



ACCA's 'Meet the Winners and Judges'
reporting workshop

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Introduction

ACCA, as part of its commitment to transparency and stakeholder feedback, decided to make the 2008 ACCA UK Awards for Sustainability Reporting ceremony a more interactive day. Two changes were subsequently made as a result of stakeholder comments.

- A question and answer session was added to the morning ceremony, which was considered a great success and could have continued for much longer than the allotted time!
- An afternoon workshop, giving delegates, judges and winners to participate in an interactive discussion and debate on reporting.

This document outlines the key points raised during this afternoon session and ACCA will incorporate these into focus points for 2009. It is structured around the breakout sessions that took place, discussing the recommendations made for 2008 by the Awards judges. An abridged version of each recommendation has been included in this document. For the full text, please refer to the Report of the Judges.

Forward-looking Reporting

“In the context of organisational reporting, sustainability reports should ideally be disclosing ‘future scenarios’ in terms of potential (external) sustainability trends and how these may impact on business development (be it future products, services, geographical locations, etc).

In explaining these strategies, a company would comment on the manner in which they have assessed and integrated current and possible future global social and environmental trends and any subsequent risks into their own planning. If there is a potential risk arising from a particular scenario, business models should be adapted to manage and mitigate this risk.

Conversely, if there is a potential opportunity, the model should be adapted to take full advantage of this – for example by moving into a new region or adapting product lines.”

There was a mixture of ‘for’ and ‘against’ points made for the ACCA recommendation, which are outlined below. This was considered perhaps one of the most challenging recommendations for reporters to implement.

FOR

- Forward-looking reporting may put organisations in a better position competitively.
- It may also help with target setting processes.
- It is a good process to be done internally, but not necessarily published externally.

AGAINST

- It is difficult to do accurately – for example in the telecommunications industry, no-one would have predicted twenty years ago that a large percentage of the population in the UK would own mobile phones.
- The average CEO post is three years – so very short term. This may be a disincentive to them to plan for scenarios.
- It may be negative in a commercial sense – giving away ideas for product innovation, etc.
- There are different time scales for different sectors – construction and building industry can look several years into future, retail only three or four years.

Financial Context

“The judges agreed that reporters should make clear the financial implications of their non-financial performance measurements, as sustainability is only effective if it has a financial context. Companies have, for many years, been communicating social and environmental quantitative KPIs – for example – energy use, waste production, recycling rates, staff diversity and training and development statistics.

However, there are very few that attempt to quantify and account for their sustainability data in a more financial sense, thus demonstrating a link between sustainability and its contribution to the financial success of the company. This is, in itself, a challenging area to report on.

Companies which are able to articulate and communicate this linkage will enhance the credibility accorded to sustainability by the investment community which will in turn validate their own sustainable business strategy.”

The main feedback points highlighted by participants were as follows.

- Good recommendation, but very difficult to do in practice and more guidance is needed.
- Investment appraisal techniques do not tend to work for sustainability projects.
- Difficult to define a boundary for reporting in this sense, as many impacts are in the supply chain.
- ‘Social Return on Investment’ is a methodology sometimes used and the New Economics Foundation’s Local Economic Multiplier¹ was also referred to, as well as the Accounting for Sustainability project in the original recommendation.
- BT, Aviva and BP were all mentioned as having used the Accounting for Sustainability methodology.

Material Issues and Performance

“It was noted that most reports do not assess and articulate how these particular issues have the potential to impact on their business operations, nor is there sufficient attention to how the organisation is addressing such challenges (or, where possible, turning them into business opportunities) and monitoring the relevant performance KPIs. Disclosures should include:

- a clear description of each material issue both within the broader sustainability context and how and why it could impact on the business and its stakeholders.
 - an explanation of the materiality process undertaken to select these issues
 - the KPIs that have been developed and implemented in relation to each issue
 - performance trends in each KPI and an explanation of both positive and negative performance
 - any SMART targets set to drive improvements and performance against past targets.”
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The main feedback points highlighted by participants were as follows.

- The method used to identify material issues should always be stakeholder inclusive.
- Using stakeholder feedback increases the credibility of the process.
- Sector benchmarks are also a good way of gauging whether the right issues are being considered.
- Assessing and reporting on economic impacts is a very challenging area for organisations – and it was stressed that economic is not the same as financial reporting.
- The ramifications and interdependencies of economic impacts need to be fully understood and these can be both positive and negative.

Response to Assurance Statements

“Although all short listed companies had assurance statements, very few responded to the suggestions made by the assurance provider in the body of their sustainability report. As assurance is a two way process, it would help readers if there was a section following the statement from senior representatives on the organisational response. This may be outlining a commitment to improvements relating to recommendations, or defending a decision not to include a particular issue/KPI which the assurance statement identified as being material.

It would also help readers if there was an overview of the assurance process itself from the organisation’s own perspective – outlining why they decided to have assurance, how it’s helped drive improvements, and any plans for the future (for example, to expand the assurance scope to cover more regions or sites, or move to a ‘reasonable’ assurance level as opposed to ‘limited’.)”

The main feedback points highlighted by participants were as follows.

- All organisations should be responding to assurance statements in their reports, in order to inform stakeholders and readers of management thinking.
- Potential obstacle of this may be timing (delay release of report) but this was downplayed by an assurance provider in the session.
- It was also agreed that assurance providers should definitely be including recommendations in their statements.
- A discussion was also had over the completeness of assurance engagements – scopes vary enormously and invariably depends on the budget available, rather than selecting the methodology that is most appropriate.
- Other methods of assuring information in the report are also an option – stakeholder panels, for example – and may be more useful to the reader. Assurance statements and the associated processes are probably more of use to the organisation than external stakeholders.
- It was suggested that the results of any internal audit should be incorporated into the assurance engagement and resulting statement.
- Any information that is regulated in a report – for example in the utilities sector – should not be included in an assurance engagement as it should already have been externally audited.

Spheres of Influence

“Reports should ideally cover ‘all entities that generate significant sustainability impacts and/or all entities over which the reporting organisation exercises control or significant influence with regard to financial and operating policies and practices’ (G3 Guidelines). Judges feel that as well as including performance information on these entities, there should also be commentary on the level of influence the reporting organisation has on them in terms of changing policy/procedure, monitoring performance, setting targets and encouraging positive change.

A second element to this recommendation is lobbying Governments on key public-policy issues. Organisations should be transparently disclosing which Governments they have interacted with and the issues that were discussed. Examples of topics discussed could be climate change policy, amendments to labour laws, implementation of directives and regulation and HIV/AIDS. Furthermore, the outcomes of any discussions should also be documented, giving readers an idea of how influential the organisation was in making positive policy changes.”

The main feedback points highlighted by participants were as follows.

- This recommendation was extremely challenging for companies to assess and report on.
- There are many different ‘spheres’ to consider – geographical, product, upstream and downstream, etc.
- Organisations need to fully understand what the key impacts are where they are derived – this will then help to define the ‘spheres of influence’ of an organisation.
- Government lobbying is an area which organisations should definitely be reporting on, to show what policy issues they are lobbying for or against and what the outcomes were.

Other Issues

As well as the discussions about the judges' individual recommendations, there were also a number of other points that arose from the session. These are summarised below.

- Organisational resources and budgets for reporting is a huge constraint – especially for SMEs – and this is likely to increase after this year's economic crisis.
- In what format should charities be reporting? In the Trustees Report? And should this be regulated or would that add even more onto an already regulation-heavy agenda?
- In terms of integrated reporting, the sustainability department needs to be financially literate, as well as the finance department becoming aware and knowledgeable about sustainability.
- Does producing a high quality sustainability report automatically mean that an organisation is actually operating responsibly? This is an issue for SMEs when deciding where to devote resources.
- Who actually reads assurance statements? Are they really beneficial to external stakeholders, or would another model of assessment be preferable?
- It's essential that sustainability is incorporated into all areas of the business, from board level down to operational level. Robust governance structures are also important in ensuring that sustainability related performance is managed properly.
- The influx of private equity into business means there is an increased risk of sustainability 'falling off the agenda'.
- Will the opinions and focus areas of analysts and fund managers be changing over the next few months, in response to the credit crunch? Will sustainability focus be increased or decreased?

About ACCA

ACCA is the global body for professional accountants, supporting 122,000 members and 325,000 students throughout their careers, and providing services through a network of 80 offices and centres.

We aim to offer the first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

ACCA NATIONAL AWARDS

The combination of ACCA's work in improving the accountability and transparency of business and the success of the UK Awards in communicating these values to organisations has led a number of national ACCA offices to set up award schemes of their own. ACCA is now involved in reporting awards in more than 20 countries throughout Europe, Africa, North America and the Asia-Pacific region. ACCA award schemes are now established in Sri Lanka, Pakistan (in partnership with WWF), Malaysia, Singapore, Hong Kong, Australia and New Zealand, South Africa, and North America (in partnership with Ceres).

Launching award schemes in a number of countries around the world has helped raise the profile of corporate disclosure issues within those countries and among their national organisations. The ACCA awards serve to encourage non-reporters to publish information on their impacts and, ultimately, to help underline the business case for sustainable practices and development.

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