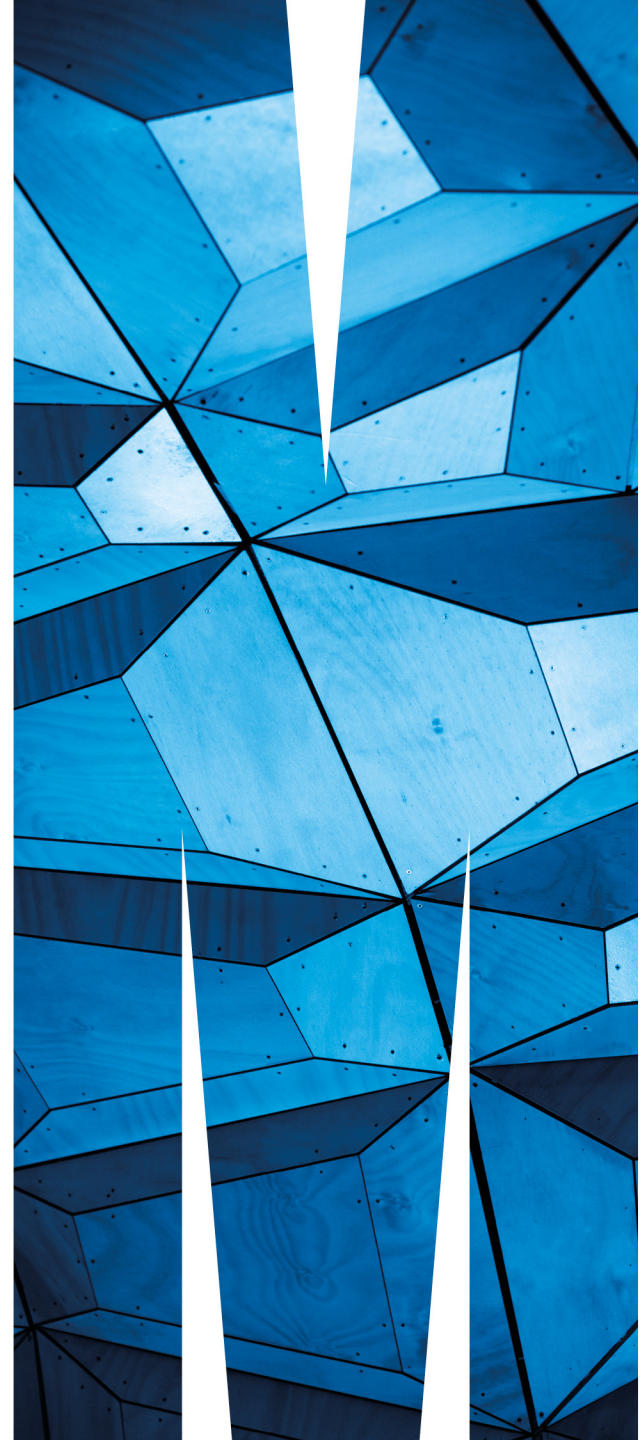


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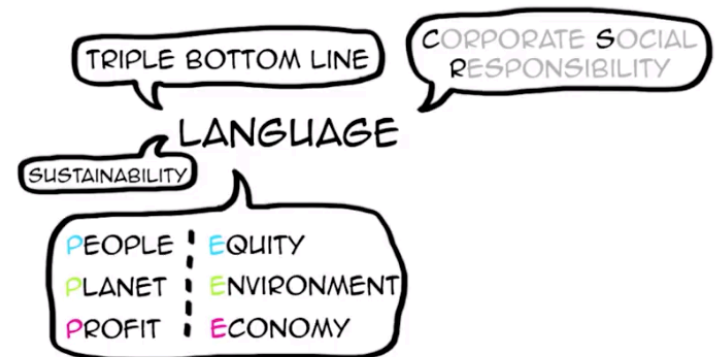
Accounting for sustainability

Environmental Sustainability



INTRODUCTION AND OUTLINE

- Recap
- Environmental Sustainability – Food for Thought
- Accounting for Environmental Sustainability
 - Stages of Sustainability Reporting
 - Short Case Study – Group Work
 - The Global Reporting Initiative (GRI)
 - The Case of BP – Analyzing a Sustainability Report
- Assignment 2 - Group Work





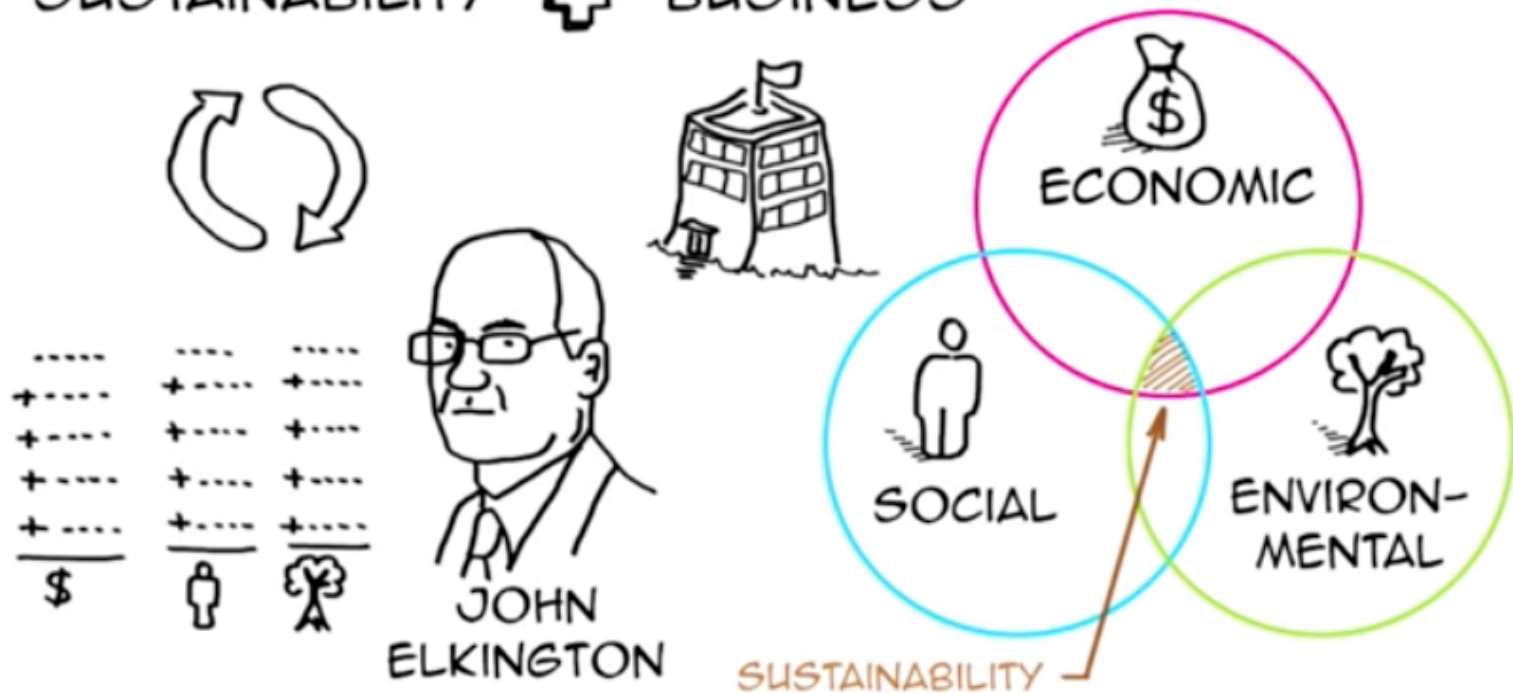
MONASH
University

MONASH
BUSINESS
SCHOOL

Recap

TRIPLE BOTTOM LINE

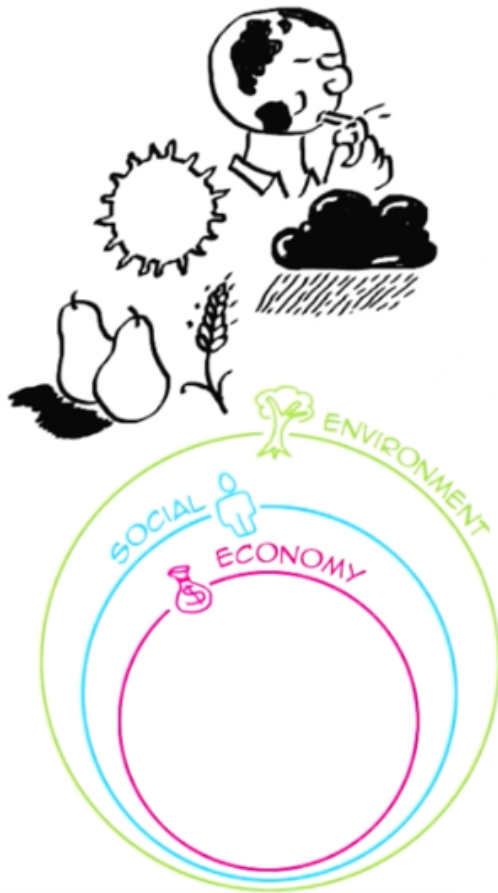
SUSTAINABILITY + BUSINESS



RECAP



RECAP and LINK to TODAY's LESSON



- The economy is part of society
 - which is part of the environment
 - **All economic and social progress thus ultimately depends on the environment**
 - Environment = Natural Capital
 - Economy is governed by – according to the triple bottom line – the rules, regulations and structures of human capital and natural capital
 - Economy depends on human and natural capital to thrive
 - This has been further **extended by the Integrated Reporting Framework**
- So what could accounting for natural capital (environmental sustainability) look like?



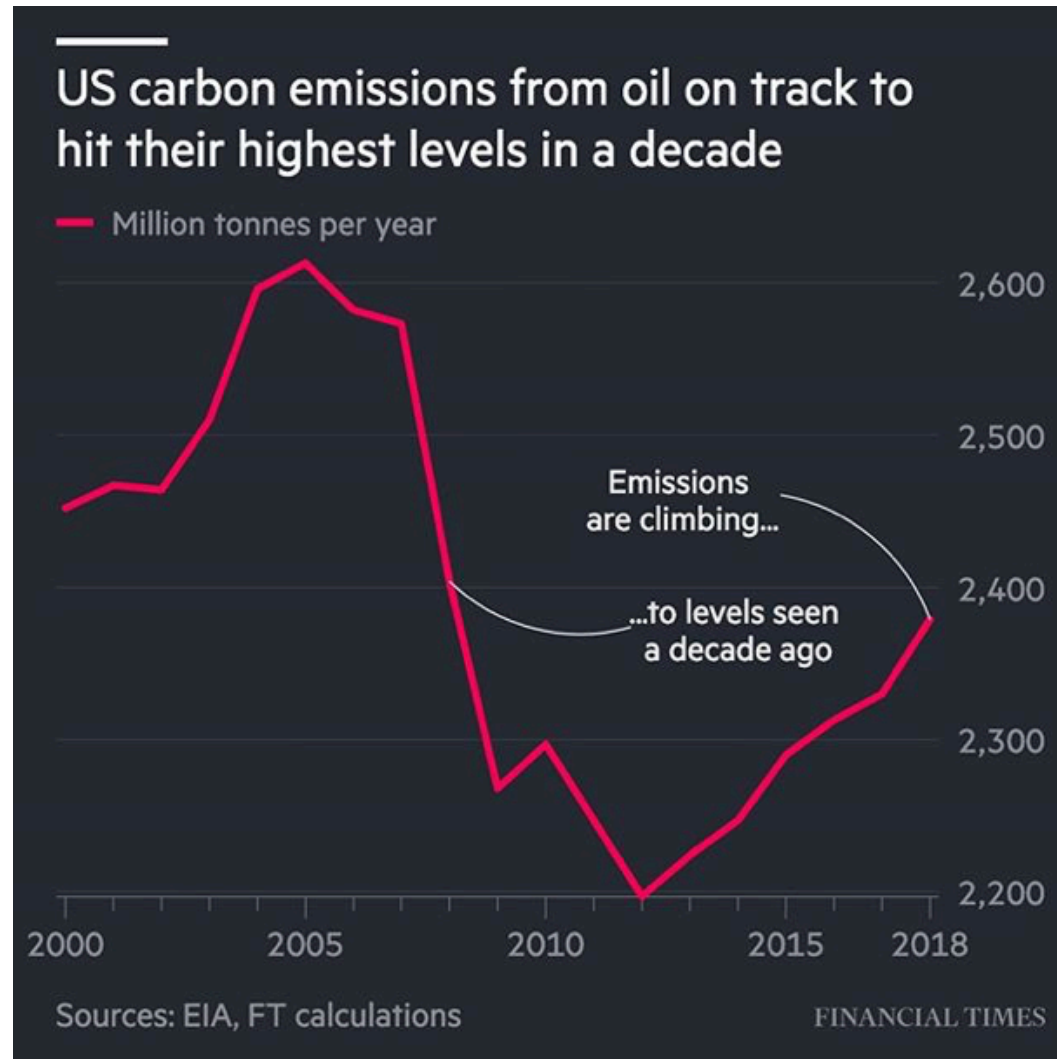
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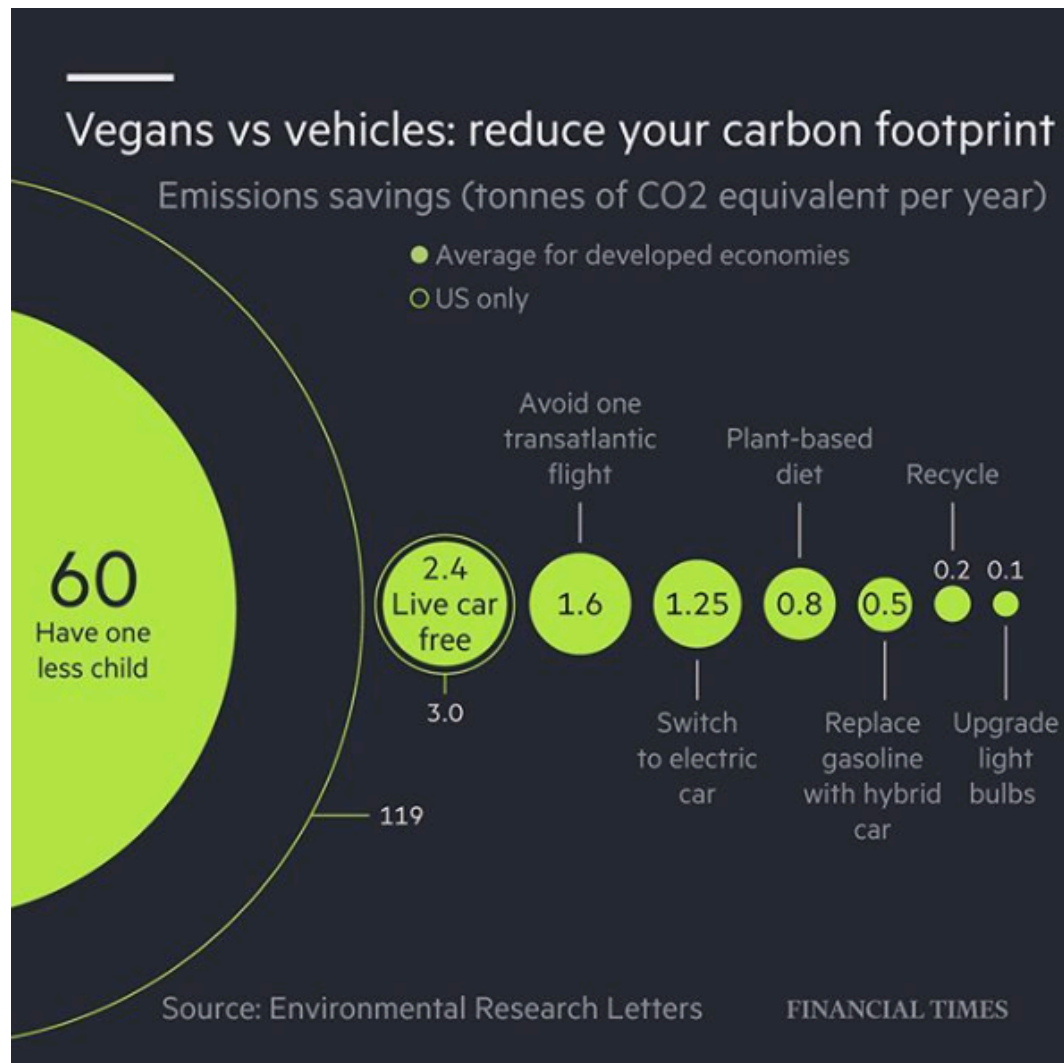
Environmental Sustainability – Food for Thought

- Ecological footprint: Do we fit on our planet?

US Carbon Emissions from Oil

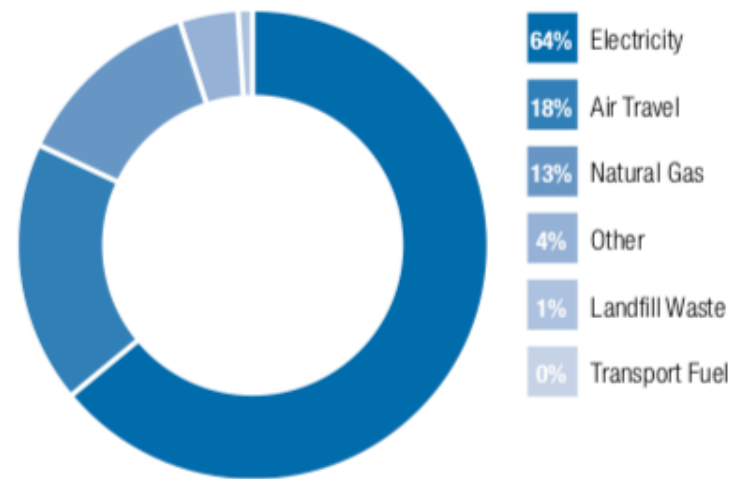


Reducing Carbon Footprint



Monash Net Zero

Figure 3: Major contributors to the 2017 Carbon footprint



Source:

Carbon footprint calculation, Buildings and Property Division.

- The **duty to provide an account** (not necessarily financial) or reckoning of those actions for which one is held responsible
- Two responsibilities or duties
 - responsibility to undertake certain actions
 - responsibility to provide an account of those actions

Monash University – Commitment to Environmental Sustainability?

Table 9: Monash University's carbon footprint (tonnes CO2-e emitted/year) 2010 – 2017 calendar year

	2010	2011	2012	2013	2014	2015	2016	2017
Scope 1 – On-site emissions arising from combustion of gas and fuels and the use of refrigerants and livestock	19,053	18,387	19,759	19,958	19,918	21,051	21,833	23,727
Scope 2 – Indirect emissions arising from the generation of imported electricity	122,172	118,749	121,177	119,060	112,867	108,730	108,832	113,425
Scope 3 – Indirect emissions arising from the extraction, production and transport of gas, fuels and electricity; electricity lost in delivery; waste disposal; embodied energy in paper and water; business travel by staff; and transport	52,569	57,775	59,519	57,450	58,582	60,027	61,349	64,495
Additional estimate for small facilities	2,354	2,367	2,435	2,386	2,324	3,204	3,719	1,503
Total	196,148	197,278	202,890	198,854	193,691	193,012	195,733	203,150
Emissions offsets tonnes CO2-emitted/year	13,980	20,371	20,945	20,316	19,790	18,883	18,378	19,602
Net total of all emissions after including offsets tonnes CO2-e emitted/year	182,168	176,907	181,945	178,538	173,901	174,129	177,355	183,548

Monash University – Commitment to Environmental Sustainability?

Table 11: Potable water consumed per campus (2017/18) in comparison to levels in previous years

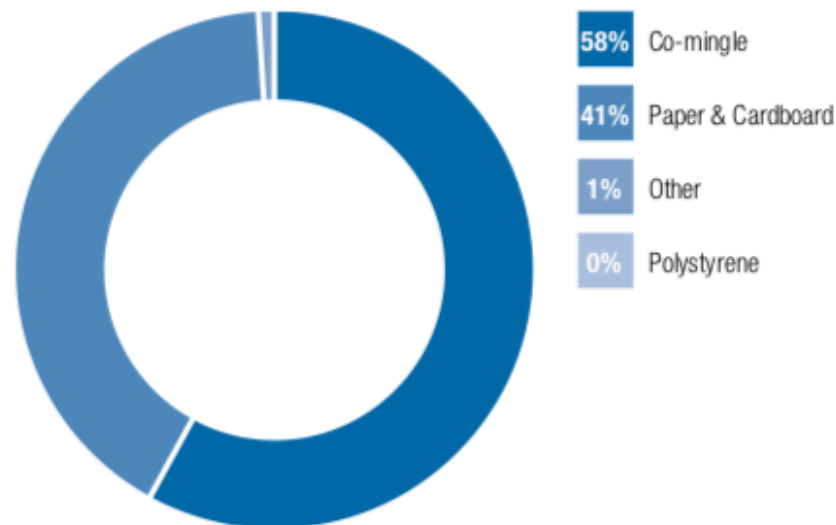
Facility	Total Kilolitres (kl)								Change in water consumption
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2016/17 to 2017/18
Berwick	12,265	11,451	8,698	9,816	11,766	11,588	13,281	3,853	-17%
Caulfield	58,231	57,646	56,459	61,568	55,089	67,653	54,841	62,591	+14%
Clayton	285,118	315,923	366,951	391,504	432,398	486,098	454,561	494,337	+9%
Gippsland	31,755	29,493	30,320	13,757	2,758	2,947	3,971	4,119	-8%
Parkville	7,542	7,751	9,551	9,791	12,003	10,425	10,752	9,940	+4%
Peninsula	18,585	20,334	22,181	18,427	19,864	16,468	21,784	22,585	+4%
Total	413,496	442,597	494,164	504,860	533,879	611,648	559,190	597,426	+7%

Monash University – Commitment to Environmental Sustainability?

Table 12: Total waste generated, waste recycled and percentage of waste recycled (2010/11 to 2017/18)

Year	Waste to Landfill (tonnes)	Waste Recycled (tonnes)	Total Waste (tonnes)	Percentage of waste recycled
2010/11	3,695	1,006	4,701	27%
2011/12	3,440	1,052	4,492	31%
2012/13	3,610	1,180	4,790	33%
2013/14	3,523	1,080	4,603	31%
2014/15	3,619	1,032	4,651	29%
2015/16	3,837	1,090	4,927	28%
2016/17	3,460	1,914	5,374	36%
2017/18	3,752	1,830	5,582	33%

Figure 5: Contributions to recycled waste, by weight in 2017/18



Monash University – Commitment to Environmental Sustainability?

The Monash University Mini-Bin program was implemented as an initiative to decrease contamination rates in our recycling waste stream. The program entails the removal of office under-desk landfill receptacles, which are then replaced with small desktop waste bins and under desk paper recycling boxes. Staff are required to empty the desktop bin into their closest waste to landfill bin and recyclables via the kitchen recycling bin. Once a week, cleaning staff empty the under desk paper recycling boxes. The initiative creates excellent environmental outcomes, while also aligning with health and wellbeing expert recommendations to get up from our desks regularly.

The initiative has been rolled out across the entire University, with great environmental results.



Over 18,000 mini bins have been installed across our 5 Australian campuses

A recent office waste audit in a building occupied by over 300 staff showed 51% of items placed in the previous landfill bins were recyclable

Discussion

- How sustainable is Monash University really?

Accounting for Environmental Sustainability

- Brundtland Report (1987), named *Our Common Future* placed sustainability on the business worldwide agenda
 - Gro Harlem Brundtland (*1939); Former Norwegian Prime Minister; Former Chair of United Nations World Commission on Environment and Development
- **Sustainable development** defined as:
“... development that meets the needs of the present world without compromising the ability of future generations to meet their own needs” (United Nations World Commission on Environment and Development, 1987)
- Inter-generational and intra-generational equity central to the agenda

Stages of Sustainability Reporting

Why Report?

To Whom?

What to Report?

Disclosure Format

Stages of Sustainability Reporting

Why Report?

To Whom?

What to Report?

Disclosure Format

- Social and Environmental Reporting is **voluntary**
 - therefore we can use various positive theories to explain or predict this decision
- Different accounting theories will provide alternative explanations
 - **Legitimacy Theory** and social contract
 - Disclosures linked to providing evidence that entity is complying with the expectations of society
 - **Stakeholder Theory**
 - Disclosure depends on expectations of powerful stakeholders if the managerial perspective of stakeholder theory is embraced
 - **Institutional Theory**
 - Organisations will adopt particular practices because of institutional pressures (mimetic, normative, coercive)

Stages of Sustainability Reporting

Why Report?

To Whom?

What to Report?

Disclosure Format

- The decision of whom to report to is **directly related to the previous issue of 'why report?'**
- These factors cannot be considered in isolation
- If **managers motivated by the desire to increase shareholder value**
 - then reporting will be **aimed primarily at satisfying the expectations of powerful stakeholders**
- If managers adopt a **broader ethical perspective**
 - then disclosures **aimed at stakeholders impacted by the operations** of the entity
 - still cannot address all information needs, so **prioritisation is necessary**

Stages of Sustainability Reporting

Why Report?

To Whom?

What to Report?

Disclosure Format

- Identify information needs through **dialogue** with stakeholders
- Negotiate a consensus among competing stakeholder needs and expectations

Stages of Sustainability Reporting

Why Report?

To Whom?

What to Report?

Disclosure Format

- Conventional financial accounting does not appear to provide a foundation for social and environmental disclosures
- Triple bottom line reporting is an alternative, although it is not the same as sustainability reporting
 - A **true sustainability report** would consider such issues as the carrying capacity of the eco-system, impacts on future generations etc.
- An attempt can also be made to **place a cost on the externalities of business**

Stages of Sustainability Reporting

Why Report?

To Whom?

What to Report?

Disclosure Format

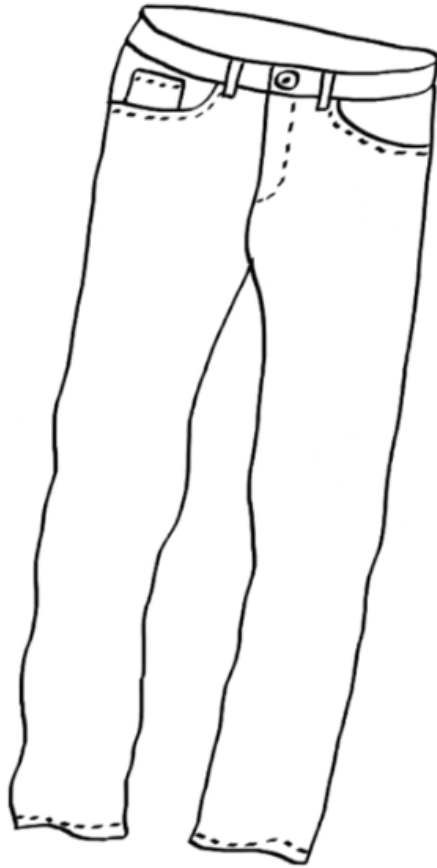
Externalities of business

- Market prices do not reflect the *scarcity* of resources involved or *harm* resources cause
- Perception that **all costs associated** with the production of goods or services (including use of 'the environment') **should be reflected in their price**
- The practice of '**under-pricing**' the **environment** leads to over use and damage to the environment
- If done comprehensively this would involve some **life-cycle analysis**
 - Consideration of the inputs and outputs from raw material acquisition to disposal
 - Often referred to as 'true prices'

Analytical Task

– Clothing Company

- Make sure there are at least 4 people at your table



- What could accounting for natural capital (i.e., environmental sustainability) look like if you were a clothing company?
 - Use the example of jeans
 - Focusing on natural capital, draw on what you have learned so far:
 - Inputs?
 - What goes into producing a pair of jeans?
 - Business activities?
 - Outputs: A pair of jeans
 - Outcomes?
 - Measurement of outcomes?

How to Report

Why Report?

To Whom?

What to Report?

Disclosure Format

Global Reporting Initiative (GRI)

- GRI Guidelines are the **most comprehensive framework for 'how to report'** currently available
- **Latest version** - GRI SUSTAINABILITY REPORTING STANDARDS 2016 – **effective from 1/7/2018**
- **Not mandatory**
 - Hence, many organisations are selective about what information they select for disclosure

How to Report

Why Report?

To Whom?

What to Report?

Disclosure Format

Global Reporting Initiative (GRI)

- Independent international organization that has pioneered sustainability reporting since 1997
- GRI Standards are the most widely adopted global standards for sustainability reporting
 - **According to the GRI, sustainability reporting is an organisation's practice of reporting publicly on its economic, environmental, and social impacts**
 - **KPMG Survey (2017): 93% of the world's largest 250 corporations report on their sustainability performance**
- Reporting entities can choose between a 'core' and a 'comprehensive' option
 - [GRI Standards](#)

How to Report

Why Report?

To Whom?

What to Report?

Disclosure Format

Social Auditing

- Purpose of social auditing is for an organisation to assess its performance in relation to society's requirements and expectations
- Results form the basis of an entity's publicly released social accounts
 - Which in themselves are often incorporated into a triple bottom line or sustainability report

BP Case Study

- Make sure that there are 6 people at each table
- Introduction to the Case
- For the next 5 minutes, please examine the report provided to you

BP Case Study – Please CRITICALLY analyse the report you have been given, considering the following questions:

- Why would BP do a sustainability report before the oil-spill?
- Why would BP do a sustainability report after the oil-spill?
- Who were the reports aimed at?
- What is being reported – what did you expect, what did you not expect to read, what is surprising, what needs improvement?
- What role did EY play in shaping the sustainability report?

BP Case Study – Discussion points

- Does the fact that a “good” CSR practitioner can have such an error suggest fundamental failure of CSR?



BP Case Study – Discussion points

- Should governments be the only arbiter of environmental & social responsibility, and companies be held accountable to government expectations only?

BP Case Study – Discussion points

- Can society (and thus also investors) trust the information provided in sustainability reports?



BP Case Study – Discussion points

- Did CSR analysts & practitioners miss the boat and become swayed by the success of BP's corporate sustainability reports?

- After having explored and critically analysed Reporting for Environmental Sustainability in more detail, next week will focus on: **Integrated Thinking**