BOOK REVIEW

Stephen A. Zeff, Editor

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Accounting for Sustainability is a report from the Prince of Wales’ Accounting for Sustainability Project. The goal of the project is “to provide practical guidance and tools to help ensure that sustainability is not just talked about but becomes an integral part of organisations’ day-to-day operations” (p. 4). Rather than a stand-alone product, the report is better viewed as an introduction to materials available on the website: http://www.sustainabilityatwork.org.uk. The website provides a more detailed presentation of ideas introduced in the report, as well as numerous links to sustainability resources from outside of the Project (but primarily from the U.K.).

The report is broken down into two major sections: (1) embedding sustainability within the organization; and (2) reporting sustainability. The first section adapts basic management concepts for integrating sustainability into an organization. For example, the notions that sustainability must have top management support must be integrated into the company’s main strategy, and that the connection between sustainability measures and corporate performance must be understood and communicated are no different from requirements to successfully incorporate any initiative into a company’s strategy. The report presents a very balanced approach to sustainability. Rather than advocating complete adoption of all aspects of sustainability, which would be unrealistic, the report urges companies to focus on those areas that are most important to major stakeholders and to consider resource limitations. This restraint in presentation of sustainability concepts and methods makes it more likely that companies will consider adopting more sustainable practices.

The second section of the report proposes a “connected reporting framework” for external reporting. The basic idea is that, currently, companies separate the reporting of financial and sustainability information. Financial reports are mandatory and are produced under the appropriate GAAP, and sustainability reports are voluntary and do not follow a specified format. This makes it difficult for investors and other stakeholders to link sustainability issues to financial performance. The report recognizes, however, that it is difficult to develop a single reporting standard for sustainability that can accommodate varying information needs across organizations and industries. Instead, the framework promotes the reporting of five environmental indicators across all organizations (polluting emissions, waste, water usage, energy usage, and the significant use of other finite resources), with additional metrics tailored to the specific organization or industry. The
focus on environmental aspects of sustainability is due to the more mature development of measures in that area. To become more complete, similar measures will need to be developed for other sustainability aspects.

In parallel with the presentation of examples of reports based upon the reporting framework, the report identifies features that will make the reported information more valuable to stakeholders. For example, given the nature of sustainability, the report proposes that information should be reported with financial and nonfinancial metrics, as well as narrative information. Trend data and targets are suggested as important to help stakeholders understand reported metrics. The report also advocates presentation of a balanced understanding of investors’ returns and societal impacts. These recommendations are important to help provide a context and deeper understanding of what companies are reporting.

The report stops short of requiring assurance for reports prepared according to the framework. Given the amount of subjectivity inherent in the application of sustainability across organizations and the lack of a common measurement system, however, the additional objectivity provided through assurance would likely make the reports more credible to readers.

After considering the steps required to embed sustainability into corporate strategy and operations, and then to develop appropriate reports that reflect the company’s sustainability efforts and progress, managers may find application of the framework to their own companies daunting. The steps necessary to do so can be extremely costly and time-consuming. For example, there is discussion of performing life cycle assessments (LCAs) in the process of embedding sustainability into the organization. LCAs are not particularly low cost, and there is a lot of subjectivity in performing them. Depending on the aspect of sustainability that is being embedded in the organization, there may not be resources (including time) to do the LCAs in a way that can help with the process.

Despite the potential enormity of the undertaking, however, the tone and approach promoted in the report are likely to make the task less intimidating. One helpful feature of both the report and the website is a series of case studies of companies that have implemented different portions of the framework. These examples make the framework much more accessible. The variety of resources available through the website is a nice contribution as well.

Perhaps one area where the report could be improved is that, in the discussion of taking sustainability into account in day-to-day decision-making, there is too much emphasis on suppliers. Two of the three phases detailing sustainability impacts of products and services are focused on supplier sustainability. While one could argue that a supplier could be an internal supplier, the presentation in the report implies an external supplier, thus placing too low an emphasis of sustainability impacts of processes within the organization.

The report makes no claim to provide a complete solution to sustainability reporting. Instead, it provides a basis for further development of sustainability accounting. Together, the report and the website provide a nice variety of resources and a reasonable approach for companies to begin integrating elements of sustainability into their organizations. The reporting framework is less developed, but it provides a good basis for continuing discussion and development.

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