

'Beyond Accounting - assessing the impact of sustainability reporting on tomorrow's business'

Foreword to a soft launch of the project and a discussion paper authored by Graham Hubbard of Adelaide University on www.forceforgood.com and www.icaew.com

We manage what we measure (and report) - it's a truism, but no less valid for that. We believe that the time is now right to ask whether we have been measuring the right things in the right way and communicating them appropriately to the right people.

In this joint foreword - on behalf of the Institute of Chartered Accountants in England and Wales (ICAEW) and Tomorrow's Company - we are launching what we believe is an important and timely review of sustainability reporting frameworks and guidelines. These 'frameworks' provide what is currently the most developed approach for companies to reflect what are commonly described as the non-financial impacts of business. However, these impacts often have significant costs as well as benefits. Taking them into account in mainstream business and investment decision-making is, therefore, central to our shared interest in exploring how best to 'redefine success'.

As we face profound challenges for people, profit and planet alike, our need for an effective and 'fit for purpose' compass to plot a sustainable and successful course for the future has never been more urgent or important.

By far the most currently developed approaches to reflecting the triple bottom line (economic, social, and environmental) are the many frameworks and guidelines that companies use to report on their sustainability activities. We acknowledge the work of many who have led the way in this area - for example the Global Reporting Initiative, the UN Global Compact, and AccountAbility. Such frameworks enable benchmarking and can build understanding. Often this process is initially undertaken internally and later applied to external reporting. However, it is intended to create a platform for dialogue with stakeholders, and then seeks to influence behaviours and decisions for mutual benefit.

This review of sustainability reporting frameworks and guidance is set in the context of the major programme of collaboration that we are now undertaking together - working with many others, including Pavan Sukhdev and his colleagues from the Green Indian States Trust (GIST), TEEB (The Economics of Ecosystems and Biodiversity), the UNEP Green Economy Initiative and Deutsche Bank - to explore how businesses can most effectively measure and communicate their impact on society and the environment.

Tomorrow's Company and the ICAEW are also working with GIST, the Social Return on Investment Network and others to explore how best to develop new ways of applying financial values human and natural capital impacts. This approach seeks to encourage companies and other organisations to take account of their impacts and bring them inside the business process.

For Tomorrow's Company, in undertaking this work, we are building on our agenda-setting inquiry - *Tomorrow's Global Company: challenges and choices* - in which business and other leaders argued that they and others now need to, not only live out their company's values and create the right enabling frameworks, but also redefine how they measure their success.

This paper forms part of the ICAEW's new thought leadership campaign, *Sustainable Business* in which we explore how the market system can promote responsible and

sustainable business behaviour. Trusted flows of relevant and accurate information are the key to the success of any such system and so we believe an assessment of the impact of sustainability reporting frameworks and guidance is timely and necessary.

Tomorrow's Company and the ICAEW have already held a roundtable with the latter's members, considering the implications of the Tomorrow's Global Company inquiry for the accounting profession - which we will shortly be making available.

Society is increasingly demanding that businesses take account of their impacts but also recognises that they have a strong positive role to play as well. Business, society and the environment are inextricably linked and inter-dependent for their survival and must be held in balance.

Equally, as we see the first shoots of the new Green Economy bursting through - given renewed impetus by the election of a US President committed to the sustainability agenda - we see extraordinary opportunities opening up to create value through sustainability. Yet, at this time of financial instability it would be very disappointing to see companies draw back from confronting the challenges of sustainability and from what has already been achieved. The combined pressures of recession and growing population means that businesses have not only to think of making their operations more efficient (i.e. cost cutting and carrying out their core business more effectively) but also to consider what sustainability means for their business strategy.

So it is in this context that our programme of collaboration is taking shape. We are delighted to welcome this paper from Graham Hubbard, of the University of Adelaide. Graham very helpfully summarises the sustainability reporting frameworks and guidelines that have been developed, what they are trying to achieve, and the issues which need to be considered to assess their lasting impact on business decisions, and society as a result.

We are now making this paper available as a draft via forceforgood.com and the ICAEW website. We welcome your comments on the paper and the issues it raises. These will then be taken into account in the final drafting, and the ICAEW will be publishing this paper with Tomorrow's Company at a joint event in the first quarter of 2009. In this way we hope to encourage debate and input, to maximise the value of Graham's paper.

This in turn will provide a platform for the programme of research which we are undertaking, to look at the impact of sustainability reporting frameworks, using Graham Hubbard's paper as our 'terms of reference'. We are therefore indebted to Graham for getting the dialogue underway.

Finally our thanks to Peter Desmond of Growth International, member of ICAEW and Tomorrow's Company, and also to Pat Cleverly, Tomorrow Company's Head of Research, Strategy and Policy - their support for this project has been invaluable: thank you, Peter and Pat.

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