameworks mean that most of organisation's impacts are externalities
    - i.e. Related costs are met by society in general (or 'the environment', or the planet, or future generations), but not directly by the organisation
    - Corporations Act 2001, s 181: Act in good faith, in the best interests of the corporation and for proper purpose
  - Issue – corporations are “purely self-interested, incapable of concern for others, amoral, and without conscience”
    - Individuals in organisations can almost separate themselves from the business because it is a separate legal entity

### **Understand the concept of stakeholders**

- Stakeholders – parties that have an interest in the activities of an organisation
- Important to think about if and how we should communicate with stakeholders

- Companies increasingly have to consider multiple stakeholder views/reactions, not just investors



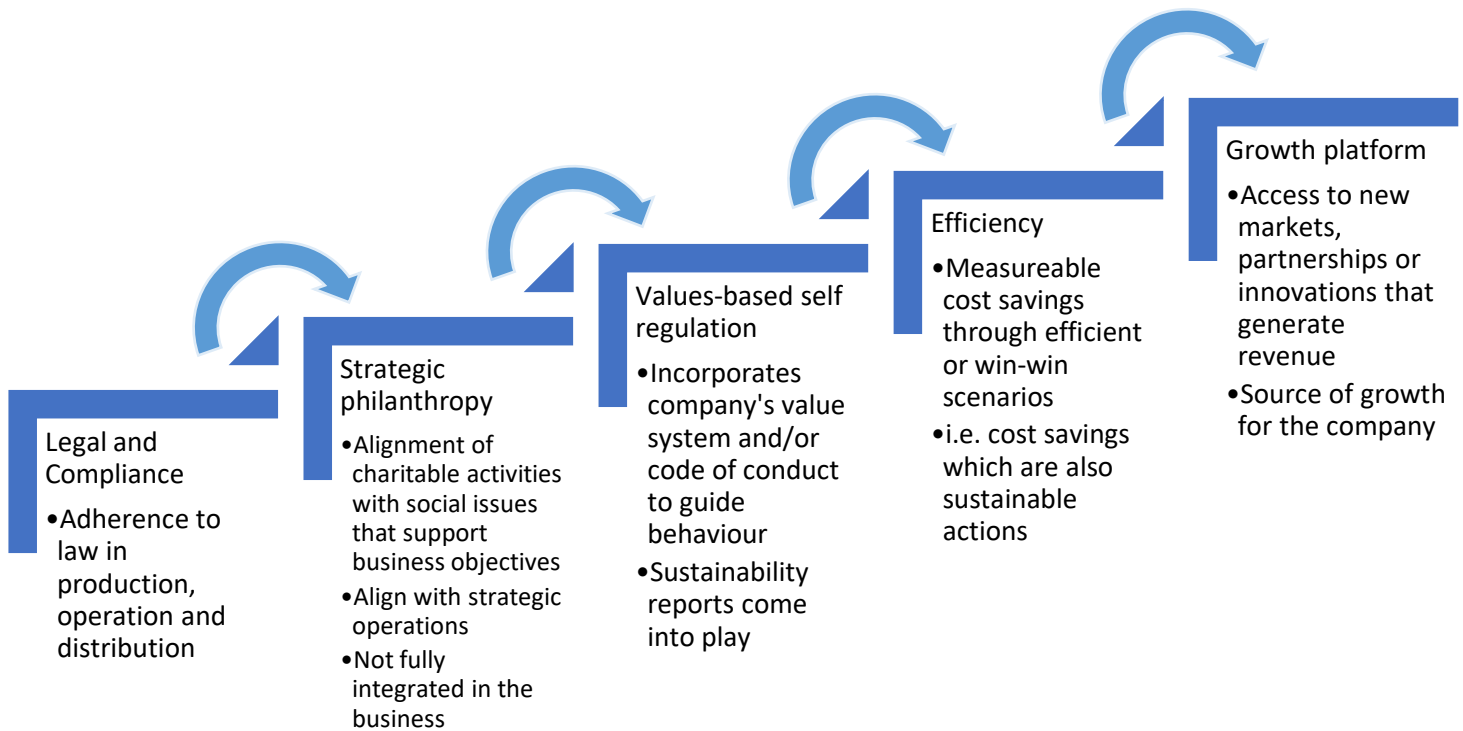
### Evaluate whether there is a role for accounting at the entity level

- Principles/Goals
  - Sustainable Development Goals (SDGs)
  - United Nations Principles for Responsible Investment (UNPRI)
- Accounting standards and disclosure frameworks
  - Greenhouse Gas Protocol
  - GRI Sustainability Reporting Standards (GRI Standards)
  - International Integrated Reporting <IR> Framework
  - ISO 14001 – Environmental management systems
  - ISO 14040 – Life Cycle Assessment
  - National Greenhouse Energy Reporting Scheme (NGERS)
  - Sustainability Accounting Standards Board (SASB)
  - Task Force on Climate-related Financial Disclosure (TCFD)
- Indices
  - Dow Jones Sustainability Indices (DJSI)

## Organisational Sustainability Reporting

### The business case for sustainability

- Old world paradigm – social responsibility of business is to increase profits
- This is being challenged – the planet is fighting back due to it being so neglected for so many years and businesses have to consider this to continue to be successful
- *Sustainable development – development that meets the needs of the present without compromising the ability of future generations to meet their own needs*
- CSR value curve



- There has been a shift from CSR to CSV in the last decade

<b>Corporate Social Responsibility (CSR)</b>	<b>Creating Shared Value (CSV)</b>
Doing sustainability initiatives on the side (it is a separated strategy from the core business)	Make sustainability fully integrated in the business model so that it maximises profits (makes economic sense)
<ul style="list-style-type: none"> <li>- Value: doing good</li> <li>- Citizenship, philanthropy, sustainability</li> <li>- Discretionary or in response to external pressure</li> <li>- Separate from profit maximization</li> <li>- Agenda is determined by external reporting and personal preferences</li> <li>- Impact limited by corporate footprint and CSR budge</li> </ul>	<ul style="list-style-type: none"> <li>- Value: economic and societal benefits relative to cost</li> <li>- Joint company and community value creation</li> <li>- Integral to competing</li> <li>- Integral to profit maximization</li> <li>- Agenda is company specific and internally generated</li> <li>- Realigns the entire company budget</li> </ul>
Example: fair trade purchasing	Example: transforming procurement to increase quality and yield