



ACCA



**MAINSTREAMING
IMPACT: SCALING A
SUSTAINABLE RECOVERY**

Think Ahead

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We believe that accountancy is a cornerstone profession of society that supports both public and private sectors. That's why we're committed to the development of a strong global accountancy profession and the many benefits that this brings to society and individuals.

Since 1904 being a force for public good has been embedded in our purpose. And because we're a not-for-profit organisation, we build a sustainable global profession by re-investing our surplus to deliver member value and develop the profession for the next generation.

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MAINSTREAMING IMPACT: SCALING A SUSTAINABLE RECOVERY

This report identifies barriers and opportunities for improving businesses' management of social and environmental impacts through engaging finance teams and professional accountants.

It describes the challenges that have been heightened by COVID-19 that have made making such impact mainstream even more important.

It examines highlights from an ACCA member survey and 10-day online community discussion exploring motivations, real-world barriers and opportunities for involvement of finance teams in tackling these issues. It identifies current, and future, skills areas of ACCA members that can be engaged to improve social and environmental impact management through finance.

Foreword



Helen Brand
Chief executive, ACCA

Alongside its devastating health impacts, COVID-19 has shone a light on many social and environmental issues faced around the world. The pandemic has worsened existing socio-economic inequalities and reinforced the value of the natural world to our physical and mental health.

2020 has also seen record-breaking temperatures, as well as devastating wildfires and flooding, further emphasising the need to redouble efforts on climate change. Systemic racial injustices have also been called out rightly this year by the Black Lives Matter protests. Taken together, a return to the pre-COVID-19 status quo will not be enough to rebuild a flourishing world. More must be done and with greater intention.

As business, finance and governments look ahead to how to shape both green and socially inclusive recoveries, there is an opportunity to rethink how to truly build back better and strive to do more to make an enduring positive impact.

Guided by the United Nations' Sustainable Development Goals, which can act as a common language roadmap to follow out of the current crisis, businesses of all sizes can use this moment to step forward and commit to making an intentional, positive impact on society and the environment through their activities.

And they can turn to professional accountants to make these commitments a reality. The uniquely wide view that professional accountants have across the organisations that they work for and advise, coupled with their ethical and technical competencies, makes them vital to this transformation that can place impact at the heart of business decision-making.

Making an intentional positive impact is more than a new normal for business. It is a means to redefine corporate purpose and rewire economies to so that recoveries tackle social and environmental challenges with the urgency required. Supported by finance, where impact investing is moving into the mainstream, and by national governments looking to kickstart recoveries, now is the time to mainstream social and environmental impact management so that our economies and societies become more resilient to future shocks and can embed health, equity, community and sustainability into business models. Professional accountants are ready to play their role in mobilising the ingenuity of business to meet these challenges.

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Introduction

This report identifies barriers and opportunities for improving businesses' management of social and environmental impacts through engaging finance teams and professional accountants.

It describes the challenges that have been heightened by COVID-19 that have made making such impact mainstream even more important and outlines the steps taken to systematise positive impacts by business and the role of the UN Sustainable Development Goals (SDGs) in helping to codify sustainable development issues for the private sector. It then discusses how professional accountants the world over recognise the social and environmental crises faced and the active role that business must begin to play in their resolution. The report considers professional accountants and finance teams to be central actors, though currently underused, in embedding, throughout an organisation, a focus on making positive social and environmental impacts. It demonstrates how their skills, knowledge and ambition to do more in this field are essential to supporting the mainstreaming of better impact management and building an enduring recovery.

The findings in this report are informed by:

1. a survey of 829 ACCA members, and
2. the written responses of 34 ACCA members during an online community discussion that took place over 10 days during July 2020.

Over those 10 days, 34 ACCA members engaged as participants in a series of questions with ACCA's Professional Insights team, discussing their views,

experiences and advice on issues related to social and environmental impact and the role of finance teams and professional accountants. Highlights from both the survey and these online discussions have been explored in this report.

Can this moment, as recovery routes from COVID-19 are beginning to be mapped out, act as an inflection point for rethinking how businesses are run and what more finance teams can do to contribute to making a positive social and environmental impact. Combined, the views and experiences, both from the survey respondents and from participants in the online community discussion, are intended to illuminate the desire for change among professional accountants and the real-world barriers and opportunities that they face as they seek to make it happen.

What is impact?

Impact has been defined as 'the measure of an action's benefit to society and the planet' (Cohen 2020). 'Managing impact is the practice of measuring, assessing and improving the effects of activities on sustainability issues. It is relevant for enterprises and investors who want to manage environmental, social and governance (ESG) risks, as well as those who also want to contribute positively to global goals.' (IMP n.d.)



CAN THIS MOMENT, AS RECOVERY ROUTES FROM COVID-19 ARE BEGINNING TO BE MAPPED OUT, ACT AS AN INFLECTION POINT FOR RETHINKING HOW BUSINESSES ARE RUN AND WHAT MORE FINANCE TEAMS CAN DO TO CONTRIBUTE TO MAKING A POSITIVE SOCIAL AND ENVIRONMENTAL IMPACT.

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1. COVID-19 calls for accelerating impact through finance

The world has been shocked by COVID-19. Beyond the current health emergency, social and economic shutdowns have destroyed livelihoods, reduced incomes, disrupted educational attainment, led to a rise in mental health problems, worsened gender imbalances, and limited access to medical care.

Globally, social, economic and healthcare systems have been overwhelmed. At the same time, racial injustices have been brought into the open, with worldwide action and activism rightly demanding greater recognition and more equity for minority groups. Elsewhere, mini environmental reprieves caused by shutdowns of carbon-intensive and polluting activities were short-lived. Increasing incidence of flooding, as witnessed across South Asia, West and Central Africa and Europe, devastation caused by wildfires, as seen in the West Coast of the US, other extreme weather events, and continued biodiversity loss, are now part of daily life as potentially irreversible changes to the planet have a negative impact on people's lives around the world. These impacts are now a constant, with the only variable in their degree being geographic location. If 2020, set to be the hottest year for some regions since records began (NOAA 2020), is year zero, and environmental problems intensify, there is a real possibility that many largely populated parts of the planet will become literally uninhabitable very soon.

The pandemic has also revealed to many what was already known but largely hidden. The systems for creating prosperity were already stretched, skewed towards

rewarding too few and leaving many vulnerable to various shocks and risks. Unequal access to public goods, quality employment opportunities and the means by which to live a good life have increased gaps in societies as the rungs of the socioeconomic ladder within many countries have been driven further apart.

Industries rocked by the loss of income and potentially irreversible effects of the pandemic on their business models and value chains are also facing calls for doing more to help people live well, to create more resilience to shocks and to cause less harm by design. Beyond demands for less environmental damage, questions are growing about business's role in society, its societal purpose, and the inaction of businesses in meaningfully engaging with the negative social and environmental impacts of their activities. These charges range from a focus on short-term profits rather than longer-term value creation, lack of support for workforces, distortionary effects of market concentration, lack of protection of the climate and natural world and giving enough priority to social inclusion and the concerns of wider stakeholders. This lack of engagement in social issues by business is highlighted in evidence from big data analysis provided

by Datmaran, an external risk management insights provider, of coverage of social inclusion issues in both financial filings and sustainability reports produced by publicly listed entities (see Figure 1.1). It shows that over the last 10 years, in almost all regions around the world, the level of emphasis placed by businesses on social inclusion issues remains low and is decreasing¹.

THE SYSTEMS FOR CREATING PROSPERITY WERE ALREADY STRETCHED, SKEWED TOWARDS REWARDING TOO FEW AND LEAVING MANY VULNERABLE TO VARIOUS SHOCKS AND RISKS.



¹ The emphasis score takes into account variables, such as, the number of times the topic is mentioned in a sentence (also a number of sentences mentioning it), its location (eg CEO letter).

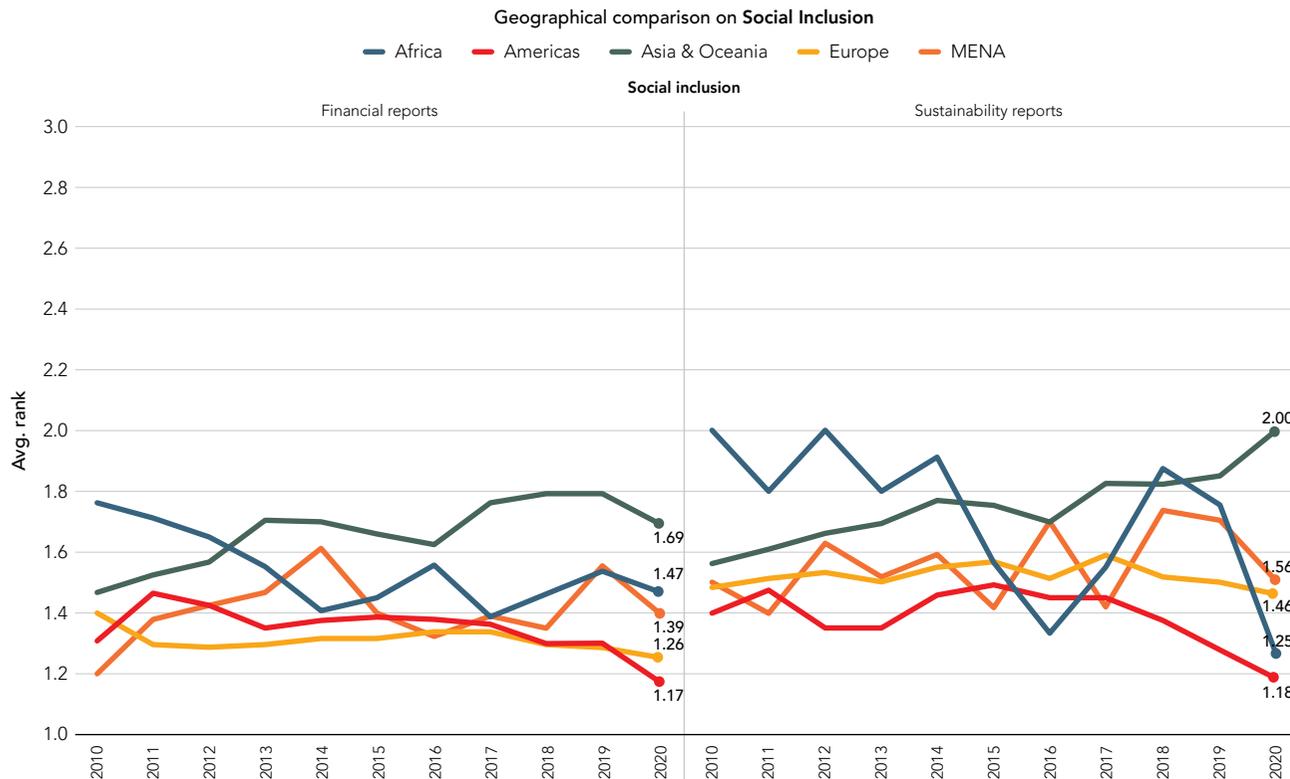
Despite this alarming outlook, a new compact is emerging: one where positive social and environmental impact can be at the centre of mainstream business activity. Against the backdrop of COVID-19 and the changing shape of markets and global value chains, the redefinition of risks and the new resilience imperative, there is a growing convergence on how to face the concurrent crises, rebuild our economies and support societies to thrive, and to do it quickly and at the scale required.

The call for better impact management, to support stakeholders, customers and communities, actively and intentionally, to flourish, is reaching its own positive tipping point. The ‘impact revolution’, kickstarted by civil society organisations and social enterprises, fair trade organisations and the cooperative movement, and supported by grant makers, social investment and patient capital, has now reached mainstream business and finance. That is because of the need, now accelerated

due to COVID-19, for all to recognise that their resilience to shocks, their purpose and their commitment to creating multidimensional and long-term value that puts social and environmental positive impact on par with financial returns, must be 100% aligned if they and the communities they serve are to prosper.

Around the world, pioneering leaders in organisations of all sizes are making intentional and additional positive impact a part of their strategies. And investors of all kinds are starting to see impact not just as something to achieve alongside financial returns but that it can be the driving force behind what they do.

FIGURE 1.1: Emphasis on social inclusion issues in financial (left) and sustainability (right) reporting, by region, 2010–2020 (score 1 low – 3 high)



Source: Datamaran, 2020. Find out more about Datamaran’s emphasis calculation: <<https://support.datamaran.com/how-is-the-datamaran-emphasis-score-calculated>>.

\$3.5 TRILLION ESTIMATED GLOBAL LABOUR INCOME LOSS JAN-SEPT 2020 (ILO 2020)

1 BILLION: POTENTIAL TOTAL NUMBER OF PEOPLE LIVING IN EXTREME POVERTY AFTER COVID-19 (UNU-WIDER 2020)

\$30 BILLION: ESTIMATED INSURED LOSSES DUE TO NATURAL DISASTERS IN 1ST HALF OF 2020 (AON 2020)



Businesses can and must also be a part of this impact revolution. Professional accountants and finance teams can use their skills to help redefine business models, creating the systems and processes that generate and capture impact value and ensure that this value is robust and rigorously verified.

Mainstreaming impact will be a journey on which the accountancy profession must be an active participant, because the activities of finance teams will help to change the way businesses create and rethink value.

Managing impact: an evolving practice

For the Impact Management Project (IMP), a multi-stakeholder forum for measurement and management of impact, ‘managing impact is the practice of measuring, assessing and improving the effects of activities on sustainability issues. It is relevant for enterprises and investors who want to manage environmental, social and governance (ESG) risks, as well as those who also want to contribute positively to global goals’.

IMP also set out how impact is multidimensional (see Figure 1.2), with each dimension helping to complete understanding and evaluation of what is being set to be achieved (IMP n.d.).

Impact can occur at different business scales and intensities. It interacts with capital at a range of touchpoints. ‘Impact capital’ describes financial capital that is invested to drive socially or environmentally beneficial projects. Impact investments intend to generate positive, measurable social and environmental impact alongside a financial return (GIIN n.d.). The spectrum of activities supported by impact capital ranges from business that include some ESG elements through to projects that focus only on creating a positive impact and do not generate a financial return (see Figure 1.3).

FIGURE 1.2: The dimensions of impact

IMPACT DIMENSION		IMPACT QUESTIONS EACH DIMENSION SEEKS TO ANSWER
WHAT	□	<ul style="list-style-type: none"> • What outcome(s) do business activities drive? • How important are these outcomes to the people (or planet) experiencing them?
WHO	○	<ul style="list-style-type: none"> • Who experiences what outcome? • How underserved are the affected stakeholders in relation to the outcome?
HOW MUCH	≡	<ul style="list-style-type: none"> • How much of the outcome occurs – across scale, depth and duration?
CONTRIBUTION	+	<ul style="list-style-type: none"> • What is the enterprise’s contribution to the outcome, accounting for what would have happened anyway?
RISK	△	<ul style="list-style-type: none"> • What is the risk to people and planet that impact does not occur as expected?

Source: IMP n.d. <<https://impactmanagementproject.com/impact-management/impact-management-norms/>>.

FIGURE 1.3: Spectrum of capital investment

	Financial-only	Responsible	Sustainable	Impact	Impact-only		
	Delivering competitive financial returns						
	Mitigating Environmental, Social and Governance (ESG) risks						
	Pursuing Environmental, Social and Governance opportunities						
	Focusing on measurable high-impact solutions						
Focus	Limited or no regard for environmental, social or governance (ESG) practices	Mitigate risky ESG practices in order to protect value	Adopt progressive ESG practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges where returns are as yet unproven	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate a financial return for investors

Source: Bridges Fund Management (2017) <<https://www.bridgesfundmanagement.com/wp-content/uploads/2017/08/Bridges-Spectrum-of-Capital-screen.pdf>>.

Additional conceptual framing for improvements to business and investor impacts was codified in 2015 with the signing of the UN SDGs. The UN SDGs are a common roadmap for delivering interconnected economic, social and environmental impact across 17 themes by 2030. The 17 interconnected Goals now underpin a number of increasingly sophisticated approaches of investors and the private sector across different scales to tackling sustainable development issues.

Since 2015, the SDGs have been adapted by many multi-stakeholder groups to help them more readily guide business and investment decision-making on sustainable development issues. For example, the World Benchmarking Alliance (WBA 2019) has grouped the SDGs

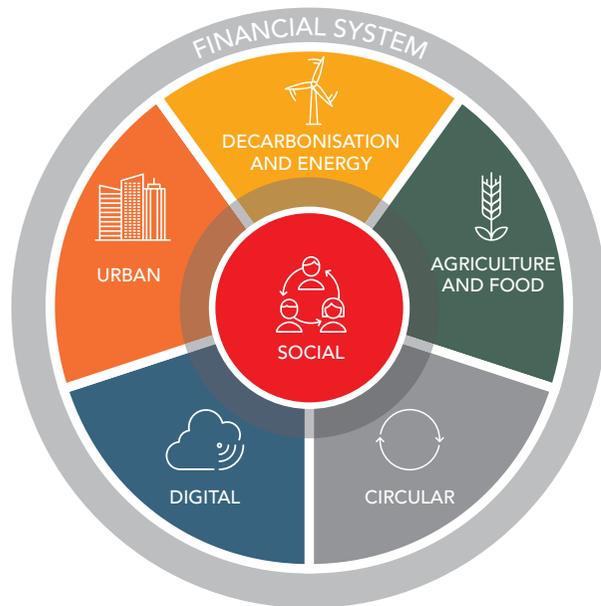
into seven systems of transformation (see Figure 1.4); the SDG Disclosure Recommendations support businesses in underpinning their approaches to tackling relevant sustainable development risks and opportunities (Adams et al. 2019); and the Principles for Responsible Investment (PRI 2020) have used them to inform an outcomes-based investor framework (see Figure 1.5).

Elsewhere, within the UN system, the SDGs are being used by the United Nations Development Programme (UNDP) to create SDG Impact standards for SDG bonds, private equity and enterprise², and by UNCTAD-ISAR to create a core set of universally applicable SDG reporting indicators for business (UNCTAD 2020).

SDGs HAVE BEEN ADAPTED BY MANY MULTI-STAKEHOLDER GROUPS TO HELP THEM MORE READILY GUIDE BUSINESS AND INVESTMENT DECISION-MAKING ON SUSTAINABLE DEVELOPMENT ISSUES.

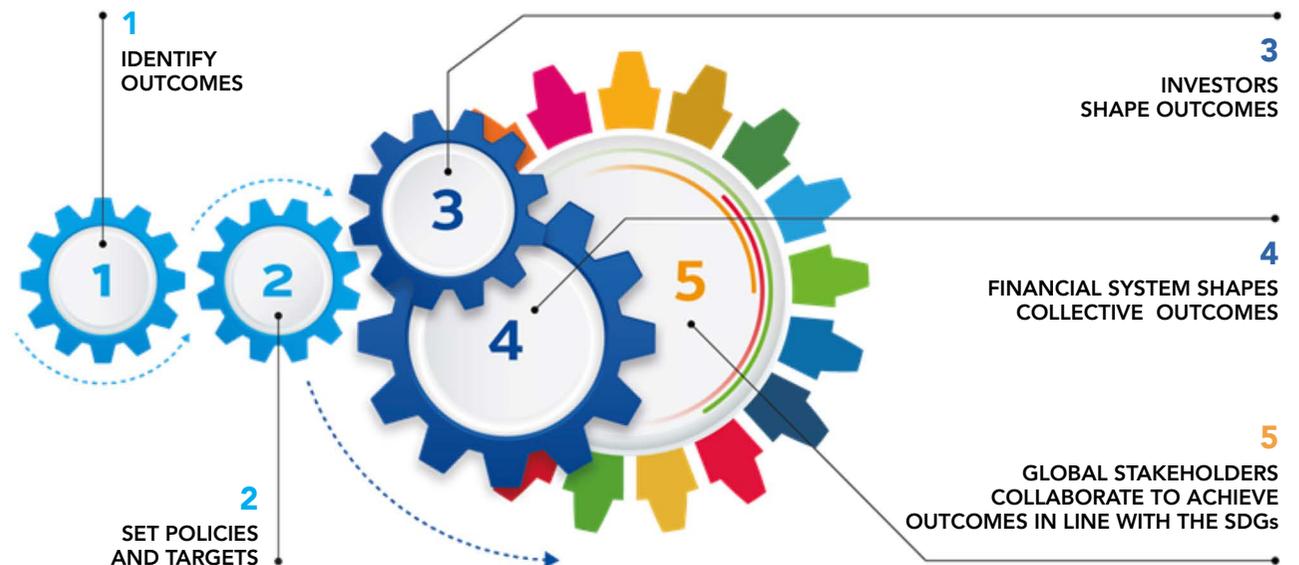


FIGURE 1.4: Seven systems of transformation



Source: World Benchmarking Alliance (2019) <<https://www.worldbenchmarkingalliance.org/seven-systems-transformations/>>.

FIGURE 1.5: Outcomes-based investor framework



Source: Principles for Responsible Investment (PRI n.d.) <<https://www.unpri.org/sustainable-development-goals/investing-with-sdg-outcomes-a-five-part-framework/5895.article>>.

2 SDG Impact: <<https://sdgimpact.undp.org/>>.

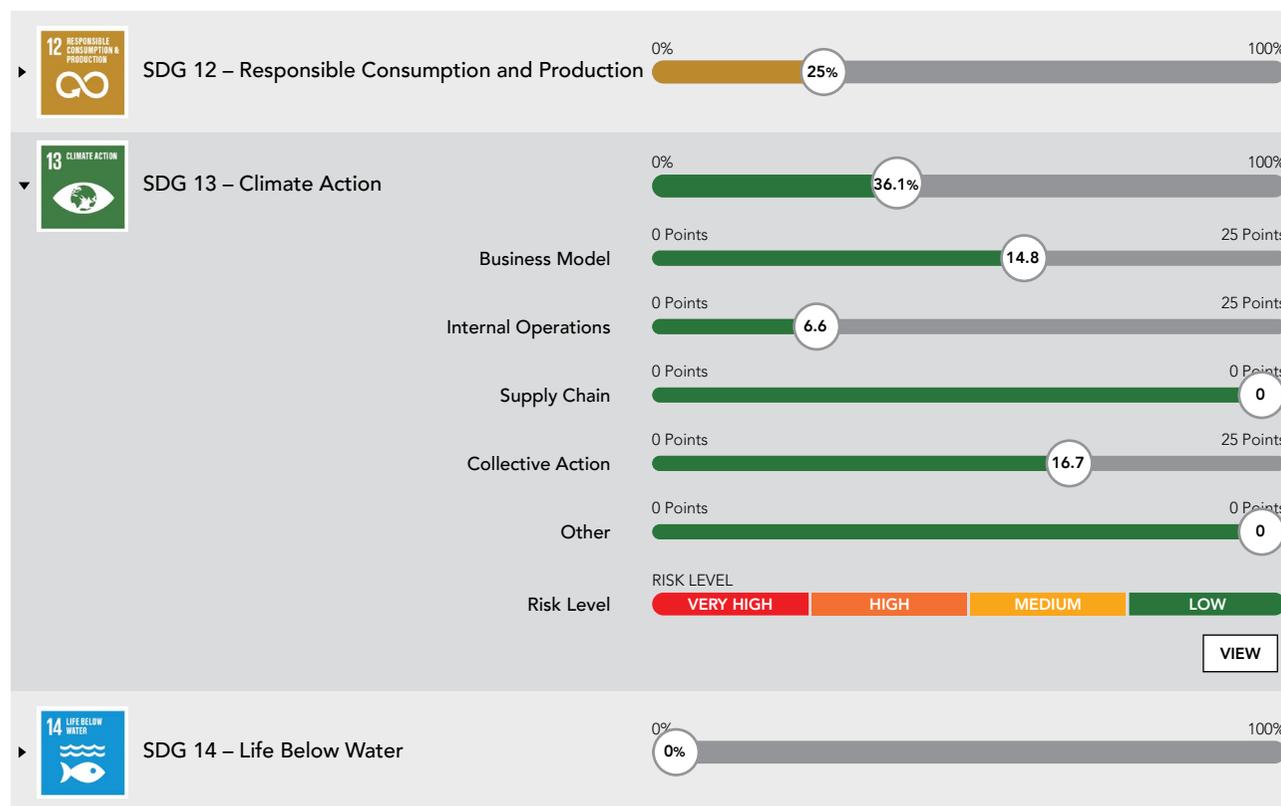
Other initiatives, such as the Business Call to Action Impact Lab³ and the SDG Action Manager, use the SDGs to inform tools that business can use to benchmark performance against the SDGs and uncover areas for improving their impact and contribution to achieving the Goals (Figure 1.6). Further tools include:

- The B Impact Assessment Tool, which is part of the B Corporation movement and is also used to certify B Corporations⁴
- Oxfam’s Equitable Business Tool that aims to help buyers source products from ethical businesses⁵.

Rethinking business to support a sustainable recovery by mainstreaming impact

Professional accountants have a unique view across the organisations that they work for and advise. They have the potential to perform a range of vital tasks in rethinking business to support the mainstreaming of positive impact and to foster a sustainable recovery.

FIGURE 1.6: SDG Action Manager Performance report example



Source: B Corp 2019 <<https://bcorporation.net/help-build-better-world-sdg-action-manager>>.

And as they play a role in survival and recovery from the current crisis, and striving to create greater resilience to future ones, professional accountants have the opportunity to transform ‘business as usual’ and align their organisations to create positive impact. They can help transform the way organisations perform by supporting product and service redesign, establishing the systems and processes required to propose, create and capture multi-capital value, and use their skills to help organisations understand, measure and manage their impacts. Their understanding of criteria needed for governance and interpretation of new sources of data, their rigour applied to concise and complete reporting, the credibility they provide through assurance, their ability to reimagine business partnering to create impact, and their understanding of potential roles for different technologies, can all be deployed to support this transformation. All these skills have a role in mainstreaming impact to support a sustainable recovery and longer-term resilience that rebases prosperity creation for the 21st century. And when these technical skills are combined with both professional ethical standards and the personal conviction needed to tackle the many social and environmental challenges professional accountants see around them, they can build powerful motivation and expertise to engage with mainstreaming impact.

3 Business Call to Action Impact Lab: <<https://impactlab.businesscalltoaction.org/>>.
 4 B Impact Assessment: <<https://bimpactassessment.net/>>.
 5 Oxfam’s Equitable Business Tool: <<https://views-voices.oxfam.org.uk/2019/01/how-to-buy-from-fairer-business/>>.



**PROFESSIONAL ACCOUNTANTS
HAVE THE OPPORTUNITY TO
TRANSFORM 'BUSINESS AS USUAL'
AND ALIGN THEIR ORGANISATIONS
TO CREATE POSITIVE IMPACT.**



2. Research highlights

Combining values, experience, action and learning

Through a survey and 10-day online community discussion, ACCA members, working around the world, shared their views on why making a positive difference by tackling social and environmental issues matters to them and what the role of finance teams should be in making this happen.

90% BELIEVED THAT ORGANISATIONS MUST INCREASE EFFORTS TO BECOME MORE ENVIRONMENTALLY SUSTAINABLE AND MAKE MORE OF A POSITIVE IMPACT ON SOCIETY AFTER THE PANDEMIC.

1. Professional accountants are highly aware of the persistent social inequality issues, urgent environmental crises and scarring impact of COVID-19 that has made the mainstreaming of efforts to create positive business impacts so important to them.

75% BELIEVED THEIR ORGANISATIONS NEEDED TO CHANGE TO DO MORE TO ADDRESS SOCIAL INEQUALITIES.

2. Professional accountants want to see social inequalities and environmental issues engaged with by finance within their organisations. They recognise the role finance teams can have in leading and supporting efforts to engage with social and environmental issues. They want to use their skills to tackle human rights, diversity and inclusion and socio-economic inequalities as well as climate change and nature conversation.

54% FELT THEY HAD SUFFICIENT SKILLS AND TRAINING TO ADDRESS SOCIAL AND ENVIRONMENTAL IMPACT MANAGEMENT WITHIN THEIR ORGANISATION.

3. Professional accountants face many barriers to integrating social and environmental impact management into the finance team's day-to-day role. But at the same time, they are aware of the multiple paths to take so that those barriers can be overcome, be they technical, ethical or relational.

62% IDENTIFIED SUSTAINABILITY DATA ANALYTICS AS THE AREA THEY WOULD MOST LIKE TO DEVELOP FURTHER SKILLS.

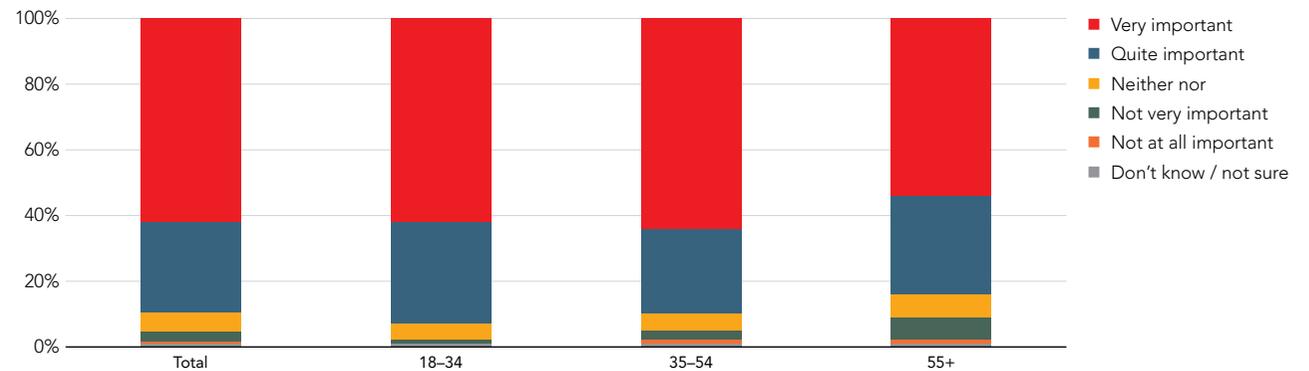
4. Professional accountants believe they should be more involved in accounting for social and environmental impacts and dependencies, giving more priority to social issues and in sustainability data analytics. They are keen and willing to develop further skills to meet the social and environmental impact management imperative.



3. Values, experiences and why organisations must change

- Around the world, professional accountants of all ages are deeply concerned with social and environmental issues.
- COVID-19 has reinforced their strength of conviction on these issues and they would like to see a recovery from the pandemic in which organisations become more environmentally sustainable and make a more positive impact on society.
- In the latest ACCA survey, 90% of respondents supported the suggestion that organisations must increase efforts to become more environmentally sustainable and make more of a positive impact on society after the pandemic.

FIGURE 3.1: How important to you is it that the economic recovery from COVID-19 sees organisations become more environmentally sustainable and make more of a positive impact on society? (By age)



'The main concerns in my view are climate change and lack of economic opportunities (especially as a result of COVID-19). Climate change is a serious global issue and almost all aspects of life and business are impacted by this. As for lack of economic opportunities this is appearing as an acute issue as a result of current global crisis.' **ACCA member, public sector, Europe**

'My greatest concern would be the financial impact, emotional stress and negative health issues caused by the pandemic, especially on people of a lower income.' **ACCA member, SME, Europe**

'Environmental challenges are a huge concern, especially for the state I live in: pollution is so high that my city comes in [as] one of most polluted cities.' **ACCA member, large advisory firm, South Asia**

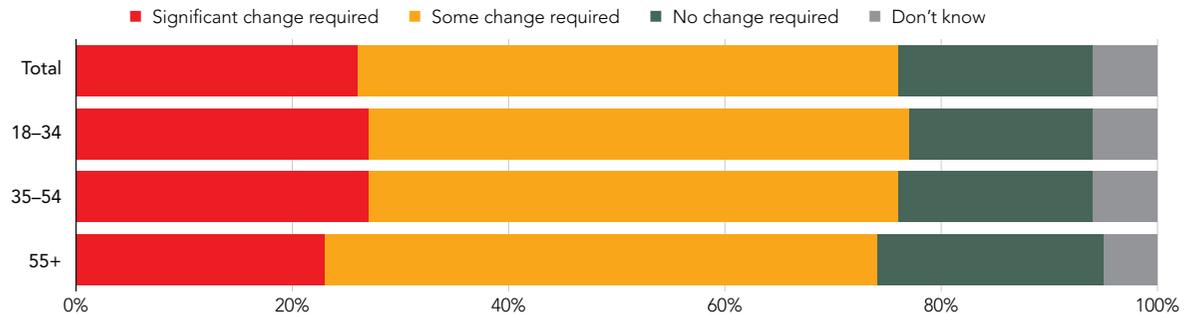
'We have [the] certain existence of unequal opportunities and reward. The implications of it are: a) lack of access to education; b) growing level of poverty; c) significant increase of labour migrants, ie lack of opportunities forcing labour to migrate for their livelihood.' **ACCA member, large corporate, Middle East**

'Health and education loss would be one of the implications [increasing] social inequalities that would mean the most to me to tackle.' **ACCA member, public sector, Europe**

'Climate change, depletion and deterioration of natural resources (also waste), is something which concerns me. Another issue is social inequality. Resources are being destroyed by us at such fast pace that it really gets unimaginable to dream a future with healthy environment and climate.' **ACCA member, large advisory firm, South Asia**

- In ACCA's survey, 75% of respondents believed their organisations needed to change to do more to address social inequalities and 85% believed their organisations needed to change to do less damage to the environment.
- Respondents recognised that, in light of COVID-19, it is important for their organisations to do more to address social and environmental issues. They are aware of the importance of these risks for business, not just that such action is the right thing to do. They see the economic and social issues from the pandemic for those on lower incomes as being areas of serious concern.

FIGURE 3.2: Post COVID-19, how much do you think your organisation needs to change to ensure that it does more to address social inequalities (By age)



'Social inequalities and environmental challenges have serious implication[s] for businesses and the economy as [they affect] their performance and prospects, which provide[s] both opportunities and risks.'

ACCA member, small and medium-sized practice (SMP), North America

'It should be the duty of every privileged individual from all professions to contribute toward closing the gap of social inequalities within their society. They should make sure that the equal opportunities ...[for] access to education and jobs exist, which will help in personal and social development of neglected and minority groups.' **ACCA member, large corporate, Africa**

'The pandemic is placing a severe pressure on public finances. Education is impacted badly and higher education is likely to continue remote delivery for the foreseeable future. The impact on business, particularly hospitality and tourism, is severe. Unemployment levels have risen dramatically.'

ACCA member, public sector, Europe

'We are seeing the implications of racial inequalities with the recent Black Lives Matter Protests. There's also a gender divide in my industry and many others which is embedded into the system. This needs to be addressed. It needs to change. We are losing so much talent in industries because of it.'

ACCA member, SMP, Europe

RESPONDENTS RECOGNISED THAT, IN LIGHT OF COVID-19, IT IS IMPORTANT FOR THEIR ORGANISATIONS TO DO MORE TO ADDRESS SOCIAL AND ENVIRONMENTAL ISSUES.



'It is inevitable that climate change is happening and it is very clear that there are social inequalities. If organisations make these positive changes, customers will be more likely to support an organisation which is ethical than an organisation that is not. Naturally, this would mean an increase in revenue which would in turn be beneficial to investors and attract investors as well.'

ACCA member, Asia Pacific

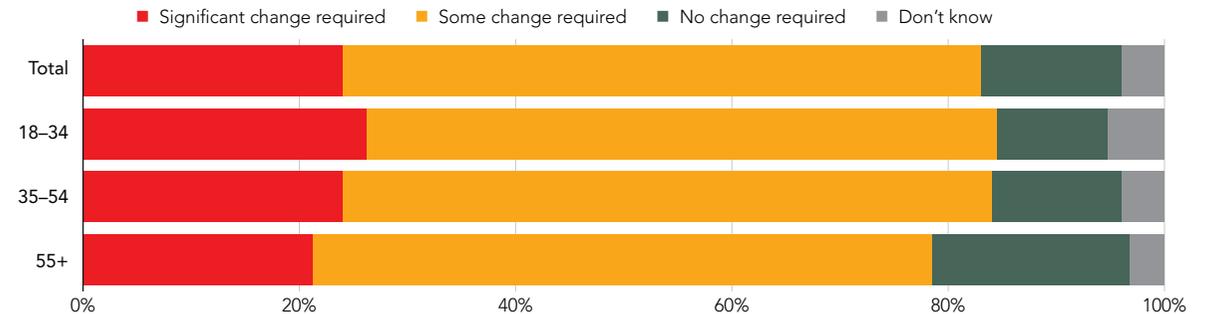
'All SDGs are important and play [a] vital role [in a] shared global future. With all other SDGs being important, I believe the most important to be addressed immediately for my country [are] Goal 4 and Goal 5:

- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, and
- Goal 5. Achieve gender equality and empower all women and girls.

I believe above two Goals are very substantial and have significant implications for society and for the economy at local and global level.'

ACCA member, large corporate, Middle East

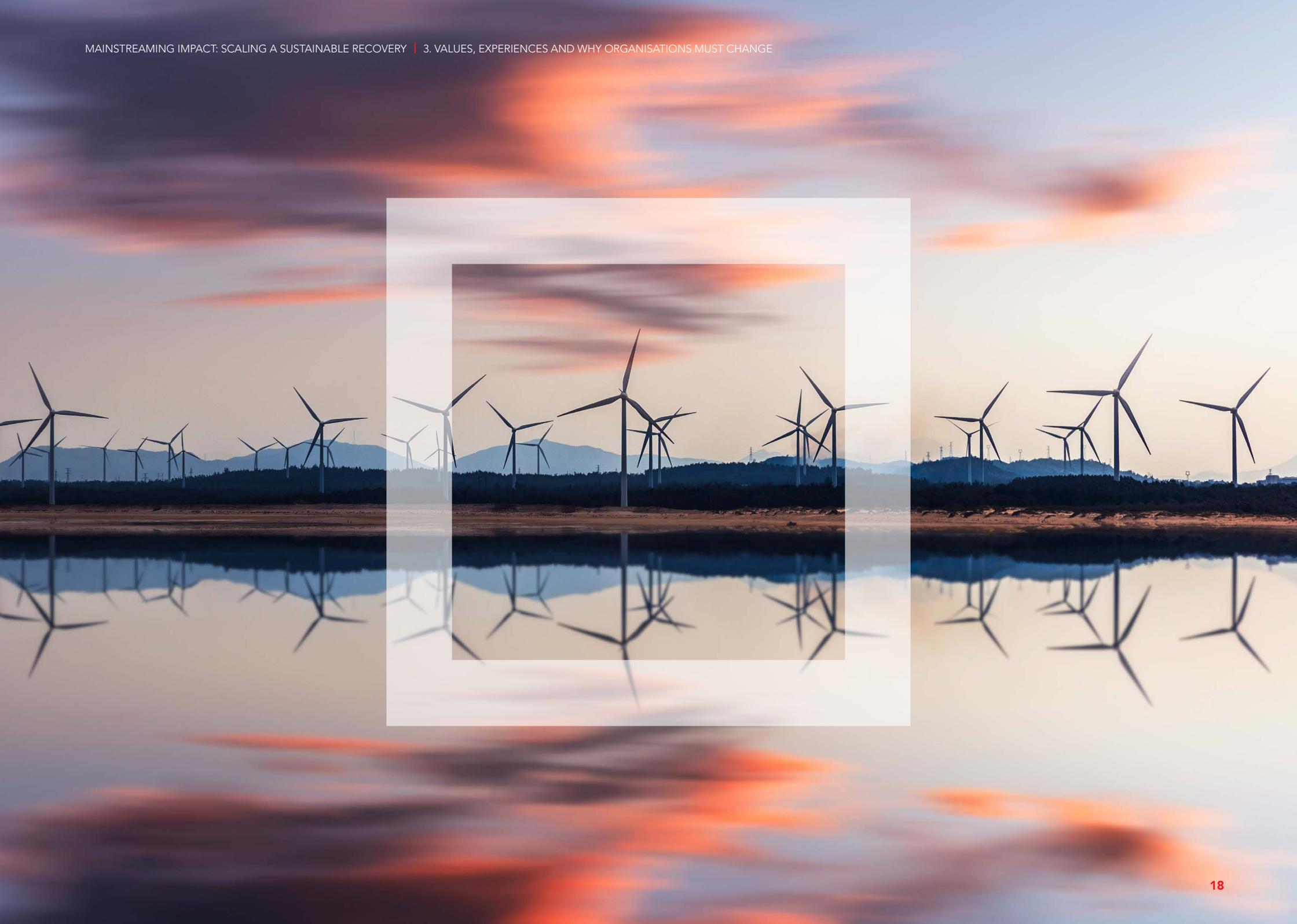
FIGURE 3.3: Post COVID-19, how much do you think your organisation needs to change to ensure that it does less to damage the environment (By age)



'My area was recently badly affected by flooding and I have seen the impact it has on people. Communities have responded to help people but some of the impact of flooding has a devastating impact. Health is also a major issue and my country has an aging population and I am concerned that national healthcare provision is struggling with demands and yet we are far better off than many countries.' **ACCA member, SME, Europe**

85% OF RESPONDENTS BELIEVED THEIR ORGANISATIONS NEEDED TO CHANGE TO DO LESS DAMAGE TO THE ENVIRONMENT.

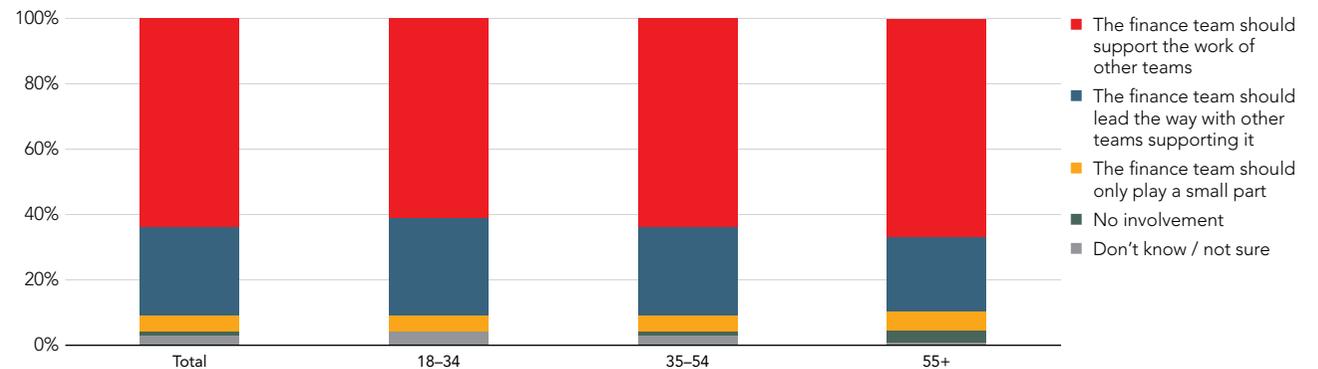




4. The role of finance teams in addressing challenges

- In ACCA's survey, 95% of respondents agreed that finance teams needed to play a role in building a more socially inclusive and environmentally sustainable future, with almost one-third wanting finance to lead the way and almost two-thirds saying that finance should support the work of other teams.
- Respondents stressed the barriers that finance professionals face that stops them from playing a larger role, including potential costs, lack of senior management buy-in, and too narrow a focus on near-term financial returns.
- Respondents acknowledged that through partnering and engagement, finance professionals can help others achieve their objectives by providing the right kind of support to their organisations.

FIGURE 4.1: How much of a role do you think the finance team should play in building a more socially inclusive and environmentally sustainable future for your organisation? (By age)



'I think finance professionals need to collaborate effectively with other disciplines and bring logic, control and structure to the 'business case' for increased social and environmental responsibility.'
ACCA member, public sector, Asia Pacific

'Finance professionals, I believe, can be [a] think-tank for these issues. We can try to understand the concerns from different perspectives, analysing the causes using various mediums.' **ACCA member, large advisory firm, South Asia**

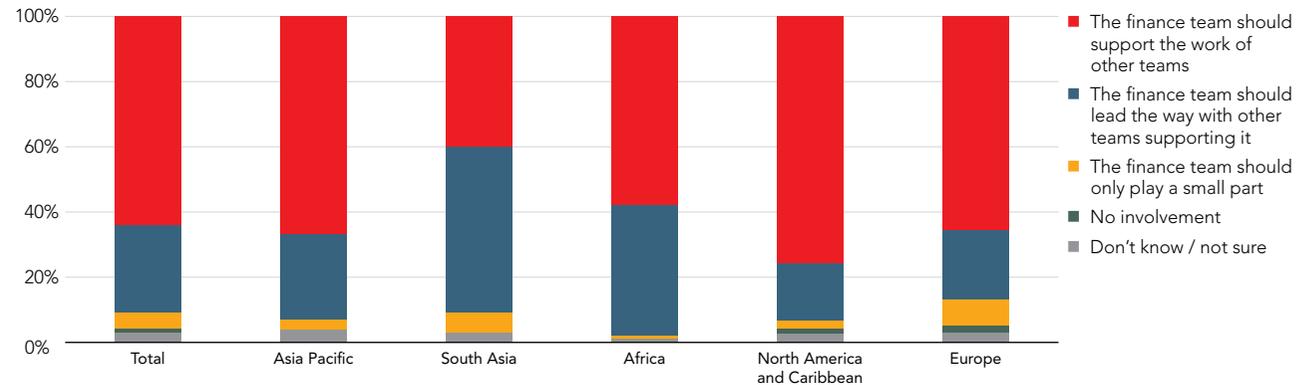
'I don't necessarily see these things sitting in one function: cross-functional working could be the best solution. Just as every employee needs to take some ownership of workplace safety, everyone should feel they have a part to play in supporting social and environmental responsibility.'
ACCA member, public sector, Asia Pacific

'With the backing of senior management, finance teams can implement [changes] by including projects for environmental sustainability as well as social sustainability into planned budget projections.'
ACCA member public sector, Europe

'The number one barrier would be the increase in cost, which may affect the performance of the organisation as a whole. This could be dissatisfying to the shareholders. However, it should be made known that in the long run the benefits of changing with the times is a great advantage to the corporation.'
ACCA member, Asia Pacific

- Across different regions around the world, respondents strongly felt that finance professionals should play a role in supporting their organisations. But differences emerged as to whether that role should be leading or supporting.
- For example, in South Asia over 50% said that finance professionals should lead while 40% said they should support. In North America and the Caribbean only 18% said finance professionals should lead, with 76% saying that they should support.
- Respondents strongly agreed that part of their role, alongside supporting the reliability of impact management, was through making sure social and environmental activities were financially viable.

FIGURE 4.2: How much of a role do you think the finance team should play in building a more socially inclusive and environmentally sustainable future for your organisation? (By region)



'The reliability of information systems and controls underpins management decision making. [Finance professionals] need to understand and agree on key performance metrics of social and environmental impacts and review company performances against such metrics. [These metrics] need to be based on appropriate data collection, reporting systems and related controls.' ACCA member, SMP, North America

'The only way I can see that finance professionals can make a strong case for their role in managing social and environmental impacts of their organisation is to be able to establish or document a link between social and environmental impacts of the organisation and shareholder value.' ACCA member, large corporate Middle East

'I believe finance's role will not be limited to compliance and reporting but have significant impact on bringing positive change [to] society and environmental sustainability.' ACCA member, large corporate Middle East

'Environmental and social issues can have a financial implication for revenue and expenditures, capital projects, merger and acquisition, access to affordable capital and insurance.' ACCA member, SMP, North America

'Financial decisions cannot be considered in a black and white profit/loss position but financial strength is needed to be able to do this.' ACCA member, SMP, Europe

ACROSS DIFFERENT REGIONS AROUND THE WORLD, RESPONDENTS STRONGLY FELT THAT FINANCE PROFESSIONALS SHOULD PLAY A ROLE IN SUPPORTING THEIR ORGANISATIONS.



RESPONDENTS STRONGLY AGREED THAT PART OF THEIR ROLE, ALONGSIDE SUPPORTING THE RELIABILITY OF IMPACT MANAGEMENT, WAS THROUGH MAKING SURE SOCIAL AND ENVIRONMENTAL ACTIVITIES WERE FINANCIALLY VIABLE.

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5. To what extent are social and environmental impacts being addressed by the finance team?

- Approximately 25% of respondents to the survey either a) did not know whether their finance team was involved in addressing social or environmental impacts, or, b) knew that finance was not involved.
- Respondents remarked that finance was involved to some extent, often in compliance-related activities.
- Respondents also provided a range of proactive examples of areas where finance teams are involved, for example in product and service design, scenario analysis and using a balanced scorecard approach.

'My organisation has some great environmental initiatives but sadly finance [professionals] are only involved on the periphery at the moment.'
ACCA member, public sector, Asia Pacific

'In our company, finance plays a supporting role toward social and environmental sustainability. Current practice involves compliance with mandatory environmental regulations and reporting on best practices within the industry. I believe finance's role will not be limited to compliance and reporting but have significant impact on bringing positive change toward society and environmental sustainability.'
ACCA member, large corporate, Middle East

FIGURE 5.1: To what extent do you feel that social impacts were being addressed by the finance team in your organisation prior to COVID-19? (By age)

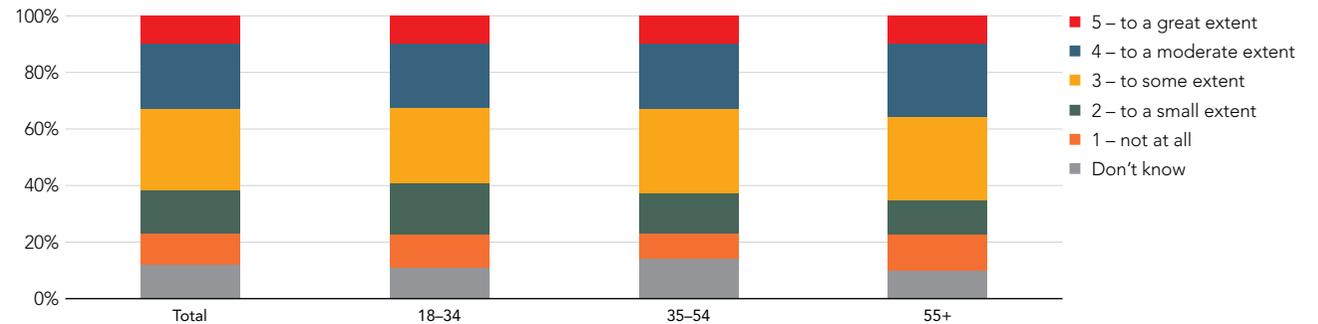
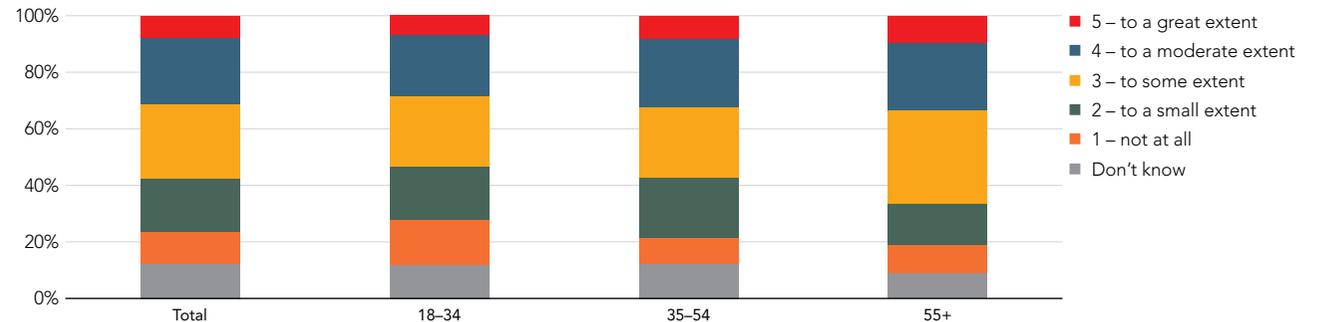


FIGURE 5.2: To what extent do you feel that environmental impacts were being addressed by the finance team in your organisation prior to COVID-19? (By age)



'During our last Standard Product Cost review meeting, we simulated ... how our flagship brands could be impacted socially and environmentally. Alternat[ive] sourcing for key components of these brands [was] rejigged with our technical and quality teams for us in finance to ascertain their costs. Part of what our finance team suggested was for the company to have alternat[ive] Bills of Materials (BOMs) in place for each [of the] affected products. With this, risks to product costing would be minimised when there are chang[es] in sourcing.' **ACCA member, Africa**

'The finance team is very much involved in making positive impact on environmental sustainability, for example, while doing forecasting or budgeting [they] explore the different scenarios that make [a] positive impact on social and environmental [factors] and describe how it is also [a] benefit for the organisation.' **ACCA member, large corporate, South Asia**

'The finance function in my organisation assists in the implementation of social and sustainability policy, as it is consulted in policymaking and reports on compliance. It carries out regular monthly reviews, prepares reports, performs audits, etc. and presents performance to the board.' **ACCA member, public sector, Europe**

'A balanced scorecard was used in one of my previous firms to capture CSR [corporate social responsibility] data and measure them along with the other typical metrics such as financial performance. It helped cascade awareness of non-financial performance areas that were becoming important to the organisation and gave people targets to strive for on an ongoing basis, as the scorecards were updated and published every quarter.' **ACCA member, Europe**

'My organisation is doing a pretty good job, especially in our finance department where surplus funds have been invested in such a way that is beneficial for the society and company itself.' **ACCA member, large corporate, South Asia**

RESPONDENTS REMARKED THAT FINANCE WAS INVOLVED TO SOME EXTENT, OFTEN IN COMPLIANCE-RELATED ACTIVITIES.

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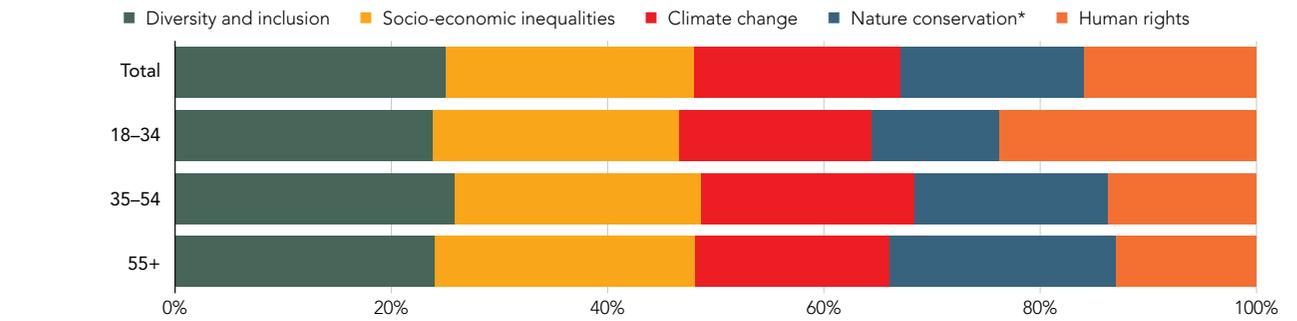
6. What issues should professional accountants help their organisations tackle and what approaches work?

- Across a range of social and environmental issues there was a broad range of views as to the most important issues to tackle.
- Among 18–34-year-old respondents, 24% ranked human rights as most important compared with an average of 14% among other age groups.

'Finance professionals need to be proactive to ensure they are putting out all the relevant information needed by management so as to make informed decisions and analysis, as the tone is set at the top.'
ACCA member, SMP, North America

'Business that can incorporate social and environmental impact in their product and service design will have big buy in. Where will they start? Do they have the creative talents to champion the change? How much will the product or service change cost, both in human time and resources? Is it commercially viable? We need to get the CEOs, CFOs and other senior management to buy in to effect the mindset change.' **ACCA member, Asia Pacific**

FIGURE 6.1: Which social and environmental areas do you feel are most important for professional accountants to help their organisations tackle? (By age)



* (eg water, biodiversity, soil)

'In terms of meaningful impact measurement it would be important to develop understandings of what quantitative and qualitative information will be needed to assess social and environmental impact touch points and actual impacts.' **ACCA member, Europe**

24% OF 18–34-YEAR-OLD RESPONDENTS RANKED HUMAN RIGHTS AS MOST IMPORTANT COMPARED WITH AN AVERAGE OF 14% AMONG OTHER AGE GROUPS.



- Regional responses highlight a strong interest in tackling socio-economic inequalities across Africa and a strong interest in human rights in South Asia.
- Climate change was deemed most important in Europe by 26% of respondents, the highest response for this issue.

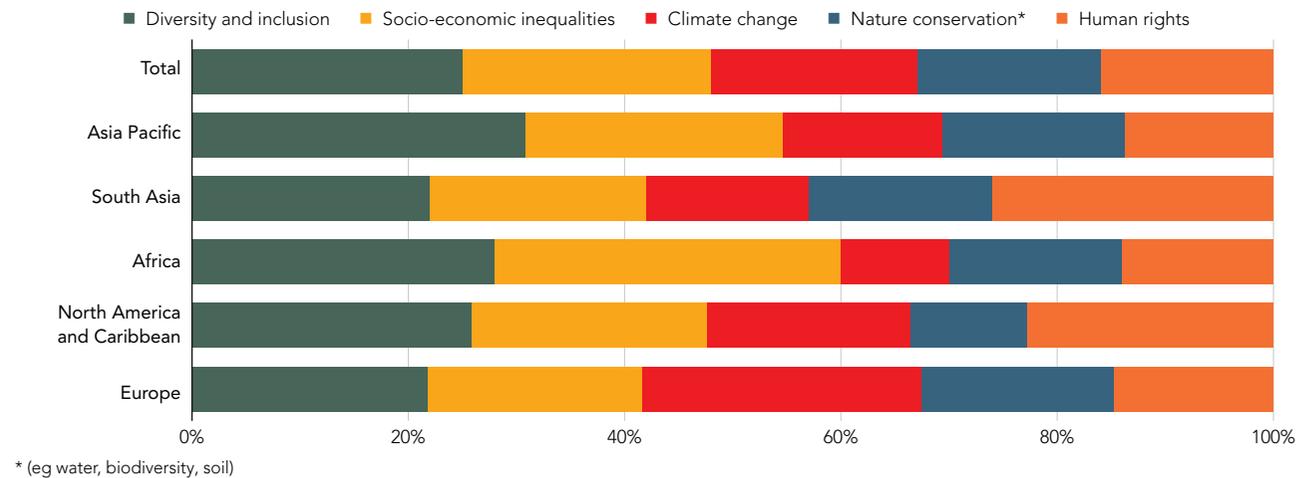
'The finance team is more or less connected to all individuals within the company. Finance can significantly influence social and environmental impact measurement and management.' **ACCA member, large corporate, Middle East**

'The finance team can assist in looking at cost-effective solutions and helping in predicting viable outcomes by analysing costs and revenues to assess where best to allocate resources. They can look how best to finance [mitigation of] these impacts by finding suitable funding sources and investment capital and proving the financial models required to satisfy external funders and investors. They can provide projections of outcomes for clients to demonstrate the impact of social and environmental changes.' **ACCA member, SME, Europe**

'Perhaps a starting point for organisations could be to integrate the impact reports into their regular reporting packs and move towards something like the environmental profit and loss account.' **ACCA member, public sector, Europe**

'Linking goals to compensation will have favourable results as long as [the] board is convinced and agree [about] the same.' **ACCA member, large corporate, Middle East**

FIGURE 6.2: Which social and environmental areas do you feel are most important for professional accountants to help their organisations tackle? (By region)



'Our finance team has worked hard to manage risk and add value to our business by ensuring we assess new capabilities, understanding our processes for materiality, measurement, and reporting. We need to make decisions to access new sources of capital to improve social and environmental impacts. We need to ensure this finance source is the most appropriate for our business. Sometimes we rely on data analytics or [a] specialised advisory firm.' **ACCA member, SMP, North America**

CLIMATE CHANGE WAS DEEMED MOST IMPORTANT IN EUROPE BY 26% OF RESPONDENTS, THE HIGHEST RESPONSE FOR THIS ISSUE.



- Over three-fifths of respondents agreed that professional accountants should be involved in understanding social and environmental impacts and dependencies, prioritising creating positive social impact alongside financial returns and in improving risk management of social and environmental issues.
- Among respondents in South Asia, 75% agreed that professional accountants should be involved in using data analytics to uncover areas where social and environmental impacts can be addressed.

'The biggest barrier is the mindset that we have as accountants, that our role is to look after the company finances. Our CSR is managed by [the] HR [human resources] department even though sometimes they will ask for volunteers from other departments, therefore social impacts are viewed as [an] HR responsibility. Personally, I think to overcome this barrier we need to understand that we are part of an ecosystem and it's our responsibility as [a] finance department to look after our environment.'
ACCA member, large corporate, Africa

'Using long-term financial modelling to help an organisation see the lasting benefits of improved environmental policy, then working with communication professionals to market these benefits to stakeholders.'
ACCA member, public sector, Asia Pacific

'The challenge is getting the decision makers to see there is economic benefit from pursuing these practices and perhaps being a first mover within their peer group rather than this just being a costly PR exercise.' **ACCA member, finance sector, Europe**

FIGURE 6.3: What areas do you think professional accountants should be involved in to help their organisation build a greener and more inclusive world? (By age)

	TOTAL	18-34	35-54	55+
Understanding and accounting for environmental dependencies and social impacts	62%	64%	61%	61%
Give more priority to creating positive social impact alongside financial returns	61%	63%	60%	60%
Improve risk management of social and environmental issues	61%	59%	62%	59%
Using data analytics to uncover areas for addressing social and environmental impacts	58%	60%	57%	53%
Contribute to building more environmentally sustainable products and/or services	52%	49%	52%	57%
Quantifying in a rigorous, balanced way, the amount of non-financial impact being created	48%	50%	49%	41%

OVER THREE-FIFTHS OF RESPONDENTS AGREED THAT PROFESSIONAL ACCOUNTANTS SHOULD BE INVOLVED IN UNDERSTANDING SOCIAL AND ENVIRONMENTAL IMPACTS AND DEPENDENCIES.



'A strong case [for controlling environmental and social impacts] will improve the organisation's financial performance and help to build a good reputation.'
ACCA member, large corporate, Africa

'It is imperative that finance departments communicate a clear message of the opportunities sustainable development creates. This includes:

- *using digital technologies to identify opportunities in a time-efficient manner*
- *ensur[ing that] innovative projects and impact investments are resourced*
- *[recognising that] impact is a core part of the strategic focus.'* **ACCA member, public sector, Europe**

'Key areas are:

1. *Quality assurance on product and service re-design.*
2. *Understanding end-to-end process flow and identify key control points.*
3. *Conduct cost benefit analysis for each initiative.*
4. *Adopt artificial intelligence technology for advanced analytics, if possible/ applicable.'*

ACCA member, SME, Asia Pacific

'Finance professionals can make a strong case by conducting verifiable research, building business models and performing business analysis on their roles in managing social and environmental impacts of their organisations.' **ACCA member, large corporate, Africa**

FIGURE 6.4: What areas do you think professional accountants should be involved in to help their organisation build a greener and more inclusive world? (By region)

	TOTAL	ASIA PACIFIC	SOUTH ASIA	AFRICA	N. AMERICA & CARIBBEAN	EUROPE
Understanding and accounting for environmental dependencies and social impacts	62%	56%	71%	71%	64%	60%
Give more priority to creating positive social impact alongside financial returns	61%	62%	60%	69%	61%	59%
Improve risk management of social and environmental issues	61%	64%	69%	72%	61%	57%
Using data analytics to uncover areas for addressing social and environmental impacts	58%	56%	75%	59%	65%	55%
Contribute to building more environmentally sustainable products and/or services	52%	55%	48%	63%	41%	49%
Quantifying in a rigorous, balanced way, the amount of non-financial impact being created	48%	39%	49%	61%	45%	47%

75% AMONG RESPONDENTS IN SOUTH ASIA, AGREED THAT PROFESSIONAL ACCOUNTANTS SHOULD BE INVOLVED IN USING DATA ANALYTICS TO UNCOVER AREAS WHERE SOCIAL AND ENVIRONMENTAL IMPACTS CAN BE ADDRESSED.

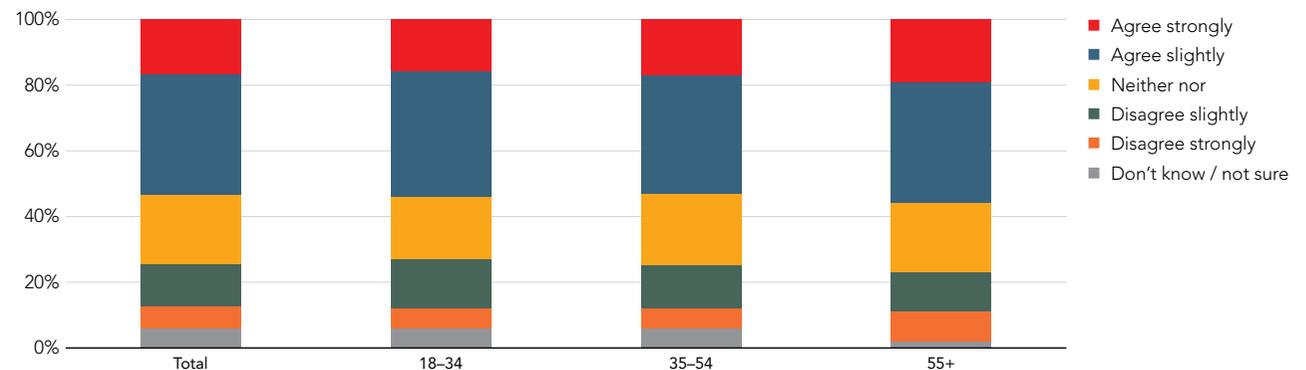




7. Skills, the future and overcoming barriers to mainstreaming impact

- Over half the respondents agreed that their current skills and training were to some extent sufficient to help their organisations manage social and environmental impacts.
- But 20% of respondents thought they did not have sufficient skills to help their organisations manage social and environmental impacts.
- Respondents agreed that further training through learning activities and additions to curricula, alongside raising awareness, would support mainstreaming impact.

FIGURE 7.1: To what extent do you agree that you currently have the sufficient skills and training to help your organisation manage its social and environmental impacts? (By age)



'Sustainability and impact, including metrics, must now be included in the finance curriculum across various subjects such as management accounting, performance management, strategic business and strategic reporting. Organisations must also include, as part of reporting, the aspects of finance and sustainability matters.' ACCA member, not-for-profit, Africa

'I think this should form part of the CPD [continuing professional development] and [we should] add this to our curriculum. This can be incorporated in the fundamental principles.' ACCA member, large corporate, Africa

'The finance role could be improved by recognising and using [finance professionals'] unique values ([as promoted by their] professional bodies) to develop strategies and business plans to reduce gaps in society. They should integrate into their thinking wider business impacts on the environment and be open-minded and ethical in decision making. The importance of integrated thinking and reporting should continue to grow. The use of technology and training of staff for future skills is paramount.' ACCA member, SMP, North America

20% OF RESPONDENTS THOUGHT THEY DID NOT HAVE SUFFICIENT SKILLS TO HELP THEIR ORGANISATIONS MANAGE SOCIAL AND ENVIRONMENTAL IMPACTS.

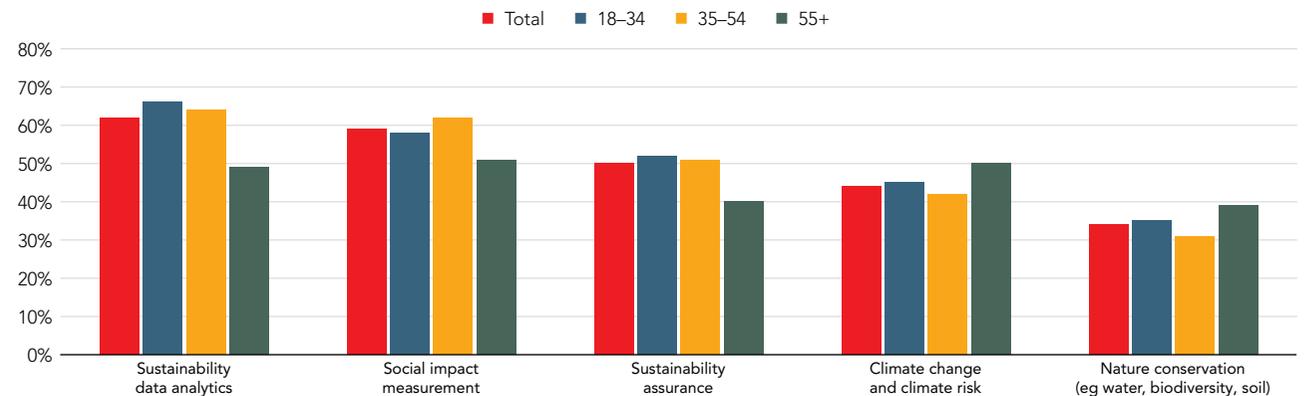


- Almost two-thirds of respondents wanted to develop their skills in sustainability data analytics and social impact measurement.
- Respondents explained many opportunities for the use of data analytics in engaging with social impact and environmental sustainability issues by extending existing systems.
- Collaboration with others on mainstreaming impact, be it through making it relevant to business partnering or to other stakeholders, including leadership, were pathways to making the business case and securing the resource for finance to play a role.

'Understanding the differences between output, outcomes and impacts of activities is critical for businesses as it provides a foundation for implementation of impact measurement and valuation. Proper planning of activities [is needed] to reduce risk that could lead to credit, liability or reputational damage.' **ACCA member, SMP, North America**

'How [can] specific social impact measurement...be brought into finance? It should be specific. With the advent of fintech and artificial intelligence (AI), we should be able to write programmes to measure these against financial performance.' **ACCA member, Europe**

FIGURE 7.2: In what areas would you most like to develop your skills to help your organisation manage its social and environmental impacts? (By age)



'What would data systems look like that had impact totally integrated into it? E-commerce platform + integrated reporting + ERP [enterprise resource planning] + fintech + AI [artificial intelligence]. It is ambitious but I am sure we can figure this out with APIs [application programming interface].' **ACCA member, Asia Pacific**

'Data systems that could have impact totally integrated into them could be created by adding specific social and environmental modules to existing governance, risk and compliance enterprise-wide platforms.' **ACCA member, Europe**

'To embed impact, the finance department must:

- ensure that it is seen as strategically key to the organisation's future
- have an impact committee with a clear and concise message that becomes part of the organisation's future plans and is embedded in strategy
- [use]digital technologies... to provide timely information for decision making
- ensure innovation in product and service development is encouraged and recognised
- [ensure] adequate resource
- highlight the risk of ignoring sustainable development.' **ACCA member, public sector, Europe**

'The finance team will need to be able to explain the benefits of the social and environmental changes and the long-term effects [they] will have on the organisation as a whole.' **ACCA member, Asia Pacific**

'Working closely with the business partners (Research & Development, Procurement, Quality Assurance, Sales & Marketing departments) [is needed] to overcome the barriers collaboratively.' **ACCA member, SME, Asia Pacific**

'I think the main barriers are possibly the lack of engagement [with] finance by stakeholders, so you have to overcome [this] by being able to provide [information] on outcomes to stakeholders and encourage them to use finance as a sounding board and becoming good listeners and being able to help in problem solving.' **ACCA member, SME, Europe**

'In my view, the biggest barrier for finance to mainstreaming impact lies in lack of investment and allocation of resources. Once that is solved, we can work on other issues to make a difference.' **ACCA member, Asia Pacific**

'Integrated social and climate accounting data will also help finance teams predict [the] impact of climate change on businesses [in] real time and enhance future business decision-making processes.' **ACCA member, Africa**

'Specific social impact measurements can be easily brought into finance if the will exists of the leadership in an organisation...to insist that it happens and there is buy-in from those responsible and assurance exercises [are] undertaken.' **ACCA member, Europe**

'Finance in bigger organisations can do more by surfacing the issues along with the embedded benefits. It is incumbent upon the finance lead to do so. Finance should propose [the] budget for these projects, convince the decision makers of the long-term benefits, be a committed champion of these issues and diligently measure the outcomes.' **ACCA member, Asia Pacific**

FINANCE IN BIGGER ORGANISATIONS CAN DO MORE BY SURFACING THE ISSUES ALONG WITH THE EMBEDDED BENEFITS.

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Conclusions and calls to action

Professional accountants are strongly aware of the extremely challenging and urgent social and environmental issues around them. And they want their organisations to do more to tackle them. Furthermore, they recognise the role that finance teams can play in taking on these issues and can identify the barriers that, at present, stop this from taking place. They acknowledge that their technical skills are suited to integrating management of these issues into finance, but at the same time are keen and willing to develop new competencies to further their own abilities to make a positive social and environmental impact.

Calls to action: professional accountants

There are many steps that professional accountants can take towards building positive impact into their work, skills and careers in a meaningful way. The interconnected priority areas include:

1. Recognising the value of professional accountancy competencies in addressing value-at-risk arising from social and environmental impact issues, to help uncover emerging opportunities for strengthening resilience to shocks and supporting long-term value creation.
2. Building decision-useful knowledge of the spectrum of non-financial, sustainable development and impact-related issues to develop the literacy required to support organisations in relevant and context-specific ways.
3. Learning about impact management dimensions and reporting methodologies that suit different scales and sectors, relevant to their own fields of experience and interest.
4. Applying analytics skills in order to capture, refine and interpret a growing array of new sources of data relevant to impact-related decision-making.
5. Building soft and relationship skills to enhance better multidisciplinary collaboration to develop the means of supporting internal stakeholder engagement, cross-functional work approaches and external multi-stakeholder groups.

Calls to action: organisations

All organisations, working at all scales, can commit to building better impact management into their processes for creating value. The interconnected priority areas include:

1. Making board-level governance commitments to additional and intentional social and environmental positive impact creation.
2. Improving board, senior management and workforce knowledge of the role of impact management in improving organisational performance and resilience.
3. Allocating resource within finance teams and across organisations to building decision-making capabilities related to environmental and social impact. Committing to aligning to existing risk-management processes and data systems.
4. Ensuring that reporting on impact is developed by and with finance teams so that it is balanced, complete, and concise, and has the necessary credibility to support usefulness.
5. Building systemic influence and recognising societal responsibility and network opportunities through participation in multi-stakeholder alliances and civil society networks that inform better approaches to addressing impact that are appropriate, co-created with society and scaleable.

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PI-MAINSTREAMING-IMPACT

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