

Sustainability statement by ACCA (the Association of Chartered Certified Accountants) , the global body for professional accountants.

“Sustainability focus”

What can you do?

09 Sep 2008

Sustainable development is one of the pressing issues of today, posing significant challenges to society and global business. How might the accountancy profession respond?

ACCA is a proactive participant in the debate on corporate social responsibility and a champion of sustainability reporting for the past two decades. *Going Concern?* is ACCA's first social and environmental policy document, which spotlights the growing importance of sustainability.

Expressing his support, Allen Blewitt, immediate past chief executive, said: 'ACCA is pleased to see tangible action taking place from many quarters including government and business. Business as usual is no longer an option. We all have our part to play to progress towards sustainable development and the accountancy profession has a pivotal role within this. *Going Concern?* spells out the urgent steps we need to take as a profession and a professional body.'

Going Concern? sets out policy in eight key sustainable development areas with commentary on ACCA's policy, activity to date, commitment for the future and recommendations to key stakeholders and policymakers.

Sustainable development and corporate social responsibility - a general policy approach

Few organisations are capable of achieving sustainability in the short or medium term. ACCA encourages all organisations to set a strategy so that their corporate social responsibility (CSR) contributes to sustainable development (SD), both of which require active partnerships. Business, government and civil society are urged to take an in-depth look at which changes and improvements lie within whose sphere of control.

Among the recommendations made by ACCA are that organisations should develop clearer understandings of what sustainability means for them and their range of products and services, as well as develop and publish strategies setting out their individual sustainability road maps.

Corporate governance, strategy and sustainability - the importance of integration

In order for a business to operate responsibly and successfully in the future, its business strategy and governance structures will have to be closely aligned with the sustainability of its operations, processes and products. An increasing number of companies are including sustainability on the agendas of existing board committees or creating a committee purely to address these issues; ACCA strongly advocates this trend.

ACCA also believes that responsibility for certain aspects of sustainability should be incorporated into the performance, objectives and rewards' systems of organisations.

Accordingly, businesses should make sustainability issues a core part of their strategy. Risk identification and management should be governed at board level, and organisations should report on the linkage between the sustainability issues they face and the corporate strategies they choose, including the financial implications of major sustainability risks.

Climate change - how the accounting profession should respond

Of the main SD issues, climate change should be classed as a priority. Accountants have a significant role to play in this area, including:

- developing carbon and greenhouse gas (GHG) KPIs and related measurement protocols
- providing improved disclosure on companies' GHG emissions and climate change risks through the annual report and accounts
- auditing carbon and GHG disclosures
- advising employers and clients as to the best courses to take in adapting to climate change, including the likely investment costs and returns from such investments.

Professional accountancy bodies should implement post-qualification training programmes for members focusing on issues relating to emissions trading schemes, carbon intensity and risk, and emissions disclosure and verification. Investors, governments and businesses should work to adapt planning and investment practices to account for a changed climate by integrating climate change models into such processes.

Accounting in practice - the need to improve how we account for sustainability issues

Advances in environmental, sustainability and social accounting techniques would assist in measuring the extent of financial exposures and risk in respect of environmental and societal impacts, refining the appropriateness of environmental taxation proposals and

convincing financial stakeholders that pro-sustainability strategies create, rather than erode, value.

To develop best practice, organisations should begin to apply social and environmental accounting techniques to more accurately reflect their contribution to SD, and supra-national bodies should take steps to develop a portfolio of fiscal instruments designed to internalise negative sustainability impacts in international trade treaties.

Sustainability reporting - recognising the imperative for transparency

ACCA encourages the inclusion of more sustainability-related information in the annual report and encourages organisational sustainability reporting. In the absence of widespread mandatory reporting requirements, investors and other stakeholders represent the best source of influence to improve the comparability and credibility of such reporting. ACCA believes that more should be done to encourage smaller companies and third sector organisations to adopt some modified form of sustainability reporting.

To promote transparency, governments should continue to urge organisations to produce reports, environmental regulators should work with international accounting standard setters to develop a universally applicable climate change reporting standard and organisations should begin to report publicly their material social and environmental impacts.

Audit and assurance - why credibility matters

In the absence of a generally agreed international standard for assurance on sustainability reports, ACCA believes that using independent assurers of AA1000AS and ISAE 3000 can enhance the credibility of reports. In addition, report preparers should make use of a wider range of credibility generating mechanisms such as expert panels, stakeholder panels and internal audit.

ACCA recommends greater collaboration between setters of assurance standards in order to produce an authoritative standard for the assurance of sustainability reports. Organisations should enhance the credibility of their reports by including an assurance statement or making use of the other credibility generating mechanisms, and professional accountancy bodies should develop CPD programmes targeted at developing sustainability assurance competencies among their practising members.

Education and training - what should the next generation of accountants learn?

Sustainability issues should be fully integrated into the professional examination curriculum so that future generations of accountants would be better equipped to

recognise the challenge that SD brings. ACCA also believes that accountants will need to understand the many different ways in which sustainability concerns will permeate their future careers.

Recommendations include the incorporation of SD and CSR matters into IFAC's basic education requirements, and the formation of a task force comprising the UK professional bodies, examiners and tuition providers to identify an acceptable minimum level of SD and CSR coverage in examination papers and tuition material.

SMEs - their role in the sustainability debate

SMEs should be included within all voluntary SD and CSR programmes to the greatest extent possible. To address this, governments should review the incentives provided by SME corporate taxation systems to increase the propensity of the SME sector to invest in cleaner technology. Governments should also produce guidance to help SMEs measure their key environmental and social impacts.

ACCA's commitments

As well as setting a sustainability agenda for action, *Going Concern?* outlines ACCA's sustainability commitments. 'It's obvious that we need to practise what we preach. If we can't get it right internally and via our services then what hope is there for all our members looking to us for guidance? We have a changing and exciting future ahead as an organisation,' said Blewitt.

ACCA's sustainability workplan includes:

- regular sustainability reporting on ACCA impacts with external assurance and consideration of the projected future cost of carbon in its own planning processes
- funded research programmes or voluntary partnerships to seek long-term solutions to SD and CSR issues with an accounting, finance or assurance linkages
- action to underline and enhance the importance of CSR issues in the boardroom
- support of the development of environmental and social accounting methodologies
- collaboration with leading organisations in the assurance field to develop generally accepted assurance models.

ACCA members

ACCA members will be issued with booklets providing guidance on how to address CSR and SD issues, best practice methods for assessing and limiting likely costs of climate change adaptation, elements of the sustainability accounting framework, sustainability and integrated reporting, sustainability report assurance, and CSR for SMEs and their SMP advisers.

ACCA will also ensure that SD and CSR issues are incorporated into its lifelong education, training and CPD processes and develop training modules for CPD in the carbon disclosure and emissions trading area.

ACCA's public position on and commitment to the SD and CSR agenda sets a benchmark to which all professional bodies and associations should aspire. 'In increasingly difficult economic circumstances, sustainability reporting may seem like a luxury to be postponed for better times, but the reality of climate change and the magnitude of the challenges it provides for all of humanity means that we cannot delay. Sustainability reporting need not be excessively costly, but it sends positive signals to employees, customers and suppliers,' concluded Blewitt.