Sustainability Accounting and Reporting

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Course

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Due Date

Sustainability Accounting and Reporting

Business managers should be proactive in bolstering their organisations' reputations to different stakeholders, including the government, employees, suppliers, consumers, and the society. In addition to financial incentives (profitability), Strezov et al. (2017) advise corporations to prioritise social and ecological welfare, enhancing their long-term sustainability in the market. This concept leads to sustainability and accounting reporting, which refers to the practice of measuring, assessing, and disseminating an entity's social and environmental impacts to the public (Lodhia & Sharma, 2019). Besides the conventional corporate targets, such as sales, customer satisfaction, and cost ceilings, the management should institute measures that address contemporary issues, such as climate change, poverty, and gender-based inequalities. These initiatives would create a fair ecosystem that bolsters the community's welfare. Companies in different jurisdictions need to voluntarily create genuine sustainability reports that show their economic, social, and ecological contributions to the ecosystem, bolstering their efficiency and reputation.

The sustainability accounting report should have three fundamental pillars with their constituent variables that highlight the holistic performance of corporations: economic, ecological, and social items. Firstly, it must indicate the financial returns of the company. Private entities' fundamental objective is to make profits and maximise shareholders' wealth (Cavagnaro & Curiel, 2017). Hence, companies need to include items such as turnover, revenue, cost, net profit, earnings per share (EPS), and dividends per share (DPS) in the report to show the existing and prospective investors (shareholders) their value relative to other entities in the sphere. Secondly, the report should indicate the contribution of an organisation to ecological conservation (Cavagnaro & Curiel, 2017). Globalisation and increasing consumer demand for manufactured items have enhanced the volume of greenhouse gas emissions into the atmosphere, leading to global warming and climate change (Bu et al., 2016). Thus, entities must play an integral role in reducing carbon emissions through lean practices and air purification. They can use the accounting and sustainability documents to quantify their carbon footprint, highlighting their effort in curbing global warming and climate change. Finally, the report must have the social contribution of the organisation (Cavagnaro & Curiel, 2017). Companies cohabitate with different communities, creating a need to have an excellent relationship that would be mutually beneficial to both parties. The document shows the different policies, practices, as well as innovative programs that corporations initiate to elevate the welfare of the consumers, employees, and the general community. It can highlight the gender equality policies, fair compensation frameworks, and philanthropic efforts to assist the poor. This discussion shows that sustainability accounting and reporting targets different stakeholders to show an organisation's economic, social, and ecological contribution.

This practice has numerous financial and non-economic benefits to corporations, illustrating its significance in the long run. Most importantly, corporate social responsibility (CSR) initiatives, such as planting trees, community engagement initiatives, and philanthropic programs, bolster an entity's reputation to the government, consumers, and the society. Ultimately, the company can receive tax incentives from governments as well as elevate its market share due to the positive image (brand) in the market. Moreover, it allows the management to analyse the financial trends of the organisation, playing a critical role in cost minimisation. Notably, trend analysis on elements such as EPS and DPS would show the inefficiencies in the organisation that necessitate restructuring to curb excessive expenses that minimise profitability. Companies should realise the criticality of sustainability accounting and reporting to ensure their survival in the competitive market in the long run.

Sustainability accounting and reporting is an essential practice in the contemporary era encompassed by social and ecological issues. It indicates the company's contribution to the society and the environment. It has three fundamental elements: financial, environmental, and social reportings. The practice bolsters entities' reputations to various stakeholders and allows them to achieve and maintain optimal financial performance. Therefore, companies should voluntarily release genuine sustainability reports to reap these benefits.

References

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