Chapter 07: Section 01

# Environmental Management Accounting

Environmental Management Accounting

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# 1. Corporate Sustainability and Management Accounting Integration

- This section provides a systematic approach for integrating corporate sustainability principles directly into management accounting systems.

1. Integrating Environmental Costs: Costing systems must be modified to take waste disposal, emissions control and resource consumption costs directly to their source activities and products.
2. Developing a Sustainability Balanced Scorecard: Add a fifth sustainability perspective or embed environmental and social objectives to BSC

# 2. Management Accountant Gate-Keeping Role and Sustainability Stewardship

- The gate-keeping role is the process used to ensure the integrity, relevance, and effective flow of sustainability information throughout the organisation.

1. Ensuring Information Integrity: Validate all sustainability information before it enters the management system
2. Providing Decision Support: Raw sustainability data should be transformed into clear business case evaluations
3. Monitoring Performance and Accountability: Control systems must be implemented and managed to measure actual performance against targets
4. Facilitating Stakeholder Communication: Should ensure that all external communications are supported by robust, verifiable data and fairly represent the organisation's actual performance.

# 3. Conventional Management Accounting and EMA

| Dimension | Conventional Management Accounting | Environmental Management Accounting (EMA) |
|---|---|---|
| Information Focus | Financial information only (costs, revenues, profits) | Both monetary (MEMA) and physical (PEMA) information |
| Environmental Costs | Hidden in general overhead accounts | Actively identified, segregated, and allocated |
| Primary Users | Internal decision-makers | Internal decision-makers and external stakeholders (ESG reporting) |
| Time Horizon | Short-term (monthly, quarterly) | Long-term impacts and lifecycle costs |

- Monetary Environmental Management Accounting (MEMA): Focuses on environmental cost identification and valuation
- Physical Environmental Management Accounting (PEMA): Focuses on material flow tracking and resource monitoring.

# 4. Monetary Environmental Management Accounting Framework

1. Environmental Cost Identification
2. Environmental Cost Classification (According to their nature and purpose)
3. Activity-Based Costing Application (For allocating environmental costs)
4. Contingent Cost Valuation (Calculate expected values)
5. Integration into Financial Reporting

## 5. Physical Environmental Management Accounting Systems

1. Implementing Material Flow Cost Accounting
2. Monitoring Resource Consumption with Technology
3. Conducting Systematic Waste Stream Assessment

## 6. Practical Challenges in EMA Implementation

1. Organisational challenges: lack of awareness or resistance from management
2. Technical challenges: Difficulty in capturing data
3. Financial challenges: Securing budget for initial costs

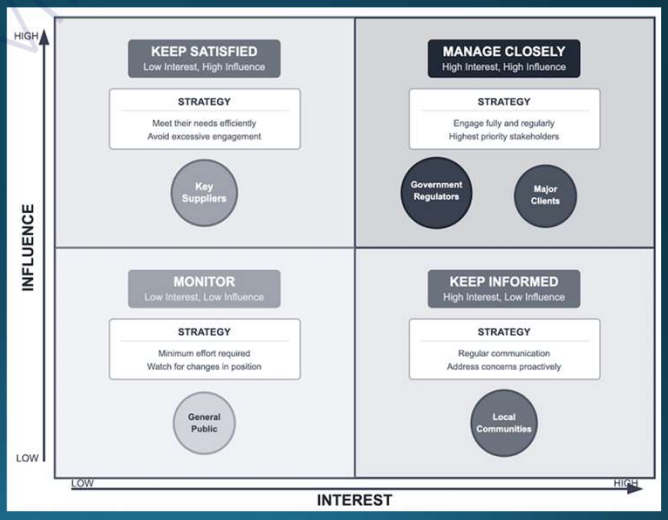
# Social Dimension of Sustainability

# 1. Social Dimension of Sustainability

1. Stakeholder integration: Apply stakeholder mapping to identify and engage key groups
2. Human rights and labour standards: Conduct human rights due diligence across operations and supply chain
3. Social equity and inclusion: Develop diversity programmes and policies that ensure equitable access to opportunities
4. Health and safety management: Use risk assessment systems to protect employee wellbeing and manage community health

# 1.1 Stakeholder Integration

1. Stakeholder Identification and Analysis
2. Developing engagement strategies
3. Engagement Planning
4. Relationship Development
5. Inclusive Participation




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## 1.2 Human Rights and Labor Standards Integration

1. Developing a human rights policy
2. Implementation and Monitoring Systems
3. Core Labour Standards Compliance
4. Supply Chain Due Diligence
5. Monitoring and Grievance Systems
6. Using Diagnostic Audits to Identify Workplace Risks
7. Calculating the Cost of Staff Turnover
8. Quantifying the Impact of Absenteeism and Poor Conditions
9. Analysing Production Line Workstations
10. Establish Ethical Sourcing Policies

## 1.3 Social Equity and Inclusion Strategies

1. Inclusive policy design
2. Diversity Programme Development
3. Equitable Access Systems
4. Community Empowerment and Advocacy
5. Process-Driven Barrier Analysis
6. Conducting an Equity Audit

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# 1.4 Health and Safety Management

1. Risk based safety management
2. Holistic employee wellness (encompass mental, emotional, social and financial health)
3. Community health impact management
4. Safety Culture and Performance Integration (organisation prioritise health and safety as core operational principle)

# 2. Workplace Safety and Risk Prevention

2.1 Hazard Identification and Risk Assessment: process of systematically finding workplace dangers and evaluating their potential to cause harm.

1. Performing Job Safety Analysis: Breaking down work tasks to identify hazards associated with specific actions, tools, and materials.
2. Assessing Risk Levels: Evaluating the severity and likelihood of harm from identified hazards.

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# 2. Workplace Safety and Risk Prevention

2.2 Hierarchy of Controls: systematic approach to selecting the most effective methods for eliminating or reducing workplace hazards

1. Elimination and Substitution Controls: Elimination removes the hazard entirely, while substitution replaces it with something less dangerous.
2. Engineering Controls: Isolate workers from hazards through physical means.
3. Administrative Controls and PPE: Administrative controls change how work is performed, while PPE protects individual workers.

# 2. Workplace Safety and Risk Prevention

2.3 Prevention Strategies: proactive measures designed to stop incidents before they occur.

1. Implementing Safety Training Programs
2. Conducting Regular Inspections and Audits
3. Investigating Incidents and Near Misses
4. Administrative Controls and PPE: Administrative controls change how work is performed, while PPE protects individual workers.

# 2. Workplace Safety and Risk Prevention

2.3 Regulatory Compliance: ensures ongoing adherence to health and safety laws and standards

1. Tracking Regulatory Requirements
2. Maintaining Documentation Systems
3. Monitoring Compliance Performance

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