

Business and sustainability – how can chartered accountants help shape a greener, fairer, more resilient future?

KEY MESSAGES

- Accountants must recognise that the culture in which business operates is changing and needs to change further.
- As chartered accountants we can and need to apply our analytical skills to understanding and reporting the true impacts of an organisation's actions on the planet, on people and on financial performance.
- Our reporting must capture holistically what society values, looking beyond financial returns.
- To improve decision making by all stakeholders this expanded range of information must be as reliable and transparent as the financial information we have traditionally provided.
- Sustainable economies require peaceful societies with reducing inequalities, and where strong institutions, like ICAEW, hold governments to account and maintain robust frameworks for corporate governance.

INTRODUCTION

ICAEW Scotland held a half day workshop on 22 June 2021 to address the topic of *“Business and sustainability – how can chartered accountants help shape a greener, fairer, more resilient future?”* The purpose of that workshop was to identify ways in which we can take action to help to deliver a sustainable future aligned with the UN’s Sustainable Development Goals (SDGs), while recognising the immediate challenges of the environment.

The aim of this document, written collaboratively by ICAEW Scotland Sustainability Group, is to summarise the views of 36 members who joined the workshop and to open the conversation with our fellow members in Scotland. It is the start of the journey, not the destination.

It was agreed that as high calibre finance professionals, we have skills in numeracy, measuring and analysing performance, assessment of risk and presenting business case propositions to add economic value. These give us the capabilities and opportunities to deliver the changes in corporate and personal behaviours which are required.

But we need to take a more proactive approach than may have been the case in the past, in which our role has been seen to be more supportive, and quite frankly passive. The view from the workshop was that we should welcome this opportunity.

Our involvement in the issue of sustainability is consistent with ICAEW's primary purpose under its Royal Charter, namely to act in the public interest. Sustainability/climate change is the single biggest public interest issue facing the global citizen and as members of a global body we need to act to deliver the Sustainable Development Goals (SDGs). Where relevant we have mapped our thoughts to the SDGs, which are listed in the appendix.

The participants in the workshop are not alone in this view. See the ICAEW video and paper [When Chartered Accountants save the world](#).

The ICAEW in association with ICAS and CAI has also launched an initiative – [1,000 Chartered Accountants](#) – to lead the change to a decarbonised economy as part of the Race to Zero.

So, the time is now, and the question is what can we do? Here we are not addressing what governments can do, nor what private households can do. We are addressing what we as business leaders can do, whether in practice, in business, or in the public or third sectors.

The workshop considered five themes:

- Environmental stewardship
- Corporate and personal behaviours
- Role of government
- Sustainable investment
- Designing an economy that meets society's needs.

The common factors that were identified in these thematic sessions are listed in the following section. The questions raised and the conclusions for each theme are set out in the subsequent section.

COMMON FACTORS

1. The role of accountants

- We hold positions of trust and of influence, and should be making more of that fact.
- We should demonstrate that financial and environmental returns are not mutually exclusive.
- We should be prepared to have tough conversations about what 'value' means.
- We should be prepared to work with colleagues from other disciplines (eg, engineers).
- We need to develop metrics that work across all disciplines, while not compromising on financial reporting.
- We need to become system thinkers and see the whole big picture by analysing non-financial information.

2. Incentives

- Incentives could encourage senior management to pursue non-financial goals as well as financial goals.

- Incentives should reflect the long-term consequences of an organisation's actions.
- Employees may need encouragement to promote their own ideas and aspirations for promoting sustainability.
- Sustainable behaviour (in relation to specific projects) can be written into employees' annual objectives.

3. Policy

- A government's environmental policy sets the tone for businesses.
- Long term thinking is essential.
- (Genuine) green energy tariffs are necessary if we are to achieve zero carbon energy sources.

4. Sustainability is more than carbon

- Ask "What if..?" to analyse how actions on one SDG positively or negatively impact the others.
- SDGs create innovation and value by placing constraints on "business as usual".
- Identify multiple value streams within your organisation and supply chain, eg, less packaging saves resources, reduces transport and minimises your customer's waste.

5. Role of ICAEW: accountability, accessibility, advocacy

- Reflect on our mandate to act in the public interest, as sustainability makes our remit wider.
- Hold governments to account on their progress with the sustainability goals (SDG 16).
- Develop the new ACA syllabus with a focus on the challenges of tomorrow (SDG 4).
- Urge governments to adopt a corporate reporting framework that captures the wider values of society, allowing scrutiny, and providing transparent information to make better value-based decisions (SDG 16).
- Communicate to members our valuable research across the breadth of topics beyond the world of finance and engage more members at the coal face to influence change.
- Increase accessibility and diversity to the profession, standard setters, etc, regardless of background, gender, and disability (SDGs 8, 10, 16).
- Foster collaboration by facilitating conversations that are cross-disciplinary, cross-sector and cross-society to enable members to build back better (SDG 17).
- Advocate the benefits of sustainability beyond profit to give agency to a wider set of stakeholders, allowing others to recognise the credibility of ICAEW.

THEMES

1. Environmental stewardship

These questions were addressed in this session:

- How do chartered accountants embed "green thinking" into daily routines / monthly reporting cycles and gain stakeholder buy-in?
- Do accountants have an important "stewardship" role to budget, measure and report success whether it simply be through reduction or offsetting?

Regardless of which industry/sector or place we are operating in, each and every one of us has a responsibility for carbon reduction and saving our planet. This can be done in various ways:

- Transitioning the use of existing fossil fuels infrastructure / re-purposing the built environment (eg, transportation of hydrogen through existing gas pipelines) (SDGs 9 and 11).
- Circular economy (eg, re-use of oil in plastic to make road surfaces) (SDGs 11 and 12).

- Green electricity (eg, generating power through solar panels, wind or tidal turbines) (SDG 7).

If organisations have not already done so, they need to take climate change seriously and embark on their sustainability journeys now. This is essential to attract and retain staff. ICAEW Chartered Accountants within senior management positions need to be the role models, taking responsibility and helping to drive the change (else be left behind!). To that end, members should consider arranging training courses for themselves and their teams, and possibly even consider taking sabbaticals to learn the necessary new greener skills. (Masters courses are available.) Centrally, ICAEW's Sustainability and Climate Change Community can signpost good information - best practice and toolkits.

The goals set must be clear and measurable. In order to win hearts and minds management must lead this "cultural" change from the top and cascade it throughout whole organisations in a manner which is passionate (not just point scoring). Everyone in the organisation must be involved and bought-in to these goals for them to succeed. ICAEW Chartered Accountants are the complete professionals with the necessary skills to clearly and concisely communicate the risks and rewards to all stakeholders – risk of doing nothing versus reaping the rewards by successfully cultivating a greener, fairer and more sustainable future for their organisations.

2. Corporate and personal behaviours

This session addressed the questions of 'How do I take my personal values on sustainability to a corporate level?' and 'How can I make progress and success with sustainability demonstrable to stakeholders?'

In the 17 UN Goals on sustainable development there is nothing any self-respecting person can ignore. It may be difficult to simultaneously promote all of them but all of us should be able to continually support one or more while not actively working against the achievement of the others. Nor should this just be an activity outside of our working week, this should be 24/7. How we behave in our corporate lives should wholly align with our personal behaviours, those behaviours we hope our friends, our family and, in particular, our children and the next generation recognise in each of us.

As chartered accountants we have access and influence in organisations greater than almost every other role. We can have legitimate, detailed conversations about what all areas of our organisation are doing and we can challenge. Recently, the session leader stepped into an interim role with a not-for-profit organisation. Comments were made to him in the early days about the complexity of the structure, consisting of four interrelated businesses. Yet within a short period of time, through meetings predominantly about financial performance, he was able to engage in much broader discussions. These discussions included fundamental issues over how activity aligned with the cause being served and the inconsistency between an external message and internal activity over-achieving carbon net-zero. While an accountant's role may not involve daily conversations with executive management and the board, it may nonetheless provide opportunities, which should be taken.

With that disproportionate level of access across our organisations we should seek not only to have the simple conversations but also the tougher ones. A commitment by your organisation to be net-carbon neutral by 2030 may tick the box on a customer or investor checklist but what is the corporate intent? What is meant by net-carbon neutral, how has it been defined by the organisation? Equally, why only by 2030, why not earlier? Does your organisation only want to

scrape through just in time or be a leader? Another area of concern could be your supply chain. How deeply does your procurement team dig into how goods are sourced; are the employment ethics consistent with the sustainable development goals? Do you stop at the reputation of your supplier or dig deeper? All these discussions can be wrapped into financial performance appraisal and planning.

Influence doesn't only need to be in the areas of corporate policy. We should also consider how we seek to track performance which in turn links to how people across the organisation are incentivised. Financial management digs deeply into the underlying performance of our organisations; the same skills and disciplines can be used to track delivery against other critical corporate objectives.

Given the frequently demonstrated link between shareholder value and delivery of both financial performance and demonstrable sustainability metrics, it is easy to rationalise why short term and longer-term incentive schemes should also be aligned to the delivery of stretch targets based upon the sustainable development goals.

Accountants have huge influence in the way organisations operate. The insight that we can offer to management across the organisation influences choices and decisions. We should not, therefore, sit passively responding to the activity of our colleagues when our personal values have been compromised. We should engage, have those tough discussions, and seek to ensure that our organisations are doing the right things for the longer term by aligning with the sustainable development goals.

Do not leave your values at the door as you walk into work; carry them to your desk and exercise them daily with your colleagues.

3. Role of government

Regardless of whether people think that governments should play a role in responding to climate change and legislating for sustainability, governments do play that role, through tax law, company regulation and general legislation.

We have among our members the knowledge and experience to offer relevant and world leading advice to the Scottish Government on:

- The consequences of tax law (and proposed changes) for sustainability.
- The development of effective sustainability reporting/disclosures for companies.
- Accurate costing and clearly presented data to support other legislation/policy on sustainable development.

We should not be afraid to work with a full range of potential partners / factual advisors including but not limited to other accountancy and investment bodies, think tanks and academic research units, politicians and government departments, and organisations such as the National Residential Landlords Association (NRLA).

Such partnerships will help us to identify:

- Areas of tax law with counterproductive or inconsistent incentives.
- A framework for sustainability reporting which is tangible, measurable (and therefore also auditable), and scalable.

- Activities where incentivisation or regulation are useful in encouraging transition to sustainable practices.

4. Sustainable investment

The question we asked ourselves in this session was: what is the role of investors and investment in building sustainable companies and producing positive outcomes?

In business, we all know that money talks. It's no surprise then that the opportunities created by the movement to more sustainable practices are attracting serious investment. From new revenue streams to cost savings, companies are investing in changes that benefit their bottom line and the planet. But corporate strategy is just the start - sustainable investment encompasses a wide range of activities; from funding for innovative start-ups hoping to change the world, to new financial tools that promote environmental and social action, to investor activism for good.

We concluded that chartered accountants play a significant role in fostering sustainable investment. As business advisors and business leaders, we can help move the sustainability conversation forward from a philanthropic concern to a central tenet of investment strategy. We can use our ability to look beyond the immediate to assess the long-term consequences, both positive and negative, of the investment decisions we make now.

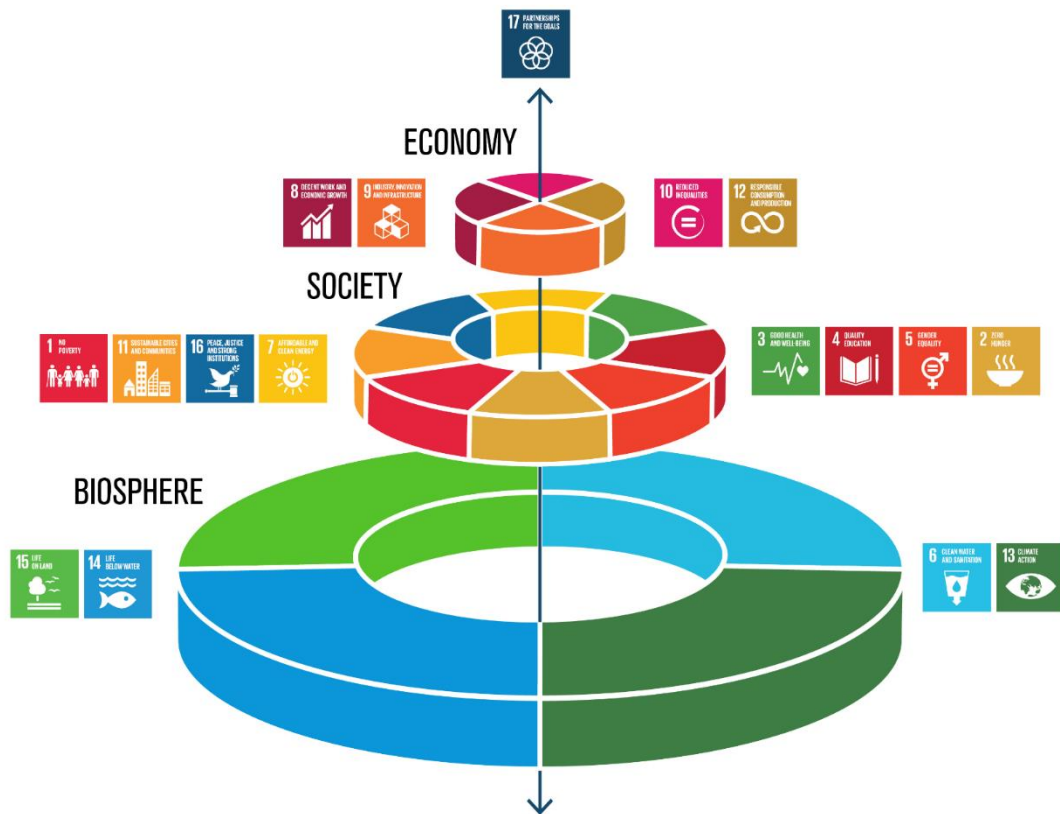
The key focus we identified for accountants is the production of quality information and analysis, helping both corporate and retail investors filter through all the noise and green-washing to understand the key issues. We can use information to identify areas of risk and opportunities to create value. Our technical skills also enable us to identify where our structures and systems are misaligned to sustainable practices, and how we can change them for the better.

5. Designing an economy that meets society's needs

We have these paradoxical conclusions: *we can't manage what we can't measure; all that can be counted doesn't count; and all that counts can't be counted.* The role of the chartered accountant ranges from measuring non-financial impacts to telling the whole story with qualitative information. A chartered accountant can be the catalyst for change by influencing decision makers. Chartered accountants can provide a holistic view of their organisation's impact on our planet.

In general, we often think of the economy as the centre of our system, whereas in reality it is the third tier in a complex system: the foundation tier is the biosphere, the middle tier our society and the upper tier the economy. A world of successful economies is dependent on equitable, fair and just social and civic systems, which are founded upon healthy ecosystems.

The diagram¹ below reflects this structure and how the UN 17 SDGs support these three tiers of our global system.



Graphics by Javier Lorenz/Alamy

The session started with a **Ted Talk by Katherine Trebeck**, the founder of the Wellbeing Economy Alliance.

With this backdrop the session explored the following questions:

- What outcomes do you wish an economy to deliver and what values should it uphold?
- How can accountants support an economy that meets people’s needs?

Cultural change from business as usual

We need to challenge the growth narrative to allow wider discussion about value creation built on civic and environmental assets and liabilities. This discussion will require bold leadership that embraces thinking outside our natural comfort zone. We need to work towards an economy that serves not only “customers” but also a wider set of stakeholders.

This desired cultural shift is challenged by vested interests in the status quo and by the lack of political will to create a new framework. It raises the question: how best to sell a wellbeing economy? Macro cultural change both national and globally can be supported and instigated by both corporate and individual change. A fundamental question we all need to be open to asking ourselves is: “Why do we do that [unsustainable action]?”

¹ Diagram is included with permission from Azote Images for **Stockholm Resilience Centre**, Stockholm University

Equality and diversity (SDG 5,10)

Meeting society's needs means ensuring equal access to opportunities regardless of background, gender, and disability, and encouraging self-determination so that our unique abilities and strengths are valued. This will help reduce inequalities at global and local scales and means putting people at the centre of the economy and business. All this will require greater partnership (SDG 17) across all stakeholders.

Education and engagement (SDG 4)

A corollary to reducing inequalities is access to education, especially financial education in secondary schools, building on the Young Enterprise and Young Money initiative *Your Money Matters*; and awareness of financial scams and clever marketing by enterprises of all sizes that can “rip off” unsuspecting customers. A fundamental economic assumption that the individual has perfect knowledge is flawed when people lack credible and transparent information and sufficient financial literacy.

Education stretches beyond formal channels and includes equipping communities for local decision making. People need to be empowered to structure their local economy and society to meet their needs. This will involve tapping into skills through volunteering and collaboration.

Valuing, measuring and reporting what matters

Core to valuing what matters is understanding the real value people provide to society and not just the monetary value. The pandemic has shown how we instinctively value the health and care sector, but does the monetary value really reflect their true value to society? Value goes beyond financial wealth: an economy that meets society's needs need not be dominated by financial capital markets and banks whose objective is simply to create money.

To achieve true value we need to move to enterprise structures that encourage cooperation, with governance based on a holistic set of values, such as **B Corps**. This raises the question of whether joint stock companies are compatible with a wellbeing economy that measures value with a broader set of metrics than financial and GDP.

And, who's around the table in setting reporting standards? Is there participation from a wider group of stakeholders that represents all stakeholders? Who are standards for, for investors and financial markets as at present, or for all citizens?

WHAT CAN ACCOUNTANTS DO?

Tell the whole story - be the catalyst for change

Accountants can be at the heart of business by using their insight, analysis and critical thinking to paint a richer picture of an organisation or make alternative options viable with meaningful information beyond profit. This will require our profession to develop new measures that capture value that is not dependent on economic growth and understand the social and environmental costs of a course of action. Our members are active across the spectrum of organisations and can help SMEs in particular who may consider that sustainability is not relevant to the future of their business.

Collaboration

We don't expect ourselves to have all the skills and knowledge so we will need to become comfortable with working with others across disciplines, the third sector, community groups, academia, and government.

Measuring, reporting and regulations

There is a strong and consistent demand for us to use our measurement skills to demonstrate non-financial value, and not only through numerical data but qualitative attributes that non-financial information captures. This will ensure we can capture a more holistic measurement of value required to understand progress towards the SDGs and a wellbeing economy. Even as accountants, experts in measurement, we must have humility, that the collective intelligence of humanity does not fully understand the complex value chains within the biosphere.

We need to be prudent (brings back memories!) that measuring biodiversity in financial or other metrics will be an incomplete record of its value; and we cannot simply offset a biodiversity loss (liability) by creating an unconnected asset elsewhere.

We need robust reporting standards to ensure that what we say to the world reflects what we are actually doing. Reporting standards need to capture the diversity of metrics and information if we are to motivate all stakeholders into action.

Is there a role for ICAEW and for accounting bodies and standard setters globally to develop the sustainability equivalent to IFRS?

THE DRIVERS FOR CHANGE FOR BUSINESS

The essence of what we can do to deliver change is based on an understanding of the drivers for corporate and personal behaviours. From a business perspective these are to create value for all – the imperative to survive and prosper/ fear of failure or being left behind.

- Will the business model need to change?
- Will operating practices need to change?
- Will relationships across supply chains, communities and employees, contractors need to be more co-operative and equitable?
- What new risks will arise?
- Is sufficient finance available to fund the changes, internally and from external sources?
- Are there new funding models that are not dominated by financial capital, eg, **timebank**?

The main influencing factors are:

Market demands

More of us as consumers are now placing our business with businesses which operate with sustainable practices. According to the US **Centre for Sustainable Business**, sales of consumer products marketed as sustainable grew more than seven times faster between 2015 and 2019 than products with no sustainability initiatives attached. (*ICAEW Daily 12 July 2021, 6 steps to carbon neutrality*).

Recognising the consumer choices, businesses are placing sustainability requirements on their suppliers. However, an effective market where all can participate fairly requires transparent and credible information, monitored by strong institutions, such as ICAEW.

Government regulations

These include the UK and Scotland governments and local authority requirements to comply with existing and evolving policies.

Supply chain demands

As larger businesses and organisations adopt more sustainable practices, their demands cascade down to smaller enterprises.

Personal desire/conscience

How do we each want to see the world for the next generations? What have we learned? How can we make the world a better place?

In essence the role is to be business-smart and regulation aware. However, it can be much more.

We can, and should be meaningful influencers, with government bodies and other institutions, to shape the policies and strategies to set the right framework for actions for change.

This can involve a contribution to the debate stimulated by the report published in February 2021 – *The Economics of BioDiversity The Dasgupta Review* – focuses on the fact that all our economic activity is dependent on the preservation and well-being of the natural world. This report is available on the UK Government web site – in several versions, full, abridged and headline messages. If nothing else, a read of the headline messages is instructive. One of the questions raised is what should be the measures of success in a sustainable world? We are quite smart at identifying measures of success, are we not?

We can, and should be, meaningful influencers, guides and leaders with our peers and colleagues, to provide information and know-how to give them the awareness, belief and confidence to deliver change.

To help us in this new role, we can access data and information already produced by the ICAEW, see the references given in the appendix.

NEXT STEPS

You are not alone. ICAEW nationally and here in Scotland is with you to support you.

We are a team of six active members. Our workshop attracted 36 participants some of whom have expressed the desire to become more engaged. We hope that you will too.

Our next step is to offer a programme of events presenting real life case studies. People respond most effectively to stories. The real-life case studies will identify actions already being taken to show how even small changes in practice and behaviour can make a difference, and act as a prompt for action. Action is the key now, building on the credible and detailed analysis of what we can do and what we should do.

We will also be looking to build several credible and quality proposals ahead of COP26 with an obvious environmental focus. However, we do not see COP26 as a goal, but more of an accelerator. The SDGs are much broader than environmental issues and we intend to build and sustain momentum on these goals over several years.

CONTRIBUTORS

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Richard Spencer (Director of Thought Leadership, ICAEW, opening and closing speech)
Ian Wallace (Environmental stewardship)

Carl Bayley, David Bond, David Dow, Fiona Ormiston, Alison Tait, and the others who contributed in the workshops.

The views expressed in this report/publication are those of the contributors. ICAEW does not necessarily share their views. ICAEW will not be liable for any reliance you place on information in this report/publication.

ICAEW – WHO WE ARE

There are more than 1.8m chartered accountants and students around the world and 189,500 of them are members and students of ICAEW, more than 1,600 living and working in Scotland. They are talented, ethical and committed professionals, which is why all of the top 100 Global Brands employ chartered accountants.* ICAEW promotes inclusivity, diversity and fairness. We attract talented individuals into the profession and give them the skills and values they need to build resilient businesses, economies, and societies, while ensuring our planet's resources are managed sustainably.

Founded in 1880, we have a long history of serving the public interest and we continue to work with governments, regulators, and business leaders around the world. And, as an improvement regulator, we supervise and monitor over 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competence and conduct. ICAEW is proud to be part of Chartered Accountants Worldwide (CAW), a global network of 750,000 members across 190 countries, which promotes the expertise and skills of chartered accountants on a global basis.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create strong economies and a sustainable future for all.

*CAW, 2020 - Interbrand, Best Global Brands 2019

APPENDIX – REFERENCES

The UN's 17 Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS



Further reading

[ICAEW Sustainability and Climate Change Community](#). It is free to join.

For the broader view, look to the [ICAEW's hub on the UN's STGs](#)

ICAEW Daily is an excellent source of information, if you have not subscribed to this service we recommend that you do so. This provides links to the latest thinking and examples of strategies and actions being adopted by businesses and other organisations.

Mark Carney's book: *Values(s): Building a Better World for All* (2021)

Mark Carney's Reith Lectures (2020)

[Stockholm Resilience Centre](#)

Well-being of Future Generations Act (Wales) 2015

UK Environment Bill, including mandatory measurement of Biodiversity Net Gain

Some reporting /management standards:

ISO 14001: The international standard for environmental management systems

ISO 14064-1: Organisation quantification and reporting of greenhouse gases

PAS 2060: Carbon Neutrality

GHG Protocol: Corporate Reporting Standards

UK Government: Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance