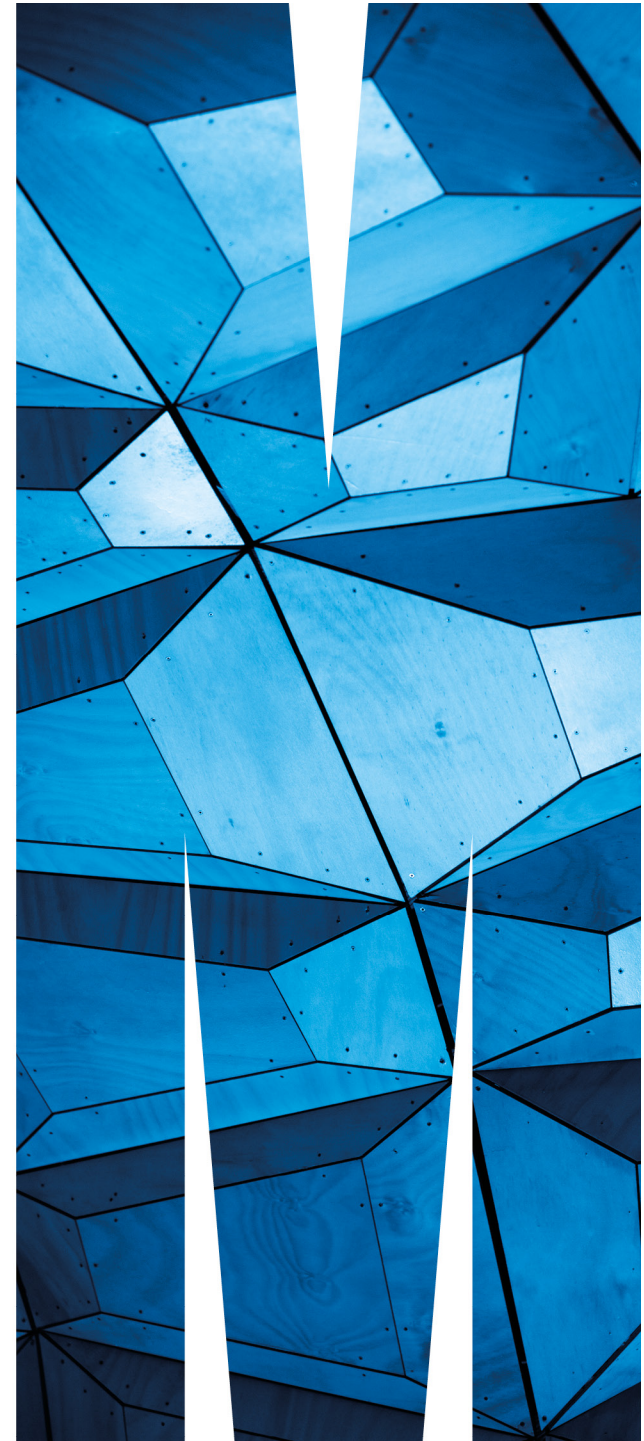


# ACX2900

## Accounting for sustainability

Introduction



# WELCOME TO THE UNIT

- Unit guide
- Resources
- Moodle site
- Assessment requirements
- Introduction to staff
- Approach to teaching
- Your approach to study

## MOODLE SITE

- Announcements – under the News Forum
- Discussion forum
  - Where you can discuss issues amongst the class and post queries to be resolved
- Resources
  - No set text
  - Will use a variety of alternative resources
- Relevant links

# ASSESSMENT REQUIREMENTS

- Individual assignment – 20%
  - Due end of week 4 & 6
- Group assignment – 30%
  - Due end of week 10
- Final examination – 50%
- Full details will be available in a separate document on Moodle
  - Under 'Assessment Requirements' tab

## UNIT TEAM

- Chief Examiner and lecturer:
  - Associate Professor Nick McGuigan
  - Weeks 1, 6-12
- Lecturer
  - Dr Annemarie Conrath-Hargreaves
  - Weeks 2-5
- Contact details and consultation times are on Moodle



## HOW SEMINARS WILL BE CONDUCTED

- Mix of lecture, discussion and practical group activities
- Start with a review of the previous topic
- We will ensure we engage and keep interactive
- Will include a discussion of main issues
  - Interspersed with practical activities/discussion topics
  - These activities are not available on Moodle

# OVERVIEW OF THE UNIT

Week 1 – Introduction to sustainability

Week 2 – Theories and sustainability

Week 3 – Accounting for Sustainability in Action

Week 4 – Accounting as a Systems Approach and Sustainability performance measurement

Week 5 – External reporting frameworks and integrated reporting

Week 6 – Integrated thinking

Week 7 – Accounting and environmental sustainability

Week 8 – Accounting and social sustainability

Week 9 – Sustainability reporting governance and assurance

Weeks 10 - Accounting and sustainability in the third sector

Week 11 – Accounting as a driver for change towards sustainability

Week 12 – The future of accounting for sustainability



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# Week 1: What is sustainability?

## THIS WEEK

- What is sustainability?
- What does sustainability have to do with business?
- Sustainability and accounting – an introduction

## LETS START WITH WHAT YOU KNOW ABOUT SUSTAINABILITY

- Break into small groups and discuss what you understand sustainability to mean
- Each group to come up with a definition and report back
  - This could also be what you cannot agree on

# WHAT IS SUSTAINABILITY?

- Refer to the first two videos and the ECOS article
- Sustainability is living within the regenerative capacity of the earth so the essential needs of present generations can be met without compromising the ability of future generations to meet their essential needs (Based on Brundtland Report, 1987 – Our Common Future)
  - Raises a number of questions:
    - What is regenerative capacity?
    - What are essential needs?
    - Do we mean just people or other organisms?
- Is sustainability possible?

# MACRO VERSUS MICRO SUSTAINABILITY

- Macro – save the world or global problems
  - What are the unintended consequences of our use of resources
  - Global problems need global solutions
  - What is going to solve the climate crisis?
  - Population size
- Micro – our own community (but what do we mean by this?)
  - Present and future generations – could be self, community, where your global reach extends
  - How can the tech industry be more sustainable? -
    - Can Apple buy back the phone and refurbish etc?

# WHAT ARE THE CAUSES OF UNSUSTAINABILITY?

## Activity

- Engage in some group discussion to come up with a few ideas from what you have read or from your own general knowledge and understanding.
- Report back after 5 minutes

# SUSTAINABILITY EXPLAINED WITH SIMPLE NATURAL SCIENCE

- 1989 Science definition of sustainability
  - Definition designed to identify root causes of unsustainability
- 1. Large flows of materials from the earth's crust (from the lithosphere) nature can't cope
- 2. Accumulation of substances created by society, and nature can't cope
- 3. Physically inhibit nature's ability to run cycles
  - E.g. cut down trees faster than they can regrow
- 4. Create barriers to people meeting their basis needs worldwide
  - Purchase a produce produced in sweatshop – contribute to workers' inability to fund costs of living

## CAUSES OF UNSUSTAINABILITY (ECOS article)

- Loss of natural capital and other critical capital
  - deforestation, pollution, lower human wellbeing
- Power imbalance in political decision making
  - Lack of transparency mean natural resources can be destroyed for short-term financial gain
- Wrong world views or values
  - Materialist and human centred thinking – nature deemed to exist entirely for human use

## NOT THE GOAL THAT IS IMPORTANT (ECOS article)

- It is recognition that current patterns of human activity are unsustainable, and that our economic, social and political institutions seem to be losing the battle
- ‘Development’ implies that things are getting better over time
  - What does this mean in practice?
- Improving living standards and quality of life of current generation
- Ensuring that current patterns do not risk undermining the wellbeing of future generations

# PHILOSOPHIES OF SUSTAINABILITY (Loukola & Kyllonen)

- Key component: requirement for the sustenance, survival, or flourishing of a process, an organism or a resource
  - Broad concept
  - This scientific theory doesn't designate which entities we are to sustain and which not
- Conception A: natural resources only have an instrumental role in the world, and the main goal of sustainability is human well-being
  - Renewable versus non-renewable resources
- Conception B: certain aspects of nature cannot be substituted, those which are indispensable should be sustained, regardless of whether critical to human well-being
- Conception C: focus on nature and recognition of the fact that there may be no substitute, and may not be able to be renewed

# VALUES OF SUSTAINABILITY

- Focus on anthropocentrism and ecocentrism
- Ecocentrism relates to the sustainability of nature itself, not related to its effects on human well-being
- Anthropocentrism relates to the focus on human well-being, where natural and manmade capitals can be completely substitutable
  - Is this realistic?
  - Do we have the technology to replicate and replace what is found in nature?
- Need to consider both economic and social impact
  - Should we be prioritising one over the other?

# SUSTAINABILITY AND BUSINESS

- Can business prosper by being sustainable?
- What is sustainability?
  - Not using up all the stuff on Earth
  - Not covering Earth in waste that never goes away
  - Making life better for people, not worse
- History:
  - 1800s industrial revolution
    - No environmental laws – lots of water and air pollution
  - 1952 Great Smog of London (deaths and illness)
  - Clean water and clean air acts in UK and US

## IMPACT OF THESE LAWS

- Moved operations to countries with no environmental laws
  - Cheaper production outstripped demand
- Marketing used to increase demand for cheaper products
- Need different reasons for firms to embrace sustainability
- If alternative mechanisms used could save money
  - High oil prices encouraged firms to look for alternatives
- Reputation important

## ONGOING SUSTAINABILITY IMPACT

- Many firms police themselves
  - Making company more socially responsible
    - Donating to charities
    - However was separate from business operations
    - Are sustainability investments paying off?
    - Changing lightbulbs and planting trees only helped to a certain extent
- Regulations getting stricter
  - E.g. EU – required to recycle electronics
- Investors getting involved – affected by risk
  - CDP – climate change risk (71 trillion dollars under management)
- Employees looking at sustainability track records

## ONGOING SUSTAINABILITY IMPACT CONT'D

- Consumers also care about companies that do the right thing
- Core business strategy
  - Whole company is involved in CSR
    - Can attract best employees
    - Can attract customers
  - E.g. Interface – carpet tile manufacturer
    - Investing in efficiency to cut waste and save energy
    - Together the whole company worked on sustainability strategy
      - ‘One day we will take nothing from the earth that the earth cannot naturally renew and do no harm to the biosphere’
    - Eliminated GHG emissions
    - Carbon neutral carpets
    - Recycling old carpets (new carpets contain 40% recycled fibre)
    - Profits have tripled over 17 years

## WHERE DOES ACCOUNTING FIT IN?

- Does accounting contribute to sustainable development or does it constrain management from taking the steps towards sustainability?
- Can we manage what we don't measure?
  - Accounting part of the major information systems of the business.
- Can accounting be modified to help foster sustainable development or should a new form of accounting be devised?
  - Refer integrated reporting later in the semester

# REASONS FOR SUSTAINABLE ACCOUNTING

- Intrinsic motivation of managers
  - Greenwashing
  - Mimicry and industry pressure
  - Legislative pressure, stakeholder pressure and ensuring the 'licence to operate'
  - Self-regulation
  - Corporate responsibility and ethical reasons
  - Managing the business case for sustainability
- 
- We will look at theories that relate to these issues next week

## NEXT WEEK

- Theories used to explain sustainability accounting and reporting
- We will examine these theories within a social context
  - Financial outcomes
  - Week 3 we will consider accounting for sustainability in action