



EPISODE 4: ACCOUNTANTS TO THE RESCUE: CLIMATE CHANGE - PART 1
TRANSCRIPT DOCUMENT

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JGW: Jane Gleeson-White

BG: Bruce Gilkison

AV: Andrew Van De Beek

PR: Peter Rupp

YG: Yasmin Gill

AG [00:08]

Hi, and welcome to the Acuity podcast, I'm your host Aly Garrett, founder and principal of All In Advisory. This is the first part of a two episode series on the topic of climate change and the surprising role accountants can play in lowering the impact. You'll also hear the story of Yasmin Gill - a young CA who spent eighteen months working with the Northern Territory Department of Justice, inspiring her to become a difference maker in her home town of Darwin. And Andrew Van De

Beek is back with another handy hint to help your work life balance.

CA ANZ feels strongly about the important role accountants can play in reducing climate change, and earlier this year joined thirteen other accounting bodies representing two point five million accountants globally in supporting a call to action in response to climate change.

CA ANZ Chief Executive Ainslie van Onselen says accountants have a vital role to play to help the businesses they work with respond to climate change with the urgency and scale required, and in the face of this pandemic we have a golden opportunity to rise to the occasion on a sustainable future and fairer, cleaner, and more resilient economy.

If I get you to picture the average accountant, what type of clothes are they wearing? Are they wearing a superhero cape? With me are two people who believe accountants could have the most significant impact in the fight against climate change at all levels, from the individual business through to industry and even economy wide. So how can accountants combine their forces to become the new Captain Planet? Bruce Gilkison and Jane Gleeson-White are here to tell us.

[1:45] Jane Gleeson-White is the author of widely acclaimed books Double Entry and Six Capitals. Six Capitals, about the challenges and promise of contemporary accounting, has been described as a

seminal work on sustainability. Jane has been hanging out with accountants since 2012 and is a self-confessed accountancy nerd. Also with me is Bruce Gilkison, Bruce is a New Zealand chartered accountant who has worked internationally as a sustainable business advisor, he's been exploring and writing on environmental and climate issues for accountants and businesses since way back in the early nineties, and for the past two years this has been his major focus. Bruce, Jane welcome to the podcast.

JGW Thanks very much.

BG Thank you

AG [02:26] So let's start with why the fight against climate change is so important. Some might be forgiven for thinking that all is lost, Bruce what do you think?

BG First of all why the fight and what can I say? The forests are burning around the world, the ice is melting, species are dying, oceans are acidifying, reefs are dying, it's all as predicted by scientists but maybe a little bit quicker, now this is one degree, what's two degrees going to be like, and three? So what I'm thinking is this is not even an environmental issue, it's an everything issue, ~~it's~~ this is going to affect the economy, health, mental health, water, food production, biodiversity, infrastructure and it's going to lead, in some way, to increasing conflict in unpredictable ways, Nicholas Stern UK economist predicted hundreds of millions, possibly billions of climate refugees and water wars - that's why we

need to act on it. People might think that it's too late, I'm just going to say it's never too late, it is very late but whatever we do at this point has got to make things better. One and a half degrees of warming since pre-industrial levels is better than two degrees and I hate to say it but two degrees is better than three degrees and so on.

AG [03:47] And Jane, why is it so important for you?

JGW To me it's a no-brainer why the fight against climate change, we've already seen the effects horrendously last summer in Australia with the bushfires, horrendously this northern summer or spring in California. We all know those stories and we all know the science as Bruce pointed out. And the reason that it's not too late to act and the reason that I think accountants and corporations have a role is that corporations are now the largest economic agents on the planet and they have the power to curtail their activities and radically change their activities to reduce their emissions of carbon and as Bruce also so clearly pointed out we know what is causing climate change, we know it is our carbon emissions and it is simply a matter of reducing them - it's just a matter of ceasing the moment and for the ground swell to finally become action.

AG [04:50]

So why do you think accountants have such positions of influence in regards to slowing the impacts of climate change?

JGW It's not even so much about slowing it, it's about changing the behaviour of these huge economic actors which are corporations and also of organisations, profit and non-profit businesses at all scales. Accountants being the people who incorporate measures of value into the global financial system and into their own behaviour are in a position to extend what we consider to be of value from simply the bottom line, the financial return on assets to a broader conception of value which includes many things but in this particular case climate change - so in this case it includes what they call natural capital which is the value of the currently uncounted natural world.

AG [05:43] Bruce why do you think accountants have such positions of influence in regards to slowing the impacts of climate change?

BG I think accounting its not just about ticking boxes and filling in figures, accounting in it's real sense is about telling a story and describing what is happening in a fair way. Someone who is influential with me some years ago described accounting reports as being dangerously incomplete in that they give the impression of being the total picture whereas they're really looking at a very narrow subset of what's

happening. They are influential, they have great skills in presenting meaningful information and they are professionals. Now professionals don't just answer questions, doctors don't just hand out medicine, they promote health and I think as accounting professions if we are really going to stick with the sense that we're professionals not just processors of numbers, we need to be talking about much broader and much further into the future and there are some serious things that are happening now that will impact on everything, on businesses and on society and that's where they need to be focusing much more. Accountants have got great brains, they've been following some rather old rules and it's time for a revamp.

AG [07:10] So Jane you've had a lot of research around the traditional methods of accounting and do you believe they can be improved by considering these holistic factors?

JGW To answer your question a little bit obliquely, really my expertise or what I've spent most time examining is the history of accounting and how it evolved from the late middle ages early renaissance where you know what we now understand today is double entry bookkeeping which is effectively the basis of all current accounting, including national accounting. That system emerged in the fourteenth century but really came into its own in the fifteen

century to measure financial capital, what we now understand, so to measure money, to measure the accumulation of capital of a merchant and this idea of capital only was invented by accountants in these accounting books so the fundamental building block of capitalism was created by accountants in these Italian, northern Italian double entry bookkeeping books. So that was how we measured what we now all understand to be the bottom line which is now, I would call, financial capital in the sixth capital model. And then, the economy changed again with the industrial revolution and accountants spent the whole of the nineteenth century learning how to measure the produced capital of their factories. That took a whole hundred years and I believe that we are faced, in the six capitals model that is called manufactured capital, and I believe we're faced with an equivalent task today because we understand that there's new value that's not being created in a factory but that we're suddenly recognising it because we've run it down so far that we're seeing the effects of destroying it, which is - the planet. And in this new six capitals model it's called natural capital. What we consider the traditional method is actually an evolving historically contingent mechanism so it's not fixed in stone, it's not a platonic ideal, it's an organic whole and as Bruce has well pointed out in quoting his mentor it's dangerously incomplete. So really it's not so much upgrading the traditional accounting for this

more holistic measure, it's more opening our eyes to the fact that we're excluding all these things, and we now need to find ways to bring this very important value into the daily practices of a business. So that they can't continue to operate while they pollute their river, while they pollute the atmosphere, while they destroy their local community, while they destroy the lives of workers in far flung places and so on. So it's really just a matter of understanding that accounting is an ever evolving art.

AG [09:55] I like the word art there, I feel like an artist sometimes. Can you delve a little deeper into the premise of six capitals. I guess what I want to understand is what are they and how are they designed to work?

JGW Oh well that's such a good question because they're very conceptual at this stage and how they're designed to work is not necessarily included in the instruction manual. But briefly having written a whole history of accounting, you know, because I became fascinated in it what had gone on in the renaissance I got to 2008 the global financial crisis and I realised that there was all sorts of missing value, both in the accounts of nations and in the accounts of corporations and it was many sorts of value but it was, in particular, the value of the digital era, you know with the dot com boom and businesses in the nineties being valued at astronomical prices on stock

exchanges that had no cash flow and very little going for them in traditional accounting terms but obviously had the enormous value of what I now call the geeks and their software. So the market was valuing something that was intangible, so there was that whole area of wealth that was not counted and then there was this other area and we more see it in the costs which is the failure to value the natural world by businesses and economies. So there were two huge missing spheres of value in the traditional accounts. So I spent a lot of time wondering how accounting could be altered so that it could encompass these different values and I came across this category of natural capital which had been around since about the 1950s or sixties and then, I was talking to an accountant in London asking about this natural capital thing and he told me Puma had already made an ecosystem accounting report in, I think it was 2012, but also that there is this new venture, a global venture but being driven out of London. A new framework was being devised and that was published in December 2013, so the timing, you know my book came out in 2011, the framework was published in 2013. Then I found an idea lying around called integrated reporting, and it was published in December 2013 so, it's not without it's flaws and it's very skeletal as I say in my book, but this does underpin my book and that was the rationale for it, I thought 'ok so here at least is a framework, here is a global community of

accountants and investors and corporate leaders and others getting together to try to conceptualise how it might look if a corporation actually counted what they saw as six key values.

So they didn't want to make it sound too wishy washy they wanted to make it really clear that these new values had absolutely financial consequences if they weren't attended to. So the capitals are, financial capital which is, you know, the one that we're all familiar with, money. Manufactured capital which is the built environment, factories, buildings, that's also familiar to us and accountants also account for that and depreciate that fixed capital. Then there are the two capitals which I considered to be generated by the digital media and the networked age which are human and intellectual capital, so that's geeks and their software, and we're all familiar with that value and we still don't really know how to measure it, it's still not well measured. And then the remaining two which have also been around for a while, natural capital that I mentioned and also social capital. So when triple bottom line was first being conceptualised in the nineties that was the triple bottom line, it was financial, social and natural. So these were not new ideas but they were just brought together in a way that I thought was quite compelling and also within a framework that attempted to show how each of these different values could impact a corporation or

an organisation both its use of it and its impact on those different capitals.

AG [13:59] What I'm ascertaining from the six capitals is it really is that integrated accounting model that takes into account that human element, the nature element, and as an accountant I sit here thinking how do I help put a monetary value on that intellectual and natural capital. Do you have any ideas around that?

JGW I don't think it's possible to put a monetary value on it and to return to the integrated reporting, it doesn't give any guidance on how these should be measured, there are many different systems of measurement, that's one of the problems because there's so many different ways of measuring these things - but the one that's not so hard to measure is natural capital which is why I think that's the one that's sort of taking off - because of biophysical measures, of tonnes of carbon and litres of water and acres or hectares of biodiversity or forest or whatever. And I've had an ongoing now five year conversation with Karl Opps who is the author of the UN's system of ecological economic accounts, he is the person who is trying to devise how we might integrate, genuinely integrate, economic and ecological values together and he argues that there will not need to be a financial costing on these environmental measures, that they will remain in, their biophysical measures. But

every time I look into it I realise that the huge amounts of investment that are required to start measuring this natural capital are going to necessarily mean that there must be some financial return on it, therefore there must ultimately be some monetary cost.

AG [15:31] So Bruce how would you put a monetary value on things like natural capital?

BG To be honest I have great difficulty with that and yea there are certain things that just do not have a monetary value and I remember reading about some attempt to value nature, I think this was in North America and it used things like for the value of deer and other wildlife, how much would people pay to kill them? That's not really a test of value I would say. I really don't think I can add much to what Jane has said, there are great difficulties around valuing things. One sentence I remember from her book which will stick in my mind is just saying there are lots of wrong ways to do it but perhaps the most wrong way is to not even try to not put any value on it and that way it is totally invisible. Someone might be willing to put a value on an endangered species for instance, how much are the last few hundred white rhino worth or someone might attempt to value that, myself I wouldn't, they have a value you just can't put into numbers.

AG [16:39] So Bruce for accountants working at the ground level, what are the first steps to take to help a client in regards to understanding climate change and the impact their business may be having on it?

BG I can answer that fairly quickly I think. It's a bit like when you're on a plane and you're getting into trouble, you get your own oxygen mask first and then worry about other people so I think accountants need first of all to really understand it themselves - don't waste too much time doing that but start right now. There are some excellent books, one that I just read - Six Capitals, another Australian writer Tim Flannery I've always enjoyed, Nicolas Stern who wrote the Stern Review in 2006 which for me was quite influential, Drawdown is a way of how can we really get things back under control and a book which I haven't read, Sir Jonathon Porritt - Hope in Hell that has just been published - I'm looking forward to reading that. It's important that we understand that and Stern, for example, described climate change as the greatest market failure the world has ever seen and something like that should resonate with accountants and perhaps help them understand that. So I think first thing, understand it but do it quickly, because we haven't got time, but we shouldn't be telling other people what to do if we don't understand it ourselves - and perhaps one way of doing that, before we get into perhaps telling businesses that they should be measuring their emissions, perhaps it's useful to

measure our own. You understand the impacts that you're having and you also build awareness of those.

AG [18:22] How do you go about actually measuring carbon emissions, I imagine lots of people in hazmat suits walking around with scientific equipment, but is it like that or is it something completely different?

BG I would say something completely different and so just a quick example for myself this is on personal emissions - I checked a website recently out of curiosity, five minutes later I got off the website having calculated my emissions for that year and off-set them. So it's not that hard, there are online calculators those are free to use, you could get more complicated and decide to certify your emissions and become designated net climate zero or net carbon zero but that's perhaps a little bit more complicated, the first thing is to measure them and then you can work out how to manage them, how to reduce them, and if you're going to certify that business as carbon neutral.

AG [19:25] Is there a particular website that you could refer people to or do refer people to?

BG One that is widely used in New Zealand is Toitu Envirocare Toitu is T-O-I-T-U - it was established by Landcare Research which is a government research

institute here. But I'll also mention another one Ekos which is local but also works internationally, but I'm sure there are very good ones in Australia.

AG If we're advising business clients, is that something that we would refer them to?

BG That would be a good one, I think the idea of measuring emissions is important as a, just a first step in understanding. You can then decide what to do with those results, how you're going to report those for example, I think it's very useful to report to collaborate with others, to set targets then to set really ambitious targets, and then beat them. There's a local group that I think is worth mentioning, Businesses for Climate Change, now that was started by a very small company, GeoSisters, who produce nutritional food and drinks. They set out to measure their own, they off-set them not only to make themselves carbon neutral but what they consider carbon positive, which is off-set a hundred and twenty percent, and then having done that were so impressed by how easy it was that they set up a group –Businesses for Climate Action, and that has a goal locally to help one thousand businesses to measure and manage their emissions, and we're not there yet but we're on our way.

AG [21:13] What are some of the top things that businesses can do to off-set, because you said it was quite easy?

BG To off-set, well first of all for credibility it needs to be done properly. Something that has been tested and is able to be certified, so locally one that is done quite a bit is to replant native forests where the number of tonnes of carbon that the forest adds each year is able to be used as a credit. I've got another example too, The Warehouse in New Zealand, it's New Zealand's largest retail group - it had itself certified as carbon zero and apparently it's the third major retailer globally to do that. It's emissions were off-set by way of highly efficient cooking stoves in Bangladesh and solar cookers which are replacing coal in some other parts of the world, now - that does have to be calculated, it does have to be properly certified to have any sort of credibility, but that has been done and they were asked why they did it and they said 'because it seemed like the right thing to do'. In every business case they factor in a shadow carbon price and so by doing that they're also preparing themselves for the future, they're making sure that they're not getting into activities that are going to generate more carbon in future and ultimately more costs in future.

AG [22:55]

This has been the first half in a two part series on Climate Change with author Jane Gleeson-White and CA Bruce Gilkison. To hear part two please make sure you join us for the next episode.

And for more information on how you can become professionally ready for climate change - including increasing your knowledge on climate related financial disclosures - head to the CA ANZ website - charteredaccountantsanz.com

[AG] Here's our Acuity Podcast hack guru - Andrew Van De Beek, Director of Illumin8

[AV] How you going? It's Andrew here. I want to give you some really quick hacks on how to build a fantastic environment of positive culture in your workplace. There are three things that I think are really, really important in terms of building workplace culture. Number one is understanding what you stand for. What is your purpose as a business? What are you actually here to achieve? And no, it's not lodging a document, that's what you do. But why are you doing it? You might have heard of a bloke by the name of Simon Sinek who wrote a great book called *Start with Why*. It's been around for a while, it's been used a lot, but it is fantastic in terms of understanding why you're here. That is important, not just from a sales context, but it's important from a people engagement perspective. Make sure that when you're talking to your people you can express to them like what on earth is actually going on in your workplace, why you exist and why you do things. They will connect to that and they will feel grateful because of it.

[AV] [24:33] Second hack is ensure you don't treat your employees like employees. It's really important to understand that these are human beings. They're all different, they all have different desires and ambitions and they think differently and they communicate differently. And if all we do is we treat them like employees and just throw KPIs and pay them and assume everything's going to be fine, we're kind of missing the point. So one thing that I think is fantastic to drive great culture is to be more connected with your employees on a non-work basis, and I'm not meaning buddy-buddy hanging out having drinks, but what are we doing to show as leaders that we care? One thing I think is fantastic is what we call "walk and talk". It's super easy, it is effectively once every fortnight or once every month you go on individual, one-on-one walks with every single person from your team. You go outside the office, you go walking around your local neighborhood, and you ask them things like "how's life for you? Is there anything we can do to make it better for you?". So you're really wanting to understand from their perspective where they're at. Work, and a bit of personal sprinkled in - but you're also using this time to understand what you can do to create a better workplace. The fact that you're taking the time to listen to them is imperative, but what's even more important is the actions you take coming out of that.

And the third one is make sure that you don't just pay money as a form of recognition. People out there want to be recognised for a whole bunch of different things; affirming them, you know making sure that they're verbally hearing that they're doing a good job. Giving them a challenge, giving them some responsibility. Showing them that you trust in them. Believe in them - like what are the things that you can do to show recognition? And this is one really simple one for me, and I got challenged this personally. And one of the solutions we kinda brought out was - just show appreciation through high-fives. Trade more of the high-fives around the office when things have done well, when you're celebrating things, when you want to bring some good vibes and some good culture round the office.

Now obviously, given the current climate, I understand it's a little bit hard to give a physical high five. And you might have to do your walk and talks from your separate houses over the phone, but you get my drift. So perhaps find ways where you can create a virtual high five experience. It's just about the affirmation and showing consideration of that other person and what they've done and recognising and celebrating together. It could be in a Slack channel. It could be on a Instagram post, it could be anything that becomes public.

I got one extra super bonus hack for you, and it is a piece of technology that is incredible to help you understand how people are feeling in your workplace, and it's called Office Vibe. V-I-B-E. And it is a great way of sending pulse questionnaires out to your team, seeing how they feel on key metrics, and then seeing tracks and trends so you can identify when you've put something in place and the impact from that. We use it, we love it, and we try to refer back to it as a team where we show key areas that we want to work on, and getting strategies from our team to achieve it. Alright legends, that is my hacks on how to build a much more positive workplace environment and culture.

AG [27:52] And now it's time for Conversations with Gen CA - here's CA ANZ President Peter Rupp, speaking with Yasmin Gill

PR: PETER RUPP

YG: YASMIN GILL

PR: Today I'm joined by Yasmin Gill, she's recently completed her final CA program exams, but she already has a wealth of experience. Before going to university to do a combined commerce and law degree, she spent 18 months working with the

Northern Territory department of justice, during which time she got some first hand experience, insights and inspiration to become a difference maker in her hometown of Darwin. Yasmin, welcome to the program.

YG: Thank you Peter and thanks for having me.

PR: I'm really interested in the role you currently hold with PWC, can you tell us a little bit about what it is and where you see the opportunities to make a difference?

YG [28:43] I currently work as a senior consultant in PWC's Indigenous consulting team, which we refer to as PIC. so this is an indigenous consulting business, it's 51% owned, indigenous owned and 49% owned by PWC Australia. This was something really important to me and something that resonated with me, because I believe that change can happen when it's created by Indigenous people and it empowers indigenous people to make their own changes, as opposed to making changes for indigenous people on behalf of them. PIC aims to support positive change in the communities and they do this by providing professional services and giving advice to clients like the government, corporate businesses, indigenous businesses and community clients on various indigenous matters, so that could be from accounting to policy advice, I can make a difference in an area

that is very close to my heart and that I'm passionate about.

PR: You mentioned that you didn't go straight from high school into university but spent some time in the workforce first. Can you take us back to that time and tell what you learnt and how it changed your outlook?

YG: After completing year 12 I spent 18 months in the then department of justice, Northern Territory. The role was in admin, but I was able to work alongside government based solicitors. I'd already enrolled into the University of Adelaide before I started my full time employment with the department, so I'd already sort of knew that I wanted to study law, but it just solidified that I was comfortable in that environment and that's what I wanted to do, or I thought I wanted to do.

PR [30:50] *Laughs* Yea well I'm sitting here looking at a nearly qualified Chartered Accountant and you're telling me about your plans to study law and you obviously started that degree. What changed your focus as your studies progressed?

YG: When I enrolled into commerce as well - so a double degree - I didn't really know what commerce was. I guess the focus change happened when I got a job at PWC and I got more of an insight into what commerce was, I found it very challenging, a lot more challenging than my law degree and I liked that. I

liked having more of a challenge and being pushed outside my comfort zone.

PR: You mentioned you were working whilst you're at university and that's not uncommon, but you did manage to find quite a challenging role. Could you elaborate on that?

YG: Yeh, so I enrolled for a traineeship with PWC in my first year of university. It was just a 6 month traineeship that you could do part-time or you could do in your holidays. I got six months of part time work and then I wasn't ready to give up on that, I really enjoyed the team, the supportive culture and again, the challenge because accounting was a whole new world for me and I was learning on the job before I was learning at University, so a bit back to front, but it was a challenge everyday and everyday something was different. I kept extending that 6 months until I became an undergrad with PWC and pretty much worked the entire uni degree. It was a bit of a juggling act between uni and work.

PR: At some point during that journey, you made the pivotal decision to move away from law into a career in accounting, which has now evolved into consulting, was that a conscious decision or did it just evolve for you?

YG [33:05] The reason I wanted to study law was I thought that for me that was how I could make a

difference in people's lives and a meaningful change and put back into my community and as time went I realised that I could do that in the commerce environment.

PR: What does the CA designation mean to you and what advice would you give to any young person starting their career in the accounting profession?

YG: The designation was a very proud moment for me. It's a recent moment, I've only just finished but I think it was a long journey and a challenging one but it's a rewarding one at the end. And just to be part of now such a prestigious group of people and empowered by the skills and the confidence that I now have, to put back into my community. The advice that I'd give to younger people starting their careers or even thinking about their careers, is to never say no to an opportunity, so opportunities are always there, they're always available, they might be outside of your comfort zone. I think trying new things, going outside of your comfort zone and also never underestimating yourself, or your abilities whether it's you think you've been raised differently or if you've come from a different upbringing than other people, it's that difference that you can make, you make in your own field and it shouldn't be used as a barrier. That's what I'd advise at this stage in my career.

PR [34:47] That's some really good advice and you're a great role model for those coming up behind you

and congratulations once again on qualifying as a chartered accountant.

YG: Thank you.

PR: So Yasmin Gill, thanks for joining GEN CA conversations.

YG: Thanks Peter, it's been a pleasure.

AG: Thanks for listening to this episode of the Acuity Podcast. I'm Aly Garrett from All in Advisory. For more stories like these be sure to check out Acuity magazine on the CA ANZ website. Find out more about this podcast series by visiting acuitymag.com/acuitypodcast. If you enjoyed this episode, we'd love you to rate review and subscribe, so more people can find the podcast!