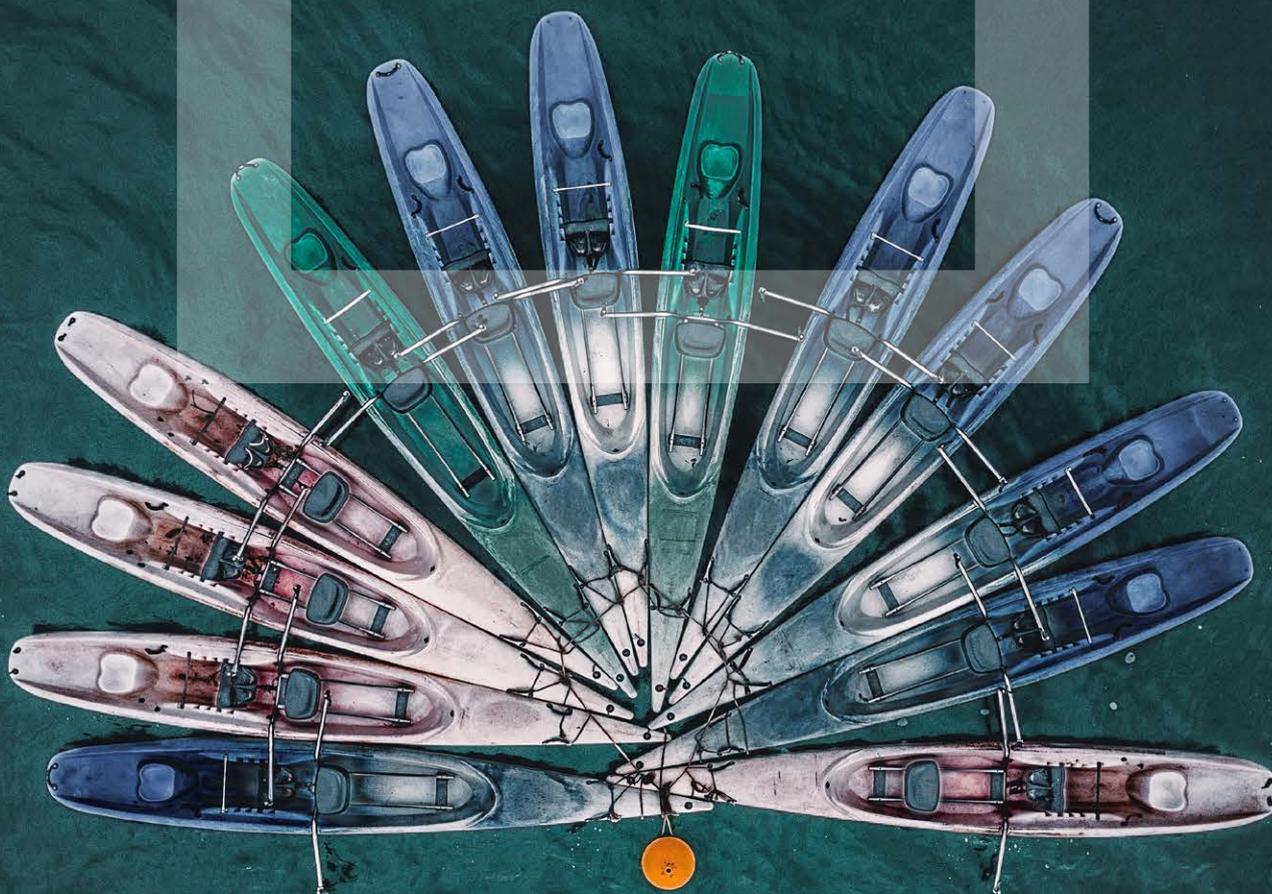


ACCA

ACCOUNTANTS AND SMEs CREATING A SUSTAINABLE WORLD: SME COMMUNITY VIEWS



Think Ahead

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **233,000** members and **536,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in **our purpose**. In December 2020, we made commitments to the **UN Sustainable Development Goals** which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation.

Find out more at accaglobal.com

Call to action

This document details the results of a global survey and virtual community discussion about sustainability, climate action and the role of finance professionals with the small business community.

Our survey results reveal that only 10% of finance professionals in small and medium-sized enterprises (SMEs) and 8% of small and medium-sized practitioners (SMPs) have significant involvement in tackling climate change as part of their role.

Accountancy professionals as trusted advisors have the opportunity and a responsibility to engage with sustainability in the small business sector and take action – from raising awareness to supporting sustainable transformation of business models and reporting on non-financial information. Accountancy professionals should take the lead and assist in making a real, effective change at the heart of SMEs. Every step counts and ACCA are here to support.

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Introduction

Background and objectives

Small and medium-sized enterprises (SMEs)¹ represent around 90% of businesses and more than 50% of employment worldwide. Owing to the large size of this sector, global environmental and social challenges can only be addressed appropriately if it is fully involved. Bearing this in mind, ACCA wanted to understand what SMEs and other stakeholders involved in the SME ecosystem, think about sustainability: what it means to them and to the organisations they work with, whether any actions are currently being taken, the barriers against this, and its general importance as we move ahead.

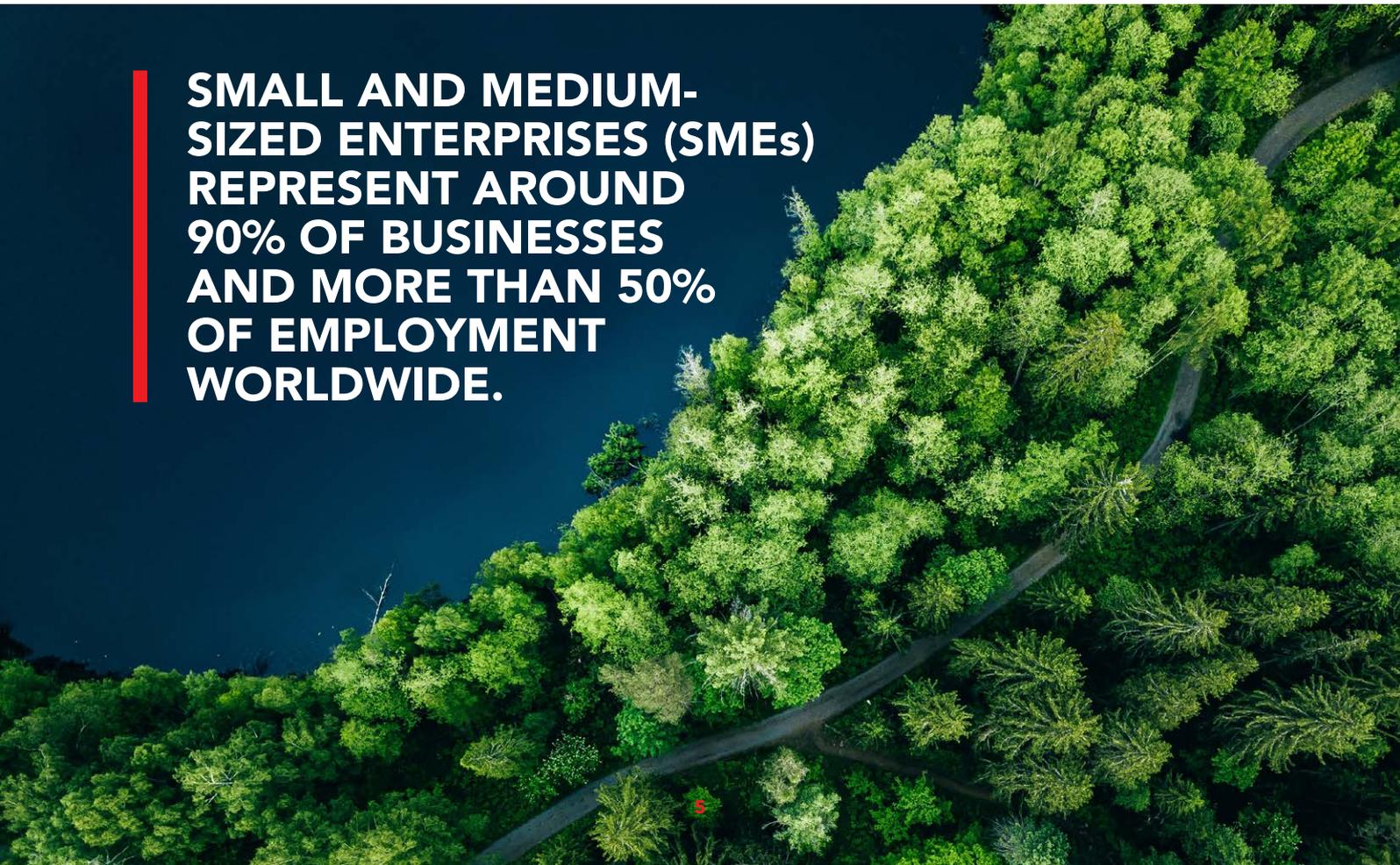
Specifically, the research sought to answer the following questions.

- What do members, future members and affiliates who are part of the SME ecosystem understand by the term 'sustainability' and how important is it in their business?
- How (if at all) do they currently integrate sustainability considerations into their day-to-day business? And how do sustainability considerations (eg regulations, sustainability or non-financial indicators, grants, client and employee expectations) affect their business?

- How important is it for the SMEs to have a conversation about sustainability?
- What is the role of the finance function in SMEs in engaging with sustainability issues?
- What tools or services are they currently using to support their sustainable transition, analyse and address sustainability risks, and report on sustainability metrics?
- In which specific areas do they think they need more support?
- What are the benefits of running their business in a sustainable manner?
- What do they think the future of sustainability is for the financial professionals in the small business sector?

The research findings have also supported the development of a practical playbook *How SMEs can create a more sustainable world* co-branded with ACCA's strategic partner Chartered Accountants Australia and New Zealand (CA ANZ) that details steps that SMEs and SMPs can take to kick-start their sustainability journey, explains the practical benefits of doing so, provides information about practical tools and includes a call to action to accountancy and finance professionals to support SMEs' sustainability journey.

¹ For the purposes of this report, we will define an SME as a business with fewer than 250 employees and an SMP as a practice with fewer than 250 employees.



SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) REPRESENT AROUND 90% OF BUSINESSES AND MORE THAN 50% OF EMPLOYMENT WORLDWIDE.

Methodology

In order to meet the above research objectives, we adopted a two-stage approach combining two methods.

- An online survey of 25 questions, examining the impact of financial decision making and taking climate change into consideration was sent to ACCA members, future members, students, affiliates, and finance professionals interested in participating in the survey.

The survey was originally used to support the development of *Climate action and the accountancy profession: building a sustainable future* and its detailed analysis can be found in the original report.

- A global pop-up community (online discussion) was formed to explore several key themes about tackling climate change and broader sustainability issues in detail. The pop-up community took place over one week and was co-moderated by ACCA and its partner Verve.

Sample

For the initial quantitative stage, we received the following survey responses from respondents around the world, working in the following sectors.

SECTOR	RESPONSES
SMPs (small and medium-sized practices, <250 employees)	460
SMEs (small and medium-sized businesses, <250 employees)	1558
Large companies (250+ employees)	1641

For the qualitative online global community, we engaged a total of 125 people from SMEs and stakeholders involved in the wider SME ecosystem. Participants from all over the world took part in our global discussion, including some in the UK, Australia, Russia, Uganda, Zambia, Afghanistan and other countries.



Key findings

- For SME finance professionals, 'sustainability' is largely about achieving longevity. There is a confusion over different definitions of sustainability. They recognise the growing importance of tackling sustainability issues but lack the understanding of how doing this can be integrated into day-to-day practices within the finance function.
- There is fairly low awareness among small businesses of regulations and grants to support sustainable business and transformation to net zero. There is also a sense that grants are hard to access, and the information is not easy to obtain by wider audiences in the SME sector.
- Furthermore, SMEs are concerned about the extra work required to start considering sustainability as part of their due diligence, as they argue that the infrastructure (ie education and resources) is not in place to do so.
- SMEs and SMPs need softer forms of support that would enable them to kick-start conversations about sustainable transformation, and which would guide them through the whole journey of sustainable transformation, becoming advisers in that field, and reporting on sustainability.
- The financial benefits of running a sustainable business are clear for many. For SME finance professionals, especially, attracting new clients and aligning with clients' expectations is a key benefit of running a business sustainably. The group also place great emphasis on employee well-being and retention, recognising that employees are increasingly looking for purposeful careers.
- At present, only 11% of SMEs and 9% of SMPs surveyed have significant involvement in tackling climate change as part of their role. There is a strong sense that finance professionals do not currently believe they are well equipped to take on the task of tackling climate change. Around half (51%) assert that sustainability issues are not the responsibility of the finance team.
- Although just over a quarter of finance professionals (26%) believe they lack the professional skills to tackle climate change, many are aware that a large proportion of their day-to-day skill set (such as analysis and reporting skills) could be leveraged to implement sustainable practices within their organisations. More work could be done to ensure that these finance professionals receive the right training and support to become equipped to carry out financial reporting using sustainability metrics.
- The majority of virtual community participants are not using tools or applications to support their activities in the sustainability field beyond their typical accounting or finance analyses. Reasons for this include a lack of awareness of available options and/or an inability to find the right tool.

What does this mean for the future?

Ultimately, we found that collaboration is key to achieving true sustainable transformation. SME finance professionals will rely on governments, experts and larger corporations to dedicate time and effort to educating SMEs and collaborating with them to enact change. Sustainable action should be collective, with professionals from different sectors coming together to develop optimal solutions. It is considered by the participants of the virtual community discussion to be the role of governments, financial institutions, and accountancy bodies to facilitate these conversations and play a key role in bringing people together to enact change for a better future.

Finance leading sustainable transformation

What does sustainability mean to those in the small business sector?

For SME finance professionals, sustainability is not just a matter of environmental concerns or climate change but is more about business longevity, maintaining momentum within the business over the long term. They see sustainability as a lever with which to enhance business performance and boost the business' external reputation.

Social issues are also recognised as a key component of sustainability and achieving business success, especially as many service sectors are very people intensive and place great importance on employee and client well-being.

FIGURE 1: Graphic representation of perceived importance of terms among consultation participants



Figure 1 highlights some key words most commonly mentioned by the virtual community participants, when they were asked to explain what sustainability meant to them and their business.

Despite recognition that sustainability is becoming increasingly important within all sectors, there is a general lack of understanding of how sustainability issues can be

integrated into day-to-day practices within the finance function. At present, only 8% of those working for an SME have set targets to be net-zero by 2050, as many aren't sure where to start.

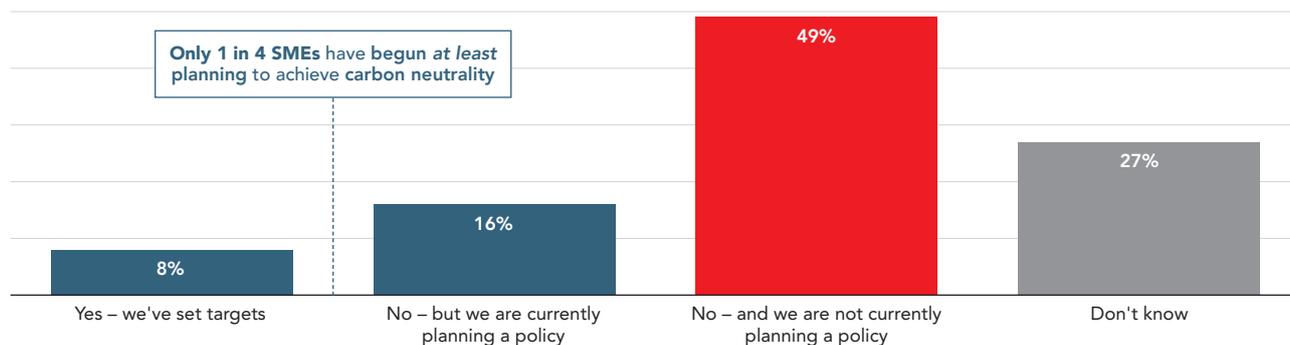
'What comes to my mind when I hear the word 'sustainability' is how organisations big or small can be able to meet their long-term goals without compromising the current demand.' **A participant from the online community discussion based in Zambia**

Many think of sustainability as managing waste/materials and recycling in their workplace but fail to see the bigger picture and how sustainability issues can be dealt with practically and tangibly to enact change. For many, there is a sense that sustainability is an issue that larger businesses can deal with as they have the necessary resources and cash to integrate sustainability key performance indicators (KPIs).

'Our practice is not big, and therefore ESG and KPIs related to sustainability are not considered. A more general view is to reduce waste, and take the "reduce, reuse, recycle" approach.' **A participant from the online community discussion based in the UK**

However, SMEs are at the core of Scope 3 emission targets² for larger organisations that are required to report on their emissions reduction progress, therefore collaboration between large and small companies in achieving sustainable transformation is crucial. Having a plan about integrating sustainability key performance indicators is important for SMEs to future proof their business.

FIGURE 2: Organisational targets set for net-zero 2050 (all respondents working for SMEs)



² Typically, supply chain assessments will involve breaking down Scope 1, 2, and 3 emissions. Scope 1 and 2 - pertain mainly to manufacturing emissions and purchased energy use. Scope 3 are indirect emissions that occur in a company's value chain. They occur because of their activities but from sources not owned or controlled by that business.

To find out more about measuring your carbon footprint, reducing emissions and the credible standards you can use, check out **A Guide to Action** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.

To find out more about connecting within local communities to engage on sustainability issues and raise awareness check out **Take Action: Governance and Partnerships** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.

What is the role of the finance function in sustainable transformation?

Very few SME finance professionals are actively involved in tackling sustainability issues in their day-to-day role.

Based on the survey data, **only 10% of respondents working in finance in SMEs and 8% of those in SMPs have significant involvement in tackling climate change** as part of their role, with over one-third of those in both SMEs and SMPs not involved at all (see Figure 3 below). This is comparable with the overall survey results (including large organisations), where only 13% of finance professionals responded they have significant involvement in tackling climate change. Those figures clearly indicate the need for action.

Those who are more involved in dealing with sustainability issues tend to work in industries that are directly affected by the environment, such as agriculture, manufacturing or waste management.



CASE STUDY: Tackling sustainability in day-to-day business in the sugar manufacturing industry

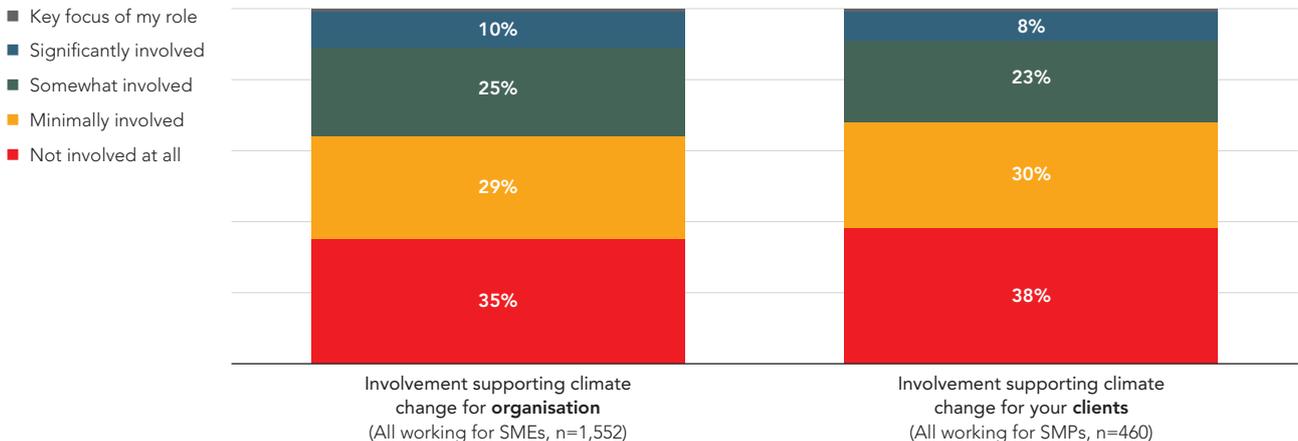
A view from Atugonza Ben, Uganda

Atugonza's works as a financial consultant for a sugar manufacturing company in Uganda. Working in the agricultural sector, sustainability issues are at the fore of Atugonza's day-to-day work. In his line of work, sustainability does not necessarily mean reduced productivity or profits. On the contrary, taking sustainability into account actually provides economic benefits for stakeholders such as sugar farmers and millers.

'The cultivation and processing of sugar has a significant impact on the environment and causes the loss of natural habitats, intensive use of water, heavy use of agrochemicals, discharge and run-off of polluted effluent and air pollution. As a result, there is a degradation of wildlife, soil, air and water where sugar is manufactured, and downstream ecosystems are affected. This is why it's so important to be sustainable in our business'.

Although sustainability is so important in sugar manufacturing, Atugonza's company has not yet integrated environmental, social and governance (ESG) key performance indicators (KPIs) into its business strategy and/or risk frameworks. The integration of ESG KPIs has, however, been adopted in large sugar manufacturing companies in Uganda. With the right support and access to resources, Atugonza hopes his company will adopt these measures in the future. ■

FIGURE 3: Involvement of the finance team in tackling climate change (all respondents working for SMEs)



Although some businesses in certain industries have more direct contact with natural resources and deal with the consequences of climate change on a regular basis, the role of the finance function specifically in sustainable transformation of those businesses is seen as nebulous. Many argue that sustainability is an issue that should sit within other departments, such as marketing.

Only a few SMPs are looking at the opportunity of providing advisory services on sustainability.

‘Sustainability might be something a practice could offer, but at a limited level as it strays into consultancy on sustainability. I am struggling to see what this might look like, if/when put into action. I think that more support, skills building, resource and modelling is needed for us to be able to offer something like that.’ **A UK-based participant in the online community discussion**

Considering barriers to tackling climate change, specifically, by those in the finance function, around half (51%) of those we spoke to in our quantitative survey about climate change asserted that sustainability issues are not the responsibility of the finance team, with only 8% stating they see no barriers. Finance professionals also believe they lack a commercial incentive (38%), lack leadership support (34%) and have access only to poor data (29%) (see Figure 4 below). There is a general sense that finance professionals do not currently believe they are well equipped to take on the task of tackling climate change (a key issue within the larger umbrella of sustainability issues).

Even though just over a quarter of finance professionals (26%) believe they lack the professional skills to tackle climate change, many are aware that a large proportion of their day-to-day skill set could be leveraged to implement sustainability practices. Specifically:

- analysing the feasibility of implementing and sustaining the business’ sustainability goals

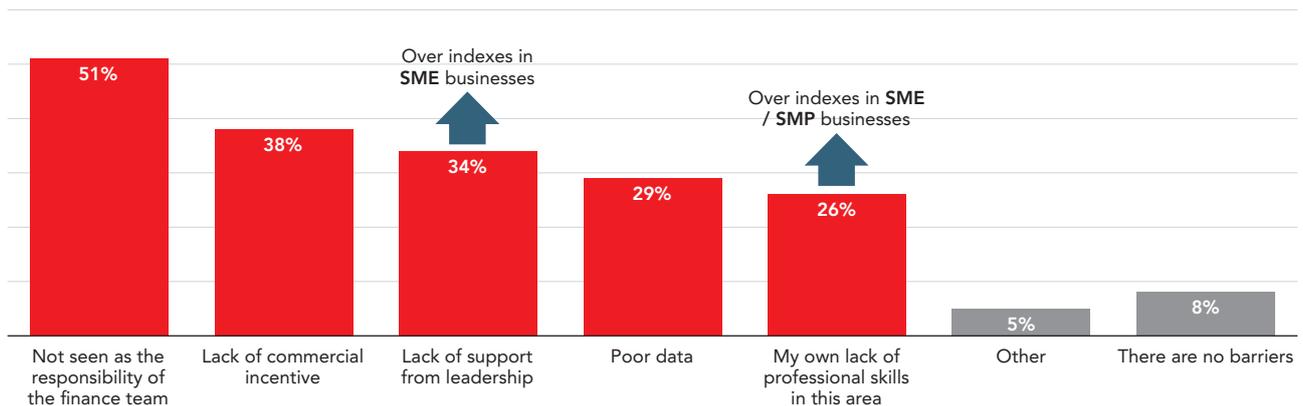
- evaluating the cost and benefits of sustainability-related issues, including financial and non-financial ones
- performing risk assessments, especially incorporating ESG risk management into decision-making processes
- aligning profit goals with a company’s environmental policy
- gathering data and performing
- involved in supporting their organisation to implement sustainability measures over the next five years.

Only 36% of SME finance professionals are feeling they have the knowledge to support their organisation, however, more can be done to support professionals and help kick-start their journey to sustainable transformation.

‘I think the finance team, working with SMEs, have the expertise to drive the sustainability agenda and risk management, but I think there is still a need for improvement. The most efficient support to further develop the finance team’s capacity and knowledge of the sustainability agenda could be training, having access to the latest industry trends/articles, and knowledge sharing sessions in the form of a workshop. I think the cooperation with experts from other sectors will be a welcome development as it will enhance collaboration and having a holistic view of key stakeholders.’ **A Nigeria-based participant in the online community discussion**

To find out more about the ways accountants can support SMEs on the path to sustainable transformation check out **Accountants Take the Lead** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.

FIGURE 4: Barriers finance faces in supporting efforts to tackle climate change (all respondents working for SMEs)



Benefits to running a sustainable business

Brand positioning, business optimisation and creating a competitive advantage

For many, attracting new clients and aligning with clients' expectations is a key benefit of engaging with sustainability, with 45% of those taking part in the online community identifying 'attracting new clients' as the most important benefit. Not only do sustainable products and services increasingly meet clients' expectations, but they also do a lot to increase brand and company value. An organisation's performance is closely linked to customer/client satisfaction, and running a sustainable business is cited as a crucial way of retaining a strong customer/client base and creating a competitive edge over companies that are not putting sustainability at the core of their thinking.

'Firstly, the cash incentive of attracting clients is a huge benefit. Secondly, the more clients respect your brand the more attractive your products will be on the market. If the products will be attractive due to positive image, then regardless of the sale price the business will become successful.' **A UK-based participant in the online community discussion**

Employee retention and increased client satisfaction

Having a supportive working environment (fair wages, good working conditions, etc) means staff are more likely to be happy, leading to increased client satisfaction. Participants recognise that it is much easier to retain employees who are satisfied and feel positive about their employer's purpose statement and commitment to improving ESG issues for the future.

'ESG oriented companies are more attractive for clients and have better growth perspectives. ESG oriented businesses also open up markets. If a company has a social purpose it gives employees a higher purpose and creates meaning for them at work, they work better and perform better.' **A Russia-based participant in the online community discussion**

Reaping both the financial and non-financial benefits of sustainable transformation

While participants in our online discussion are aware of the direct, short-term financial benefits of running a sustainable business (eg opening new business opportunities and gaining access to more sectors and markets), they also recognise a host of broad benefits that will arguably prove more lucrative for them in the long term, such as:

- aligning with public opinion
- reducing reputational risk
- driving consumer preference, eg customers are more willing to pay for 'green' and sustainable products
- improving quality of service/product
- boosting employee happiness and satisfaction.

Many of these key benefits are hard to measure financially, even though failing to achieve them could be financially ruinous, and it is more difficult to link some of these benefits directly to the finance function. More work needs to be done to tie some of these 'non-financial' benefits (eg employee satisfaction, brand and company reputation, aligning with public opinion) to these professionals' day-to-day roles in the finance function.

To find out more about benefits of running a sustainable business and the collective impact of SMEs adopting sustainable practices check out **Sustainability: the business case** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.





CASE STUDY: Tackling sustainability to improve overall quality of life in Serbia

Zorica Dunović, Head of accounting, Winery Kovačević Irig, Serbia



Zorica is in charge of accounting for an agricultural company that deals with vineyards based in Serbia. Zorica's company considers sustainability as part of planning for long-term growth, ensuring that the organisation will continue to exist and thrive for the foreseeable future. Her company is also aware of the impact it makes on the environment. The leaders of the company have been advocating a cleaner, greener and healthier Serbia, motivating its fellow citizens to take more care of their environment.

Zorica also underlines the importance of access to green finance as one of the key factors in motivating small businesses to assess the sustainability of their business operations, even more so in the emerging economies.

'As an agricultural company we are aware that sustainable development is an integral economic, technological, social and cultural development, harmonised with the needs of protection and improvement of the environment, which enables present and future generations to meet their needs and improve the quality of life. This means that society should develop in accordance with the ecological possibilities and abilities of self-renewal of resources that man uses by nature'.

Zorica's business has already reaped the benefits of running sustainably and has been able to generate almost twice as much income per hectare since prioritising sustainability over the last four years.

'Since the company has strived for the rise and development of eco-agricultural production, our vineyards generate almost twice as much income per hectare. This significant difference can be attributed to the selling price of such products, which is sometimes much higher than ordinary ones. Although the market figures in fruit growing, vegetables and livestock are lower, it has been determined that organic production in these areas is more favourable. The assumption is that the profit of each conventional production would increase by 25% if it were switched to the ecological one'.

The need to act now

How important is it to speak about sustainability in the SME sector now?

The consensus is that it is vital to act now: participants recognise that SMEs account for a large proportion of the economy and know they have a key role to play in shaping how businesses act and continue to act in the future. Participants are aware that acting in the short term will have positive long-term effects, and they understand that progress is made through marginal gains and the majority are starting to take small steps towards sustainable transformation now.

'I am a huge believer in marginal gains. Every small contribution and focus on the things that matter will help create the right systems across all types of businesses. SME as a sector is and can be a huge contributor to driving change in policy and public perception. The climate crisis and systemic social issues cannot be solved by governments and large corporates alone.' **A UK-based participant in the online community discussion**

There is also a sense that participants from countries or sectors where the impact of climate change is evident are starting to take action responding to this evidence. Those in more service-based sectors and developed economies are, however, largely driven by client and employee demand for transparency and sustainability rather than a pressing need for action.

Participants in the virtual discussion think that larger corporates need to take more action to support SMEs in their sustainable transformation. There is a sense that larger corporations not only have more financial resources and time but that they could also be the sources of some of these problems in the first place. Collaboration between SMEs and larger corporations is seen as key: participants believe sustainable transformation can only be achieved by working together towards a shared goal.

To find out more about the role of SMEs in the transition to sustainable future, check out **The role of SMEs** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.

Regulations, but also additional work load?

How regulation affects SMEs depends significantly on geography and industry. Those working in industries dealing with natural resources are more affected by regulations and expect increased regulatory burdens in the future. Nonetheless, the majority are not currently taking climate-related matters into account when carrying out due diligence. Participants in the online discussion acknowledge that sustainability goes beyond environmental considerations and recognise the importance of governance and the impact on society. Even so, the majority of further in-depth comments very much centre on the environmental aspects of sustainability, be it commenting on existing or emerging regulations in the participant's country or the actions that might be taken to address sustainability. This is further evidence of the need to raise more awareness among SMEs.

'We don't incorporate climate related matters in our due diligence processes. I would be concerned about doing this as monitoring compliance and checking this in the first place could be onerous.' **A participant from the online community discussion based in New Zealand**

Furthermore, when discussing the regulatory side of sustainability, some of the participants in the virtual discussion expressed their concerns about the extra work required to start considering sustainability as part of their due diligence, arguing that the infrastructure (ie education, tools and resources) is not in place to do so and their own understanding of non-financial indicators is very limited.

Some participants of the virtual discussion believe that regulations may help kick-start change and keep businesses on track for reporting on sustainability KPIs and building these into their business strategy. Despite this, there is a belief that being penalised for not strictly adhering to regulations is regressive and will not help achieve the shared global goal of sustainable transformation.

'I think regulations should be in place. The challenge is to impose this efficiently and enforce them. For regulations to work, this also requires the support from professional bodies such as ACCA for members to lead by example in the business, explain the 'whys' to our bosses, and influence our stakeholders to agree on the values being added.' **A Malaysia-based participant in the online community discussion**



CASE STUDY: How Russia’s banking requirement for reporting on ESG indicators has had a positive impact

Oxana Losevskaya FCCA, Partner, SL Partners LLC

Oxana is a partner at a private strategy consulting firm in Moscow. Her business holds sustainability matters close to its core, promoting the benefits of sustainable business transformation to clients to help their businesses thrive in the long term. As a rule, her business will not engage in projects that are out of kilter with ethical guidelines and the company’s purpose statement on sustainability.

Nonetheless, much of this emphasis on sustainability in the day-to-day is influenced by governmental and local banking regulations.

‘One example is if you apply for a project finance loan from a major financial development institution such as VEB.RF [a Russian state development corporation], you’d have to write in a business plan about the environmental and social impact the project is going to have and make all necessary supporting calculations in the financial model.’

What’s more, the Bank of Russia has recently issued recommendations for public joint stock companies to disclose non-financial information related to ESG matters. It has also announced that Russian companies are planning to start issuing green bonds, and the Bank of Russia is also planning to implement special green standards.

Oxana strongly believes these regulations will have a positive impact on businesses in Russia in the future.

‘I think these regulations are crucial for further development of our society and business environment, and I am sure that they will be developing further on.’

To find out more about sustainability reporting standards check out **Ensuring Integrity** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.



Grants: aligning recovery with sustainability and the need to improve awareness

Access to finance has always been one of the central issues for SMEs and even more so after the outbreak of the COVID-19 pandemic, when many small businesses found themselves struggling to survive. Therefore, it is important to look at the synergetic solutions that support both the recovery and the green transformation of small businesses. We asked participants in the online discussion about the availability of grants supporting sustainable transformation in their countries.

‘There are grants available to assist organisations in NZ to implement environmental projects. We have not attempted to access these due to inertia within the organisation with regard to these types of initiatives and existing financial pressures.’ **A New Zealand-based participant in the online community discussion**

Awareness of available grants among the participants in the virtual discussion is very low, with uptake of these grants even lower. There is a sense that many grants seem inaccessible, with some participants saying that they set unrealistic targets or are not advertised well enough.

Participants argue it is the job of governing bodies to do more to raise the awareness of SMEs about sustainability in general, but also specifically about the availability of grants and green finance.

‘Though several instances of fiscal budget proposals included many programmes, no successful implementation was observed. Despite the huge potential in green financing, no progress has been seen in the country. Regulatory and governmental commitment is required.’ **A Sri Lanka-based participant in the online community discussion**

‘The Think Small First’ white paper developed by ACCA in partnership with Sage and the ICC highlights how providing standardised SME-friendly reporting frameworks could unlock significant progress on the journey to Net Zero. It also suggests that governments, policymakers and large businesses must acknowledge the specific challenges and reporting burdens faced by SMEs and provide support to small businesses. Four integrated principles are suggested to take on this mission:

- 1. Standardise** **2. Simplify** **3. Automate** **4. Enable**

Find out more, click on the [link](#).



'We have the Green Climate fund for championing the protection of wetlands, then the global green grants fund that funds the most pressing environmental and social justice challenges. The organisation has never used such grants because sometimes they set unrealistic targets. Some banks are offering clean energy / green finance at good rates, but we have never accessed such grants. These grants target SMEs who have been operational for at least two years and require a capital boost.' **A Uganda-based participant in the online community discussion**

consideration at a minimal extent and 16% considering it at all. The situation is not expected to significantly change in the future. (See Figure 5 for further detail).

'Our clients, being donors and grantees, again see [sustainability values] as non-negotiable. They will only partner or work with us if our values are shared and this goes both ways'. **A UK-based participant in the online community discussions**

To find our more information about grants available to support green transformation of SMEs check out **Take Action: Climate and Environment** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.

There is, however, a sense that it is finance professionals' role to help educate their clients and inspire them to start asking more about the sustainability of products and services. At present, clients expect their primary needs to be met (ie services such as due diligence on financial matters and risk assessments), and sustainability is often a secondary nice-to-have. Finance professionals say they could be doing more to integrate sustainability more easily into conversations with clients.

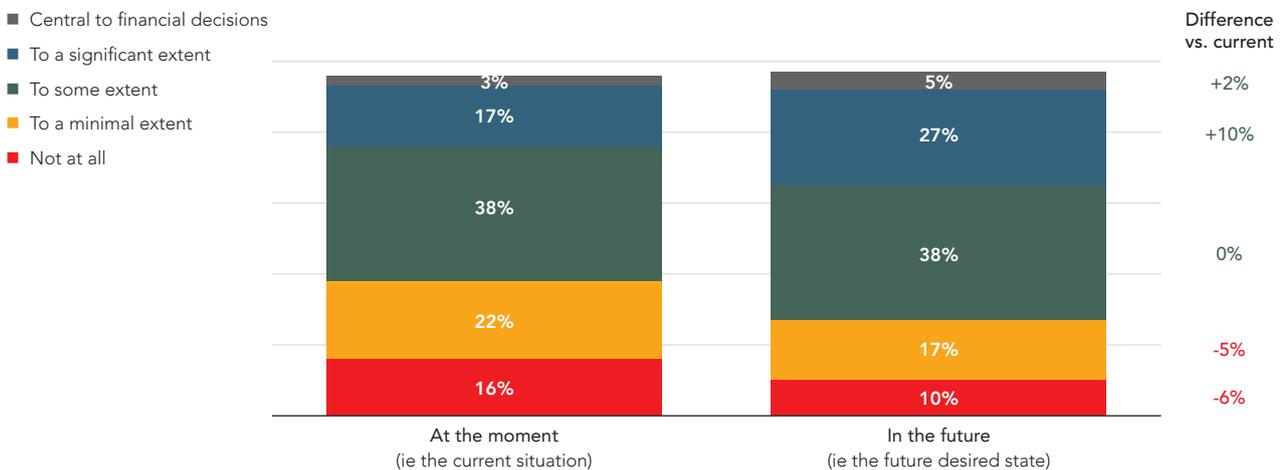
Client demand and expectations

At a client level, participants report that it is rare that sustainability comes up unprompted as a client request, though they are noticing a trend among clients of starting to ask about it increasingly frequently and recognise that sustainability can be a key way of attracting new clients. In practice, demands for sustainable products and services differ depending on geography. Those from emerging economies are typically seeing less demand for sustainable products and services, whereas there is growing demand for these from those in developed economies. At present, only 3% of SMPs see climate change as central for client related financial decisions, with 22% taking it into

'Our customers expect us to be sustainable, although I have to say they haven't asked us to prove it – we're training them up to ask!' **A UK-based participant in the online community discussion**

To find out how you can support your own company's and you clients businesses sustainable transformation, check out **Business transformation** Section of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.

FIGURE 5: The extent to which SMPs take climate change into account for client-related financial decisions



Tools to support sustainable transformation

Practical tools

The majority of the participants in the virtual discussion are not using any specific tools to support their activities in the sustainability field, beyond their typical accounting or finance analyses. But those who are more directly involved in sustainability in their day-to-day work make use of:

- reporting tools
- modelling tools
- checklists
- Carbon trackers

Part of the reason some businesses are not using tools now is that they haven't found the right ones and are not aware of what is out there. Some of them mentioned that the tools they were trying to use were too heavy and more tailored to larger businesses. None of the participants of the online discussion used carbon accounting tools.

The participants in the discussion state that at the current stage they are less interested in practical tools, and more interested in softer forms of support that enable them to kick-start conversations about sustainable transformation, and that will guide them through the whole journey to achieve this.

'We apply sustainability matters depending on the project we are working on; therefore, I'd say that we use more of a checklist approach, rather than anything else. As a tool I use Excel, Word and PowerPoint. At this moment there are many sustainability standards available to users. Therefore, I think it would be hard to make a standard application for non-financial/ sustainability reporting that would fit all purposes.' **A Russia-based participant in the online community discussion**

To find our more information about practical tools that you can use to support your organisation and clients businesses check out **Take Action: Climate and Environment and Ensuring Integrity** Sections of the ACCA and CA ANZ practical playbook **How SMEs can create a more sustainable world**.



CASE STUDY: The potential for knowledge sharing to boost profitability in Ghana



Francis E. Darku, Group Head of Finance E & S – Processing Cluster of JGC, Ghana

Francis works in the waste management industry, where sustainability is at the core of the business' decision making. His company's short- and long-term strategies take different aspects of sustainability (encompassing impact on society and good corporate governance) into consideration. Francis' role specifically involves evaluating sustainability proposals and how these will affect the business' financials.

He says that tools to help SMEs embed sustainability into their day-to-day thinking are limited. He references the Ghana Climate Change Finance Multi Stakeholder Engagement Strategy and an operations manual published by the Ministry of Finance advising SMEs how to access funding for carbon credits for their operations.

Nonetheless, he notes neither of these are widely known or often used within his field.

He believes that those involved in the SME finance function are not well enough equipped to be able to embed sustainability considerations effectively into their day-to-day role. He calls on experts in the field in Ghana and across the globe to educate and share their knowledge so as to help others.

'I do not think finance professionals in SMEs have the expertise to be able to advise on sustainability matters. Cooperation from experts from other sectors will be very helpful – we need help on how to report on it, train others in it and be able to propagate the benefits of sustainable transformation across the business'.

The opportunity for equipping finance professionals with the right tools to act now

Looking more specifically at tackling climate change, just over a quarter (26%) of respondents to our quantitative survey on climate change indicated that lack of professional skills impedes the finance function in being able to tackle climate change. Hence, providing the right kind of tools and support is key to engaging this less-confident group. Specifically, they are looking for:

- support from the outset of their sustainability journey; many do not know what tools and resources are available to them, how to access them, and what the impact of these tools will be on their business
- skill-sharing sessions and knowledge workshops so ‘experts’ can pass on their knowledge to other SMEs
- accessible checklists that detail exactly what is needed
- reporting tools that are in line with their specific country and governmental regulations
- resources that are tailored to their industry and role, rather than those producing generic content that may not be applicable to them.

‘The most efficient support to further develop the finance team’s capacity and knowledge of the sustainability agenda could be training, having access to the latest industry trends/articles, and knowledge-sharing sessions in the form of a workshop.’ **A Nigeria-based participant in the online community discussion**

Nonetheless, achieving sustainable transformation ultimately lies in collaboration. Those working in the SME finance function fail to see how they can make a difference and claim they are ill-equipped to start tackling sustainability issues. They will rely on experts and larger corporations to dedicate time and effort into educating SMEs and collaborating with them to enact change. Sustainable action should be collective, with professionals from different sectors coming together to develop optimal solutions. It is thought to be the role of governing and professional bodies (including ACCA) to facilitate these conversations and play a key role in bringing people together to enact change for a better future.

‘I think it is a time for evolution for finance professionals and they should be in the driving seat when it comes to sustainability [...] Advisory will be key as more awareness needs to be created to get more and more business on board. Government and authorities need to give grants and incentives such as tax waivers, interest free loans, etc. for businesses who will be at the forefront of the sustainability agenda.’ **A Kenya-based participant in the online community**

‘I think sustainability is becoming more important to financial professionals, but I think more training is required. Finance professionals need to be able to answer [the question] ‘what is sustainability?’, ‘how can their discipline support sustainability?’, and ‘what are the business benefits of doing so?’ Then they need to be able to step up and show leadership in it. Larger companies need to walk the talk – words and actions sometimes go in opposite directions, even for those companies who appear to be aligning their entire business strategy around sustainability.’

A PARTICIPANT IN THE ONLINE COMMUNITY



Conclusion and call to action

Participants in our online discussion are aware that sustainability issues will slowly become more and more prevalent in their day-to-day roles. Specifically thinking about climate change, SME finance professionals have a keen awareness that their role will encompass sustainability considerations in the future, with 6 in 10 of those from our quantitative survey expecting to be involved in supporting their organisation to implement sustainability measures over the next five years. SMEs care about sustainability issues and want to have more involvement with them in the future, however they need support from the governments, policymakers, large businesses, professional accountancy bodies in raising their awareness in sustainability, developing skills, access to green finance and clear simplified SME-friendly sustainability reporting standards.

Sustainability is an urgent, global project. The collective impact of billions of small organisations at local and organisational scale will make a huge difference. The ACCA and CA ANZ practical playbook ***How SMEs can create a more sustainable world*** suggests a call to action for accountants in SME and SMPs:

- improve your sustainability skills and understanding
- gather resources, start a conversation and connect more widely
- consider sustainability in every decision you make
- measure performance outside of the financial statement and encourage your clients to do so
- engage with other accounting and sustainability professionals, and
- share your insights and experience widely and often.

An aerial photograph of two kayakers on a deep blue body of water. The kayakers are positioned diagonally across the frame, one in the lower-left and one in the upper-right. They are both using black paddles. The water shows ripples and a wake behind the kayakers. A vertical red bar is on the left side of the text block.

SUSTAINABILITY IS AN URGENT, GLOBAL PROJECT. THE COLLECTIVE IMPACT OF BILLIONS OF SMALL ORGANISATIONS AT LOCAL AND ORGANISATIONAL SCALE WILL MAKE A HUGE DIFFERENCE.

Practical resources

Supporting finance professionals in SME and SMPs, we have developed a suite of practical material:

- A practical playbook ***How SMEs can create a more sustainable world*** co-branded with ACCA strategic partner Chartered Accountants Australia and New Zealand (CA ANZ) that details steps that SMEs and Small and Medium-sized practices (SMPs) can take to kick-start their sustainability journey, explains the practical benefits of doing so, provides information about practical tools.
- **ACCA Practice Connect hub** for small and medium sized practitioners and its **Growing sustainably** section, bringing together the most updated material on sustainability for SMPs.
- ACCA **Rethinking Sustainable business** – ACCA's main depository of material about sustainability.
- **Practical guides to natural capital management for professional accountants** pro-vides five guides for: leaders; performance managers, corporate reporters; and auditors. Each guide contains examples and links to further sources of detail, plus an overall checklist of the key techniques to better manage natural capital.
- **ACCA Certificates**
 - **ACCA certificate in sustainable finance**
 - **ACCA certificate in integrated reporting**

