SMEs and sustainability: The role of the accounting profession
We’re the world’s most forward-thinking accountancy body.

We have more than 219,000 fully qualified members and 527,000 students worldwide. We have global partnerships and network gives us unrivalled insight into the accountancy profession.

<table>
<thead>
<tr>
<th>ACCA in 179 countries</th>
<th>219,000 members</th>
<th>527,000 students</th>
<th>453 strategic partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>110 offices and centres in 52 countries</td>
<td>More than 7,571 approved employers</td>
<td>328 approved learning providers</td>
<td>1,901 exemption-accredited programmes from 908 institutions</td>
</tr>
</tbody>
</table>
Drivers of change shaping the sustainable organisation of the future

1. Economy
   1. Global productivity on the rise but emerging markets face a challenging decade
   2. Government takes a bigger role
   3. Global supply chains are reconfigured
   4. China and the US decouple
   5. Globalisation recedes, protectionism rises

2. Environment
   6. Climate emergency accelerates
   7. Business models go circular
   8. Natural capital management is a growing priority
   9. Taxation reform accelerates
   10. ESG reframes the risk and reporting agenda

3. Society
   11. Leadership trust is in the spotlight
   12. Inclusivity makes business sense
   13. Demographic shifts change talent strategies
   14. Education is technologically transformed
   15. New business models expedite

4. Technology
   16. DataspHERE expands
   17. Cloud transforms scalability
   18. Smart technology accelerates
   19. Cybersecurity is big business
   20. Collaborative technology changes connectivity

5. Workforce
   21. The future of professional work is hybrid
   22. Innovation and collaboration drive growth
   23. Career paths transform
   24. Well-being heads the agenda
   25. Continuous learning is centre stage
Why are sustainability issues important to business?

Society is in its many forms has a growing interest

**SOCIETY** provides and generates human, intellectual, social and relationship capitals, and is a substantive contributor to manufactured capital. **NATURE** provides raw materials and ecosystem services.
50% of global GDP dependent on nature

- 75% of land has altered, reducing productivity by 23%.
- 66% of the ocean is suffering the cumulative impacts
- over 85% of wetlands lost
- 83% of wild mammals and 50% of plants are extinct

Source: PWC, WEF, IPBES, TNFD
“Nature Risk Rising”, Jan 2020
Call from policy makers
National and organisation systems

POLICY AND DECISION-MAKING

ENVIRONMENTAL-ECONOMIC ACCOUNTING

Measurement

Asset
Clarify asset and measure its extent

Condition
Measure health of asset

Services
Measure flow of services to beneficiaries

Benefits
Measure (value) the benefits people receive

Impact

Already published
Cross-cutting standards
ESRS 1 General principles
ESRS 2 General, strategy, governance and materiality assessment disclosure requirements

Topical sector-agnostic standards

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESR S1 Climate change</td>
<td>ESR S1 Own workers</td>
<td>ESR S1 Governance, risk management and internal control</td>
</tr>
<tr>
<td>ESR S2 Pollution</td>
<td>ESR S2 Workers in the value chain</td>
<td></td>
</tr>
<tr>
<td>ESR S3 Water and marine resources</td>
<td>ESR S3 Affected communities</td>
<td>ESR S2 Business conduct</td>
</tr>
<tr>
<td>ESR S4 Biodiversity and ecosystems</td>
<td>ESR S4 Consumers and end users</td>
<td></td>
</tr>
<tr>
<td>ESR S5 Resource use and circular economy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coming later
Sector specific standards (coming later)
SMEs proportionate standards (coming later)
Call from society
Source: McKinsey “Consumer sentiment on sustainability in fashion”
Call from investors
The demand from investors for ESG disclosures

- Definition of investment policy and strategy (strategic asset allocation)
- Monitoring and review of portfolio performance
- Implementation of strategy (tactical asset allocation)
- Reporting to clients (asset owners)
Direct climate impact in the next five years

- Regulatory impact: 21%
- Physical climate impact: 19%
- Financing impact: 16%
- Customer preference: 15%
- Other impact: 12%
- Remaining impact: 9%
- Total impact: 100%
Why accountants need to take climate action right now
Seven core priorities

1. Building resilient economies
2. Developing the talent of tomorrow
3. Driving sustainable business
4. Advancing standards and regulation
5. Transforming the public sector
6. Supporting entrepreneurial growth
7. Strengthening ethics and trust
THE TRANSFORMATION DRIVER

- Advisers
- Educators
- Entrepreneurs
- GBS professionals
- Technology and data leaders
- CFO/C-Suite

THE ASSURANCE PROVIDER

- External auditors
- ESG assurers
- Public sector auditors
- IA/Risk professionals

KEY ROLES PRIMARILY FOCUSED ON CREATING AND/OR PROTECTING VALUE

CREATE VALUE:
Helping organisations execute the right business decisions to create sustainable value

PROTECT VALUE:
Helping organisations establish and execute processes that protect sustainable value

REPORT VALUE:
Helping organisations report value externally in meaningful and transparent ways

KEY ROLES PRIMARILY FOCUSED ON PROTECTING AND/OR REPORTING VALUE

THE ENTERPRISE ANALYST

- Finance business partners
- Performance manager/analyst
- Project/Programme accountants
- Treasury professionals
- Corporate finance experts

THE STAKEHOLDER REPORTER

- Corporate reporters
- Controllers
- Tax experts
- Investor relations
- Public sector reporters
All accountants must be integrated thinkers

- Consider the relationships between the organisation’s operating and functional units and the capitals used.
- Lead integrated decision-making and actions related to the creation, preservation or erosion of value over the short, medium and long term.
Value chain dependencies and impacts
The steps individuals and firms can take to help shape sustainability plans
“Every financial decision must take climate change into account”

<table>
<thead>
<tr>
<th>Region</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>10%</td>
<td>14%</td>
<td>15%</td>
<td>32%</td>
<td>29%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>7%</td>
<td>9%</td>
<td>13%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Global</td>
<td>8%</td>
<td>10%</td>
<td>14%</td>
<td>39%</td>
<td>29%</td>
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</table>

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
The road to decarbonisation

Has your organisation set targets to be net-zero by 2050?

- Yes
- No, but we are currently planning a policy
- No, and we are not currently planning a policy
- Don’t know

Global: 15% Yes, 16% No, but we are currently planning a policy, 36% No, and we are not currently planning a policy, 33% Don’t know

Central & Eastern Europe: 19% Yes, 17% No, but we are currently planning a policy, 27% No, and we are not currently planning a policy, 37% Don’t know

Western Europe: 21% Yes, 15% No, but we are currently planning a policy, 31% No, and we are not currently planning a policy, 34% Don’t know
Organisations putting accountancy and finance at the heart of Climate Action

- Business strategy and governance
- Accounting frameworks and standards
- Science based targets to guide decision making
- The road to decarbonisation
Accountants taking lead and adding value

Advising and connecting

Determining impact

Reporting and assurance

Embedding sustainability

Ensuring integrity
The role of the profession

SOCIETY

CREATE, PROTECT AND COMMUNICATE VALUE

PUBLIC INTEREST

PUBLIC INTEREST

PUBLIC INTEREST

SUSTAINABLE ORGANISATIONS

CREATE, PROTECT AND COMMUNICATE VALUE

ACCOUNTANCY PROFESSION

PUBLIC INTEREST

PUBLIC INTEREST

PUBLIC INTEREST

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Value creation or preservation?

Grasp the science; not wait for more ‘signs’

- How do we make this a Board agenda now?
- How do we build Net Zero Transition plans, with intermediate targets for 2030?
- How does climate impact our supply chain in next 10, 20 years?
- Sponsor your organization’s Sustainability Strategy?
- What can we do without waiting for policy interventions?
- Are we pushing hard on green opportunities?
- Are we using sustainability-linked finance?

or .. in the not too distant future

- Why are we facing supply constraints on materials?
- Why are we writing off XX amounts of stranded assets?
- Why are our customers going to our eco-primed competitors?
- Why are our bankers raising our borrowing cost or not giving new loans?
- Why are our investors selling down their stakes?
- Why are our insurers no longer giving us good cover?
Practical toolkits for SME/Ps
Our global call to action

▪ improve your sustainability skills and understanding
▪ gather resources, start a conversation and connect more widely
▪ consider sustainability in every decision you make
▪ measure performance outside of the financial statement and encourage your clients to do so
▪ engage with other professionals, and
▪ share your insights and experience widely and often.
<table>
<thead>
<tr>
<th>Expertise</th>
<th>Ethics</th>
<th>Insight</th>
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<tbody>
<tr>
<td><strong>Sustainability</strong></td>
<td><strong>Collaboration</strong></td>
<td><strong>Digital</strong></td>
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**Expertise Key competencies identified:**
- Corporate and business reporting
- Taxation
- Risk management
- Advisory and consultancy
- Audit and assurance
- Performance management
- Financial management

**Insight Key competencies identified:**
- Critical thinking
- Planning and project management
- Innovation
- Business acumen
- Governance and control

**Collaboration Key competencies identified:**
- Engagement
- Communication
- Inclusion
- Influence
- Stakeholder focus

**Drive Key competencies identified:**
- Lifelong learning
- Determination
- Change orientation
- Authenticity
- Leadership
ACCA Certificate in Sustainability for Finance

Creating a sustainable future has never been more important – whether it’s managing climate risk or ensuring economic resilience.

Accountants and finance professionals have a key role to play in helping organisations navigate the business of sustainability.

With our Certificate in Sustainability for Finance, you’ll:

▪ **Understand** what sustainability is, and how to turn that understanding into action
▪ **Be ready** to play a leading role in embedding sustainability in your organisation
▪ **Acquire** the skills and knowledge to help your organisation to thrive in tomorrow’s more sustainable world
▪ **Improve** your career prospects by gaining ACCA certification in this vital field.

Visit learning.accaglobal.com/future
Sustainability resources and initiatives to support you:

1. How SMEs can create a sustainable world - SME Sustainability Playbook with external links to free resources for SMEs
2. Practical sustainability toolkits for SMEs and SMPs
   - Mapping your business goals to UN SDGs
   - Supply chain code of conduct
   - Explaining environmental management systems to SME/Ps
3. Practice Connect hub for SMPs - Growing sustainably section
4. ACCA Rethinking sustainable business hub
5. The Practice Room – knowledge sharing sessions for SMPs, summaries of previous sustainability focused sessions are available
Five ways you can create a sustainable world

1. Improve your sustainability skills
   Commit to developing your understanding of the sustainable business landscape and integrated thinking. Continue upskilling by completing CPD, engaging with our research and policy initiatives, and visiting our hub.

2. Include sustainability in decision making
   Take action for your organisation to be society and earth positive. Use integrated thinking, understand your dependencies and take steps to reduce your negative impact.

3. Holistically report on sustainability
   Encourage your organisation to report on all your environmental, social and governance (ESG) impacts. Drive forward integrated reporting and integrated thinking.

4. Join the Big Conversation
   Organise a Big Conversation event in your organisation / business / at a school or Uni. Become a sustainable business champion with ACCA.

5. Change your world
   Take small steps or actions at home or at work towards a more sustainable world. Collectively we can make a big impact.

Read more about it here
Thank you
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accaglobal.com/sustainable-business