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The United Nations' 2030 Agenda for Sustainable Development and the Impact of the Accounting Industry

Jessica Long
Pace University

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Jessica Long

BBA/MBA Public Accounting

Advisor: Rudolph Jacob

Lubin School of Business - Accounting

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Abstract

This analysis takes a close look at the topic of sustainability in today's corporate environment in the context of the goals set forth by the United Nations in their 2030 Agenda for Sustainable Development. Due to the nature of their work, accountants are currently set-up to play a key role in the accomplishment of these goals. Through this study it is concluded that accountants will make sustainable development impacts in three key areas: consultation on the implementation and perhaps even performance of the role of Chief Sustainability Officers, the use of the Triple Bottom Line approach and social audits of non-financial information, and finally the regulation and adoption of sustainability reporting practices by the United States government. All of these activities are predicted to have a significant impact on the UN's 2030 goals.

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Introduction

One of the biggest issues in today's rapidly changing business environment is the topic of sustainability and corporate social responsibility. The United Nations is putting a lot of pressure on corporations and individuals alike to assist in their recently unveiled 2030 Agenda for Sustainable Development. This agenda is comprised of 17 Sustainable Development Goals (SDGs) that the UN believes will be the largest contributors to the process of positively transforming the world as we know it. They include things like safe drinking water for all, zero poverty and hunger, quality education, reduced inequality, climate action, and more.

The introduction of all of these brand new sustainability goals has brought on an increased need to find a way to properly measure and report our progress on them. That is where the accounting firms come in. In recent years, the practice of sustainability accounting and reporting has become more and more relevant and has now become absolutely necessary. It has become so important that an entire board dedicated to the regulation of sustainability accounting has been created. The Sustainability Accounting Standards Board (SASB) is the sustainability accounting equivalent of the Financial Accounting Standards Board (FASB) who regulates the rest of the Generally Accepted Accounting Principles (GAAP) that are most commonly used by U.S. businesses, both public and private.

Methodology

Because the use of sustainability accounting is so new, there are still a lot of unknowns and “what ifs” associated with it. The introduction of the UN’s 17 SDGs has also given rise to a whole new definition and sense of purpose for sustainability. There is a lot of work to be done in the field in order for it to continue to make a long-lasting impact. In this analysis, I will take a look at the current state of the sustainability accounting field in order to get a full understanding of the efforts already being put forth as well as to assist in developing my own opinions on where and how the area can stand to improve and innovate. I will then use that information in combination with research on the United Nations’ current efforts in order to make a prediction on how I believe that the accounting industry is going to impact the huge goals put forth by the 2030 Agenda for Sustainable Development.

As far as research methodologies and sources go, I plan on using a variety of sources. Some of the most up to date and insightful accounting news and information can be found in academic business journals which I will be using for my literature review. Additionally, I attended a meeting at the United Nations back in December titled “NGO Sustainability: Fuel Cell Technology and The End of the Distributed Revolution.” I plan to use my observations and notes from this meeting as a supplement to my research. Fuel Cell Technology is a really interesting example of what is currently being done to achieve some of the UN’s clean air and reduced climate change goals and employees of the accounting industry (especially consultants and members of advisory practices) have a huge hand in these particular projects.

Literature Review

An article written by Michael Kraten for The CPA Journal in March 2014 titled “Sustainability - The Accounting Perspective,” does a phenomenal job of detailing exactly the types of issues accountants are dealing with on the topic of sustainability, on both the compliance level and the advisory level. He begins by drawing connections between some of the work that accountants are already consistently performing and the new work that is arising due to sustainability issues. All in all, considering the skill sets that accountants already possess, it absolutely seems like they are the right people for the job. Kraten says public accountants who have experience performing due diligence on Merger & Acquisition projects are “undoubtedly familiar with the need to evaluate the crucial trade-offs that confront all of the affected parties” (Kraten, 2014, p. 11). In other words, accountants are already used to weighing the costs and the benefits of situations to try to make the best decision that positively benefits the highest number of involved parties. This calls into question, however, just who these involved parties are.

On a Mergers & Acquisition level, the parties involved are generally limited to only those directly affected by the decisions made (i.e. Company A, Company B, the companies’ auditors, the companies’ employees and customers, etc). When we start looking at cost-benefit analyses on a sustainability reporting level, that pool of involved parties grows significantly. This is where the two practices differ. Despite these differences, Kraten believes that the transition between these two practices comes down to a simple shifting of mindsets. He states “they simply need to expand their scope of vision beyond the direct transactional parties of owners and managers, as well as unions and regulators and customers” (p. 12). He continues that “they need to think of human societies and the natural environment as relevant transactional stakeholders as well” (p. 12).

Sounds simple, right? Not so much. Giving any group of people the daunting task of completely transforming their way of thinking from something they are familiar with to something they’re not is definitely not a simple feat. The accounting industry has recognized this, however, and is taking massive steps towards providing guidance and regulation on the topic of sustainability.

The Sustainability Accounting Standards Board (SASB) was established in July of 2011. They are “an independent standards board that is accountable for the due process, outcomes, and ratification of the SASB standards, including any changes to the standards” (SASB - Standards Board). From their inception on, they have been committed to coming up with a comprehensive set of published sustainability accounting standards to serve as a guideline for accountants and corporate managers alike. They finally took huge steps toward this goal in 2018 when it was announced that they had finally published “the world’s first set of industry-specific sustainability accounting standards covering financially material issues” (Schomburg, 2018) that includes guidance on 77 industries and counting.

One of the most important goals of the accounting industry, especially as it pertains to the SEC and auditors of public companies, is to ensure honesty and transparency in reporting with the intention of protecting investors and the economy as a whole. The SASB’s new Sustainability Reporting Standards (SAS) aim to do just that.

They are “codified, market-based standards for measuring, managing, and reporting on sustainability factors that drive value and affect financial performance” (Schomburg, 2018) which are monumentally helpful in the decision making process for both management teams internally as well as external investors. Not only are these standards applicable to a variety of different types of companies across a multitude of industries, but they have also been designed to work in tandem with other previously established sustainability reporting guidelines such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI).

Several companies have already taken the initiative to start using the SASB’s new standards (including giants like Nike, Kelloggs, GM, JetBlue) and it is expected that the adoption of the standards across industries is going to increase very quickly. Investors are demanding this information in a big way and corporations are relieved to finally have some guidance on how to properly disclose information concerning their ongoing sustainability efforts.

The second piece to my analysis deals with exactly how this new initiative to integrate sustainability reporting into the accounting practice will impact the 2030 Sustainability Agenda put forth in 2015 by the United Nations. The agenda details 17 broad goals that the UN would like to accomplish by the year 2030 and this monster goal has given rise to some roadblocks and questions. The first, and most important, of those questions is an obvious one - how do we measure whether or not and how quickly we are making strides toward accomplishing these goals? An article written by Emma Terama titled “Accounting for the Environment as an Economic Asset: Global Progress and Realizing the 2030 Agenda for Sustainable Development" works to answer this question along with several others.

In this particular article, the author harps on how crucial it is to "recognize that social and economic development hinges on the sustainable management of the natural environment and its resources" (Terama, 2016). The way we do that is by looking at our natural resources and environmental features as diverse asset classes under the umbrella of Natural Capital. Natural Capital is defined as "the components of the natural environment (e.g. minerals, fuels, animals and plants, ecosystems) that provide valuable goods or services" (Terama, 2016). Terama believes that the absolute best way to track our progress toward 2030 is by analyzing natural capital as a monetary, quantitative resource. This concept has been met with a lot of criticism for various reasons, but I do believe that it is the best way to ensure that natural capital is "fully accounted for to secure its benefits for present and future generations" (Terama, 2016).

The biggest criticisms that come along with this approach have to do with the lack of detail and specificity that monetizing natural capital causes. Many believe that the act of monetizing natural capital in order to track it as a resource "oversimplifies ecological complexity, marginalizes non-economic values of nature, conflicts with social and environmental justice, or facilitates nature's 'commodification' or 'privatization'" (Terama, 2016).

They did not completely ignore these criticisms, however. When choosing a method to use to monetize natural capital, the author decided to go with a model that takes into account several qualitative measures so as not to completely oversimplify the process. The model splits natural resources into two categories: abiotic assets and ecosystem assets. Abiotic assets are defined as “the geophysical properties and contents of the Earth, including geophysical cycles.” Conversely, ecosystem assets are defined as “the dynamic complexes of biotic communities and their nonliving environment, including water and soils that interact with each other as a functional unit” (Terama, 2016). The items in these two categories of assets and their respective subcategories are treated and weighted differently in the process of “applying valuation or costing methodologies to identify the economic implications of natural capital” (Terama, 2016). That way, both quantitative and qualitative measures are taken into account.

Terama also considers some key potential challenges that come with the implementation of sustainability measurement and reporting in corporations. The first and most obvious of those being the fact that sustainability practices have been completely nonexistent in some places or very rarely used up until this point. Another challenge is the fact that every country has different practices and different needs. Finding a way to standardize the sustainability reporting process so that deliverables are comparable across nations is a daunting task. Terama believes that “recognizing accounting as a necessary means of measuring progress in sustainable development” (Terama, 2016) will help to bridge that gap.

Up until this point, I have presented why sustainability accounting is important but how is it actually being implemented and performed? In an article titled “Processes of Sustainability Accounting and Management. A Systematic Review,” author Luminita

Ionescu goes into a bit of detail about sustainability accounting and management in corporations, stakeholder involvement, and the actual participation of accountants in the sustainability reporting activities in companies. There is a lot of speculation over whether the corporation's idea of sustainability and the rest of its stakeholders' idea of sustainability lineup with each other. Sometimes it is easy to get lost in what the best decision for the company is only to find out that that particular decision is not the best one when it comes to the good of the rest of society at large. For this reason, democratic stakeholder involvement has become a focal point in sustainability reporting practices in corporations. This helps to ensure that chief sustainability goals also lineup with sustainable advancement goals.

None of the sustainable advancement goals would have a shadow of a chance being accomplished without accountants, however, who have the perfect skill sets for the job. Ionescu relates this message by saying that "with their essential reporting, technical and analytical skill collections, the accountant may be important in relation to the advancement of sustainability reporting" (Ionescu, 2016). There is a caveat to this, however. Accountants can be unbelievably insightful on the topic of sustainability but that is only if they are willing to think outside of the box and bring new perspectives to the table. If their thinking and goals lineup perfectly with the management of the company, there is no possibility of the external forces having an influence on the internal sustainability activities. For this reason, "both accounting and management designed for carrying out chief sustainability should be capable of considering a diversity of information, concerns, and views of the various stakeholders, which are important in the circumstances of chief sustainability and sustainable advancement" (Ionescu, 2016). Those who are directly connected and influenced by the success of the company as one single entity via compensation or title will not be the right people to make the most sound decisions about the company's sustainability practices due to biased opinions. This is why finding a balance between what is good for the company and what is good for the rest of its stakeholders is the key to being successful in chief sustainability practices.

This concept pretty closely reflects a classic business concept that is taught in MBA programs today called "the Balanced Scorecard." The Balanced Scorecard is comprised of different components that the company needs to focus their decision making and operations around in order to be in compliance. These components vary between company serving motives (operational, financial, etc.) and society serving motives (customer satisfaction, eco-friendliness, etc). In the model that Ionescu lays out in her article, it is believed that the company's C-Suite and routine accountants will naturally be in charge of the company-serving motives and the management and accountants that are in charge of sustainability efforts should be in charge of the society serving motives. That all sounds great, right? Absolutely. But what if the two sides disagree?

There is a major stigma amongst industry professionals that the allocation of resources to sustainability efforts must lead to some sort of negative impact on the operational side of the business. This is because there is, just like anything else, a right and a wrong way to implement sustainability practices. For example, if top leadership does not have a strong understanding of the company's overall culture and the things that are important to its employees and other stakeholders, it does not create the ideal environment to be making quality sustainability decisions.

This stigma does not have to be true for companies trying to make a positive impact on sustainability if the correct strategies and approaches are in place. It is extremely possible for companies to stay operationally-sound and still make positive strides toward implementing sustainability practices. To do this, many companies have introduced the role of Chief Sustainability Officer (CSO) into their top leadership teams. This begs the question - what exactly is a CSO and what is their role in a corporation? The role of CSO can mean many different things to different corporations who are at various stages in the sustainability implementation process.

In an article written for Forbes magazine, Dina Gerdeman explains the role of CSOs and the three stages that sustainability practices get implemented in. Gerdeman states that in addition to environmental issues such as water use, energy conservation, and climate change, "a growing number of companies are taking sustainability efforts much further by improving working conditions in their supply chain, creating better safety procedures, and reaping profits from products that address environmental and social problems" (Gerdeman, 2014). This highlights the fact that companies are working hard to implement practices in such a way that it actually significantly improves quality and customer satisfaction rather than hurting it. The implementation is done in a series of three steps: 1) Compliance 2) Efficiency and 3) Innovation.

The Compliance stage is the initial phase and it is considered "the bare minimum" for sustainability practice implementation. This particular stage has become almost required in order to be a competitive company in today's workplace. Because of the massive focus companies are placing on sustainability, if you are not compliant with the basics you are way behind. The second stage is Efficiency, which is generally where the CSO comes in. It is where "companies become more strategic about sustainability by finding ways to achieve efficiencies that will save corporate dollars" (Gerdeman, 2014) as well as maintain quality and customer satisfaction. The final stage that only a few companies have shifted to is Innovation. Innovation involves "integrating sustainability into the core of the business in ways that transform the company" (Gerdeman, 2014). Regardless of where a company falls on this gauge, it is important that they are at least thinking about it and allocating some "bare minimum" resources to it.

When companies say things like "Customer is King" and "Customer Satisfaction is Key," it is often times hard to determine how far they would go and how much they would hurt either themselves or society to ensure that the customer is taken care of. With the introduction of the concept of Sustainability into the business world, it is even harder to know where the line is drawn and what takes precedence. Our economy cannot survive without strong companies with high-quality products and services and happy customers. On the other hand, we cannot survive without the preservations of our most basic human wants and needs (i.e. peace, food, water, shelter). That is why I think it is wildly important that we start to fight the stigma that focusing on sustainability permanently means that customer satisfaction and quality needs to be sacrificed. The implementation of a Chief Sustainability Officer is an excellent way to combat this and I believe it is something that every company, especially major Fortune 500 corporations, should be doing.

Hypothesis

Considering the consultative nature of public accounting firms coupled with the rise of mass automation in the audit and tax functions, my prediction is that public accounting firms will become key players and contribute to the 2030 Sustainability Agenda in a big way. My main basis for this prediction is the fact that the responsibilities of those in the public accounting profession are rapidly evolving and the profession's importance to the overall sustainability conversation is increasing over time. For instance, processes that used to take up significant amounts of time are starting to be completed using Robotic Process Automation (RPA) and Artificial Intelligence (AI) rather than firm employees completing them manually. While some people think that process automation could potentially give rise to the obsolescence of jobs in accounting, I take the position that it is actually a positive change. The reduction in the need to complete repetitive, simple, high-volume tasks frees up the time of public accountants, giving them an increased availability to complete more complex work.

Research Findings and Support

In order to most effectively support the points made in my hypothesis above, I think it is important to highlight the key activities that corporations and their accountants are either currently doing or should be doing in order to make the most noticeable impact on the goals in the 2030 Sustainability Agenda. The results of these activities are equally as important as the activities themselves, so I will detail those as well.

Chief Sustainability Officers

Initially, I think it is worth it to revisit the aforementioned concept of the implementation of a Chief Sustainability Officer as a means to the facilitation of positive sustainability practices within corporations. I've already spoken in detail about why CSOs are so important and why corporations should have them, but what are the qualities and best practices that make them successful at their jobs? An article written for the Harvard Business School by Kathleen Miller and George Serafeim titled "Chief Sustainability Officers: Who Are They and What Do They Do?" contains several first-hand accounts and interviews from current and former CSOs. In the interviews, the subjects detail some success factors and advice that can apply to companies at all stages of the sustainability implementation process as well as more specific information for each individual stage.

The most universal piece of advice that was given throughout the interviews pertains to the location of the CSO role within the corporation. The article states that "CSOs in every stage are more successful in changing the organization when they locate themselves as close as possible to areas where sustainability can produce value for the company" (Miller, 2014, p. 16). This optimal location varies from company to company and with each implementation phase. The initial Compliance stage generally involves the CSO locating themselves in a place that gives them the most access to the compliance and risk functions of the company. This is most likely due to the fact that, like with any new venture, due diligence must be completed to ensure legal compliance across the firm. Additionally, the company needs to account for the potential of unknown consequences by reducing risk factors where they can and protecting themselves from risks that they cannot directly control.

Beyond the Compliance stage, the direction of sustainability growth occurs on a case-by-case basis. Regardless of this direction, most successful CSOs are able to identify the most important and relevant goals and values for their specific companies and, in turn, develop their respective sustainability strategies accordingly. Additionally, the CSO should gain authority as the company moves through each implementation stage. In other words, the more integrated sustainability practices are in the day to day activities of the company, the more say the CSO should have on key issues.

The authors also note that it is important to keep in mind that getting “hung up on” or “labeling” which stage your company is in can be disruptive to forward progress. Every company is different and “what is compliance for one group may be a transformation for another” (Miller, 2014, p. 16). To prove this point, they provide evidence from scholars who specialize in the topic of change and the social dynamics that come with it. They state that “organizational change cannot be imposed in a monolithic fashion by management” (Miller, 2014, p. 16). Rather, organizational change varies from firm to firm due to the different, unique subcultures that can exist within corporations. Because of this, organizational change is a long and evolutionary process.

All of this still begs the question: what does it take to be a CSO? What are the key skills, qualities, and personality traits that make the most sense for a CSO to possess? Dina Gerdeman explains this perfectly in her Forbes article. The person who is hired as the Chief Sustainability Officer serves as a “change agent.” In order to be successful they must be able to “(see) how the future is developing, how social expectations are changing, how regulations and the business environment are changing in the future” (Gerdeman, 2014). They are the ones that need to be able to see the bigger picture so that they can influence decision making that benefits not just the company but the other stakeholders and society as a whole.

The Triple Bottom Line and the Social Audit

In today’s business environment, a company’s performance is no longer measured on the basis of their financial performance alone. The development of measures like social performance and environmental impact has grown exponentially in recent years. In order to properly address the additional components used to measure the performance of companies, the Triple Bottom Line (TBL) concept was developed. In a study conducted by Kathryn Bewley and Thomas Schneider titled “Triple Bottom Line Accounting and Energy-Efficiency Retrofits in the Social-Housing Sector: A Case Study,” the Triple Bottom Line approach is defined as the act of “identifying, measuring, and evaluating financial, environmental, and social costs and benefits” (Bewley, 2013, p. 106). The study supports the statement that a “purely financial bottom line” does not provide information that is sufficient enough to satisfy stakeholder demands.

Not only has the Triple Bottom Line approach been proven to be incredibly effective through case studies, but it is also the approach that is primarily recommended to companies and their accountants by the United Nations (Bewley, 2013, p. 108). The reason for this is that it accomplishes something called full-cost accounting. In layman's terms, this means that the TBL approach considers all costs and benefits associated with activities and transactions that occur in the company, rather than just those costs and benefits that are explicitly related to financial performance.

In order to demonstrate the importance and effectiveness of the TBL approach, the case study dives into a specific scenario within the social-housing sector that focuses on investments in energy-efficient practices. The social-housing sector works to provide sufficient, low-income housing to those citizens in the lower class or in poverty in order to help them avoid homelessness or abusive living situations. The energy-efficient practice that was targeted was the decision made by the housing authority to install Ground Source Heat Pump (GSHP) systems in the social housing complexes in order to reduce spending on basic electricity costs. The overall goal here was to identify key areas to cut spending in order to free up more capital to replace the severely outdated appliances in the buildings' units. Newer appliances would mean a significant improvement in the happiness and quality of life for the social housing residents. This would hopefully encourage them to opt to stay in social housing rather than leaving and ending up back in homelessness or abusive living situations.

This is a perfect example of a company weighing all of the costs and benefits involved in business decisions. While the happiness, safety, and quality of life of social housing residents cannot be directly traced to the number that appears on the bottom line of the financial statements, it is still an unbelievably important consideration. The housing authority in this study found a way to free up capital in order to give themselves the opportunity to make a positive social impact and, it can be argued, that this practice is just as important (if not more important) than just trying to turn a profit.

Making decisions with the TBL approach is by no means a simple task. A study by Leona Aimee Henry titled “Leading chief sustainability: The role of top management team composition for triple bottom line performance” comments that “Although these three dimensions (financial, social, and environmental) in isolation might be manageable, their simultaneous pursuit results in several challenges and tensions for organizations” (Henry, 2019, p. 174). A difficult task such as this requires individuals with advanced analytical skill sets that are capable of processing an abundance of information of different varieties and making sound business decisions based on the processed data. I believe that the people that best match this description are those in the public accounting industry as well as those that practice management accounting.

The education that accountants receive and the skills that they must possess to pass exams such as the CPA and the CMA are unparalleled in comparison to other professions. Additionally, accounting curriculums in colleges and universities are constantly evolving to adapt to industry changes; this includes, but is not limited to, the creation of more data analytics and decision-making courses, more extensive training in key software and technologies, and a focus on broader topics that address “the bigger picture" such as globalization, business strategies and stakeholder responsibilities, and more.

There are also several other additional skill sets that are becoming more and more important for accountants to have in the last couple of years that Henry's article touches on. The most necessary of those being a strong background in risk management. The growing disclosure of non-financial data opens up the door to a lot more risk than companies are used to that needs to be accounted for. The concept of the balanced scorecard and the TBL approach means that companies are no longer able to "take the easy way out" or the take the route with the least risk involved. With the added responsibility of making the right decision not only for the company but every other stakeholder involved, the least risky option is not always the one that would create benefit for the highest number of people. The ability to identify potential risks and implement measures to combat those risks is a vital skill for today's accountants and executives to possess.

CPAs will also play a huge role in the form of social audits. The practice of social accounting, which is defined as "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups and to society at large," (Henry, 2019, p. 33) has been spotlighted in recent years. There are public companies every single day that are claiming that they are making certain positive impacts on the environment or improving society in some way; the question is, how do we verify that to be true? For example, Coca-Cola has been known to make claims that they are taking positive strides towards improving water quality which is one of the UN’s 17 SDGs that they detailed in their agenda for 2030. If companies are going to be making claims such as this one, accountants need to start auditing these claims just as they would assertions on the financial statements in a traditional audit.

This is where the aforementioned concept of the social audit comes in. The role of auditors is to verify the fairness and accuracy of financial information that public companies relay to their investors and the goal of the social audit is no different. However, rather than focusing on financial information, social auditors focus on measurements such as the following: “total greenhouse gases emitted into the atmosphere, waste produced from an enterprise’s operations, expenditures on energy efficiency, expenditures for community and artistic activities by a municipality, injuries reported on the job, and reported violations of discrimination and sexual harassment laws” (Henry, 2019, p. 33). Relevant information to investors can be defined as anything that would either change their mind or at least make them reconsider certain aspects of their decisions. All of these non-financial measures are absolutely necessary for investors to be aware of as they pertain to the impact that companies have on the environment and society as a whole.

The Future of Sustainability Reporting Legislation

While sustainability reporting is becoming a more widely accepted practice, there is still a lot of uncharted territory when it comes to actual federal regulation of sustainability practices in the United States. There are several different organizations that are leading the charge on the regulation of sustainability reporting; the most important of these organizations are the European Union (EU), the Sustainability Accounting Standards Board (SASB), and the Global Reporting Initiative (GRI). It is widely believed that these three organizations are going to have the most significant influence and impact on the future of legislative measures taken by the United States to cover sustainability issues.

An article written by Karen Miller titled “Current Trends and Future Expectations in External Assurance for Integrated Chief Sustainability Reporting” zeroes in on the GRI specifically as they are the global leaders in the reporting and disclosure of sustainability practices and initiatives. They have introduced the use of integrated reporting as a means of communicating sustainability performance to investors and other stakeholders. The GRI defines their integrated sustainability report as “a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities” (Miller, 2017, p. 2). They also make sure to highlight that the integrated report is not meant to take the place of the traditional process of financial reporting that is already regulated by the federal government. Rather, it is meant to supplement and interact with that information for a more comprehensive view of the company’s overall performance.

Karen Miller also makes the argument that the adoption of integrated reporting is going to increase in the coming years and that the future of integrated reporting is going to require a lot standardization. Standardization normally means external assurance is also necessary. The Association of Chartered Certified Accountants (ACCA) has also recognized this need by stating that “historically, where information forms the basis of decisions on investment, the presence of assurance at a high level has been essential for sound market operation. As [integrated reporting] becomes more valued for decisions on investment, the priority placed on independent assurance will necessarily increase” (Miller, 2017, p. 4). Based on this information, it is safe to say that it is not a question of “if” the United States will adopt integrated sustainability reporting, the real question is “when.” Several countries are already taking the lead on this adoption process. The most notable of these countries is South Africa. South Africa was one of the first countries to adopt integrated reporting and the Johannesburg Stock Exchange (JSE) actually now requires integrated reporting from all of the companies that trade on their exchange.

Adoption by other countries is excellent motivation for the United States to decide to follow suit, but it is also worth noting that there are several other potential influencers that will push U.S regulatory authorities toward adoption. In addition to pressure from investors to provide more comprehensive sustainability information, there is a lot of pressure coming from independent agencies such as the Environmental Protection Agency (EPA), the European Union (EU), and even the Securities and Exchange Commission (SEC). Each of these agencies have their own demands and motives, for example the EU has the 2030 Agenda for Sustainable Development in mind, however the overall goal of increasing sustainability awareness is a common theme amongst all of them.

The adoption of integrated reporting in the United States is inevitable, but it is also important to identify the extent to which the U.S. might adopt it. Like with any other accounting standards, nothing can be categorized as “one size fits all.” The United States will most likely be tasked with adopting integrated reporting in a customized way that makes the most sense in tandem with the current legislation set forth by regulatory bodies such as the FASB, the SEC, the PCAOB, and others. Public accountants, especially those at the Big Four accounting firms (KPMG, Deloitte, EY, and PricewaterhouseCoopers), will most likely serve as key influencers and consultants throughout this process. Miller notes in her article that the Big Four accounting firms are the ones that have the most advantage in regards to leading sustainability assurance practices since they are already the ones completing the financial statement audits for public (and some private) companies. Mid-sized and smaller CPA firms do have the potential to contribute on a smaller scale, but the influence of Big Four firms is completely unparalleled at this point in time (Miller, 2017, p. 9). It is most likely that they will be leading the charge.

Aside from the integrated reporting standards set forth by the GRI, the SASB is another agency that is predicted to be a heavy influencer on the topic of sustainability reporting adoption by the United States. Authors Diane Schooley and Denise English take the position that they will be key catalysts in the process in their article written for The CPA Journal titled “SASB: A Pathway to Sustainability Reporting in the United States.” The SASB has been developing sustainability reporting standards over the last several years that are presented in an easy to follow format. They address broad applications of the standards as well as sector specific applications when applicable. Each standard is presented with the following components: “1) Purpose and structure 2) Industry description 3) Guidance for disclosure of material sustainability topics in SEC filings 4) Reporting format 5) Timing 6) Limitations 7) Forward-looking statements and 8) Assurance” (Schooley, 2015, pp. 25-26). The “adoption speed and breadth” of the SASB’s reporting standards by the United States are yet to be seen since the organization is fairly new, however I believe that the completeness and relevance of the standards themselves will work in their favor moving forward (Schooley, 2015, p. 27).

Concluding Thoughts

The goals set forth by the United Nations in their 2030 Agenda for Sustainable Development are steep and ambitious to say the least. It is no small feat to be tasked with curing world poverty and hunger or ensuring that there is quality education for all. One of the things of which we can be absolutely certain is that the achievement of these goals is not going to occur due to any one person or group of people's’ efforts; rather, it can only be achieved through the unity of companies, professions, states, and countries. Accountants are just one of the many groups of people that will provide vital contributions to the global sustainability conversation. As sustainability moves further into the spotlight, the need for education and training on these key concepts to increase awareness on the topic will only continue to grow.

I like to think about the incorporation of sustainability from a holistic point of view rather than a siloed one. It is becoming more apparent that successfully implementing quality sustainability practices is not going to involve operational or process changes alone. It is going to involve an entirely new way of thinking and an attitude toward positive change that serves as the backbone of the decision making functions of all companies moving forward. It is not a quick or easy process to accomplish this massive goal and the sooner that we recognize exactly where we are at versus where we would like to be the better we, as an industry, will be at creating forward progress. Looking forward, I feel as though there were always be unknowns and unanswered questions. For me, a few key questions stand out that I believe that are worth further review to increase my understanding of this topic.

First, what (if there are any) are the negative implications of regulating sustainability practices? Since social accounting issues are not as concrete and quantitative as issues concerning financial data, there are most likely several different ways to deal with the same issue that are all equally valid options. In this same respect, some reporting solutions may work for certain companies and organizations but wouldn't make sense for other companies or organizations to use for the same issue. Something that would be worth further investigation is how the regulating bodies should deal with this difference. Could there be a way to still create more structure in the sustainability reporting space but also provide broader guidelines that still allow companies to have some breathing room to customize their reporting practices in a way that tailors to their specific situation and stakeholder demands?

Second, there seems to be some push back on the concept of the TBL approach and the Balanced Scorecard from people claiming that the idea is simply a novelty with no real substance that creates “a smokescreen behind which firms can avoid truly effective social and environmental reporting and performance” (Wayne, 2004, pp. 243-262). Whether or not this statement holds any merit is debatable, however I do agree that it would be helpful to look into other methods of measuring CSR and sustainability performance regardless of how successful (or not successful) the TBL approach is. For a variety of reasons that could potentially exist, the TBL approach to sustainability may not be the best method for certain companies to track their performance. It goes back to that same idea from before that it is entirely possible that there is no such thing as a “one size fits all” sustainability reporting process. Every company is different and it could be true that sustainability needs to be treated differently as you move from company to company or industry to industry.

At the end of the day, it is important to remember that sustainability is important to everyone in one way or another. We are all working toward the same common goals regardless of the infinite amount of ways that exist for us to get there. The way I see it is if we can find even miniscule ways of merging different ways of thinking about sustainability into a more singular one, it could have the potential to make a huge impact.

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