

a framework for sustainable change

A new IFAC framework supports professional accountants in creating sustainable value, writes Stathis Gould.

■ **The recognition governments and many organisations have given to sustainability is changing business culture and society. The global challenge is to ensure that organisations remain profitable at the same time as improving their environmental and social performance. This requires radical changes in the way organisations do business and presents opportunities for professional accountants to take a significant role in helping organisations to focus on the key drivers of long-term success.**

The new Sustainability Framework, developed by the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC), highlights the issues organisations must address to make sustainability an integral part of their business model. For example, it offers guidance on how to inject sustainability leadership into the management cycle, from making and executing strategic decisions to reporting on performance to stakeholders.

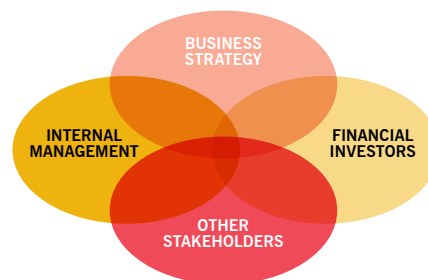
ACCA chaired the working group which developed the Sustainability Framework. ACCA policy director Roger Adams highlights the holistic view of sustainability taken by the Framework: "It recognises the importance of the three main dimensions of sustainability: economic viability, social responsibility, and environmental responsibility, as well as their interconnectivity. We hope that this Sustainability Framework provides the means and motivation for professional accountants to address sustainability issues with greater vigour.

"Although the accounting sector itself might be considered a relatively low-impact sector in terms of direct environmental and social

impacts, it is the accountant's involvement in the twin issues of organisational decision-making and external reporting that imposes on the accountancy profession the responsibility for understanding, absorbing and articulating the implications of the sustainable development debate," emphasises Mr. Adams.

four perspectives on sustainability

Designed from four different perspectives - business strategy, internal management, financial investors, and other stakeholders - the web-based framework allows professional accountants to easily navigate those sustainability issues that are most important to their immediate roles. It will also allow them to select and use those examples of good sustainability practice that are most relevant to their organisations.



The business strategy perspective emphasises the importance of adopting a strategic approach, so that sustainable development is a part of strategic discussions, objectives, goals, and targets. This will help to integrate sustainable development governance and accountability arrangements, as well as risk

management, and foster support by leadership.

The internal management perspective focuses on achieving integrated management systems, introducing sustainability, and environmental accounting as an extension of existing accounting/information systems to accommodate organisational plans for sustainable development and enhancing performance evaluation and measurement. This section of the guidance also includes advice on how organisations can simply and quickly improve energy efficiency and reduce waste; this, in turn, can help them improve environmental performance while reducing their costs, all in a relatively short time frame.

The financial investors' perspective is about telling the story to investors. It offers advice on both incorporating environmental and other sustainability issues into financial statements in a way that supports an organisation's stewardship role. It also encourages broader-based and forward-looking reporting to investors in financial reporting by management commentary.

The other stakeholders' perspective considers achieving wider transparency with non-financial reporting against a broader set of stakeholder expectations. Such reporting commonly takes the form of separate sustainability or corporate social responsibility reports that may be based on de facto standards, such as those from the Global Reporting Initiative. Included is advice on reporting on climate change issues and emissions in a way that demonstrates the existence of a structured system and approach to managing climate change impact and risks. This perspective also includes sustainability assurance, to help to improve credibility



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and trust, and might be of interest to those professional accountants in public practice.

achieving a balance between economic, environmental or social issues

The Framework strongly promotes sustainability’s three key elements – economic viability, social responsibility, and environmental responsibility – and the interconnectivity between them. Although trade-offs can occur between these dimensions, generally being socially responsible (towards employees, communities, and other stakeholders), and environmentally responsible, leads to enhanced trust, and therefore makes good business sense. However, social and environmental responsibility cannot stand in isolation from economic viability. Profitability creates jobs and wealth, and this depends on delivering products and services that people want. A sustainable business creates profitability in a sustainable way that enables organisations to survive and

to create a better world.

Enhancing the role of professional accountants in developing sustainable business can benefit their employers and the public interest. Accountants’ professional background and orientation equip them with the necessary qualities to support their contribution - namely, wide business understanding, numeracy and knowledge of measurement, and objectivity and integrity. Applying these skills to sustainability issues can help organisations to embrace sustainable development, and to incorporate it into strategic planning, execution and reporting.

how to access the sustainability framework

The web-based Framework, which can be accessed from the Professional Accountants in Business section of the IFAC website (www.ifac.org/paib), will be subject to ongoing review and development, with new links and references to good practice to be provided over time. To help the development process,

IFAC welcomes feedback from professional accountants and others on the way the Framework presents the field of sustainability, and the particular role of professional accountants in facilitating and supporting sustainability and sustainable development. Comments can be sent to Stathis Gould, Senior Technical Manager, PAIB Committee (stathisgould@ifac.org). ■

**Stathis Gould –
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IFAC’s PAIB Committee develops good practice guidance, provides resources and facilitates the exchange of knowledge and best practices among the more than one million professional accountants worldwide employed in commerce, industry, the public sector, education, and the not-for-profit sector.