Sustainability and the Role of CAs

"*Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance,*" rightly said UN Secretary-General Ban Ki-moon. *"A sustainable world means working together to create prosperity for all,"* adds noted American Businesswoman Jacqueline Novogratz. Riding on the back of immense proven benefits to the society and the businesses, 'sustainability' is the new buzzword in global Corporate world, where it is fast becoming the new synonym of real success that makes great economic sense.

India, as one of the fastest growing economies in the world, is no exception to this phenomenon. More and more of Indian corporate world are now seeing the bigger picture and getting inclined towards adopting and mainstreaming sustainability. Although related disclosures are largely not mandatory in India, about 140 companies are voluntarily making such disclosures either separately in Sustainability Reports or along with annual reports. And the number is increasing year by year. The trend and number of such entities may appear less but are nevertheless highly encouraging and full of immense potential in the not so distant future. *In The Impact of a Corporate Culture of Sustainability on Corporate Behaviour and Performance*, published by the Harvard Business School, "high sustainability" companies dramatically outperformed the "low sustainability" companies in both stock market and accounting measures, over an 18-year period. As such, Sustainability and corporate responsibility are increasingly being embraced by institutions, governments, regulators, and growing numbers of investors, stock exchanges, and organisations.

Giving momentum to integrated thinking and the agenda of sustainable development, at least 12 major global treaties to protect the environment, have been negotiated in the past three decades, the latest being the United Nation's Sustainability Development Goals and Paris Climate Agreement this year.

In view of tremendous benefits to both the society and business at large, questions are being raised as to why the sustainability measures, the triple bottom-line approach (*social, environmental and financial*), and related disclosures be made mandatory?–particularly taking note of a famous quote by Peter Drucker that only *"what gets measured gets managed."* Reporting is gradually being seen as a critical link between the big-picture ambitions and the data that shows what action has been taken. Sustainability reporting is now increasingly being acknowledged as a vital step for managing change towards a sustainable global economy—one that combines long-term profitability with social justice and environmental care.

And the result over the years has been some small but significant policy shift from voluntary to mandatory. The pressure on organisations to respond to and communicate their response to sustainability concerns is increasing, through legislative levers and regulatory mechanisms. With the new and revised Companies Act 2013, India has become one of the first countries to prescribe and mandate expenditure for (qualifying) companies towards CSR. The Companies Act, 2013 also makes it mandatory for companies to disclose conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014. The SEBI's mandate of August 2012 on Business Responsibility Reporting (BRR) for the largest listed entities in India is yet another example.

Further, the Ministry of Corporate Affairs released the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) in July 2011. There is also a Revised DPE Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (CPSEs). Similarly, the Charter on "Corporate Responsibility for Environmental Protection (CREP)" from Ministry of Environment & Forest, looks beyond the compliance of regulatory norms for prevention & control of pollution through various measures including waste minimisation. However, it is a fact that for environmental disclosures to be meaningful they should be more than descriptive and should be credible, comparable and include independently verified metrics.

It is increasingly being recognised that how organisations manage sustainability factors will increasingly determine how well they perform financially and whether they can deliver sustainable business value to shareholders and other stakeholders. In this backdrop, the Chartered Accountants as advisors, financial facilitators and business strategists involved in organisational leadership and decision support, have a crucial role to play. Given their key positioning in organisational, industrial and business-world set-up, they have a pioneering role in embedding sustainability factors into an organisation's strategy and decision-making processes to achieve sustainable value creation. Various surveys, including the *IFAC SMP Quick Poll*, show that accounting practices are increasingly providing sustainability services to their clients. These services include advisory, accounting, and assurance. Rising to the occasion, the accountancy profession is now proactively helping integrate sustainability into decision making besides raising awareness of the importance of accounting for sustainability. By virtue of their knowledge and expertise in the field of accountancy, costing, audit and various laws applicable to companies, the Sustainability audit/reporting and Chartered Accountants are inseparable, a scenario which is full of fast growing opportunities for the accountancy profession.

Broadly, sustainability encompasses the three dimensions of Environment, Social Criteria and Governance, known as the 'ESG parameters' and Indian Chartered Accountants—the drivers of growth with fiscal prudence, are best suited to address all these parameters of Sustainability. ■

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