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Makers

The Chartered Accountant's Sustainability Roadmap



Introduction

Welcome to the Chartered Accountant's Sustainability Roadmap from Chartered Accountants Worldwide.

The role of Chartered Accountants is changing as the need to do business sustainably becomes more central to how companies and consumers operate. The purpose of this roadmap is to provide signposts to Chartered Accountants to understanding sustainability and its impact on their work.

This guide has been prepared for Chartered Accountants working in the private sector, but it can equally be applied to those working in the public and not-for-profit sectors.

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Getting started - Building your knowledge

	Understand key terms, e.g. 'sustainability', 'ESG', 'climate change', 'circular economy', 'sustainable finance', 'the EU Taxonomy' and the 'UN Sustainable Development Goals'. (This glossary will help).
	Gain a basic understanding of the most popular ESG standards and frameworks. These include SASB, GRI, CDP, CDSB, TCFD, but there are many more! This guide will help.
	Sign up to selective sustainability news alerts to keep up to date, e.g. a Chartered Accountancy institute's newsletter, or a news source like Bloomberg Green. Updates specific to sustainability reporting can be found on the standard setters' websites - IFRS on the new International Sustainability Standards (ISSB) and here from EFRAG on the draft of the EU Sustainability Reporting Standards (ESRS).
	Locate knowledge sources on sustainability and accountancy. These may be within your own organisation, from your Chartered Accountancy institute, from the 'Big 4' accountancy practices, and from bodies such as Accounting for Sustainability (A4S) .
	Find case studies of financial professionals who have successfully embedded sustainability accounting practices in similar-sized organisations. Here are some examples from Accounting for Sustainability (A4S) and from TCFD hub .
	Find sources of support for your particular business, sector or industry group. Supports can include grants, green finance, free workshops and advice. Check your local and national business information providers, if available, for details.
	Look for events, webinars, workshops and certified courses on sustainability to build your knowledge, e.g. the free training provided by TCFD hub , by regulators, by local and national government and by professional associations.
	Identify relevant specialists in your network of finance professionals and connect with them. They may be experiencing similar issues and can share their knowledge.
	Engage in thought leadership forums to find out what is best practice, get practical knowledge, hear others' experience and share success stories.

Mapping and engaging stakeholders

	<p>Create a plan for how you and your team will identify your business/clients' business stakeholders. Consider engaging a consultant to help. Stakeholders may include:</p> <ul style="list-style-type: none"> · Customers · Communities of operation · Investors/banks/funders/financial markets/local financial markets/regulated exchanges · Government/regulators · Value chain partners, including clients and customers · Employees (existing and potential) - this can include everyone from finance to your facilities and supply chain/procurement teams · Academic/research institutions · Local communities' representatives · Industry bodies · Employee representative bodies · Board members · Directors and management · Competitors · NGOs · Peers
	<p>Draft a stakeholder map.</p>
	<p>Put time in your schedule to regularly revisit your stakeholder map and revise where required.</p>

Conducting a materiality assessment

An initial materiality assessment will examine how environment, social and governance factors will impact on your financial value and how your activities will impact on the economy, the environment and people. Here are some steps to consider when creating a materiality assessment.

	<p>Seek stakeholder input. From external stakeholders this might involve:</p> <ul style="list-style-type: none"> • Reviewing your board packs, risk registers and group policies • Summarising relevant global research performed by external stakeholders • Holding interviews/workshops with selected stakeholders <p>With your internal stakeholders (employees, executive teams, and the board) this might involve holding team meetings, workshops and focus interviews.</p>
	<p>Perform a Materiality Survey to confirm and prioritise material topics and collate the results. For more on materiality generally, see A4S's Reporting Insights Series, particularly its Sustainability Materiality And Metrics report, which covers defining materiality, stakeholder engagement for the materiality assessment process and the internal use of externally reported sustainability metrics.</p>
	<p>Create a Materiality Matrix to map issues of importance to external stakeholders and internal stakeholders. Here is a sample sustainability materiality matrix that may be useful.</p>
	<p>Identify 3–5 material sustainability themes arising from the materiality assessment.</p>

Identifying and rating risk exposure

	Rate your exposure to inherent, financial and control economic, environmental, social and governance risks. It may be helpful to do this in 'time buckets' to consider immediate, short-, medium-, and long-term factors. (Market participants such as investors, suppliers and customers may have different priorities and sensitivities which will affect the risk mapping.)
	1. Economic: Interest rates, exchange rates, recession, inflation, taxes, changes in demand and supply, etc.
	2. Environmental: Risks that are specifically climate-related are usually categorised as either 'physical' or 'transitional' risks. One way of identifying them is by conducting scenario analyses, describing the resilience of the organisation in the face of different climate-related scenarios. Other environmental risks involve your businesses' dependence on energy, its use of certain raw materials and water, its waste management, product lifecycle management, risk of developing stranded assets, etc.).
	3. Social: Employee relations and engagement, health and safety, working conditions, modern slavery, impact on local community, etc.
	4. Governance: Ownership, main sources of financing, criteria for and relationship with suppliers, etc.
	Evaluate the impact of sustainability risks and opportunities on your financial statements. Consider how climate-related issues will serve as an input to your financial planning processes, the time periods, and how these risks and opportunities are to be prioritised.
	Bolster risk management by establishing efficient procedures, adapting internal controls, and ensuring appropriate governance and monitoring is in place with regard to sustainability risks.
	Integrate the sustainability risks into the risk management framework.

Identifying and rating opportunities

	List how your organisation matches the values of your customers / clients / candidates.
	Identify how embedding sustainability will help you meet your customers' needs, e.g. by developing new products / services.
	List the ways in which sustainability will give you a competitive edge in your market, for example in tendering for contracts.
	Identify how embedding sustainability will help you meet your client's needs where those clients have to report against existing and forthcoming sustainability standards / comply with sustainability regulation.
	Identify opportunities for your business/client's business to meet long-term SBTI or Net Zero target.
	Consider setting up an innovation hub to collect all project ideas.
	Identify how incorporating sustainability will result in cost-savings for your business, e.g. reduced energy use, tax savings, cost of materials, etc.
	Review how sustainability initiatives will improve your access to capital and finance.
	Seek out opportunities to incorporate sustainability factors into your CAPEX appraisals and decisions, e.g. replacing a petrol/diesel fleet with electric vehicles, installing renewable energy equipment.
	Define a sustainability budget and set aside a specific budget of capital expenditure and cost budget for resources.

Setting sustainable goals

	Collaborate with as many stakeholders as possible to identify sustainability goals that are material to your overall business strategy.
	Set 6-10 sustainability goals and prioritise them.
	Identify and agree on measurable KPIs for each sustainability goal.
	Establish how you can measure the impact of your sustainability goals.
	Include time frames and baseline years for each sustainability goal, e.g. to support the livelihoods of 15,000 smallholder farmers in Asia, Africa and South America, by working with partners to provide resources and training to improve their farming practices, productivity and livelihood by 2023.
	Identify the baseline data needed to be gathered for each of your KPIs.
	Define ownership and responsibilities and governance structures for achieving your sustainability goals.
	Ensure the KPIs or Continual Service Improvement (CSI) processes of the board, executives and staff are aligned to sustainability goals.
	Consider aligning sustainability KPIs with your remuneration structures.
	Communicate your sustainability goals and targets to your stakeholders.

Developing a strategy, policies and implementation plan

	Draft your sustainability strategy.
	Obtain executive and board sign-off and approval of your strategy.
	Draft your sustainability policies.
	Obtain executive and board sign-off and approval of your policies.
	Create an implementation plan for your sustainability strategy.
	Ensure ownership and responsibilities under the strategy are clearly defined.
	Draft a change management plan and obtain the buy-in and support from across the organisation to implement it.
	Identify new policies that may be needed, e.g. equality, diversity and inclusion (EDI), procurement, supplier codes, etc.
	Integrate your plan with the wider business strategy, aligning it with risks and opportunities.
	Communicate your strategies, policies and plans to all your stakeholders.

Establishing targets

	Identify your key sustainability metrics. This report from the World Economic Forum (WEF) might be useful.
	Decide on a timeframe for when you plan to start measuring sustainability metrics.
	Create a plan for how you will gather baseline data for each of your KPIs. Include identification of methods for calculating all KPIs identified as material during your materiality assessment (above).
	Identify sources of data for baseline metrics: start with internal sources such as invoices, data systems. Involve as many people as possible from across the organisation to get a full picture.
	Provide a description of boundaries and methodologies used to calculate or estimate the metrics, e.g. GHG protocol, estimations used, scope, etc. Note, these are climate-related examples, but sustainability is much broader than climate alone.
	<p>As a starting point, calculate your 'Scope 1' and 'Scope 2' greenhouse gas emissions.</p> <ul style="list-style-type: none"> • Scope 1 means harmful emissions that your business generates directly from burning fossil fuels (e.g. in a gas boiler). • Scope 2 means harmful emissions generated from the use of electricity which depend on fossil fuels. A comprehensive global standardised framework called the 'GHG Protocol' is available to measure and manage greenhouse gas (GHG) emissions from private and public sector. Energy and electricity bills often include data on Scope 1 and Scope 2 emissions.
	Identify a method of calculating your Scope 3 emissions. These are emissions generated along your supply chain or in the use of your products/services. Scope 3 emissions are much harder to calculate and control than Scope 1 and 2 emissions and the advice of an external consultant may be required for this.

	<p>Using this data, set and agree the baseline numbers for each KPI. For example, "by 2030: reduce absolute GHG emissions across Scope 1, 2 and 3, by 50% from the baseline year of 2018 using science-based targets". In this example, the 'baseline number' is the amount of Scope 1, 2 and 3 GHG emissions produced by the organisation in 2018. The goal is to reduce this number by 50%.</p>
	<p>Benchmark your targets against your sector and industry targets.</p>
	<p>Check that your targets are in line with regulatory body targets and commitments.</p>

Reviewing data processes and controls

	Identify the data that must be collected, following your stakeholder engagement activities.
	Ensure all those required to provide input are identified and are clear on what they need to provide.
	Define your governance processes around data collection.
	Assess the strength of your organisation's data collection processes and systems and identify any required changes.
	Ensure adequate data control processes are in place to ensure complete and accurate data is gathered, and that adequate assurance can be provided.
	Create a process to collect all data on your progress against your baselines and targets.
	Develop an audit trail to be prepared for any future requirement for audit of data.

Embedding a sustainability mindset throughout operations

	Establish a top-down, bottom-up approach with people throughout the organisation so that they are incentivised to achieve sustainability goals.
	Define roles and responsibilities for administrating, managing and supervising sustainability matters and the oversight of their management.
	Provide training and education to ensure all team members understand and are engaged in delivering on the sustainability strategy.
	Identify sustainability-related skills held in the organisation and how to fill any skills/knowledge gaps.
	Consider aligning rewards to the achievement of sustainability goals.
	Ensure that there is budget to finance and support the strategy/plans and sustainability agenda. This may include hiring specialised dedicated resources, setting up sustainability reporting teams, or getting the help of contractors or external consultants to help with the volume of work and reporting (depending on the goal setting).
	Find out whether the organisation has assigned ESG responsibilities to management or committees.

Measuring and monitoring

	Create a clear review process for data-collection and measuring progress against your baselines and targets. One method is to create a Sustainability Dashboard and Database that is updated monthly with summarised results measuring KPI performance. These are reported back to management every month, and to the Board and external stakeholders every quarter.
	Keep track of progress against your baselines and targets – monthly, quarterly and annually.
	Identify and monitor costs involved in relation to sustainability, e.g. by creating costs centres in the Enterprise Resource Planning (ERP) systems to identify actual costs being incurred. This can then be analysed against the budgets and long-term plans.
	Establish a communications channel to report progress of metrics to senior leadership and members of the Board.
	Perform internal due diligence on your supply chains and review the effectiveness of the company's internal quality control and risk management systems.
	Review and prepare the information for external assurance. Make sure the data collected is traceable, consistent, accurate and complete.

Reporting on progress

	Communicate your progress against your goals and targets to your stakeholders.
	Make sure you match your communications style to individual audiences. For example, how you describe achievements to customers or staff is likely to be different to how you report to shareholders or regulators.
	Where required, identify relevant reporting requirements for your organisation. These can be the requirements of, e.g. banks, shareholders, investors, markets, regulators, etc. Identify a reporting framework that fits with those reporting requirements. This is an iterative process as frameworks develop and change.
	Ensure that you are applying all the regulatory and statutory reporting requirements relevant to your business's operations and the jurisdictions within which it operates.
	Create a process for writing and reviewing your reports. Establish the governance structure - who 'owns' the reporting responsibility (e.g. Finance)? Also, identify which Board Committees are responsible for reviewing the reports.
	Keep track of assurance requirements on non-financial information to ensure the company's sustainability reports meets basic standards for reporting.
	Publish your commitments, policies and progress updates on your website.

Assurance

This is an active area and, like all things sustainability-related, is subject to change. See [Sustainability Assurance Playbook](#) (September 2022) from CAANZ for an examination of what the journey to providing sustainability assurance might look like.

