VOLUME - 11, ISSUE - 06, JUNE - 2022 • PRINT ISSN No. 2277 - 8160 • DOI : 10.36106/gjra

Original Research Paper

Management

CORPORATE ACCOUNTABILITY AND SUSTAINABILITY REPORTING

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KEYWORDS : Sustainability, Emissions, Indigenous, Mandatory, Climate,Governance

INTRODUCTION:-

Initially, Accountability means financial reporting of any corporate identity. Financial reporting includes only five elements assets, liabilities, equity, income and expenditure. The main objects of the Corporate World is to maximise the wealth of its shareholders.

There are a number of ways in which the traditional approach to financial reporting is not appropriate for Corporate accountability. Financial reporting is focused on the rights of shareholders, specifically those who are not involved in management and who have limited power to obtain information about the organisation. By emphasising the financial information relevant to capital providers, is a very narrow interpretation of accountability, restricting reporting only to those aspects associated with financial performance. However, focusing on financial results alone has its limitations. For financial reporting alone cannot answer important questions about social and environmental performances including

- How high is employee morale and turnover?
- Are customers being supplied with appropriate products and services?
- s the supply chain operating ethically?
- Are the rights of indigenous people being respected?
- How is the organisation contributing to Climate Change?

Along with above, current reporting practices tend to emphasise relatively short- term performance reporting often at quarterly or half- yearly intervals. Managers are also often rewarded in terms of measures of performance such as annual profits. This can have the effect of discouraging us from making long term investments in new technologies, including those that will provide long- term social and environmental benefits.

One area in which organisations have had a negative impact on society and the environment is Climate Change. For many years, Companies have treated the atmosphere as a " free good" and have released emissions into the atmosphere with no direct cost implications. This has allowed economic activity to develop, generating corporate profits and economic growth at the same time that Climate Change has become a reality, thereby raising the potential of serious problems for future generations. Motivated by efforts to improve Corporate Profitability, Companies will focus on reducing emission levels, and therefore, the amount of (Carbon) taxes they are required to pay. Many Companies challenged the science associated with climate change, but now there is a general acceptance that human activity is changing the climate.

A greater emphasise on a broader accountability expected of organisations has been accompanied by a recent increase in associated regulation worldwide, so that for some organisations the broader Corporate accountability imperative has gone from being desirable, to expected, to now being required.

The move towards mandatory reporting has been caused by a range of factors. These include government regulations due to community pressure and lobby groups, as well as regulations arising in response to specific corporate activity that has harmed the environment or community. Reporting is also required to enable governments to comply with international agreements to reduce emissions and pollution.

Corporate accountability should evidenced by CSR or sustainability reporting. This involves measuring and reporting on economic, environmental, social and governance aspects and the processes of an organisation.

Corporate social responsibility/ sustainability:- Definition

A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and the relations with stakeholders.

Sustainability Reporting :- Sustainability Reporting is the process of producing a sustainability report about the economic, environmental and social impacts caused by the organisations in everyday activities. Other aspects that are commonly expected of an organisations sustainability report include information about the organisation's values and governance model and links between its corporate strategy and its commitment to a sustainable global economy.

In the mid- 1990s, various organisations started producing more information about their social performance. More recently, most leading companies are producing reports- often referred to as 'sustainability reports' or 'corporate social responsibility reports' (these labels are often used interchangeably) - that incorporate various aspects of their economic, social and environmental performance. Again, there are no laws and regulations that compel organisations to release publicly available CSR or sustainability reports. This great emphasis on a broader accountability has been accompanied by an increase in associated regulation of CSR reporting worldwide, so that for some organisations the broader corporate accountability imperative has gone from desirable to expected, expected to required. Not only is regulation seen as an increasingly important driver of CSR reporting, but frameworks such as the GRI and voluntary guidance from regulators and stock exchanges are also increasing the incidence of reporting. The three main pillars of sustainability are environmental, social and economic sustainability. Environmental sustainability is critical because humans rely on the natural environment for survival and therefore have a responsibility to address the problems they cause. Environmental sustainability issues include climate change, waste, pollution and biodiversity. Social sustainability can be understood as the ability of a system to continue to function at a reasonable level of social well- being. It is not a concern regarding simple existence, but a wish to flourish and have the best lifestyle for which could dream. The main issues in social sustainability are child labour, ethical trading and supply chain management. Economic sustainability showed how complex and interconnected our economic markets are, and how vulnerable many parts of our society are to economic conditions. The main issues in economic sustainability are transparency, long term viability of businesses and stability of the economic system.

Issues with Sustainability Reporting:-

With measurement, it is easier to understand the scale of various issues, to track how they change over time, compare them and to improve performance. Measuring many social, environmental and sustainability issues is very challenging. Unlike financial reporting, our ability to measure social, environmental and sustainability issues is considerably less developed and is still very much a work in process. Issues to be resolved include dealing with uncertainty as well as interdependencies between pieces of information. It may be helpful to think of reporting for social, environmental and sustainability issues as comprising, quantification, expressing an issue or change in numerical terms , monetisation, a quantified value into currency as a standard unit of measurement, narrative reporting (expressing an issue in qualitative form).

There are some areas in which social reporting and measurement is much harder. Social issues involve quality and subjectivity that can be hard to capture in quantitative or monetised approaches. In CSR reporting, the concept of entity is relaxed. It can be hard to identify what issues can be attributed to a particular organisation and not to others. Time is also an important measure for social issues. There is often a significant lag between an activity and when the impact of the activity is felt in a community or society.

Environmental reporting accounts for how corporations draw from and affect the natural environment. There have been important advances in developing standardised methodologies for accounting for certain environmental aspects of business, such as greenhouse gas emissions. The areas that have greater development of measurements and indicators include :

- Material usage and product resource consumption;
- Resource usage including energy and water;
- Emissions and waste;
- Transport usage

Some areas that have been identified as needed further development, is very challenging particularly as there is no generally accepted unit of measurement and reporting systems and exploited, it also includes measures of impact beyond the control of the organisation. Measuring the environmental effect of supply chains increase the level of complexity and scope of reporting.

Economic Reporting includes financial performance measured by generally accepted accounting principles, but this by itself may be limited. This can include a wide variety of non- financial performance indicators and narratives and is usually aimed at economic performance, market performance and indirect economic impacts. These include-

- Market share- it refers to the percentage or size of market share for the company.
- Customer satisfaction- including describing customer service initiatives, loyalty and awards or campaigns.
- Employee satisfaction- comparison of loyalty and awards and comparison to competitors;
- Turnover rates- employee turnover compared with competitors and industry averages;
- Innovation- It is measured in monetary terms such as the amount spent on research and development.

Mandatory Reporting and disclosures

Mandatory reporting requirements are introducing business and human rights issues to a broader range of constituencies crucial to the success of a business enterprise including investors and consumers.Corporate annual reports are required to comply with the Corporations Act, relevant accounting standards, and if the entity is listed, with the listing requirements of the Australian Stock Exchange(ASX). CSR related corporate governance disclosure imposes compulsion on listed entity to disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks. National Greenhouse and Energy Reporting Act introduced a national framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects and energy use and production of corporations.The European Union (UN) emissions trading system is a key tool for reducing industrial greenhouse gas emissions cost effectively.

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