

Chapter 22

Roles of Accountants in Climate Change Mitigation, Adaptation, and Resilience

Odunayo Magret Olarewaju

 <https://orcid.org/0000-0002-4366-040X>

Durban University of Technology, South Africa

ABSTRACT

Accountants are in a better position to contribute to initiatives that lead to low-carbon business models that promote economic sustainability by defining climate risk and analysing the strategic, organisational, and financial consequences of the risk mitigation and adaptation. Extensive review and assessment of the roles of accountants in climate change mitigation, adaptation, and resilience was done in this chapter. The chapter concluded by recommending inclusion of a climate change fund in integrated reporting of organisations and intensification of climate change awareness such that every organisation will be aware of how proper accounting can be done on climate change effects. Thereafter, strategies to mitigate, adapt, and be resilient towards it will be initiated.

INTRODUCTION

Climate change remains a central topic as well as major concern on national and foreign policy agendas (Bodansky, Brunnée & Rajamani, 2017; Afionis, 2017; Nordhaus, 2020; Luomi, 2021). Clearly, climate change continues to pose significant business complications that subsequently affect financial performance of businesses (Geels, 2013; Manokaran, Ramakrishnan, Hishan & Soehod, 2018). A complex impact on the environment will have substantial implications for society and businesses if not managed efficiently and effectively (Dafermos, Nikolaidi & Galanis, 2018). Therefore, accountants have an essential responsibility in maintaining clarity regarding threats and opportunities related to the environment (O'Dwyer & Unerman, 2020). A gradual and just transformation to a net zero emissions economy will encourage better transparency as well as better disclosure. Accountants play an essential role in helping businesses respond to climate change. Accountants have an important opportunity to take a leading

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role in the creation and implementation of long-term business strategies to mitigate and acclimatize to climate change. In understanding the “new language” of climate change that has arisen in the accounting profession, the 2019 Chartered Institute of Management report is noteworthy. The value of working ‘alongside professional experts’ is demonstrated by the strong role of financial accountants, with their experience and knowledge in developing technical practices to adapt to climate change. In acknowledgment of the issue of climate change and its consequences, there has been a rapid rate of change and an apparent effort by the accounting profession to “catch up.” As these studies show, a variety of accounting specialist organizations see an opportunity for accountants to play a leadership role in climate change.

The purpose of this book chapter is to provide a general insight into the importance of issues at hand, given that minimal research has been done on the same subject. It will also contribute to the problem as a new understanding of the role of climate change accountants in the survival and viability of companies around the world. In addition, it will be necessary to improve the awareness of business leaders, policy makers, shareholders, etc. This study therefore intended to address the above-mentioned discrepancies by presenting information on the role of accountants in the mitigation, adaptation and resilience of climate change by examining the undisturbed gap and replicating the current gap in businesses. Recommendations on how business can be responsive to climate change will be given towards the end of this book chapter.

OVERVIEW OF RESPONSE OF ACCOUNTING PROFESSION TO CLIMATE CHANGE

As one of the sustainable development goals is on climate actions, dwindling climates undoubtedly have a huge impact on nature, sectors and the general society, financial sectors inclusive. Climate change is a systemic risk that has huge impact on the finance industry, as like other sectors of the global economy (WWF, 2005). According to Srikant and Teekchandani (2020), climate change has many impacts on businesses. Climate change is a major problem generating both risks and opportunities that will have a direct impact on the economy and the financial sector.

The Association of International Certified Professional Accountants (AICPA) endorsed a call for change in response to environmental changes, together with the chief executive officers (CEOs) of 12 other accountancy bodies, given the seriousness of the climate danger and the potential for the accounting profession to take a leading responsibility. A total of 2.5 million accountants were collectively identified in 179 countries as part of the Prince of Wales Accounting for Sustainability Initiative Accounting Bodies Network. This sense of urgency is not only for accountants, but for the professional accountants that serve them. It is a responsibility for the profession to endorse the essential work members do through funding, advice and advocacy work with policymakers to mitigate climate risk.

The profession would have an impact in at least two main ways: by fostering strategic planning and by ensuring accurate, objective disclosure of knowledge relevant to sustainability. In this dynamic, interdependent environment, integrated thinking about the number of financial and non-financial factors that significantly impact the ability of an entity to generate value is needed. The profession, responsible for controlling the flow of critical knowledge and perspective, is ideally positioned to advance a more holistic view of challenges and opportunities, including the identification and planning of climate-related risks such as interrupted supply chains and changes in regulations (Wasim, 2019).

Accountants will allow for better judgment through integrated thought. Reliable knowledge is the underpinning of all sound decision, whether by business leaders, regulators, investors or customers.

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