



Think Ahead

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Things you need to know: sustainability reporting

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/ **Things you need to know: sustainability reporting**

As sustainability becomes an increasingly important issue, it is vital that accountants are up to speed on the subject. So what do they need to know?

The accountant is often responsible for gathering, understanding, absorbing, and articulating performance on a range of material issues; as sustainability becomes an increasingly relevant material issue, it is vital that accountants are fully briefed on how to deal with such information. It is also important that the wider business community fully appreciates the role accountants play in this emerging field.

The briefing paper is written primarily for qualified accountants already involved in annual reporting, but students and employers will also find the information of value, as it shows that even though the reporting landscape is changing, the skills of the accountant remain highly relevant.

Changes to reporting

Sustainability reporting has been rising steadily up the accountancy agenda in recent years, not least due to the efforts of ACCA and initiatives such as the ACCA Sustainability Reporting Awards. At its broadest, sustainability reporting gives stakeholders an understanding of an organisation's role in – and contribution to – society. A sustainability report considers the ways in which non-financial issues, from customer service to climate change, contribute towards, or impact on, value creation.

The way an organisation responds to these non-financial issues increasingly determines good reputation, positive innovation, and, ultimately, profitability – the reason why these issues are starting to influence reporting at all levels, not just sustainability. The evidence for this is shown by the growing number of sustainability parameters which are now becoming mandatory reporting requirements – such as carbon emissions, for example, or corporate governance issues. There is also a significant increase in voluntary reporting of sustainability issues, and with a number of voluntary reporting tools and standards now recognised globally, accounting standards bodies are starting to actively participate in the debate. IFAC, for example, has issued a number of advisory papers in this area, as well as appointing a Sustainability Experts Advisory Panel that advises the IFAC leadership, Boards and other committees on sustainability and environmental reporting.

Given the value that sustainability measures are now perceived to deliver, the briefing paper's authors have no doubt that existing 'traditional' financial and business reports will soon converge with sustainability reports. This convergence will result in radical changes to the reporting system, as financial and non-financial information becomes increasingly integrated. These developments may also result in a move to more concise, possibly more frequent, and more targeted reporting; here, the emphasis will be on disclosure rather than reporting, with information provided in different formats, tailored to the audience for whom it is most relevant.

Relevant role

The briefing paper states that accountants have to maintain and develop their awareness of sustainability issues if they are to remain relevant to the reporting process. In fact, accountants, with their extensive skills and training, are well placed to bring sustainability issues into the established financial reporting structure, as they can show clear links between sustainability and financial and other performance.

According to the paper's authors, the key areas in which accountants can apply their skills are:

- **Reporting** – with their long experience of reporting, accountants know how important it is to understand the regulatory, voluntary, and legal reporting environment in which business and government operates, and automatically keep abreast of any changes which may impact on reporting scope or legal requirements.
- **Risk** – accountants can give advice on risk management, and on the implications for an organisation if it opts to start reporting on sustainability issues voluntarily.
- **Establishing frameworks** – accountants have a deep understanding of how to collect, measure, and analyse relevant information. This means they are able to develop frameworks which embrace new sustainability information and which suit the circumstances of their own organisation. This skill is vital, as at present there is little specific guidance from government, and the capture and collation of social and environmental data will not be as easy for some organisations as it is for others.
- **Policy** – it often falls to the accountant to determine organisational policy on 'necessary to report' decisions; they are therefore well placed to advise on the reporting of sustainability issues, identifying what should be covered by a report.

- **Information provision** – accountants are trained to provide clear and reliable information and, where required, assurance of this information; they are also able to gather the evidence required to support a business case, and establish the necessary supporting processes and procedures. In addition, many senior accountants report directly to senior management or the Board – to do this effectively, an accountant has to know the business inside out and, as a result, can link sustainability issues to organisational performance.

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Sustainable education

A key message emerging from the briefing paper is that currently, qualified accountants need to make sure that their continuing professional development encompasses social, environmental, and development issues if they are to play a pivotal role in the development of sustainability reporting.

Student accountants, especially those studying with ACCA, already have access to relevant resources which will keep them informed of developments in this growing area of interest, making them even better prepared for the future.

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