History

- Developed in the 1970's

  1. **Pressure Groups**
  2. **Investigations into the operations of large companies**

- Globalization

What is Social Accounting ?

- Social accounting is a method by which a business seeks to place a value on the impact on society of its operations

- Important tool to measure Social Responsibility’s Performances

Objectives

Effective utilization of natural resources

Reducing water use

Objectives

Help to employees

Eg. Health, Safety, Security and Environment (HSSE) Management System

1. Goal Zero
2. Safety Day
3. Hearts and Minds

Shell Open University to develop staff skills in HSSE

Objectives

Help to society

Buying Locally

Hiring Locally

Planting Trees

Parks


Objectives
Help to customers
Biofuel
Help to Investors
Transparent accounting information

Measures

Put a figure on the costs and benefits of an enterprise's operations in relation to society and the environment.

Smokestack emissions

Charitable contributions

Influences a region's unemployment rate.

Benefits

The key benefits of adopting social accounting are:

- Improve outcomes
- Improve service
- Increase accountability
- Motivate employees
- Meet objectives
- Increase efficiency
- Greater transparency
- Influence Policies

Corporate social responsibility

- Social, environmental and economic concerns integration
- Transparent and accountable manner
- Long term business growth and success
- Increase corporate values
- Sustainable development


CORPORATE SOCIAL RESPONSIBILITY
• 5 dimensions:
1. Environmental
2. Social
3. Economic
4. Stakeholder
5. Voluntariness

Social Responsiveness

The degree of effectiveness and efficiency an organization displays in pursuing its social responsibilities.

The greater the degree of effectiveness and efficiency, the more socially responsive the organization is said to be.

Social Responsiveness

- Incorporating social goals into the annual planning process
- Seeking comparative industry norms for social programs
- Presenting reports to organization members, the board of directors, and stockholders on progress in social responsibility
- Experimenting with different approaches for measuring social performance
- Attempting to measure the cost of social programs as well as the return on social program investments

Corporate Social Reponsibility

- Corporate social responsibility
  - emphasizes obligation and accountability to society
- Corporate social Responsiveness
  - emphasizes action, activity
- Corporate social performance
  - emphasizes outcomes, results

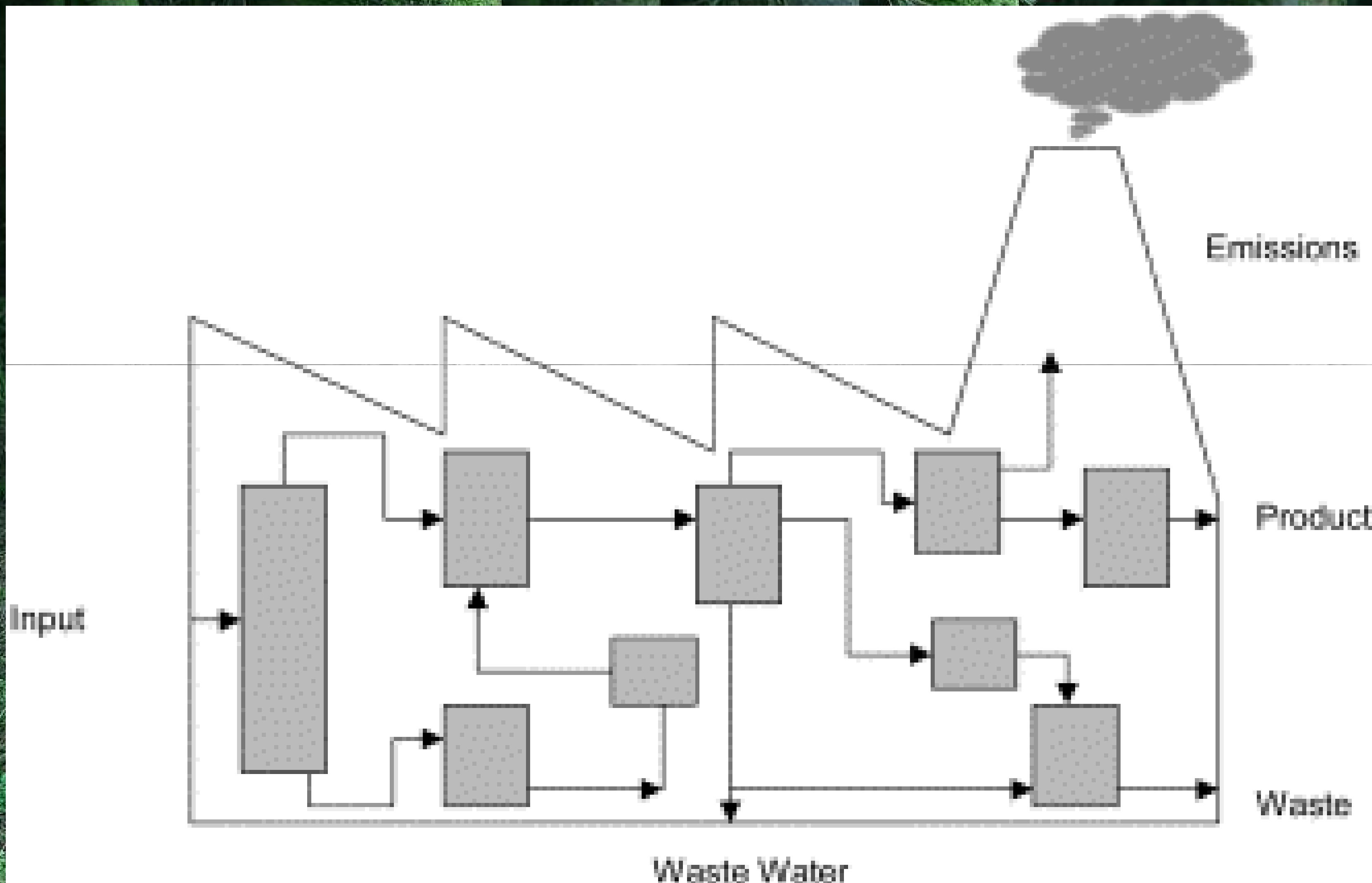

Green Accounting

Green Accounting

- Definition
- Increase material efficiency
- Reduce environmental impact and risk
- Reduce costs of environmental protection
- What are environmental costs?

All costs incurred in relation to environmental damage and protection.

Different focus of environmental costs



Green Accounting

- **Total corporate environmental costs**
- **Environmental protection costs**

(Emission treatment and pollution prevention)

+ Costs of wasted material

+ Costs of wasted capital and labour

+Costs of waste disposal and emission treatment

= Total corporate environmental costs

GREEN ACCOUNTING REPORTING

- On financial statements
- Footnotes
- Disclosed separately regardless of their amounts


Environmental
Accounting

Environmental Accounting

Environmental accounting is an important tool for understanding the role played by the natural environment in the economy

It is a subset of social accounting

Focuses on the cost structure and environmental performance of a company

Mainly describes:

- The Preparation
- The Presentation
- The Communication

of information that relates the company to the natural environment

Question?

- Who do you think uses the information in the environment accounting reports? And what do they use it for?

Internally?

Externally?

Uses

- Internal
  - Generating environmental information to help make management decisions on:
    - Pricing
    - Controlling overhead
    - Capital budgeting

Internal use is better termed
Environmental Management Accounting

Uses

- External
  - The disclosing of environmental information is of interest to:
    - The public
    - The financial community

Impacts

Impacts on the environment from business activity come in many forms such as:

- **Media**
  - air
  - water
  - underground pollution
- **Targets:**
  - drinking water
  - land
  - habitat for endangered and threatened species.
- **Global sites**:
  - oceans
  - atmosphere
  - land mass

Environmental Cost Accounting (ECA)

- Cost accounting is defined as:
  - The use of the accounting record to directly assess costs to products and processes
- ECA
  - Directly places a cost on every environmental aspect, and determines the cost of all types of related action
    - Environmental actions include:
      1. Pollution prevention
      2. Environmental Design
      3. Environmental Management

Environmental Cost Accounting (ECA)

Environmental cost accounting in producing environmental costs is described in two ways:

1. The A–B–C framework, looking for ‘cost drivers’ at organizational levels
   - Eg. unit, batch, product-sustaining and facility.
2. The other is a cost-of-quality framework, which defines environmental costs in prevention, appraisal and internal and external failure. This cost-of-quality approach supports pollution prevention as an appropriate management strategy.

The Interdisciplinary Approach To Environmental Accounting

- First, is the need to position environmental policy in the overall business policy and strategy.
- Second, the disciplines involved in producing environmental accounts and their reporting.
- Third, is the audit requirement to assure compliance with environmental regulation and appropriate reporting by environmental accounting.
- Fourth, is the education of students and future practitioners, to provide technical and legal bases in academic preparation and to avoid 'discipline insularity'.

Environmental management accounting

- Definition

"The generation, analysis and use of financial and related non-financial information, to support management within a company or business" (Bartolomeo *et al., 2000).*

Kyoto Protocol

- Scientists discovered that if humans kept polluting they way they had, there would be high risks of dangerous climate change
- Objective: stabilize and reduce greenhouse gas concentrations in the atmosphere
- Parties that have joined the Kyoto Protocol have designated amounts of emissions they are allowed to produce between 2008 and 2012

Parties Involved

- Agreement currently signed by 186 countries and the EC
- Protocol does not expire in 2012 – by then countries must have reduced emissions to 5.2% from 1990 levels
- Countries set caps on emissions for the producers in their nation

Kyoto Protocol Emissions Trading Scheme

- Emissions trading lets parties trade spare emissions with buyers that pollute more than they are allowed

- Mostly affects Power and Heat Generation, Oil Refineries, Metals, Pulp & Paper, and Energy Intensive Industries.

Carbon Trading

- Carbon dioxide is the main greenhouse gas emitted and is traded like any other commodity in the carbon market
- The carbon is measured by one tonne of CO2
- Parties can trade activities that help prevent greenhouse gases like land and reforestation, or emission reduction projects and clean development projects with over producers

Requirements

- The Kyoto Protocol registry systems tracks the transfer and sale of units
- Each party has to keep a reserve of units in its national registry, known as the commitment period reserve, it has to equal 90% of the allowed amount or 100% of 5x its most recent inventory.

Active trading programs

- The European Union Emission Trading Scheme – the largest market for greenhouse gases
- The US runs the Acid Rain Program, which has a goal of reducing SO_2 emissions, mostly through coal-burning electric utility plants
- There are several other markets for pollutants but they are smaller and more regional

What it means for accountants

- The market based approach allows prices to fluctuate based on supply and demand
- Accountants are free to choose how or if they will reduce emissions. If they fail to reduce emissions, they are fined – this increases production costs
- Therefore, accountants must find the least costly way to comply with regulations

FTSE4Good Index

- A way for people to invest in socially responsible companies

- Series of indexes to benchmark investments against as well as a list of ethical companies

- Criteria covers 3 areas:

1. Working towards environmental sustainability
2. Developing positive relationships with stakeholders
3. Upholding and supporting universal human rights

Criteria

- Companies are placed in one of three categories: high, medium, or low, based on their environmental impact

- The higher the company’s impact category, the higher the standards it must meet

- This forces companies to disclose more information regarding their environmental impacts and policies