

Social Value UK Campaign: Changing the way the world accounts for environmental and societal impact

Introduction

The last decade has seen a growing awareness around the environmental and social sustainability challenges that are likely to shape the lives of individuals and the way every organization conducts business. In 2019, the public are more likely to align with companies that make genuine commitments to improving their sustainability practice and providing greater transparency to stakeholders. The challenge remains for businesses to be able to account for this type of social and environmental value by integrating it with their current financial reporting. This is a change that needs to happen, not just as a response to public attitudes, but as a response to the drastic damage that is being done to the planet, which will soon be irreversible, unless we act fast.

What Social Value UK want to change

Social Value UK's end goal of this campaign is to change the wording in the Companies Act 2006, s.396 which states that requires a company's accounts to 'give a true and fair view of the state of affairs...[and] of the profit and loss of the company'. Social Value UK propose that the true and fair view is defined within the Act to include information on the social and environmental impact of the enterprise. This would then be consistent with corporate governance review and requirement of s.172 for directors to show how they have complied. This, too, needs updating with regard to the Corporate Governance Code.

However, currently under s.172, directors must only 'have regard' to the impact of the company's operations on the community and environment [s.172(1)(e)]. This wording is not strong enough, as it is ambiguous what consists having 'regard'. It is entirely possible that this constitutes an informal, unbinding conversation. Social Value UK support initiatives to strengthen requirements here.

Furthermore, directors only owe responsibilities to a company under s.178(2), meaning that only the company can take legal action against a director to failing to meet their duties. This is a classic single agent issue- 'without the change to the companies act to ensure that the company as an agent of investors also takes account of the issues in s172, investors will not be able to hold companies and therefore directors to account.

Social Value UK believe that many parts of the Companies Act 2006 need updating, namely s.172, s.178, and the focus of our campaign, s.396.

Social Value UK current state of affairs does not adequately account for the environmental and societal damage or benefit created as a direct result of a company's operations, nor does it provide the accountability needed to ensure that companies change their activities.

A change of this nature would in-turn create a national shift toward a more sustainable business environment and better position the UK to address imminent future economic, social and environmental demands.

As a knock-on effect, this means that investors, everyone from shareholders to consumers, are unable to gain a wider knowledge of the environmental and societal impact of company's activities. The current places an unrealistic burden on investors trying to make environmentally and socially conscious decisions. It is extremely difficult for a lone investor to know the exact impact of their investments, however via the modification of wording, the burden of responsibility to act more consciously would be placed on those with the power to directly affect their societal and environmental damage or benefit.

Another expected outcome of Social Value UK's larger campaign is an increase in awareness among the public /consumers that there is more businesses can be doing to ensure that their operations are not passing down negative social and environmental impacts to society whilst also directing the responsibility for solving these issues to the consumers.

Social Value UK's campaign will also raise awareness and educate businesses, accountants and decision makers on the potential benefits of using this type of integrated impact accounting and how this can be practically applied in different businesses.

How Social Value UK seek to achieve this change

Social Value UK believes that there are many important ways to go about creating long term, lasting and important change. Social Value UK have three main methods of achieving this:

1. Online Campaign

- An online campaign via Social Value UK social media channels and website to raise awareness about the connection between accounting and sustainability, the role of public policy in determining accounting practise, and of business in normalising this practice.
- Raising awareness of the impact of lobbying as an advocate for sustainability and providing public with the pathways and contacts they can use to lobby local and national government for a change in policy.
- Seeking publicity from online news, sustainability and economic website as a method of raising awareness.
- Partnering with other social and environmental sustainability campaigners and social media influencers to help boost campaign visibility

2. Partnering with Businesses, Accountants and Academics

- Working with accountants and businesses that have successfully integrated their accounting to develop a case study that can outline how the technical application of this idea would look in a business, any likely challenges and possible solutions. This will provide a real-world example proving that this implementation can be done.
- Partnering with an interested business which has not implemented of integrated accounting, for use as an example.

- Working with accountants, lawyers, academics and businesses, to developed proposed rewording for the Companies Act 2006 and a plan for transition.
 - Working with academics to propose plans for transition and to gain wider understanding of the environment in which this campaign is taking place in.
3. Rewording policy to encompass the campaign aim
- Ahead of beginning, investigate the policy landscape as it stands and explore whether there is currently any demand for this type of change underway/ if individuals are already aligned with the cause.
 - Assessing the current policy and drafting new wording as required, looking at addressing compulsory sustainability reporting standards, required responsibility to rightsholders VS shareholders and widening limitations on who can take legal action against a company.
 - Writing a communication package that demonstrates what this change will mean to relevant stakeholders/rightsholders.
 - Contacting and meeting with policy makers and local government to establish a strategy for changing the 'Act'

Join Social Value UK's Campaign!

The time for inaction has passed. We live in a time like no other in recorded history. There's no time to waste anymore, we must call for change, and we must call for it now. We must use our power, our privilege and our knowledge to change the world.

And accounting is the solution.

At Social Value UK, we believe that we can radically change the landscape of business, and as a result, protect the environment and people from mistreatment by altering the way financial accounts, and thus profits, are calculated.

If a business's negative societal impact negatively affects their bottom line, then we could see large corporates changing their actions for the better.

Via accounting, we could save our futures.

We recognise this is a big ask, and we implore you to join us, and fight for our common goal of a prioritisation of people and planet over profit.

Get involved with our working group, collaborating on how we can push this campaign forward and make real change, share our work within your networks, show us your support, or pen your own articles on why you think accounting is the solution to our problems.

Get in touch with [David](#) to find out more.