



ACCOUNTING FOR SUSTAINABILITY: HOW MUCH IS IT COSTING YOUR BUSINESS?

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INTRODUCTION

Here at *SmartCompany* and *StartupSmart*, we know running a small business is hard. And we know words like 'green', 'eco-friendly' and 'sustainable energy' just sound like more things to add to your to-do list.

But the more we think about it, the more it becomes clear to us that implementing a few planet-friendly measures can ultimately be purse-friendly, too.

Renewable energy solutions, for example, haven't always been the cheapest option — but that's changing. Solar and battery technology is getting better and better by the day, and it won't be long before powering your home or business with renewable energy is not only financially viable, but a no-brainer.

Equally, you only have to watch the news to know where public sentiment is going. The community — and the young especially — is becoming more and more cognisant of climate change and what it might mean for the future.

These are people with dollars to spend. Sure, it's cynical, but the more you can show your business has minimal impact on Mother Earth, the more likely you are to be on the receiving end of those consumer dollars.

Taking your small business green can feel like a big job. And it can be, but it doesn't have to be.

Just like there are many small, day-to-day ways to save yourself some pennies, there are many small ways to make your business more eco-friendly. Indeed, often they're one and the same.

Enjoy this eBook.

Stephanie Palmer-Derrien
StartupSmart editor



STEPHANIE PALMER-DERRIEN

StartupSmart editor



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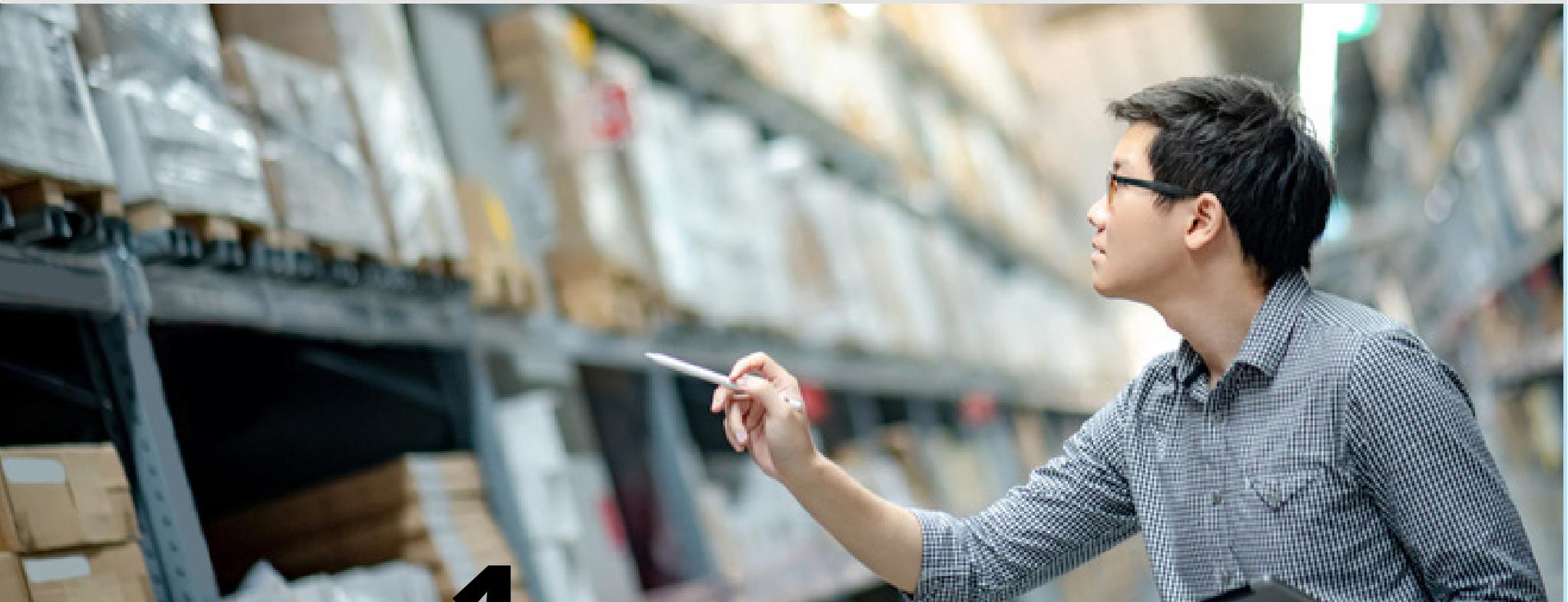
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CHAPTER 1

IDENTIFYING THE NEED FOR CHANGE

Australia's small business sector has a significant role to play in driving climate action. The sector's more than 2.2 million businesses employ nearly 44% of the private workforce and shape the backbone of the Australian economy.

When it comes to climate action, small businesses can be doing more — way more. But how can you make real change without impacting your cashflow? This is at the heart of a lot of challenges for small businesses. You want to be part of the change, but if there's no business case for it, you can't justify it.

To truly make climate action happen, business owners, chief executives and financial officers must be prepared to look at changing their own business processes. In order to do this, you first need to understand the cost of making these changes.

It's time to start looking at your carbon footprint, acknowledging that maybe you don't need to print off every email and document you receive, but it's much more than that.

Start evaluating your supplier and vendor relationships — are the companies you're working with making an effort to be sustainable? How much electricity are you using on a day-to-day basis? Are there alternatives? Can you make the case to move to solar power?

Start small. Think about how you can make behavioural changes, such as turning off the office lights at the end of the day. Heating and air conditioning don't need to be running 24/7 if you're not in the building.

Easy, right?

Now it's time to get your hands dirty.

It's time to sit down with your accountant and identify larger changes that can be made within the business.





THE ROLE OF YOUR ACCOUNTANT

Accountants are in a unique position to understand the financial position of a business and can help identify solutions to both financial and non-financial challenges.

As the business owner, you've probably got a good idea of the numbers as well. But you're busy running the business. An accountant can dedicate more time to analysing the numbers to help you make the right choice.

Institute of Public Accountants (IPA) general manager technical policy Tony Greco says, "It's the role of the accountant to raise awareness within small businesses about what can be done for sustainability."

Consumers expect businesses to embrace sustainability by lowering their environmental footprint.

"If the business owner isn't aware of that, then the accountant can sort of have that conversation with him or her," Greco says.

"We all make choices as individuals...you've got a choice to purchase from green providers; you can put in energy efficiency appliances in your home. It's no different for a business owner."

Whether they're placed within a business, or have a list of small business clients, accountants are positioned to provide business owners with guidance.

"At the end of the day, if the business can save money and be greener, that's a no brainer."



UNDERSTANDING YOUR CARBON FOOTPRINT

Put simply, your carbon footprint refers to the amount of greenhouse gases generated by your, or in this case, your business' actions. Carbon emissions generated by your business come from energy used to power:

- your office building, warehouses or any other locations;
- any company travel, such as flights or driving; or
- any assets or technology used to make your product.

Included in your carbon footprint can also be emissions that are out of your direct control. For example, any emissions from your supply chain or from people using your products add to your business' carbon footprint.

The energy produced by consumers in using your product or service contributes to your carbon footprint.

A quick search online will give you a framework to establish a rough estimate of your carbon footprint, but a full assessment requires an external agency to be brought in.

Having a target makes it easier to track your progress towards minimising the negative environmental impacts of your business. In order to track your progress, you need to have a baseline to measure from. From here you can set targets and better understand the benefits of the changes you're making within your business.

Therefore, getting a clear picture of your carbon footprint is important to do at the start of this process. It can take time to properly assess all emissions generated by your business processes, so don't leave it on the to-do list for too long.





There's a cost to everything in business and your accountant is here to help you assess the risk of any choice you make.

You might only see your accountant at tax time. If you're already working with someone who understands the financial ins and outs of your business, start consulting with them to better understand how you can start to reduce waste and reduce costs.

If you don't have an accountant, now's the time to bring one in. The benefits of having someone you can consult with far out weigh the cost of one.

As small business owners, your time is precious and limited. It might be a cliché, but you probably take on many roles within your business and managing sustainability can feel like a big item to add to your to do list.

WHAT CHANGES CAN YOU MAKE?

Still not sure what your accountant can help you with? Here are a few changes you can explore with your accountant to make sustainable changes within your business.

- **Greener ways to source energy for high energy users:** This might not be immediately available and practical for every business but switching over to greener appliances can help reduce your carbon footprint.
- **Carbon offsets and credit purchasing schemes:** For many businesses it's just not possible to have a carbon neutral footprint without using a carbon offsetting scheme.
- **Sustainable packaging:** This is a much larger business change and can take some time. The move towards sustainable packaging is something many businesses are looking into right now. It will help reduce your overall carbon footprint and stop contributing to the country's landfills.
- **Reviewing your supplier and vendor relationships:** You can't change your supply chain overnight, but you might need to face the reality of the impact of your supplier and vendor relationships. Find out if they're moving towards a more sustainable process and if they're not, work out if you want to keep partnering with them in the long term.





CHAPTER 2

BREAKING DOWN THE COSTS

Here's where your accountant can really start to shine. You're aware of the problem and you've got a general idea of the environmental impact your business has. Next, it's time to understand the money.

Get your accountant to conduct a cost-benefit analysis. You can't make a smart choice about sustainable action if you don't have the numbers in front of you.



CHECKLIST

- 1. Identify the running costs
- 2. Make a list of solutions
- 3. Identify the cost of the solutions
- 4. Compare and contrast
- 5. Make a plan





GOVERNMENT SUPPORT

It's easy to say business owners bear the responsibility of driving change. They do. But the onus isn't only on them. The government needs to take an active role in climate action by supporting businesses with tax incentives.

"People are attracted to government incentives," Greco says.

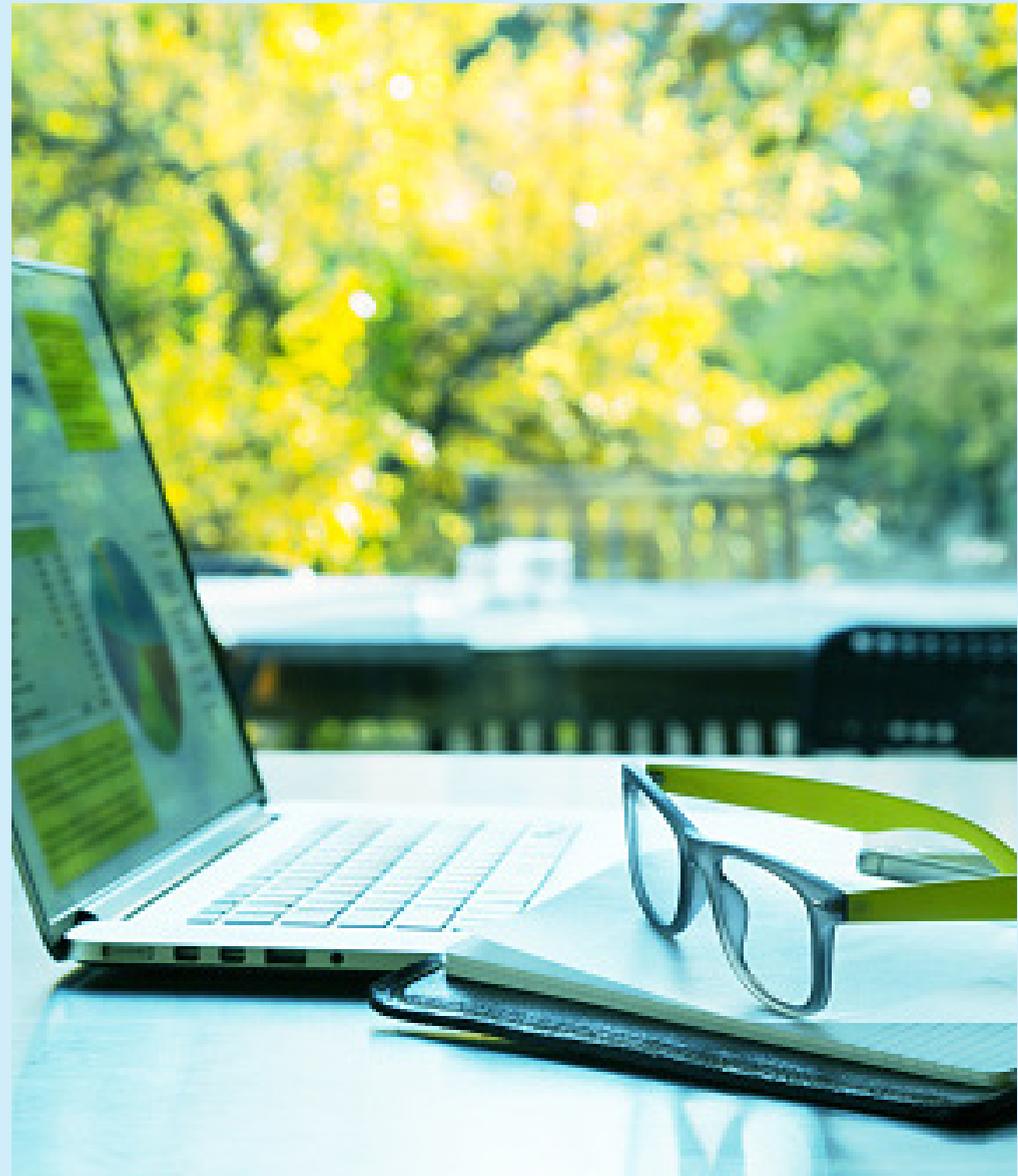
"This is one thing that could be done in relation to providing additional incentives to move to greener appliances or greener practices, upgrading equipment that lowers the carbon footprint," he says.

Some businesses can take risks or bear more of the financial responsibility of driving change, but businesses are often governed by what makes financial sense.

"Unfortunately, there's not a lot of tax incentives. Tax is one of those things every business has to factor into their operations, and there's not a lot of tax incentives that the government has put in place to contribute to making it easier for businesses to go down that path."

For now, business owners can take advantage of the \$30,000 asset write-off scheme. While the purpose of this scheme isn't to specifically support climate action, businesses can take advantage of it when replacing appliances to be more energy efficient.

Use your accountant to help identify any other tax incentives or any grants available to your business to help cover the costs of these changes.



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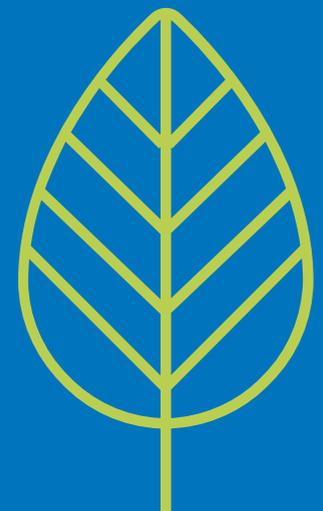


CHAPTER 3

SETTING UP NEW PROCESSES

You've done your cost-benefit analysis and you've identified the changes you want to make. Some are easy to implement, such as replacing all the light bulbs, bringing in recycling and compost bins into your workspace and replacing the company cars with an Uber account.

The financial and sustainable benefits of these changes are immediately obvious and easy to track.





DOCUMENT NEW PROCESSES

Formal processes and procedures need to be documented. This can help minimise errors, especially when it comes to anything financial or safety related.

COMMUNICATION IS KEY

Keep your staff across the changes and let them know if they need to be keeping track of any new information, such as the expense of any work-related Uber trips.

This information needs to be clearly communicated to your employees, and if possible, a copy of the process needs to be made easily available to everyone. This allows for the best chance of the new process being successfully implemented.

HAVE A CLEAR PLAN

Having a plan for implementing new processes can be especially important for larger changes. For example, if you're planning to become a paper-free business, you first need to set up a process for getting all records into a digital format. You also need to establish a process for how to digitally record new information.

Set a time frame for when you want to be 100% paper-free. This can take some time, so consider how long it will take to digitise everything and training staff on the new process.

REVIEW AND REVISE

To ensure you hit your previously decided time frame, determine when and how often you'll need to review your new processes and procedures. This will vary between processes.

Reviewing a process allows you to track its progress and uncover any issues with it. If you want to be paper-free in 12 months' time, and something goes wrong that stops the digitisation of current records for six months, you risk delaying the project.

When reviewing each process, consider what is and isn't working and don't be afraid to change it if it's not working. Keep a record of what didn't work and switch plans.





Each goal is listed on the UN's website, alongside important statistics about the situation, reference material and specific targets the UN aims to achieve.

IPA group executive advocacy and technical, Vicki Stylianou, says business owners can use these goals as a general framework and work with their accountants to achieve specific goals. For example, [inclusive economic growth](#) requires accountants to take an active role as advisors within the community.

"They're held to very high professional and ethical standards. And that's all part of enforcing the rule of law. And then there's a direct interrelationship between the rule of law, and development and economic growth," Stylianou says.

"What we're saying is that accountants are integral to all of these different elements of life; of society; of development; of prosperity."

For small business owners wondering how they can use these goals, Stylianou suggests taking a goal, "for example, number 13 is climate action", and breaking it down.

Set time aside to review the information provided and carefully consider how you might play a role in achieving each of the targets.

For climate action, one of the targets is: "Integrate climate change measures into national policies, strategies and planning."

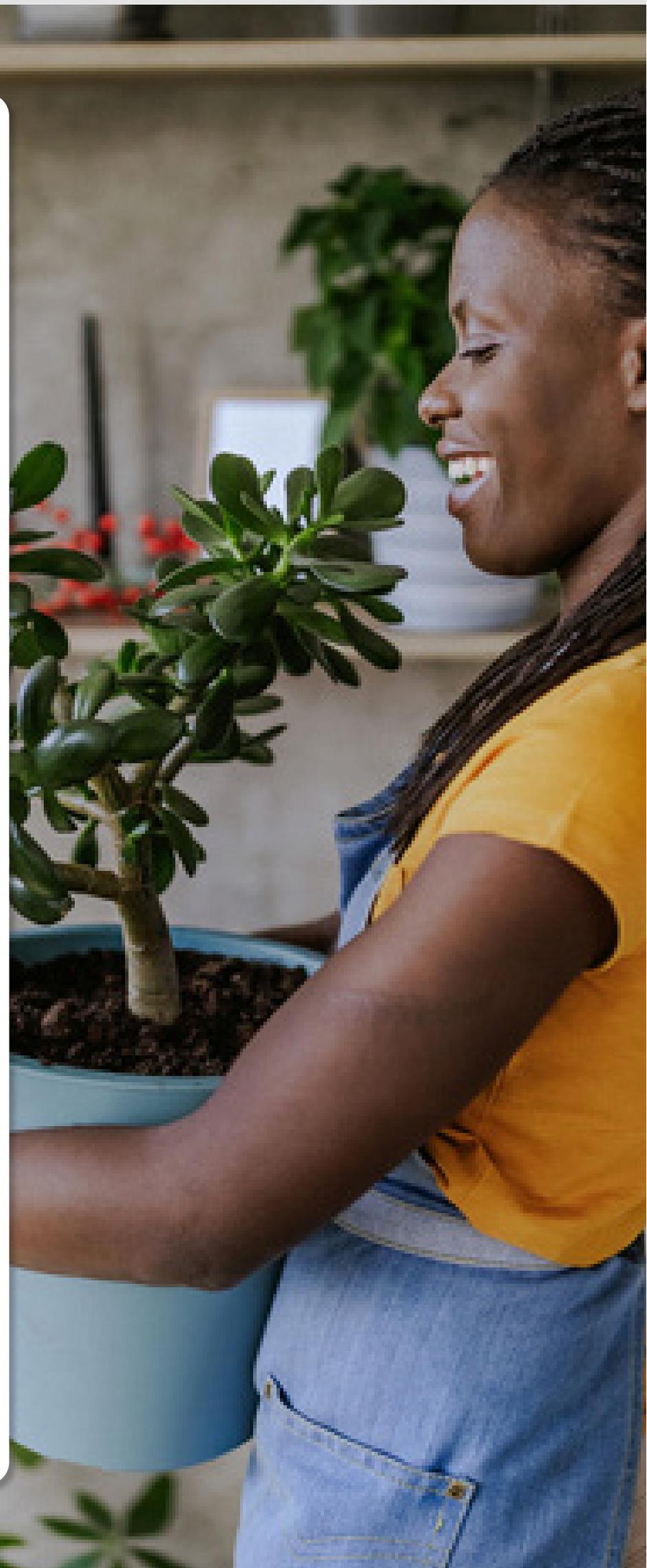
You might be thinking this target is too high-level for you. Small businesses are an important aspect of the society. They increase employment rates, encourage entrepreneurship, build a sense of community, contribute to the economy and more. The voice of small businesses is important.

As pillars of the community, small businesses can lead by example.

Your role is to guide your team, your business and your community. In partnership with your accountant, reviewing the changes you can make in your business is a step towards helping the UN meet its targets.

Teaming up with other businesses or members of the community creates a united front.

Change doesn't happen overnight. But change doesn't happen at all when you wait for someone else to do it.



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