FULL REPORT

Corporate Sustainability Accounting

WHAT CAN AND SHOULD CORPORATIONS BE DOING?

UNRISD

United Nations Research Institute for Social Development

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Corporate Sustainability Accounting: What Can and Should Corporations Be Doing? is one of the main outputs of phase one of the UNRISD research project Sustainable Development Performance Indicators (SDPI). The project aims to contribute to the measurement and evaluation of the performance of economic entities—both in the for-profit sector and in the social and solidarity economy—in relation to the vision and goals of the 2030 Agenda. The project aims to assess the adequacy of existing methods and data associated with sustainability accounting; expand the scope of sustainability measurement, disclosure and reporting beyond for-profit enterprises to encompass enterprise models in the social and solidarity economy (SSE); and identify and test a set of indicators that can effectively measure impacts, while ensuring that the economic behaviour of enterprises and other organizations contributes to maintaining environmental and social resources at the thresholds required for sustainable development.

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Preface

This report was drafted in 2019. To borrow a phrase from politics, a week is a long time in the field of corporate social responsibility (CSR) and sustainability disclosure. Normally this is evident in the steady stream of new standards, reporting guidelines and best practices that companies are urged to adopt. But periodically a high-profile corporate scandal, disaster or a global crisis will reveal the limits—indeed, hypocrisy—of mainstream efforts to improve corporate sustainability disclosure and performance, and will prompt a major reassessment. Think Enron, the Rana Plaza factory collapse, the BP Deepwater Horizon oil spill, Volkswagen's vehicle emissions scandal, and the global financial crisis of 2008-2009.

Fast forward to early 2020 and we are now in the midst of a global health crisis, the Covid-19 pandemic. As with other crises, this will be a time when many corporations will step up to the plate with initiatives that attempt to cushion the blow for employees and local communities, or that foster public-private partnerships that assist governments and the wider citizenry. In short, CSR will likely receive a big shot in the arm, adding more content to the ever-expanding portfolio of corporate policies and practices that has characterized CSR over three decades. But as this report reveals, such a trajectory leaves unresolved a series of issues that are key—both for improving the social or sustainability performance of corporations, and for assessing progress through disclosure and reporting.

The CSR agenda has paid insufficient attention to the necessary transformation of certain structural conditions that reproduce unsustainable development. It has missed the big picture, focusing instead on steps that companies can take to do a bit less harm in relation, for example, to working conditions and environmental protection—incrementalism instead of transformative change. And it has assumed that any initiative associated with improved performance represents progress along a sustainable development pathway, ignoring the need to measure progress in relation to sustainability thresholds and patterns of fair allocation.

As with the global financial crisis, the present crisis will likely give rise to calls for a new twenty-first century social contract. Some leaders in this field are calling on companies not only to provide immediate assistance to workers, producers, consumers and local communities, but also to be part and parcel of "a real tipping point on what responsible business should look like"[1] or "to adjust its approach and become more strategic and less operational and focus its planning on the long term".[2]

[1] Paul Polman, interviewed by Ethical Corporation on 20 March 2020. Available at http://www.ethicalcorp.com/paul-polman-coronavirus-acid-test-stakeholder-capitalism

[2] Richard Edelman. "Covid-19: World Economic Forum and Edelman fill the information void". 11 March 2020. Available at https://www.edelman.com/insights/covid-19-world-economic-forum-and-edelman-fill-information-void

Unfortunately this didn't happen following the global financial crisis and it is unlikely to happen now, unless the focus of attention within CSR and sustainability disclosure shifts towards the set of core issues highlighted in this report. Fundamentally, they relate to skewed patterns of distribution of resources and structures of inequality, both vertical (for example, income and wealth) and horizontal (for example, gender and ethnicity); skewed power relations, and hierarchical as opposed to democratic or participatory governance arrangements; and growth and business models that generate acute environmental externalities that threaten both people's well-being and the health of the planet.

This report suggests that certain advances in the field of environmental disclosure are now addressing the perverse relationship between the growth model, or capital accumulation, at the enterprise level on the one hand, and the environment on the other. This is evident, for example, in calls not only for improvements related to resource intensity, but also for "absolute decoupling". Such developments are far less apparent in relation to the social and political or governance dimensions of sustainable development.

The Covid-19 crisis highlights where or how corporate sustainability disclosure has missed the mark when it come to the big picture issues. Part 2 of this report focuses on five such issue areas: fair remuneration, gender equality, corporate taxation, labour rights and corporate political influence.

As regards fair remuneration, the current crisis has left us wondering why so many of those who are putting themselves at risk in order to provide us with essential goods and services are paid so poorly. Whether in rich or poor countries, millions of people have no savings to cushion the blow of unemployment. And many cannot afford the luxury of social distancing, as they must continue to work outside the home to put food on the table. Why, for so long, has there been so much corporate resistance to paying workers a decent wage as reflected in the concept of a "living wage"? Why have disclosure and reporting often focused on the issue of whether wages comply with minimum wage regulations or industry norms, rather than the living wage? And, as occurred with the global financial crisis, how can we avoid fuelling income inequality, reflected in extreme CEO-worker pay ratios, via a stimulus or bailout agenda that results in share buy backs and inflated CEO bonuses?

In relation to gender equality, under Covid-19, employees are now urged to work from home via teleworking. This places in sharp relief the chronic failure of the CSR agenda to promote multiple forms of support for employees with caregiving responsibilities—responsibilities that explain much of the workplace disadvantage that women face in pay and promotion. Given the narrow focus on a few weeks of pre- and post-natal care, both companies and standard-setting organizations have failed to recognize that such responsibilities are, in fact, a long-term lifecycle issue.

Regarding corporate taxation, as national health systems struggle under the strain, why are the tax strategies and lobbying efforts of corporations often centred on reducing levels of corporate taxation or resisting increases in income and wealth taxes, thereby depriving national and local governments of the essential fiscal resources needed to maintain adequate health services and social security?

Concerning labour rights, as workers around the world are laid off, their vulnerability might have been mitigated had their bargaining power not been eroded during recent decades. This has partly been due to the flexibilization of labour markets that globalization demanded and corporate lobbyists encouraged. Furthermore, the pandemic raises the spectre of subcontracted, part-time and freelance labour, with few if any labour rights, becoming even more pervasive than before.

Indeed, as the Covid-19 crisis exposes the fragility of global supply chains, and prompts a sharp decline in carbon emissions and pollution, both globalization and the growth model it cultivated are being questioned. This, in turn, should focus attention on one of the main driving forces of globalization—the so-called neoliberal policies that underpinned it. These are policies that have often been at the forefront of corporate efforts to influence politics and public policy.

This report urges the United Nations to take a lead in repurposing corporate sustainability accounting for sustainable development. For too long several UN agencies and programmes have promoted an approach to CSR and sustainability disclosure that is not capable of positioning business as an effective agent of change, as demanded by the Sustainable Development Goals. It is hoped that the research findings, and the UNRISD project of which they are a part, provide useful pointers regarding key issues, indicators and normative targets that should be the focus of attention going forward.

Peter Utting
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