
18

Sustainability and Environmental Management Accounting

18.1 Introduction and objectives

Environmental impacts have become a key concern for many businesses as they lead to increased cost. This movement towards greater environmental concern has been spurred on by increasing public scrutiny and governmental legislation. The hospitality, tourism and events sectors may be considered to be potential high impact sectors, therefore have been at the forefront of some of the key developments and changes towards sustainable business. This has led to organisations reporting externally on their environmental efforts through environmental accounting reports. Environmental management accounting (EMA) is an extension of this reporting for internal management use. The relationship is the same as between financial and management accounting more generally.

After studying this chapter you should be able to:

- Identify the key features of environmental management accounting
- Understand how businesses achieve sustainability
- Discuss the key benefits of EMA
- Understand the different methods for EMA reporting.

18.2 The triple bottom line (people, planet and profits)

The triple bottom line or 3BL as it has been termed is founded on the belief that a business's overall success cannot be attributed only to its financial position but also to its ability to address its ethical and environmental performance. Ultimately a sustainable organisation is one which creates value for the shareholders whilst having concern for the environment and the interests of society in general. Businesses have long been required to report on their financial performance through their income statement and statement of financial position; advocates of the triple bottom line believe that the organisation should give the same attention to reporting on its environmental and social position and impact.

In line with the balanced scorecard in Chapter 15, objectives and measures for achieving them are laid out in three key areas economic (profit), environmental (planet) and social (people) (Figure 18.1).

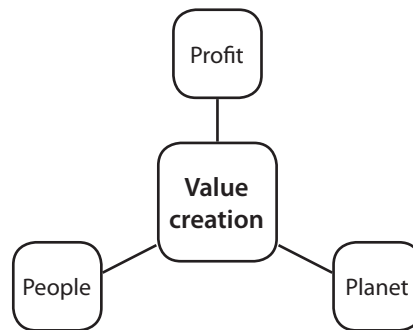


Figure 18.1: The Triple Bottom Line

The profit objectives and measures are no different to those encountered previously and will include return on investment (ROI), sales and profit growth, control of liquidity and gearing.

With regards to the planet the measures for success will include the efficient and effective use of the resources utilised in the organisation's operations and the by-products of the operations.

The people measures will include those which relate to customer satisfaction, employee relations and the impact on the wider community.

The 3BL has a number of benefits for organisations which choose to implement its philosophy:

- The ability to focus on costs which the organisation may have previously felt were out of its control and be able to achieve cost savings in them, is a big advantage, this can be closely linked to ABC drivers.
- The provision of this style of external environmental reporting will provide useful information to customers and suppliers as well as shareholders and

the public at large which can make the organisation more appealing. It can be used as part of an organisation's commitments to corporate social responsibility (CSR).

However, the 3BL has not been as widely adopted as the BSC, this may be due to the fact that the social and environmental goals are difficult to measure and control and are likely to be unique to individual organisations or industries. Additionally in industries where there is little legislation or a spotlight on environmental issues it can be considered an unnecessary expense.

18.3 Managing a sustainable business

The ability to create and manage a sustainable business rest on a number of key elements:

- *Stakeholder engagement*: Communication with all the key stakeholders is an important feature, not only providing them with information but receiving information and views from customers, supplier and consumers. This has been a key element in the development of sustainable tourism, resulting in the luxury end of the market becoming more environmentally conscious in line with consumer wishes.
- *Environmental reporting systems*: If the organisation is to set objectives and measures it needs systems in place to ensure that it can provide and analyse data in pursuing its targets. The organisation should make use of generic or industry-specific standards to ensure it is reporting in the right way on the right items. The sustainable business will embed environmental efficiency into its culture and infrastructure.
- *Lifecycle analysis*: In order to promote greater sustainability, an organisation can use the lifecycle model to analyse the environmental and social impacts of its products and this will also enable the organisation to be more responsive to changes in these areas.

Managing a sustainable hospitality, tourism or events organisation could involve consideration of the following specific elements.

- The use of natural resources and energy-saving materials in the fitting of premises and in the construction of a new facility (hotels, conference centre, tourist attraction).
- Landscaping of grounds using native plants and those requiring low impact irrigation. Where natural habitat is removed consideration must be given to replanting.
- Utilising resources (materials and staffing for example) from the immediate community and developing sufficient resources in the immediate community.
- Efficient utilisation of energy through lighting and consideration of alternative sources of power such as solar or wind.