



2021 INTERNATIONAL CONFERENCE ON ACCOUNTING AND FINANCE (ICAF)

ACCOUNTING AND FINANCE PROGRAMME
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES (COMSS)

BOWEN UNIVERSITY, IWO, OSUN STATE, NIGERIA

29 NOVEMBER – 1 DECEMBER 2021

THEME

ACCOUNTING AND FINANCE PROFESSION – FOSTERING SUSTAINABILITY INITIATIVES

PUBLISHED IN THE

INTERNATIONAL CONFERENCE ON ACCOUNTING AND FINANCE PROCEEDING

(ISSN: 2814-0257)

VOLUME 2

KEYNOTE ADDRESS

UNDERSTANDING OUR TIME: HOW SUSTAINABILITY IS CHANGING OUR UNDERSTANDING

Professor Muhammad Akaro Mainoma

Former Vice-Chancellor, Nasarawa State University, Keffi
Former President, Association of National Accountants of Nigeria (ANAN)
Former Commissioner of Finance, Nasarawa State

Protocol

Preamble

Sustainability is an age long concept but an evolving one especially in this part of the world. It is a concept that is shaping our perceptions of myriad of issues around economy, social justice and the environment. The need to appreciate this concept is necessitated by the various challenges we face in the areas of increasing poverty, unemployment, income inequality and political unrest which negatively affect our economies. Other challenges include global health threats, humanitarian crises, terrorism, racism, gender inequality which impact on global peace. Similarly, there are challenges relating to depletion of natural resources, environmental degradation, loss of biodiversity and climate change which endanger global environment. These challenges are mostly fall outs of human activities.

Increasing rates of these challenges pose threats to our existence, particularly that of future generations, thus it calls for the need to redirect our actions towards sustainability so as to have a world that guarantees vibrant economies, peaceful and secured communities and a safe biosphere.

For those of us in the corporate world, companies are key contributors to economic, environmental and social well being. Corporate activities affect the present and will indeed impact on the future, so that corporate sustainability is necessary for long term sustainable development of the economy and society. If corporate sustainability is seen as being the result of management effort to address challenges that may hamper sustainable development, then it makes sense to discuss sustainability reporting.

Concept of Sustainability/Sustainable Development

Sustainability has no single definition. This may stem from the fact that the concept of sustainability is broadly acknowledged as being multidimensional. It has been established that there are numerous definitions of sustainability. In simple terms, sustainability is about maintaining existing status into the future. Literally, sustainability implies a capacity to maintain some entity, outcome of process over time (Basiago, 1999). In development literature, the concept is applied to connote improving and sustaining a healthy economic, ecological and social system (See Gray & Milne, 2013; Kuliga et al., 2019; Thomas, 2015). This paper takes the developmental literature definition of sustainability. It is important to mention that sustainability is linked to sustainable development and these concepts are two sides of the same coin and are used interchangeably. According to World Commission on Environment and Development (1987:43) sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This definition has been widely accepted and applied in discussing the concept of sustainability development.

Thomas (2015) observed that sustainability brings into focus human activities and their ability to satisfy human needs and wants without depleting or exhausting the productive resources at their disposal. This, therefore, stimulates thoughts on the manner in which people should lead their economic and social lives drawing on the available ecological resources for human development.

Sustainability is made up of three interrelated components: environmental, socio-cultural and economic. These components interact in ways that are unpredictable and co-evolutionary that affect further change with unforeseen

Bowen University, Iwo, Osun State

outcomes (Birdsall 2014). The presumption is that nearly everything man does or plans to do on earth has implications for the environment, economy or society and for that matter the continued existence and wellbeing of the human race.

The understanding of the concept of sustainable development, according to World Commission on Environment and Development (1987) requires that citizens should effectively participate in decision-making and it should be guaranteed by the political system. Economic system should provide a sustained basis surplus. Social system should be able to solve the problems and tensions that arise from "disharmonious development". The production system should guarantee to preserve the ecological basis, new solutions should be provided continuously by technological system. International trade should be planned based on a sustainable pattern by an international system, and the administration system should have the capacity to correct itself and be flexible.

Corporate sustainability can be viewed from management attempt to tackle challenges posed by the need for corporation to move forward the goal of sustainability. (Dyllick and Hockerts (2002), Schaltegger and Burreit (2006). What is required for a corporation to be sustainable is innovation and establishment of learning processes.

Economic Sustainability

Some scholars assume that the key theme in defining economic sustainability is the relation between economic growth and the use of natural resources. However, others believe that the core concept is based on the long-term performance of capital. Bartelmus (2012) highlighted the equality between nature and the economy, and defined economic sustainability as the preservation and conservation of both human made and natural capital. Lobo, Pietriga, & Appert, (2015) defined economic sustainability as a system of production that satisfies present consumption levels without compromising future needs. Traditionally, economists working with the assumption that the supply of natural resources was unlimited, placed undue emphasis on the capacity of the market to allocate resources efficiently (Du & Kang, 2016). They also believed that economic growth would be accompanied by the technological advancement to replenish natural resources destroyed in the production process (Cooper & Vargas, 2004). However, it has been realised that natural resources are not infinite; besides not all of them can be replenished or are renewable. The growing scale of the economic system has overstretched the natural resource base, prompting a rethink of the traditional economic postulations (Basiago, 1996, 1999; Du & Kang, 2016).

Social Sustainability

In the most basic sense, 'social sustainability' implies a system of social organization that alleviates poverty. Fundamentally, "social sustainability" relates to the nexus between social conditions such as poverty and environmental destruction (Mensah, 2019; Farazmand, 2016). Broadly speaking, social sustainability occurs when the formal and informal processes; systems; structures; and relationships actively support the capacity of current and future generations to create healthy and livable communities (Partridge, 2005). Socially sustainable communities are equitable, diverse, connected and democratic and provide a good quality of life (Partridge, 2005). Social sustainability encompasses social equity, diversity, social cohesion, social contacts, social security, social capital, quality of life, human well-being, democracy, integration and diversity (Sen, 2000; McKenzie, 2004; Spangenberg 2004; Åhman, 2013). The indicating features of social sustainability include, equitable access to shelter, health, education, transportation, and recreational activities. It implies that the current generation does not limit the ability of future generations to have access to the same facilities and services. It ensures the freedom to participate in political procedures/democracy, as well as, awareness and ability to convey the importance of sustainability from one generation to the other.

Environmental Sustainability

Environmental sustainability entails the efficient utilization of limited natural resources. It implies that environmental resources are utilized in a way that it becomes possible for civilizations to support themselves indefinitely. Natural capital should be allocated in a way that depletion of nonrenewable resources is accompanied by the development of

a renewable substitute for that resource. Similarly, depletion rate of a renewable resource should not exceed the rate of regeneration. Furthermore, waste generation from human activities should not exceed the carrying capacity of the ecosystem (Daly, 1990). Human impact on the environment can be reduced by adopting environment-friendly technology, better environmental resource management, and environmental protection.

Goodland (1995) and Daly (1996) opined that to achieve sustainable development, it is necessary to change the current policies and human values. To do so, the environmental costs and benefits from human activity should be calculated, and the difference between renewable and non-renewable resources should be clearly understood. Issues to bother on in relation to environmental sustainability include resource management, environmental protection, biodiversity, eco-system integrity, habitat restoration and preservation. These are pertinent issues that must be taken seriously to ensure a sustainable biosphere.

Justification for Sustainability

In recent years, the growing concerns for environmental and climate change, together with issues of poverty, increasing disparity between societies and the tensions brought by social inequalities, have placed sustainable development under the spotlight.

The justification for sustainability is well captured by the United Nation's 2030 Agenda for Change. It is documented that billions of people live in poverty and denied life of dignity. In addition, there are increasing cases inequality within and among countries, gender inequality, wider disparities of opportunity, wealth and power, youth unemployment, spiraling conflicts, violent extremism, terrorism, forced displacement of people and insecurity. These are recipes of economic backwardness and retardation. Other notable issues include natural resource depletion, environmental degradation, desertification, drought, fresh water scarcity and increasing global temperature, sea level rise and ocean acidification. Most of these environmental defects are as a result of man's socio-economic activities. A simple analogy as given by Wanamaker (2018) is:

"If a man in a given geographical area lacks a job (economic), he is likely to be poor and disenfranchised (social); if he is poor and disenfranchised, he has an incentive to engage in practices that harm ecology, for example, by cutting down trees for firewood to cook his meals and warm his home (environmental). As his actions are aggregated with those of others in his region cutting down trees, deforestation will cause vital minerals to be lost from the soil (environmental). If vital minerals are lost from the soil, the inhabitants will be deprived of the dietary nutrients required to sustain the intellectual performance needed to learn new technologies, for example, how to operate a computer, and this will cause productivity to reduce or stagnate (economic). If productivity stagnates (economic), poor people will remain poor or poorer (social), and the cycle continues."

It is the need to mitigate these global challenges with a view to ensuring sustainable development that the 17 Sustainable Development Goals (SDG) were set with timelines, deadlines and targets. The extent to which the goals have been achieved is an interesting area for research.

The Place of Accounting in Sustainability

Indeed, for the accountant, even if the concept is not tagged sustainability, it has been part and parcel of the training for a long time, kindly recall the concept of going concern in accounting, where reports are prepared with a view that the firm shall not stop existing in the foreseeable future. There, in itself, is an assurance process where stakeholders will be willing to maintain their investment since they know it will have value in the future. That is why if there is a threat of liquidation, it is treated differently.

Accountants also through reviews and audit, support the concept of sustainability. The idea is to have another independent review that shall give credence to what is reported so that those in charge do not hide anything that others that rely on the report will not just wake up one day and see that they do not have any investment. Indeed, it is another way of ensuring sustainability. The concept of accounting for depreciation is another major tool for the

accountant to ensure sustainability. In arriving at what is termed profit, the accountant considers the use of asset so that it can be replaced to ensure sustainability.

There are however other areas that will ensure sustainability that the accountants are still grappling with, i.e. the issue of inflation accounting and sustainability reporting standards.

Environmental and sustainability issues are not only a moral concern, but are increasingly important because of their financial significance. These kinds of issues cannot be reported solely through the use of traditional financial reporting. In order to provide such a broader perspective on their performance, some firms have, in recent past, started to report their performance on environmental issues, social responsibility or sustainable development, alongside financial issues.

Sustainability Reporting evolved from and is associated with Corporate Social Responsibilities (CSR) Reporting, Environmental Reporting, Triple Bottom Line Reporting, Connected Reporting and Integrated Reporting. The fundamental issue is that it bothers on reporting a firm's economic, social and environmental sustainability either as a separate report or integrated with financial reporting of the firm. Even though, in most economies, sustainability reporting is not mandatory, there has been reported increase in the rate of sustainability reporting across the globe. The KPMG survey report on sustainability reporting 2020 asserted that in the Middle East and Africa, sustainability reporting increased by a substantial 7 percentage points (from 2017 to 2020) with South Africa (96 percent) and Nigeria (85 percent) remaining strong.

In the past, there were no generally accepted standards to govern these disclosures, making them difficult to compare and less credible (Simnett, 2012). Today, some companies have published standards for sustainability reporting which ensure the homogeneity of sustainability reports. They have boosted the use of a common international framework in the development and disclosure of non-financial information.

The two most widely used reporting standards currently in practice are the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the AA1000 AccountAbility Principles Standard (AA1000APS). The GRI Guidelines is a structure established in 1997 as an offshoot of the Coalition for Environmentally Responsible Economies (CERES). Their main goal was to provide globally applicable guidelines to prepare sustainability reports, in contrast to environmental reports (Reynolds & Yuthas, 2007). The guidelines require disclosures in economic, environmental and social performance categories. Nowadays, the GRI is the world's most widely used sustainability reporting framework and it has achieved a widespread adoption for sustainability reporting with 80 percent of Global 250 (G250: the top 250 companies of the Fortune 500 index) and National 100 (N100: the top 100 companies in 16 countries where KPMG operates) (KPMG, 2011).

The other generic sustainability reporting standard is the AA1000 Accountability Principles Standards. These guidelines issued in 1999 by the former Institute of Social and Ethical Accountability (ISEA) provides a framework for an organization to identify, prioritize and respond to its sustainability challenges (ISEA, 2008). The AA1000 standard is an accountability standard, focused on securing the quality of social and ethical accounting, auditing and reporting (Reynolds & Yuthas, 2007).

Due to its characteristics (principles-based approach, compatibility with other standards, etc.), AA1000 Series is increasingly adopted in big companies and specific industries (Sadashiv, 2010).

Sustainability reporting has attracted significant attention from the academia and industry in recent years. Consequently, there is a very large amount of empirical studies especially in advanced economies on the subject matter. Most of these studies investigated the determinants of responsibility reporting and explored whether internal factors (i.e. size, industry) or external factors (i.e. stakeholders pressures) have an influence on disclosure. Significant factors in the business literature that determine sustainability reporting (as a voluntary disclosure) include the size, profitability, leverage, auditor and industry of the firm.

These clearly stimulate the need for interrogating how sustainability is changing our understanding particularly in the aspects of reporting. A conference in this regard is apt and timely.

Conclusion

It is important to understand sustainability especially in a environment where an understanding of such concept and what it entails is lacking. Sustainability must be viewed from a broad aspect away from simple environmental issues but a blend of economic, social and environmental issues. It must be seen as a process that requires improving and extending current state of affairs for future generations. Actions are required to be taken to achieve sustainability. An assured road to sustainability is using a long-term thinking approach.

It is an established fact that Accounting came into being to meet the need of the environment. As much as it is a product of its environment, accounting is also the environment's change agent. In the same way that the human society has evolved rapidly over time, accounting environment has also responded in equal force. Sustainability reporting is a clear case of some these responses of accounting to changes in our environment.

A better understanding of sustainability will provide answers to our current state of social, economic and environmental challenges as well as a better understanding of the world we live in.

References

- Adams, C. A. (2002). Internal organisational factors influencing corporate social and ethical reporting: beyond current theorising. *Accounting, Auditing & Accountability Journal*, 15(2), 223-250.
- Adams, C. A., Hill, W. Y., & Roberts, C. B. (1998). Corporate social reporting practices in Western Europe: legitimating corporate behaviour? *The British Accounting Review*, 30(1), 1-21.
- Åhman, E. A. (2013). Social sustainability - society at the intersection of development and maintenance. *Local Environment*, 18(10), 1153-1166. doi:10.1080/13549839.2013.788480
- Basiago, A. D. (1999). Economic, social, and environmental sustainability in development theory and urban planning practice: The environmentalist. Boston: Kluwer Academic Publishers.
- Birdsall, S. (2014). Measuring student teachers' understandings and self-awareness of sustainability, *Environmental Education Research*, Vol. 20 No. 6, pp. 814-835.
- Daly, H. E. (1996). *Beyond growth: the economics of sustainable development*. Beacon Press
- Elkington, J. (1999). Triple bottom line revolution: reporting for the third millennium. *Australian CPA*, 69(11), 75-76.
- Goodland, R. (1995). The concept of environmental sustainability. *Annual review of ecology and systematics*, 1-24.
- Gray, R. (2010). Is accounting for sustainability actually accounting for sustainability and how would we know? An exploration of narratives of organisations and the planet. *Accounting, Organizations and Society*, 35(1), 47-62. doi:10.1016/j.aos.2009.04.006
- GRI (2006). *Sustainability Reporting Guidelines, version 3*. Global Reporting Initiative. Amsterdam, the Netherlands.
- GRI (2011). *Sustainability Reporting Guidelines, version 3.1*. Global Reporting Initiative. Amsterdam, the Netherlands.
- KPMG (2011). *KPMG International survey of corporate sustainability reporting 2011*. KPMG Global Sustainability Services. Amsterdam, the Netherlands.
- KPMG (2020). The time has come: The *KPMG survey of sustainability reporting 2020*. home.kpmg/sustainabilityreporting
- Kuliga, S. F., Nelligan, B., Dalton, R. C., Marchette, S., Shelton, A. L., Carlson, L., & Hölscher, C. (2019). Exploring individual differences and building complexity in wayfinding: The case of the seattle central library. *Environment and Behaviour*, 51, 622-665. doi:10.1177/0013916519836149
- Lehtonen, M. (2004). The environmental-social interface of sustainable development: capabilities, social capital, institutions. *Ecological economics*, 49(2), 199-214.
- McKenzie, S. (2004). Social sustainability: towards some definitions: Hawke Research Institute, University of South Australia Magill.

- Mensah, J. (2019). Sustainable development: Meaning, history, principles, pillars, and implications for human action: Literature review. *Cogent Social Sciences*, 5:1653531, 1-21, <https://doi.org/10.1080/23311886.2019.1653531>
- OECD. (2001). OECD environmental strategy for the first decade of the 21st century.
- Partridge, E. (2005, September). Social sustainability': a useful theoretical framework. In *Australasian political science association annual conference* (pp. 28-30).
- Reynolds, M., & Yuthas, K. (2008). Moral discourse and corporate social responsibility reporting. *Journal of Business Ethics*, 78(1-2), 47-64.
- Sadashiv, K. (2010). The rise of sustainability reporting, in Ernst&Young (2010). *Spotlights on Business*, (2), 15-19.
- Sen, A.K. (2000). The ends and means of sustainability, keynote address at the International Conference on Transition to Sustainability, Tokyo, May.
- Simnett, R. (2012). Assurance of sustainability reports: Revision of ISAE 3000 and associated research opportunities. *Sustainability Accounting, Management and Policy Journal*, 3(1), 89-98
- Spangenberg, J. H. (2004). Reconciling sustainability and growth: criteria, indicators, policies. *Sustainable development*, 12(2), 74-86.
- Thomas, C. F. (2015). Naturalizing Sustainability Discourse: Paradigm, Practices and Pedagogy of Thoreau, Leopold, Carson and Wilson: Ph.D Thesis: Arizona State University
- Wanamaker, C. (2018). The environmental, economic, and social Components of Sustainability: The three spheres of sustainability: Adapted from the U.S. Army Corps of Engineers <https://soapboxie.com/social-issues/The-Environmental-Economic-and-Social-Components-of-Sustainability>
- Watson, G. H. (2015). The strategic importance of sustainable quality: The role of human endeavour through effective design, *The Journal for Quality and Participation*, 37(4).
- WCED (Singer-songwriter). (1987). Our common future. World commission on environment and development. On: Oxford University Press, Oxford, New York, 383