

Transcript of 'How do sustainability and accounting go together?'

Season 1, Episode 10, Transforming Tomorrow

[Theme music]

Paul: Welcome to Transforming Tomorrow, the podcast from the Pentland Centre for Sustainability in Business here at Lancaster University Management School.

I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

Paul: Now Jan, today we're coming to the end of that little block of episodes that we're doing about the subject I refuse to say the name of, because you've made up a word, and you're using it in such a way that it is offensive to my ears. You can say it now if you want.

Jan: [laughs] Infrastructuring.

Paul: Yes, that one. What are we going to be discussing?

Jan: Well, we've got some really nice links coming through from the previous podcast and this one. The first one is thinking about elements within the environment that help things happen, and that's the essence of 'infrastructuring' used as a verb.

A professional accounting body is one such device that sits in the system, and we'll find out more about what a professional accounting body does in the minute, but actually helps the system work better with regard to sustainable development.

There are two other themes as well. We've got more accountants, we always love having more accountants on this podcast...

Paul: ...I noticed you're using the royal we...

Jan: [laughs] ...I love having accountants on this podcast so, so it's really nice to have somebody from an accounting body here.

And then the third thing, which is what we were talking about in the previous one, which is, which was looking at benchmarks and how they affect

everyone's behaviour, and we sometimes call that information intermediation, and that there's somebody again in a system who changes what happens in the system through the kind of information they produce and the kind of um thought leadership that they, they offer into the system .

So Richard's interview with us hits all of those elements.

[Theme music]

Paul: Yes, because we are joined today by Richard Spencer who is Director of Sustainability at The Institute of Chartered Accountants in England and Wales, and he has the honour of being the first guest to join us not in the studio, Jan, but via the wonders of technology.

And Richard has worked for the Bank of England and Accenture and, obviously with such a professional background, he has a PhD from the University of London Birkbeck in the History of Art.

Jan: I think it's probably quite an important thing to have a PhD in.

Paul: It is. Welcome, Richard.

Richard: Well, thank you very much for that introduction, hello.

And actually I have to say although I am from an accountancy body, professional body, I'm not actually an accountant...

Jan: [mock disappointed] ...oooh...

Paul: ...oh, oh Jan, Jan. Richard you have made my day, you have absolutely made my day by revealing you are not an accountant, because I most certainly I'm not an accountant either, um as if you needed more evidence of that, or me to state it, all right.

What you are though Richard is the Director of Sustainability at The Institute of Chartered Accountants in England and Wales...

Richard: ...that's right...

Paul: ...so what exactly does that job entail, what's your day-to-day work include?

Richard: Yeah, so lots of different things which is, which is actually part of the, the fun of the job, there's, there's very little that I would describe his routine.

So the area I sit in is kind of rather helpfully, or unhelpfully, called reputation and influence which just doesn't really mean very much does it? But what, what I would say is that we're like a think tank within the Institute, in reputation and influence. You'd find us covering all the topics you'd expect like reporting and assurance and tax, but we also do cover subjects like my own, sustainability.

We look at that subject in three, in three ways. One in terms of policy and that's, that's engaging policy makers, obviously in government, but also other professional bodies, civil society, and so on.

The thought leadership, providing insight and leading edge thinking um around, around the subjects of where sustainability, accounting and business come together.

And, and then also turning that into knowhow for members so that might be toolkits, or processes, or learning materials, or in the smaller shorter insight pieces that might be a fact sheet for instance. And all of those feed off each other.

And then thinking about the areas that we cover, I'm very fortunate to have a amazing team of people who make me look incredibly good, which is um, which is fantastic. And I have a lead on nature and biodiversity, I have a lead on climate change, and a lead on society.

And then we're supported in that by, we have an apprentice programme where we take an apprentice each year from university, preferably having studied sustainability, and we kind of give them the business wraparound there.

But we also take a level four apprentice, which is somebody who's essentially just left school, and I think that's very important in a, in an area like ours which is a think tank, and can seem quite intimidating, because everybody has lots of qualifications and lots of experience and, and so on.

It's important that we are able to paint a pathway into that position, that where you could come from school where you don't you don't necessarily have to have come from university, you don't necessarily have to have years of experience. You can, you can do that uh, you can come through another pathway.

Paul: That's a really interesting insight into how this all works, and so with regards to the ICAEW, how does the organisation fit generally with regards to sustainability?

I've spoken with Jan about this before, saying that maybe accountancy and sustainability aren't an obvious comparison, or that people won't necessarily draw them together very obviously, how does it work?

Richard: It works in a number of ways. It works in the sense of, what we are doing is essentially speaking to our members in practice and our members in business, which is the sort of broad division within, within on membership, so it's approximately I'd say around 30-70 split, so maybe a 60-40 split between members in business, who are the biggest, our biggest constituency, and then our members in practice.

And what we're saying is that sustainability isn't a kind of choice in the sense of it's something that you can choose to do because it feels good. Sustainability, for us, is good business sense. It's, it's doing, doing the right thing is good business.

And therefore what our, our role is, is to present that to our members in such a way that they can understand and see the logic of that and, and therefore to act on, on what we would call the, the issues of sustainability.

And that might be, for example, I was thinking about the sort of kind of our three key messages which are a late transition to a, a net zero, nature positive, just economy would be disastrous, and it would be disastrous for the economy.

So that, that if you like is the, the headline business case. Ultimately there are no jobs, there is no prosperity on a dead planet. And businesses do not succeed in societies that fail, so if we want prosperity and business prosperity, we've got to make sure that we have a sustainable planet.

Um and our second message is that, accountancy has a huge role to play in that. And it has a huge role to play because the system can't function without information. No system can.

It has to have a flow of information that in even, even in natural systems that is, and it's probably not the right way to talk about natural systems, but that is, decision useful. So it needs to arrive on time, it needs to be in a shape that the receiver can understand and make the right sort of decisions on. So if that

information isn't flowing through the system you won't achieve the outcomes we want.

So the, the accountancy profession which I would say is the, is the holder of the information flow, is absolutely crucial to us achieving a sustainable planet.

Jan: And picking up on that how, how receptive are your members, the accountants in practice, and then also the accountants in business, and has that changed over time?

Richard: Yeah, it's changed enormously. So I joined the Institute a lifetime ago. I've been there nearly 20 years. And when, when I joined I think you could say that the Institute having put in place a sustainability practice if you like, was an oddity, and I think only a few good colleagues at ACCA had done some work and that been about sustainability reporting, but otherwise very little.

And, and I remember the first the first event I tried to do, I went to speak to, um we were arranged in, we were arranged in regions, and I went to speak to um one of the regional strategy boards about hosting something on sustainability. And the chair of the um strategy board, who's a member obviously, looked at me and said, well I don't know why you're here, I don't know what this is, I don't see what it's got to do with us, and I've got a golf match in half an hour.

Jan: Hardly a promising opening.

Richard: So, not very promising, and I wouldn't say, I would not say that all members are like that, but I would say that the majority of members 20 years ago couldn't see, the line would be I can see what you're saying as a parent or as a, as a private citizen, but I can't see that's got to do with me in my professional life.

I think today, the last three years in particular have seen an absolute sea change in that attitude. At the professional body level most of my colleagues in other accountancy professional bodies and actually other, other professional bodies you know, if you look at the engineers, if you look at the architects, if you look at the lawyers, the actuaries, you know, they're all, they're all heavily involved in, in sustainability.

But we're seeing it in incredibly in, in our members, you know, a kind of real demand for us to start providing knowhow and support for them. We do a set of awards each year called Finance for the Future and, and those awards are

really all about, what role does the finance function play in leading sustainability in business?

And you could, you could just map over the last, we've been do for about 11 years, you can just see the quality and the engagement improving over time. Just to add, just to add to that, only about three years ago we set up a sustainability and climate change community, so within the Institute, within our members Department, we have these different communities.

There are now more than 21,000 members of that community, it's I think our third largest community. So 3 years ago we just wouldn't, it just wouldn't have been the demand for one, and so you know, so we like, our annual summit, climate change summit is, we get really, really good attendance at that. People really wanting to know not just about the topic but where do I begin, how do I do this?

Paul: And I guess this ties in, I know you've worked with Jan on a project for educating the next generation of accountants with regards to sustainability.

And that must be an important aspect of it too to get people brought into sustainability from the very start, so that they're not in the profession for years and having to be educated backwards, but they're, they come into the profession already with it part of what they know.

Richard: Yeah, absolutely. So and, and this is another measure of the engagement actually is, Jan did fantastic content in our Fundamentals of Sustainability and, and that's, that's capturing if you like the pool of talent from which we would hope our, our members will come.

And the, the Fundamentals of Sustainability can be done by the students themselves, or even picked up by lecturers and just planted into their programmes. The uptake on that has been phenomenal, we've been oversubscribed at every, every stage.

But in addition to that, I would say for 10 years now we've been putting sustainability into the main qualification, but it's been kind of quite reactive, so in the sense of a new framework came out, we put it into the qualification.

What that meant was that it, when you looked at sustainability in the qualification, it was a bit lumpy, and you didn't get a sense of progress across the levels of exams.

So what we've done this year, my colleagues in Education and Training have led on a top down root and branch review of the ACA, I mean it's been it's a, it's a brilliant piece of work I have to say, and just embedding sustainability at every point across the examinations.

We were very keen that we didn't set up a separate sustainability paper because that gives you a sense of it's other, it's separate to, we wanted it to be seen as completely embedded in across the qualification like ethics is. So as, as ethics should inform everything you do as a professional accountant, so should sustainability.

And then lastly what, what we, we a year ago we produced our effectively our Level One Certificate in Sustainability, which is a beginner piece. We've had over 1,400 downloads of that, and the completion rate is pretty amazing actually, particularly for an online learning piece.

And where we're going to now is, we're very aware that there's a, a huge amount of stuff out there in sustainability, and our members look at it and feel little bit bewildered.

So it's up to us to, to kind of paint a journey for them, and that journey needs to be from beginner to competent, from competent to expert. Now, we are not in the business of qualifying sustainability experts, we're in the business of qualifying accountancy experts who are competent in sustainability.

So that expert piece is something that with our committee, Jan sits on that, is to describe what expert might look like, because I think that's important. But where we're focusing our efforts is in this competency space.

What, what gets you from beginner to being competent, and we' developed a competency framework, and that will then drive the learning materials, and those learning materials we're going to do in what we call 'just in time' learning, it's, it's doing them in bite-size chunks of 2 hour modules, because 150 hours of Level Two Certificate is not going to do it. But if they can have, do modules, and build those modules up into something that looks like a Level Two certificate then I think, I think we've done very well there.

And so we've got the framework done and now we're starting to commission those learning materials. Yeah that's, that's a sort of brief canter through everything we're doing in learning, but it's really kind of supercharging the

whole uh CPD suite of materials, and supercharging the qualification, in my view.

Jan: It's so encouraging to hear, and so important um not just for accounting institutes, but for other institutes to think about that, re-upskilling and re-educating people who are already working um often at very senior levels in their, their jobs.

I want to shift focus a little bit, because I know that you've been part of developing the Transition Plan, and I think it's a really interesting innovation in corporate regulation.

So I'd like you to tell us a little bit about the Transition Plan Taskforce, what it was seeking to achieve, and why might it be a really important part of a, of a reporting and action landscape for companies?

Richard: I think it's an incredible initiative, and you know we, we ICAEW are just delighted to have been part of it.

It was announced by the Prime Minister when he was Chancellor. It sets the gold standard, it's the UK doing what we've done very well in the past which is be leading edge in our thinking.

And the, the point about the Transition Plan is that it takes us from ambition to action. You know you get, you get lots of um Net Zero commitments, and we get, keep being told about how many millions and billions and trillions of dollars of asset owners and shareholders we're, we're representing.

Really not very much action, and I think what the Transition Plan has done is to say, so what it forces businesses to think through and say, so how are you going to get there, because of course getting to Net Zero, an important part of getting to Net Zero is the speed at which you do it.

You know, you could get to Net Zero by switching off all your stranded assets at 10 to midnight in 2049. But you'd have done all the damage by then. So when, when you hear politicians saying we're still on track for 2050, yeah but what you've done, is you you've built into that that vision a whole heap of damage.

So what the transition plan says is, tell us what your plan is and tell us where your, where your milestones are, and tell us how quickly you're going to do this.

And one of the, the things I really like about the Transition Plan is it says, hey don't just tell us about how you're decarbonising your own organisation, because I mean, and this is a footnote by yours truly, frankly you should have all been doing that a long time ago and it wasn't that difficult.

What I think is really brilliant about the, the Transition Plan Taskforce is, is it says, what are you doing to help decarbonise the economy? So you can't just decarbonise your business by selling those assets to somebody else, because that's just paper movements, you know. It's sort of sweet shop accounting.

So what are you doing to decarbonise the economy, and are you making sure that in that process you aren't damaging nature more, more comprehensively? And that will, and my hope and my belief is, that will get to us say a Net Zero and a nature positive transition go hand in hand.

And then the third piece is it says, is that transition just? Because a transition can be fair and, and everybody has, has to do the same thing, but it, it needs to be just. In other words, those who are least able to transition need more help.

In trying to do all of that it goes, the Transition Plan Taskforce, goes well beyond what I'd call a kind of ESG mentality, or what are the, what are the financially material risks to my business, to saying what is it you're doing about the whole economy, the whole system, what are you doing to make sure that we're creating a safe operating space for the whole economy?

Paul: And this, Jan, ties in really nicely with something we discussed with Duncan Pollard in one of our earlier episodes around business, biodiversity, the links there, the whole nature positive concept, and natural capital, all that kind of things.

Jan: It does indeed. So I want to ask you Richard, what do you think 'nature positive' means, and how is the ICAEW trying to tackle that question?

Richard: That's a really hard question actually. It's ever so easy to say isn't it? [laughs]

It would be impossible to do business without, probably without, being destructive. You know you, you could, you can kind of pick a headline version of this and say, where are most of the minerals that we want to, we need in order to have wind turbines and electric cars?

Most of them are in biodiversity hotspots...

Jan: ...yeah...

Richard: ...and most of them are mined by children [short laugh], you know, not most of them, but there are, there are particularly in cobalt mines in some countries quite a significant uh amounts of forced labour.

Nature positive is, how do you marry those two together? How do you, how do you make sure that in, in extracting those minerals there is some way in which you are, you have a restoration mindset, and a reconstruction mindset.

And how, how are you making sure that you do the least amount of damage before that? So, and it's, it's also about the principles of circular economy and limiting waste and improving efficiencies.

[Theme music]

Jan: There's lots of threads tying together then, and hopefully coming together to actually, you know, achieve the economies that work for people and for planet.

Paul: I think that's a good place to wrap up Jan.

Jan: I think it probably is too.

Paul: I think we've had a very positive discussion about this, that hasn't involved too much accounting, which you know when I found out Richard wasn't an accountant back at the start of the episode, it was the jolliest part of my day. Maybe that just says something about my day, indeed...

Jan: ...indeed.

Paul: Yes, no, but no, it's been wonderful to have you. Thank you very much Richard.

Richard: Oh, thank you for having me.

Paul: So we'll be back with another batch of episodes in the near future. We'll be picking our topics and speaking to some more interesting guests from the Pentland Centre for Sustainability in Business.

In the meantime if you do have any questions about any of the topics we've discussed, across any of our podcasts, please do drop us an email to pentlandcentre@lancaster.ac.uk

And if you want to listen back to any of the podcasts you can do so. You can look to us talking about subjects such as ICT, Modern Slavery, any of the podcast platforms that you normally download your podcast from.

Until next time then, thank you very much for joining us. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

[Theme music]