

## Accounting for society's values

**A sustainable organisation is one that embraces the three components of economic, environmental and social action to deliver a long-term future. Whilst the conversation around social issues may pre-date that of environmental it feels to many that the social component is less well defined and inherently complex. Accountancy and finance professionals are increasingly being required to interact with this component.**

Progressing the social agenda can present several challenges for organisations. This summary provides some observations on some of the relevant positions that organisations may choose to develop in support of the agenda. The accountancy profession has played a vital role as guardians of financial integrity for centuries. For too long the notion of integrity has focused primarily on financial aspects – such as revenue, costs, profits, assets, liabilities, returns on investments. This has led to business decision-making (from strategic down to operational) that favour financial metrics over and above social and environmental considerations. If we are to create a just transition, can we maintain that approach?



## THE NEED TO DO MORE



Societies develop over time. The standards of one generation are not the standards of prior or future generations. There is a trend in understanding how the foundations of many global corporates may be based upon actions which our generation does not find acceptable. Equally, the actions of today may be challenging to future generations.

Whilst it is beneficial to understand our role in past events (such as injustices) it is important as a profession to focus upon the future and what we can do to prevent injustices in society from occurring and remedy those which do occur expeditiously. To apply our ethical lens as an underpinning of our actions. We need to recognise that as a profession, we can, and should, continue to progress the social agenda within sustainability and other goals and strategies in our organisations and with our clients.

***Are we understanding the impact that our organisations have on our society?***

## GLOBAL REPORTING STANDARDS



The reporting of activities is important and it provides transparency for the range of stakeholders involved in any organisations to enable the benchmarking of progression. Reporting requires the action embedded into the strategic direction of the organisation otherwise there is a gap between reality and perception. Commonality in reporting is essential for the efficient operation of capital markets.

As a profession we need to work to implement these standards in a fair and equitable manner understanding how the regulators perceive these standards as a tool for social justice. The importance of the social agenda cannot be lost in the challenges of measurement.

The reporting is only as effective as the data which we work to share and create transparency across organisations so that it benefits the transition to a just and sustainable society. Having an attitude that supports the transparency is a step forwards in our attitudes, but also providing the right data in the right circumstance.

***Are we utilising the potential of the reporting opportunities to create transparency but also as an action for good?***

## JUST TRANSITION



A just transition is a process that seeks to ensure that no-one is left behind as we move to a net zero economy, while the benefits are maximised in a way that is fair and inclusive. This requires management of financial, political and social risks, while balancing complex trade-offs between social, economic, environmental issues and carbon reduction goals.

The accountancy profession is singular in having as core value a fundamental ethical obligation to serve the wider 'public interest' and not merely those of our organisations that employ us or the clients we serve.

Doing this requires balancing out the short-term focus on growth, income and profitability with long term interests – financial and non-financial. This is essential in ensuring a just transition for future generations, across genders and which recognizes the integral development needs of emerging economies.

***Are we embedding all aspects of a just transition into the plans that are being developed and are they funded appropriately?***

## VALUE-BASED ACCOUNTING



As a profession we must evolve and develop new frameworks of accounting that are not solely focused on financials but include key aspects of value that society values. We recognise that an equitable treatment in society cannot soely be achieved by return to shareholders but requires other forms of return.

These frameworks should also account for the value-based impact on people and society from an organisation's operations be they employees, consumers or the communities affected by business operations.

We accept that there are multiple stakeholders to whom we ethically owe a duty of care to in respect of organisations, each of whom are stakeholders of value (people, profit and purpose).

We need to create trust in the information that we report especially where it is based on non-financial measures and subjective assessments.

***Are we embedding more value focused concepts into our stakeholder reporting to give a balanced view of the performance of the organisation?***

## EQUITABLE TAX



As a profession, we understand how tax is a tool that can be used to support the development of sustainable organisations and economies.

We establish tax policies in our organisations that reflect a fair return to society against the resources utilised in the provision of goods and services.

We work with governments to develop and implement tax regimes that reflect equitable treatment of value to society not just financial return. The actions of governments help us deliver the society in which we live. If we wish to live in a just society then this cannot be achieved with an appropriate level of funding.

***Are we ensuring that our organisations recognise the return to society that the equitable payment of tax generates?***

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