

AAT ethics guidance note

Ethics and sustainability

Please note – this document and its contents are for guidance only and do not form part of the AAT *Code of Professional Ethics*. They are designed to provide further information on particular topics of interest that may not be covered in detail within the *Code*. Nonetheless, they do provide insight on best practice and may be used in conjunction with the *Code* when considering matters relating to disciplinary breaches.

Why is it an ethical issue?

Issues of climate change and the actions needed to alleviate it, if not reverse it, are inescapable. Greta Thunberg, David Attenborough, Princes Charles and Harry, Lewis Hamilton – the list of high-profile individuals urging real change in relation to environmental damage are numerous.

Some people still cling to the notion that this is a matter for governments – that individuals, and even businesses, do not have access to the levers of change. This is wrong. While political leaders can help through policy, public investment, tax regimes and legislation which outlaws the worst environmental offences, it is the case that most global value and resources are held in the private sector – either in businesses, or by a relatively small percentage of the global population. The bottom half of wealth holders collectively accounted for less than 1% of total global wealth in mid-2019, while the richest 10% own 82% of global wealth, [and the top 1% alone own 45%](#).

The structures of current markets have historically been based on the movement of natural resources from areas of the world with low-cost bases, to areas of the world with manufacturing capacity. Increasingly, the model has three tiers – areas with low-cost natural resources, low to medium cost manufacturing areas, and service-based economies which are the key consumers.

The problem with this model, the basis for markets since the industrial revolution, is the huge growth in population, wealth, and consumer demand. The consequent removal of natural resources has had enormous, localised effects – water scarcity, flooding (sometimes, ironically, in the same areas), desertification, soil erosion, deforestation – which combined with manufacturing processes has contributed to overall climate warming and extreme weather factors, with global impacts.

Business leaders are increasingly adopting a new mindset regarding role and purpose, that sustainability matters are part of the day job and that societal challenges are central to creating value. The world needs leaders to lead change across the value chain, their industry sector and wider society.

Members should consider the effects of their work on the ecology and environment. They champion ways of working that are environmentally friendly and should seek to minimise any direct harm their work might cause. Members should consider the ‘big three’: climate change; resource depletion and toxic materials; and eco-efficiency in their day to day practice and when advising clients.

More regulation around the following areas is on its way:

- financial penalties for high carbon footprints or nature degradation
- mandatory sustainability reporting
- set science based targets

- regulation on mandatory due diligence on supply chains regarding environmental and human rights issues
- EU 'do no harm' tests
- carbon tax
- executive pay reporting.

Business benefits

Clients

As outlined above, businesses are increasingly required to report on environmental, social and governance (ESG) factors such as by using the [Task Force on Climate-related Financial Disclosures](#) (TCFD) recommendations.

Do you know how to talk to your clients about this?

What value can you add to your services by helping them to understand their obligations?

Do you understand the importance that shareholders and potential investors place on this type of reporting?

Do you know how to talk to your clients about this?

What value can you add to your services by helping them to understand their obligations?

Do you understand the importance that shareholders and potential investors place on this type of reporting?

Can utilising technology for remote working help increase your national and international reach for attracting new clients?

Can you use your sustainability credentials to attract clients looking for services from like-minded organisations?

Recruitment

There are [various studies](#) showing that there are increasing expectations among recruits that businesses show demonstrable social value through their policies and activities. If you want the best team members then you need to meet those expectations.

Internal costs

Making changes at the micro level can really add up financially in the longer term; investment in portable technology can result in reduced paper and ink usage; movement triggered LED lighting can improve energy efficiency; moving to remote meetings (as 2020 has certainly shown us) can significantly lower travel costs and carbon impact.

Community: both locally and globally, businesses and individuals have an obligation to implement actions that have a positive social impact and improve feelings of [personal wellbeing](#), which will also benefit your business directly.

What can/should I do?

The biggest struggle is knowing where to start. The vastness and complexity of the subject can seem overwhelming. Even the largest organisations with their considerable resources have encountered difficulties in using those resources in ways that really give value. It might be helpful to focus on the 'big three' initially: climate change; resource depletion and toxic materials; and eco-efficiency.

The first thing to accept is that you can't change everything alone, but that a small gain is still a gain. Multiply that small gain across millions of like-minded individuals and organisations and change soon becomes inevitable. Take some recent examples:

- the removal of free plastic bags in shops caused an uproar to start with. Very quickly we all got used to taking our own bags, and when did you last hear someone even mention it? Around 6bn fewer plastic bags were handed out in the year [following that decision](#)
- Shortly afterwards, there was public outcry over microbeads in oceans which swiftly led to a ban, saving nearly 700 tonnes of plastic production per year in the UK alone
- Public awareness of the non-recyclability of take-away coffee cups led to a massive growth in personal, reusable cup use across the country in a very short time.

Incorporate environmental awareness into strategic plans, staff training and communications. Consider offering educational resources to clients and stakeholders and through your website.

Explore how you can manage sustainability issues in your supply chains.

As a professional, the ethics of personal and professional are often blurred, but it is possible to look at them through different lenses. In your personal life you may take decisions which may impact you adversely, but which you are willing to accept as reflecting your own judgements and how you wish to live your life. In your professional life, you will want to make decisions that benefit your business, your clients, and which also promote the public good.

The leading organisations which have tackled the sustainability issue head on tend to concentrate on one thing – materiality. This is an acceptance that they can only change what it is in their power to do so, but that doing it in concert with others – each with their own material issues – has huge accumulative power.

Materiality – while this term has a particular meaning in accounting, it is also increasingly used in the world of sustainability issues. When deciding what to do, an organisation will look at materiality – where in the business does sustainability directly impact, or is impacted? For some the connection will be obvious – energy companies and fossil fuels, mining companies and extraction, agriculture and soil quality – but for others it might be focussed on more internal issues such as reducing reliance on traditional transport by encouraging cycling or remote working, stopping the use of taxi or air travel, and working with carbon neutral suppliers.

Your office – does your power come from sustainable energy sources? Do you know your waste vs recycling figures? Do you know how many reams of paper and how many ink cartridges you use? Can

you video call rather than travelling to clients? Do you offer the [Cyclescheme: cycle to work scheme](#) for employees? Are your procedures impactful on the environment/paper heavy – in need of updating?

Invest in:

- clean power
- clean transport
- clean buildings and heating
- natural capital
- energy/carbon, water and waste reduction
- green jobs.

These are all tangible and measurable, and once you've started the process you may be surprised just how many things you can change for the better. For example, in Amsterdam, 99% of waste household and industrial provides heat and energy for the city's metro tram and road lighting. This impressive accomplishment required the co-operation of multiple stakeholders.

Set up working panels or committees to support this area of work.

Bear in mind that employees will demand sight of sustainability targets and results so participation is key to retaining talent. Participating in policy discussions and making can be a form of activism that your stakeholders support and can be crucial to your brand.

Checklist

1. Ask how your organisation and your client organisations could benefit and help society and sustainability.
2. Make a start, however small.
3. Ensure that your organisation thoroughly researches all options when venturing into new areas or projects, this may mean putting the brakes on developments but will be cost effective in the long run.
4. As accountants know: 'what gets measured gets managed', so start measuring.
5. Conduct regular risk assessments including suppliers and third parties.
6. Do your CPD: clients want and need your expertise, governmental funding and policy changes may offer innovation and growth initiatives.
7. Set science-based targets.

Resources and further reading

[*The Paris Agreement*](#)

[*Paris Agreement Transparency Framework*](#)

[*TCFD Recommendations*](#)

[*TCFD Guidance on Scenario Analysis for Non-Financial Companies*](#)

[*EU Corporate sustainability reporting*](#)

[*BSI – Environmental management*](#)