



# ESG in Action: How It's Transforming Accounting and Business

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## Session structure:

1. The basics of Environmental, Social, and Governance (ESG) factors in accounting and business.
2. ESG's Impact on Financial Reporting.
3. Future Trends and Career Opportunities.

# Introduction to ESG

**ESG** stands for Environmental, Social, and Governance.

## - Environmental:

Climate impact, energy usage, waste management.

## - Social:

Labor practices, community impact, diversity & inclusion.

## - Governance:

Corporate policies, transparency, ethics.



# Why ESG Matters in Accounting and Business

- ✓ Companies are increasingly judged by ESG performance.
- ✓ Investors, regulators, and customers demand transparency.
- ✓ ESG integration can enhance long-term financial stability.



# Evolution of ESG in Accounting

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Traditional accounting focused mainly on financial metrics.

Sustainability accounting emerged to include non-financial impacts.

Global initiatives have driven the adoption of ESG frameworks

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# Regulatory Frameworks & ESG Standards

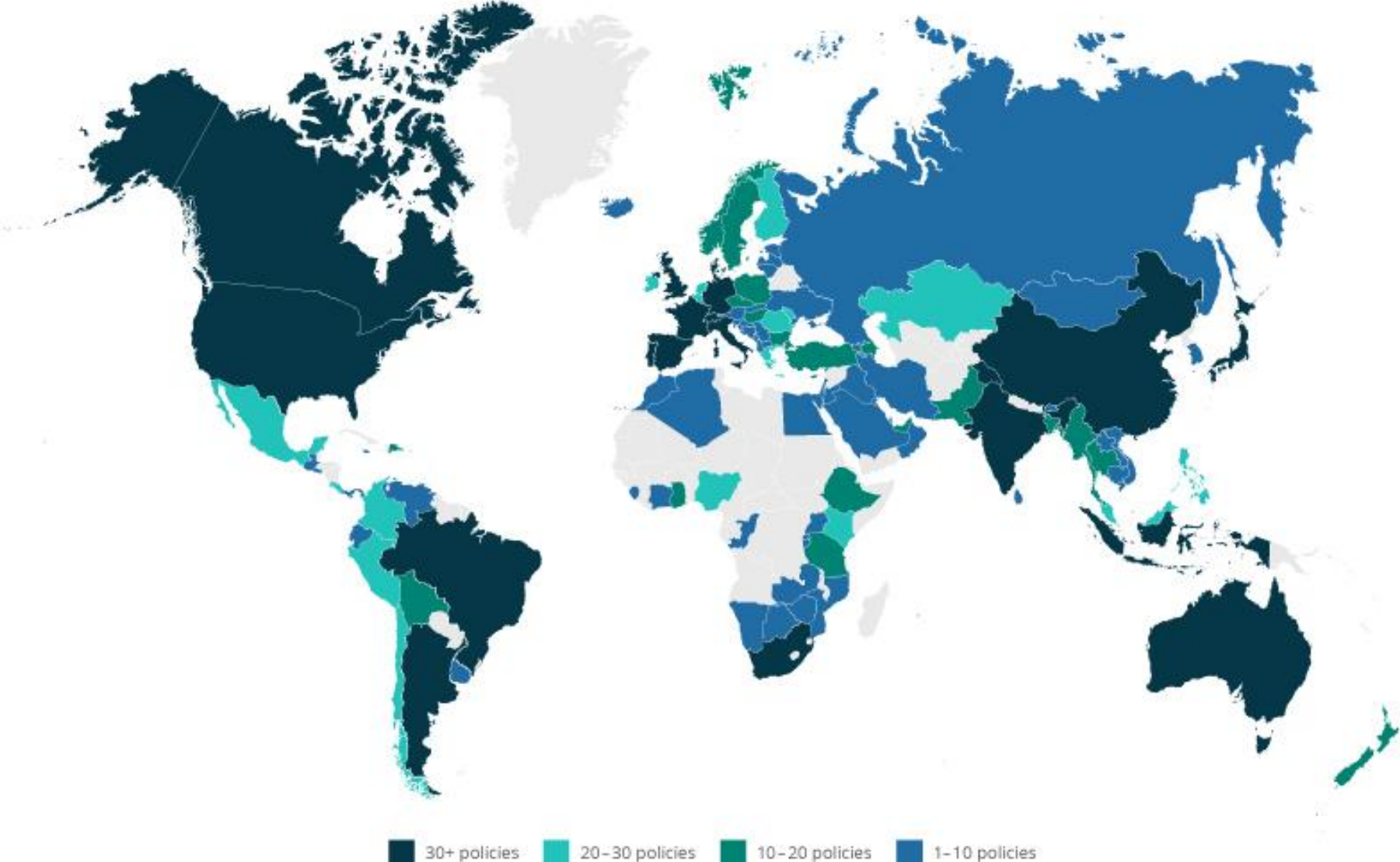
IFRS Sustainability Standards

GRI (Global Reporting Initiative)

SASB (Sustainability Accounting Standards Board)

TCFD (Task Force on Climate-Related Financial Disclosures)

# ESG policies per country



# ESG Reporting in Financial Statements

- ESG factors impact revenue, costs, and risk management.
- ESG risks are often disclosed in financial statements.
- Investors use ESG reports to assess corporate sustainability.

- Environmental, Social, and Governance (ESG) factors significantly influence financial reporting by introducing new disclosure requirements, altering risk assessments, and affecting financial statement preparation.

# ESG Reporting in Financial Statements

Here's how ESG impacts financial reporting:

## 1. ESG and Financial Statements

- **Balance Sheet:** ESG factors can influence asset valuation (e.g., environmental risks leading to asset impairment) and liabilities (e.g., carbon tax obligations).
- **Income Statement:** Companies may incur ESG-related costs such as sustainability investments, compliance expenses, or penalties for failing to meet regulations.
- **Cash Flow Statement:** Capital expenditures on sustainable projects and green initiatives affect operating and investing cash flows.

# ESG Reporting in Financial Statements

## 2. Enhanced Disclosure Requirements

Regulatory bodies are increasingly mandating ESG-related disclosures.

Companies now need to report:

- Climate-related risks and their financial implications.
- Social impact metrics such as diversity, labor practices, and human rights policies.
- Governance policies related to executive compensation, ethics, and board diversity.



## Real-world example: Nestlé

*Nestlé, one of the largest food and beverage companies in the world, also leads with integrated reporting, blending financial and non-financial data to demonstrate how it creates long-term value.*

**Non-Financial Data:** They focus on initiatives related to nutrition, health, and wellness, sustainability efforts, and community engagement. They report on how their operations are contributing to positive societal outcomes, like improving nutrition in low-income countries, reducing sugar and salt in products, and investing in sustainable sourcing practices.

**Key Integrated Metrics:** water stewardship, responsible sourcing of raw materials, and waste reduction programs.

**Example:** In their 2023 report, Nestlé highlights a decrease in plastic packaging waste, along with a discussion of the financial impacts of investing in healthier product lines and sustainable farming.

# ESG Reporting: highlights

## 1. Green Accounting & Environmental Reporting

- ⑩ A subset of ESG accounting focusing on environmental impacts.
- ⑩ Measures energy usage, pollution, and waste reduction.

## 2. Social Responsibility & Financial Accounting

- Corporate Social Responsibility (CSR) is linked to financial success.
- Employee benefits, diversity, and ethical sourcing are crucial.
- Social initiatives can enhance brand value and investor trust.

# ESG Reporting: highlights

## 3. Governance & Ethical Financial Practices

- ⑩ Strong governance structures prevent fraud and corruption.
- ⑩ Ethical financial reporting builds investor confidence.
- ⑩ ESG-aligned governance includes board diversity and transparency

## 4. ESG Performance Metrics & KPIs

- ⑩ *Common ESG KPIs:*
  - Carbon Emissions per revenue
  - Gender diversity ratio
  - Executive compensation transparency
- ⑩ *Industry-specific ESG metrics vary across sectors.*

# Challenges in ESG Accounting

Lack of standardization in ESG reporting

Risk of greenwashing (false ESG claims)

Difficulty in quantifying social and governance impact

ESG reporting requires expertise and technology investments

# Future of ESG in Accounting

AI and big data enhance ESG reporting accuracy.

Sustainability-linked finance is becoming mainstream.

Regulatory pressure will drive further ESG adoption.

# The Growing Demand for ESG Professionals in Accounting

As ESG reporting becomes an integral part of corporate accountability, the demand for ESG professionals in accounting is rapidly increasing. Companies, investors, and regulatory bodies are prioritizing sustainability-related financial disclosures, creating new opportunities for accounting professionals with ESG expertise.

## *ESG Integration in Financial Decision-Making*

- ❑ Businesses need ESG-aware accountants to assess the financial impact of sustainability initiatives.
- ❑ ESG professionals help organizations align financial strategies with sustainability goals and investor expectations.

## Career Opportunities in ESG Accounting and Business

- **ESG Financial Analyst:** Evaluates the financial impact of ESG risks and opportunities.
- **Sustainability Accountant:** Integrates ESG factors into financial reporting and ensures regulatory compliance.
- **ESG Assurance Specialist:** Conducts audits to verify the accuracy of ESG disclosures.
- **Corporate Sustainability Consultant:** Advises companies on improving ESG performance and reporting.

## Skills Required for ESG Accounting Roles

- ⑩ Understanding of ESG frameworks and sustainability reporting standards.
- ⑩ Strong analytical skills to assess ESG risks and financial performance.
- ⑩ Knowledge of evolving regulations related to ESG disclosures.
- ⑩ Ability to integrate ESG factors into financial statements and risk assessments.

# Key Takeaways & Summary

**ESG is important** for businesses and society, and accountants will play a big role in making sure companies are honest about their impact.

**Accountants need to learn to report more than just financial data**; they'll also need to keep track of environmental, social, and governance factors.

**Future career opportunities:** Knowing ESG will help you stand out and open doors to roles in accounting, sustainability, and auditing.

## **ESG Review Quiz:**

**1. Which of the following is an example of an environmental factor?**

- A) Employee health and safety
- B) Carbon footprint reduction
- C) Diversity and inclusion programs
- D) Executive pay transparency

# ESG Review Quiz:

## 2. Which of these is a social factor in ESG?

- A) Renewable energy usage
- B) Community engagement and labor rights
- C) Data protection and privacy policies
- D) Corporate governance structures

# ESG Review Quiz:

## 3. What is an example of a governance factor in ESG?

- A) Environmental impact reports
- B) Anti-corruption policies and board diversity
- C) Workforce wellness programs
- D) Green energy initiatives

## ESG Review Quiz:

**4. Which of the following is a key reason why companies focus on ESG?**

- A) To attract more investors
- B) To increase short-term profits
- C) To avoid environmental regulations
- D) To reduce employee salaries

# ESG Review Quiz:

## Bonus Question

**5. What is a "greenwashing" strategy?**

- A) A company's honest commitment to environmental protection
- B) Misleading claims about environmental efforts to appear more sustainable
- C) A policy to increase employee wages for better sustainability
- D) A method of reducing waste by recycling

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Thank You

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