

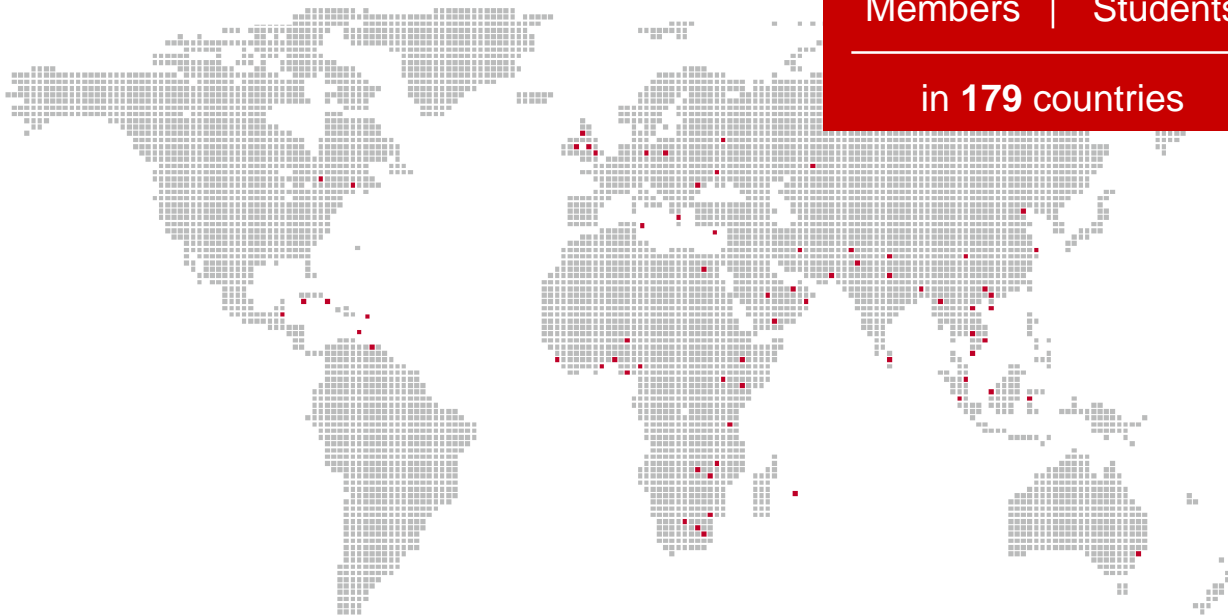
Social and environmental value creation

Filiz Demiröz,
Head of ACCA Turkey & New
Markets

We're the world's most forward thinking accountancy body.

We believe that accountancy is vital for economies to grow and prosper – which is why we work all over the world to build the profession and make society fairer and more transparent.

We work across the world



219,000
Members

527,000
Students

in **179** countries

110 offices
and centres
in **52**
countries

More than
7,571
approved
employers

328
Approved
learning
provider

1,901
exemption-
accredited
programmes
from **908**
institutions

453
strategic
partnerships

Think Ahead



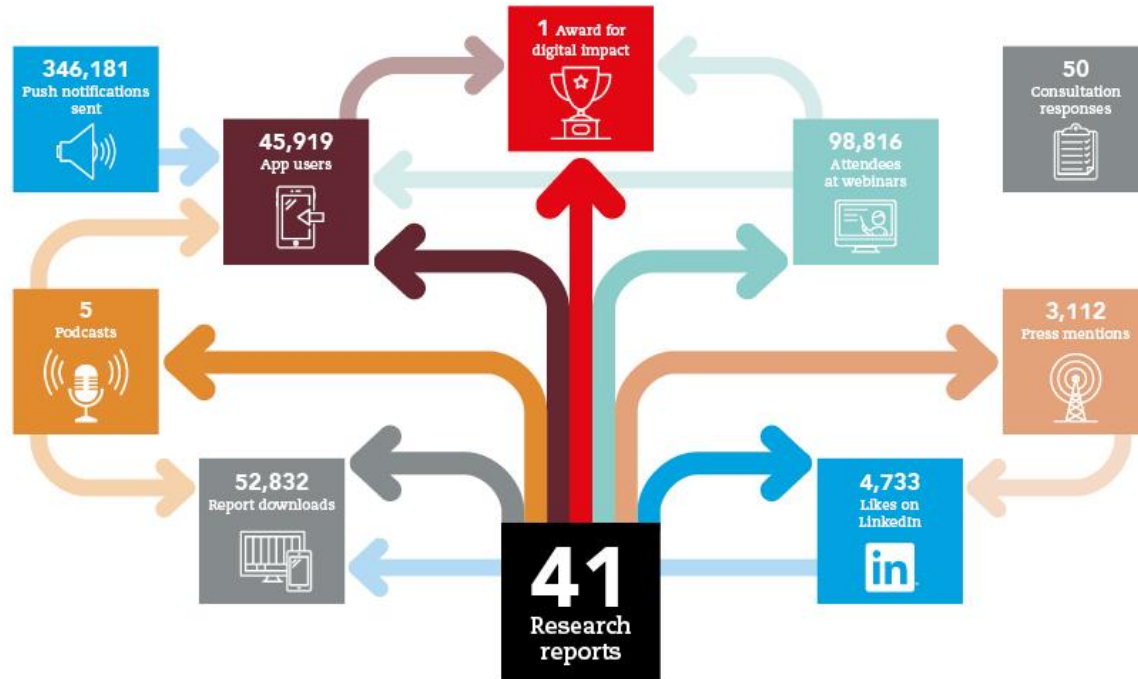
ACCA Professional Insights

Shaping the profession



Creating a global impact

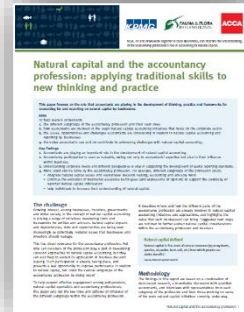
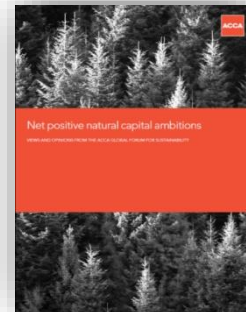
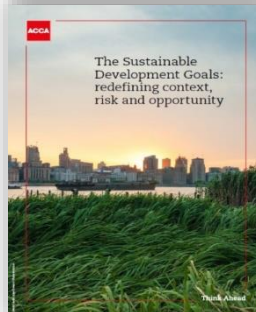
ACCA professional insights 2017-18





Free ACCA Insights Application





Social and Environmental Value Creation



Stathis Edward Gould
@stathisgould



Kicking off #ClimateWeek at @IFAC talking about the critical need for better climate risk information to enable action @DatamaranAI @wbcsd @DeloitteAcctg @salesforce @FT #ClimateWeekNYC



7 2:35 PM - Sep 23, 2019

See Stathis Edward Gould's other Tweets

Letter + Add to myP

Accountants' lead role in sustainable business

From Jimmy Greer, The Association of Chartered Certified Accountants (ACCA)

5 HOURS AGO



Your "How to build a more responsible capitalism" (October 14) on encouraging chief executives and business owners to do the right thing is timely. The rising demand for businesses to disclose their positive and negative environmental and social impacts is driving change in corporate behaviour, and finance teams must be at the leading edge of this evolution.

It is no secret that better-managed business are ones that, at a minimum, are decoupled from environmental degradation and recouped to societal benefit. So why is it so difficult? Making this real means that it must be specifically articulated in business models and governance structures – through, for example, resource allocation and remuneration policies targeted at environmental and social performance. In this way businesses' commitment and activity systematically flows out across supply and value chains, is

IFAC AND ACCA PRESENTS

CREATING VALUE IN A CLIMATE EMERGENCY

SEPT 23, 2019 – IFAC, 529 FIFTH AVE,
5TH FLOOR, NEW YORK, NY 10017



PART OF THE
**CLIMATE FINANCE, INVESTMENT
& CARBON PRICING**
CLIMATE WEEK NYC PROGRAM

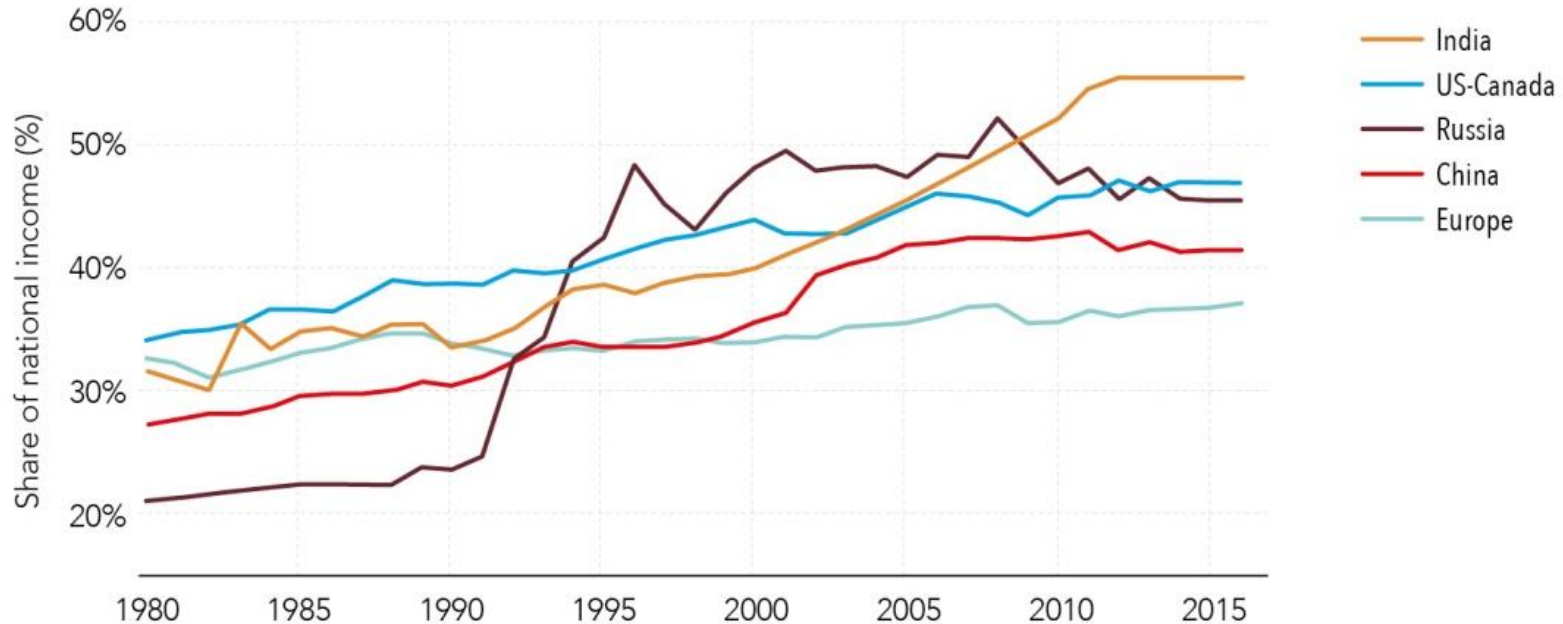
**CLIMATE
WEEK
NYC**
BY THE 'CLIMATE GROUP'

1. The social and environmental problem with modern economies
2. What is required by business?
3. The demand from investors for ESG disclosures

4. What does big data tell us about big issues?
5. From big issues to concrete actions
- five approaches
6. Conclusions - four steps towards for a better future.

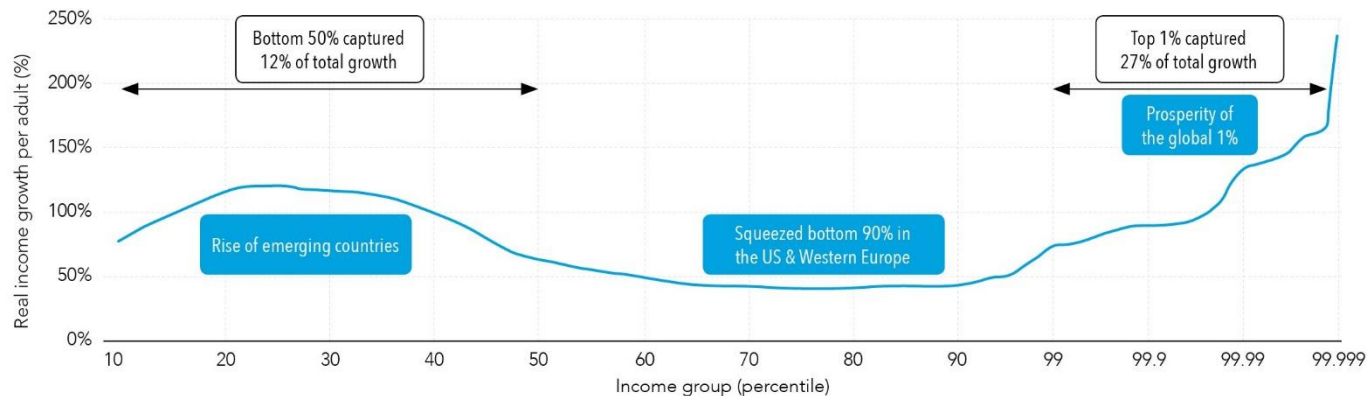
Social problems with modern economies: unequal societies

Top 10% share of national income growth 1980-2016



Social problems with modern economies: unequal societies

Total income growth by percentile across all world regions, 1980-2016

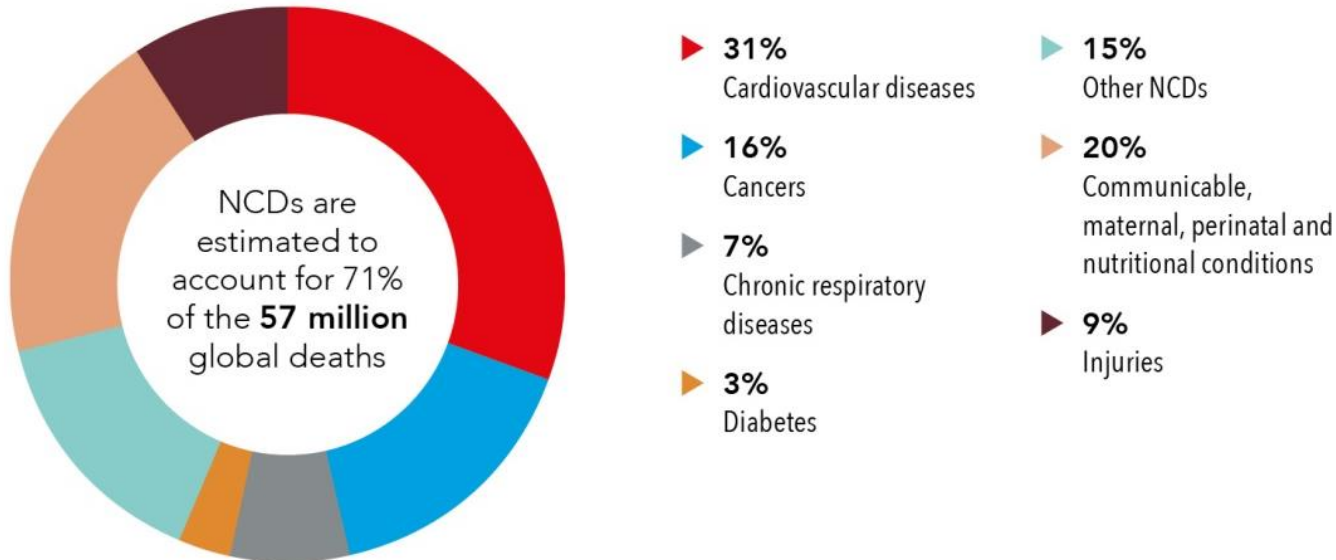


Source: WID.world (2017). See wir2018.wid.world/methodology.html for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the costs of living between countries. Values are net inflation.

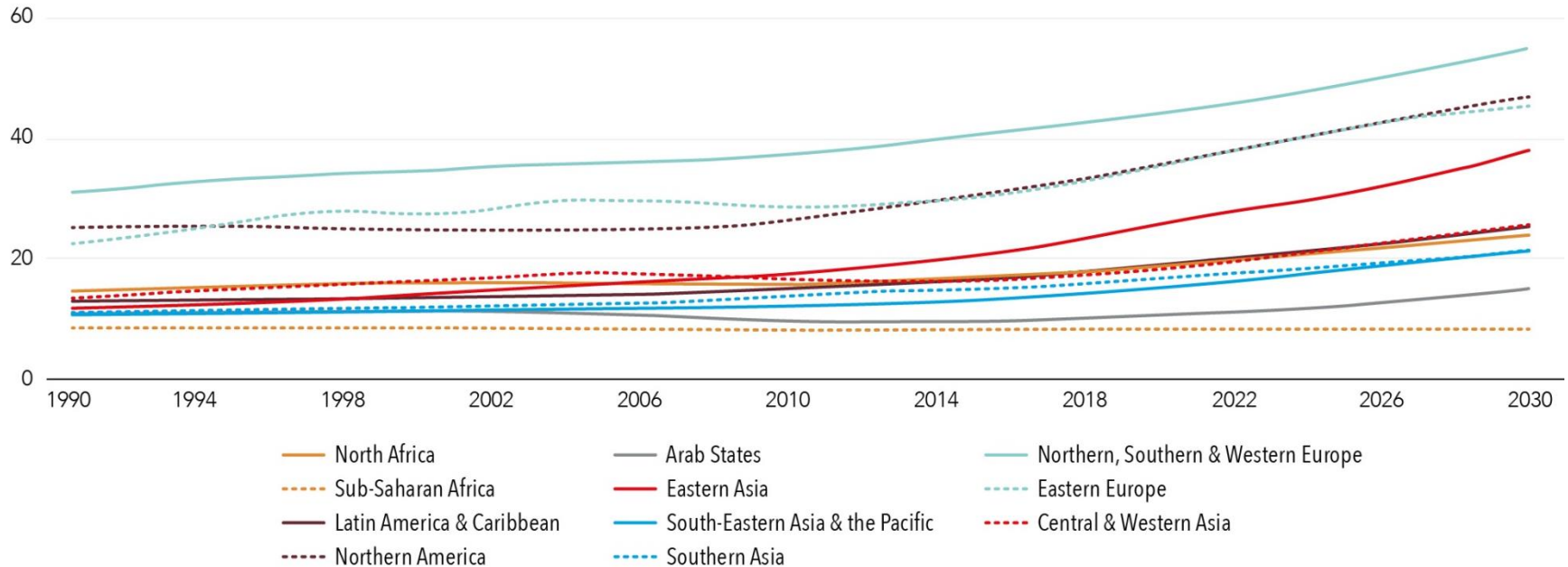
Social problems with modern economies: unhealthy societies

Global mortality (% of all deaths), all ages

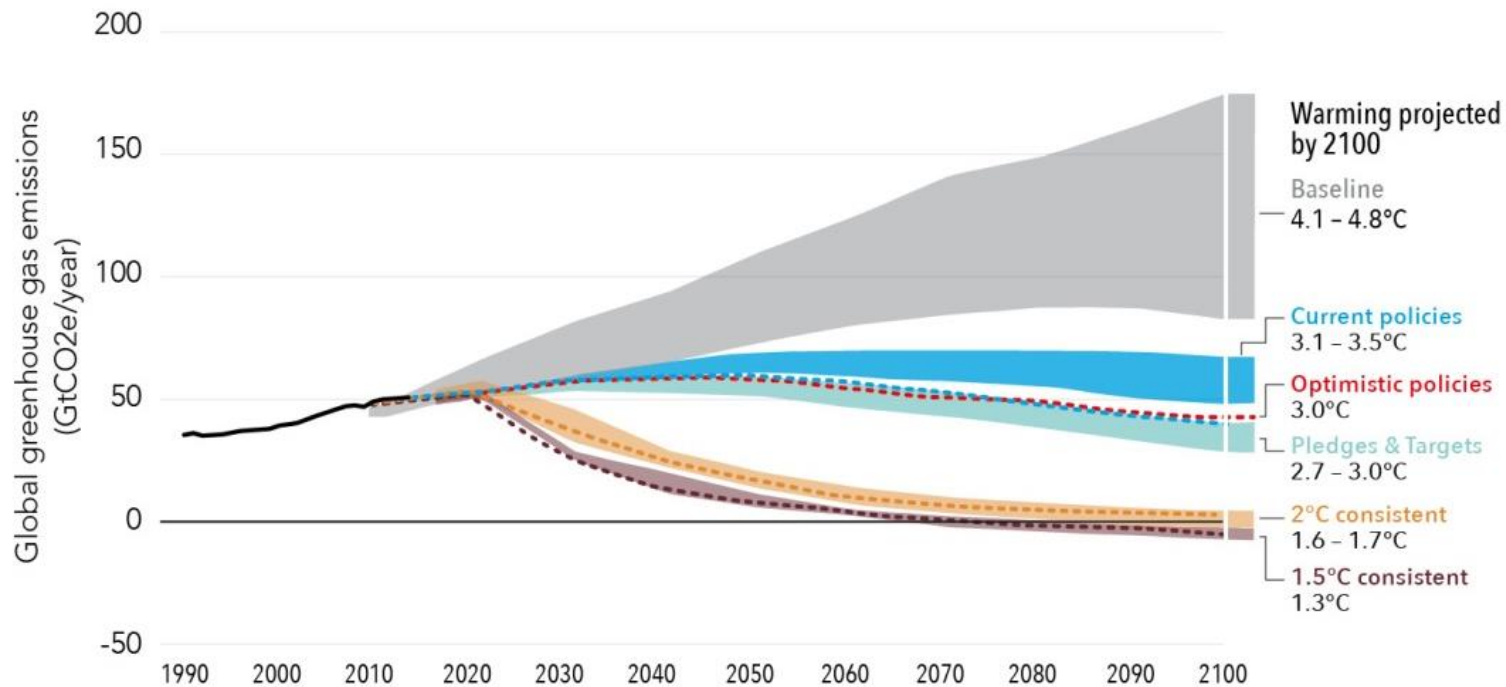


Social problems with modern economies: ageing societies

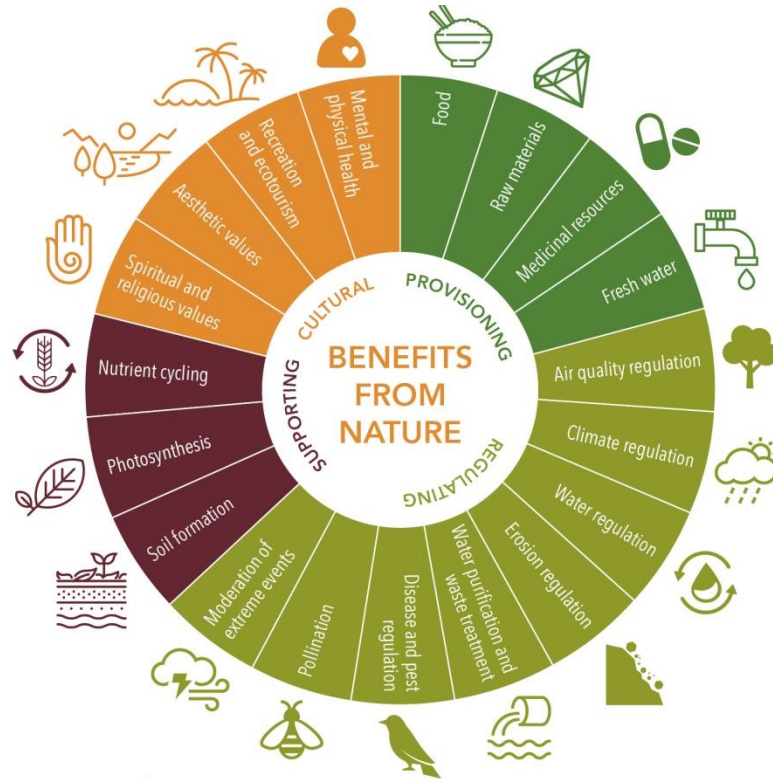
Old age economic dependency ratio (1990-2030) (%)



Environmental problems with modern economies: rising temperatures



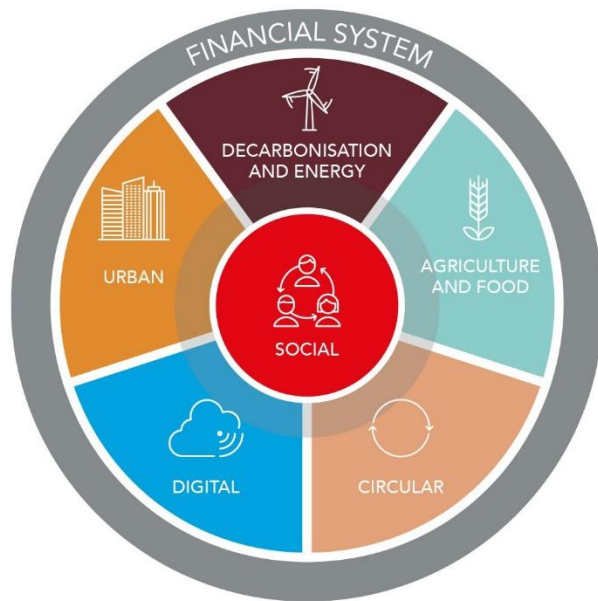
Environmental problems with modern economies: degradation, pollution and extinction



What is required by business: the Sustainable Development Goals



What is required by business: the Sustainable Development Goals



1. Social transformation: Achieve universal human development by respecting human rights, promoting equality and empowering people to pursue the opportunities and choices they value.
2. Agriculture and food system transformation: Produce healthy and nutritious food to feed a growing world population, while staying within planetary boundaries, and offer farmers, fishers and their families a decent standard of living.
3. Decarbonisation and energy transformation: Provide universal access to modern energy services while significantly reducing the world's dependency on carbon-based energy.
4. Circular transformation: Decouple consumption and production from natural resource use and design out waste and pollution.
5. Digital transformation: Harness the potential and benefits of digital technologies for all while managing risks, including safeguarding against undesirable effects.
6. Urban transformation: Create sustainable, inclusive and connected cities that are safe, resilient and clean.
7. Financial system transformation: Reorient the flow of resources and exercise good stewardship to accelerate the economy's transition towards long-term sustainable development.

Source: WBA (2019) <https://www.worldbenchmarkingalliance.org/wp-content/uploads/2019/07/WBA-sevensystemtransformations-report.pdf>

What is required by business: 10 elements of value creation

TEN THEMES THAT INFORM THE MEANING OF VALUE CREATION

Value creation takes place within a context

Financial value is relevant, but not sufficient, for assessing value creation

Value is created from tangible and intangible assets

Value is created from private and public/common resources

Value is created for an organization and for others

Value is created from the connectivity between a wide range of factors

Value creation manifests itself in outcomes

Innovation is central to value creation

Values play a role in how and what type of value is created

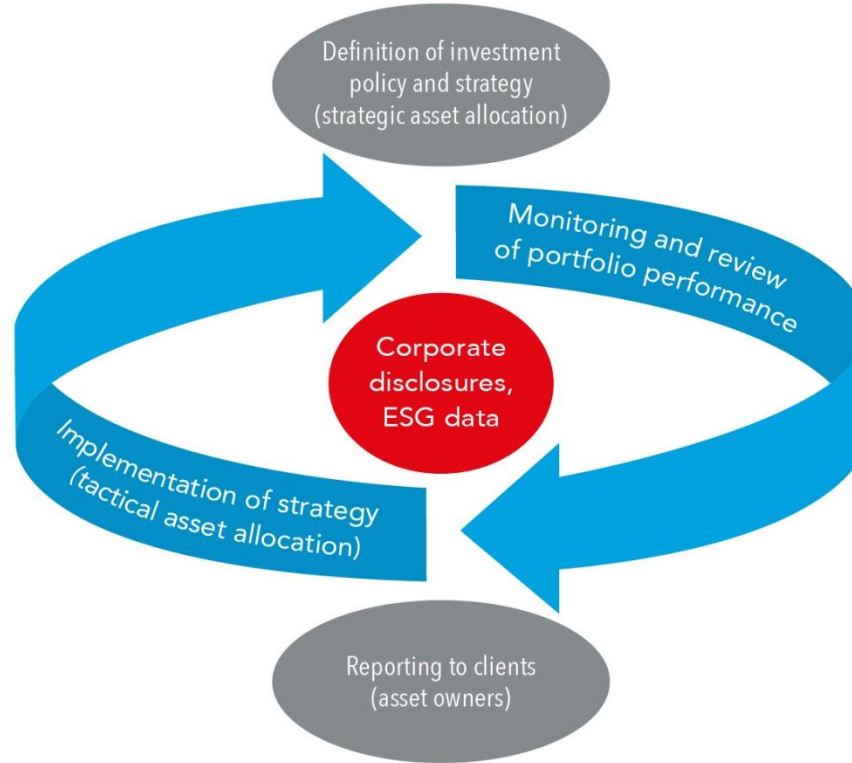
Measures of value creation are evolving

Demand for ESG investments reflects several factors

- Greater interest among some investors
- Investor preferences for ESG considerations vary
- Push- factors for investment managers:
 - Regulation that is manifested in corporate reporting standards, obligations
 - Central banks focus on the financial stability implications

- Pull- factors for investment managers:
 - more widely available and better quality ESG data, metrics and analytics,
 - Emerging academic literature on ESG issues in investment management

The demand from investors for ESG disclosures



Sustainable Investment Themes and Associated Sustainability Challenges

SUSTAINABLE THEME	SUSTAINABILITY CHALLENGE TO BE ADDRESSED
Water	Global water scarcity and quality
Security	Personal safety and security
Nutrition	Reducing global food production imbalance
Healthy living	Improved health
Forestry	Sustainable forestry management
Education	Access to information and educational opportunities
Climate change	Mitigate and adapt to climate change
Clean energy	Accelerating energy transition to a low-carbon economy
Biotech	Treatment and cure of rare diseases
Real estate	Building energy-efficient housing

Source: Swiss Sustainable Finance (2017)

What does big data tell us about big issues?

We looked at :

- ✓ Climate change and air quality,
- ✓ natural capital,
- ✓ waste management,
- ✓ product responsibility,
- ✓ fair and inclusive workplaces,
- ✓ human rights

Three key findings:

1. Low disclosures across all issues, regions and sectors
2. Asia is catching with Europe
3. Legislation matters



Average percentage of key ESG issues mentions Oceania, Asia, Africa

			REGION (reporting) / INDUSTRY (reporting)								
			Oceania			Asia			Africa		
GROUP	ISSUE	TOPIC	Consumer Goods & Services	Industrials	Financial Services	Oil and Gas	Consumer Goods & Services	Industrials	Financial Services	Consumer Goods & Services	Financial Services
Environmental	Waste management	Recycling, waste management & reduction	61%	62%	46%	70%	67%	64%	62%	78%	50%
		Non-hazardous waste	57%	57%	33%	68%	53%	55%	39%	51%	37%
		Hazardous waste	6%	12%	16%	44%	23%	24%	13%	11%	13%
	Climate change & air quality	Greenhouse gases	71%	74%	52%	77%	62%	65%	54%	83%	67%
		Climate change	40%	55%	51%	68%	55%	60%	48%	71%	60%
		Air emissions	12%	34%	18%	81%	45%	53%	32%	33%	22%
		Eco-efficient transportation	4%	34%	13%	25%	27%	31%	14%	14%	7%
		Emission trading	8%	18%	21%	27%	9%	13%	10%	29%	19%
	Water	Water recycling, efficiencies & remediation	57%	58%	37%	75%	60%	59%	49%	84%	55%
		Water resources	36%	56%	33%	74%	49%	47%	40%	71%	50%
		Fisheries	8%	10%	3%	33%	17%	16%	18%	25%	12%
	Natural capital	Materials management	48%	49%	36%	64%	62%	59%	53%	58%	48%
		Biodiversity	34%	48%	21%	64%	46%	47%	33%	41%	34%
		Land	22%	48%	17%	74%	38%	43%	30%	22%	28%
		Forests	22%	28%	28%	43%	41%	37%	34%	35%	19%
		Animal welfare	14%	4%	4%	2%	6%	1%	1%	8%	2%
	Pollution	Water pollution	23%	31%	19%	83%	52%	60%	33%	50%	26%
		Harmful substances	19%	26%	7%	47%	31%	37%	10%	12%	8%
		Noise pollution	3%	45%	6%	36%	25%	40%	13%	9%	6%
		Spills	15%	31%	10%	64%	23%	29%	14%	14%	11%

Avg. % Mentions

0%

20%

40%

60%

80%

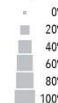
100%

Difference since 2014

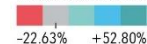
-22.63%

+52.80%

Avg. % Mentions



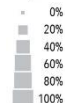
Difference since 2014



Average percentage of key ESG issues mentions– Oceania, Asia, Africa

Social	Fair and inclusive workplace	Workforce diversity & inclusion	91%	93%	80%	75%	71%	69%	68%	88%	86%
		Fair remuneration	51%	38%	41%	33%	17%	16%	20%	44%	25%
	Responsible supply chains	Supply chain management	38%	42%	24%	55%	53%	46%	28%	69%	21%
		Responsible procurement	35%	28%	23%	51%	40%	36%	27%	59%	35%
		Supply chain engagement	36%	21%	17%	36%	32%	25%	18%	46%	14%
	Product responsibility	Product & service safety	37%	48%	23%	58%	66%	61%	35%	70%	26%
		Product stewardship	35%	17%	18%	54%	52%	45%	39%	45%	28%
		Nutrition	33%	11%	21%	40%	48%	29%	27%	61%	47%
		Product labelling	9%	0%	4%	28%	26%	13%	13%	32%	4%
	Human rights	Human rights	37%	43%	28%	73%	56%	55%	48%	64%	49%
		Forced labour	16%	12%	12%	54%	38%	38%	29%	24%	12%
		Children rights	19%	12%	4%	57%	38%	38%	29%	24%	17%
		Human trafficking	1%	3%	7%	1%	6%	4%	2%	2%	4%
		Conflict minerals	0%	0%	0%	1%	9%	8%	0%	0%	0%
		Sexual exploitation	2%	0%	0%	0%	0%	0%	1%	2%	1%

Avg. % Mentions



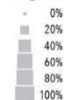
Difference since 2014



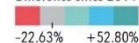
Average percentage of key ESG issues– Europe, Americas

GROUP	ISSUE	TOPIC	REGION (reporting) / INDUSTRY (reporting)							
			Europe				Americas			
			Oil and Gas	Consumer Goods & Services	Industrials	Financial Services	Oil and Gas	Consumer Goods & Services	Industrials	Financial Services
Environmental	Waste management	Recycling, waste management & reduction	73%	75%	74%	60%	49%	50%	53%	32%
		Non-hazardous waste	69%	64%	65%	46%	62%	50%	49%	31%
		Hazardous waste	48%	31%	39%	19%	48%	24%	40%	11%
	Climate change & air quality	Greenhouse gases	88%	82%	88%	74%	87%	50%	57%	35%
		Climate change	79%	65%	71%	62%	82%	52%	49%	41%
		Air emissions	79%	50%	64%	38%	73%	32%	45%	22%
		Eco-efficient transportation	26%	31%	45%	23%	8%	17%	23%	10%
		Emission trading	44%	15%	21%	16%	53%	7%	14%	7%
	Water	Water recycling, efficiencies & remediation	73%	65%	69%	52%	56%	46%	43%	28%
		Water resources	72%	47%	52%	35%	70%	44%	45%	28%
		Fisheries	25%	14%	8%	10%	12%	8%	3%	3%
	Natural capital	Materials management	65%	72%	75%	60%	68%	59%	59%	35%
		Biodiversity	67%	52%	43%	39%	59%	33%	26%	17%
		Land	66%	42%	48%	31%	67%	33%	39%	24%
		Forests	39%	50%	32%	38%	21%	30%	24%	19%
		Animal welfare	3%	14%	2%	3%	0%	10%	1%	0%
	Pollution	Water pollution	75%	47%	56%	27%	70%	38%	45%	20%
		Harmful substances	55%	31%	46%	11%	72%	36%	57%	34%
		Noise pollution	35%	29%	55%	15%	16%	11%	25%	5%
		Spills	84%	24%	29%	15%	82%	23%	35%	17%

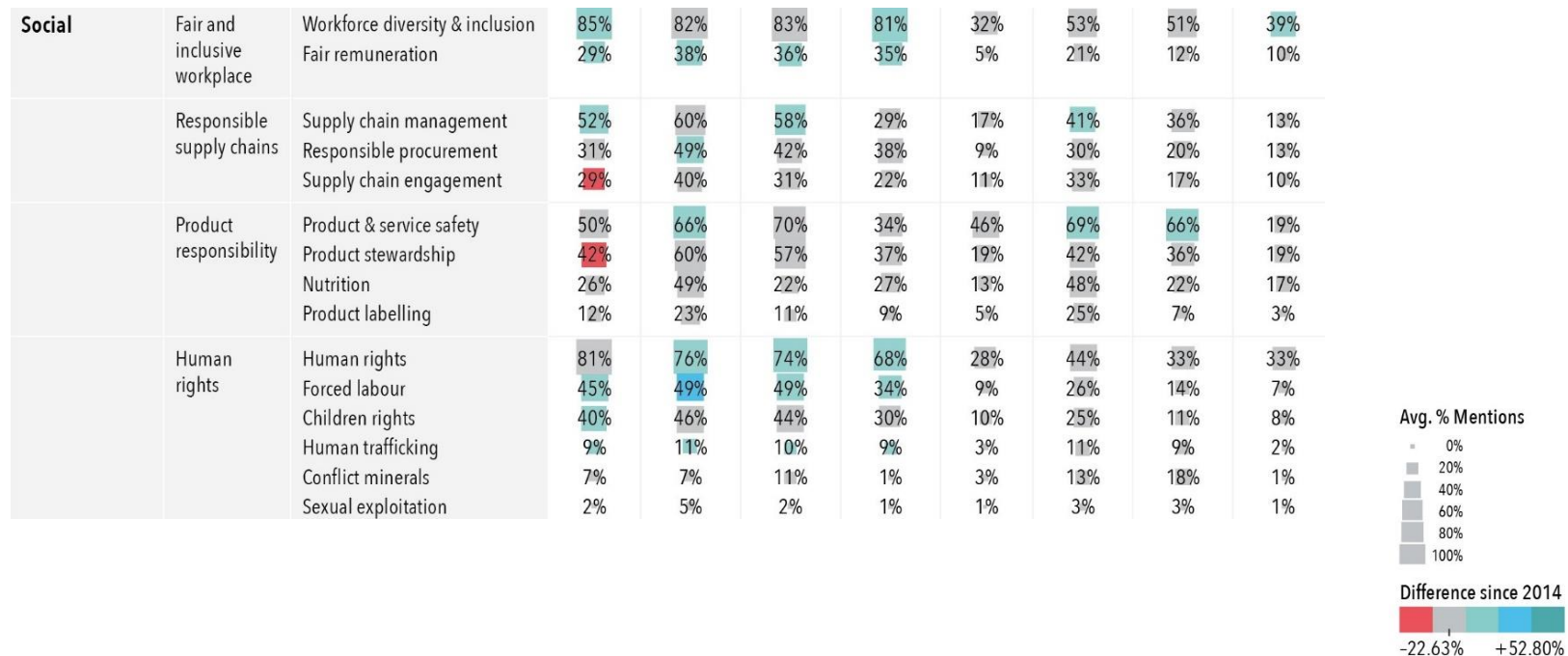
Avg. % Mentions



Difference since 2014

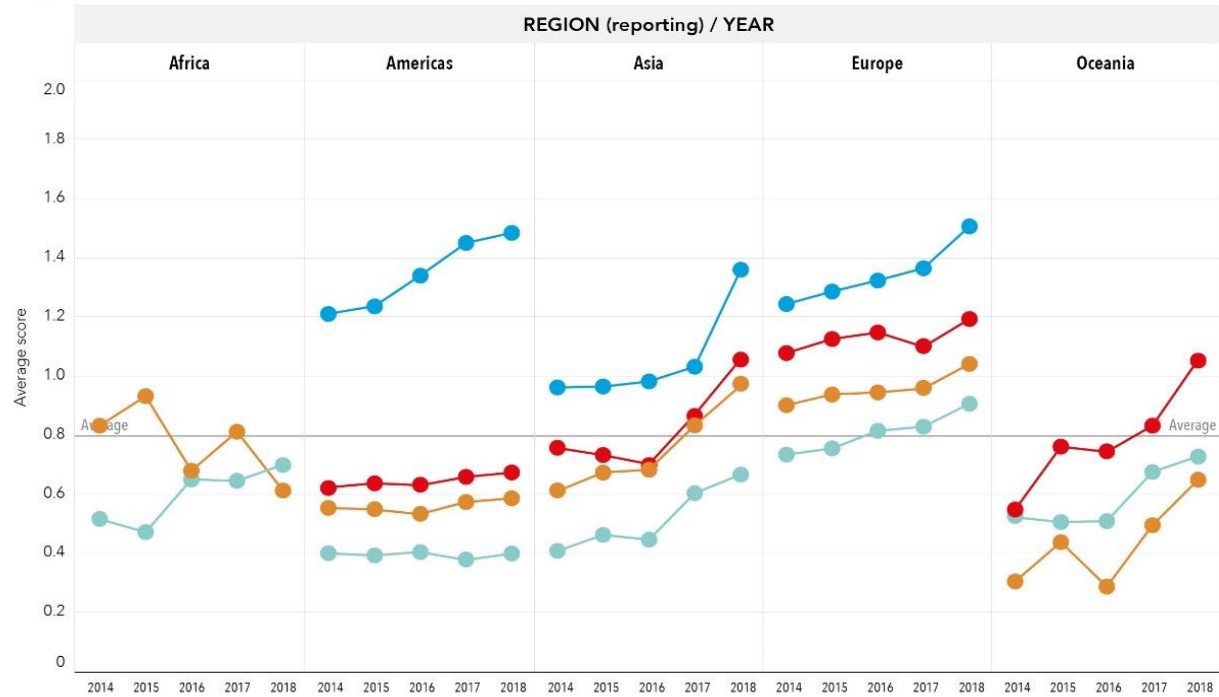


Average percentage of key ESG issues– Europe, Americas



Disclosure data: climate change and air quality

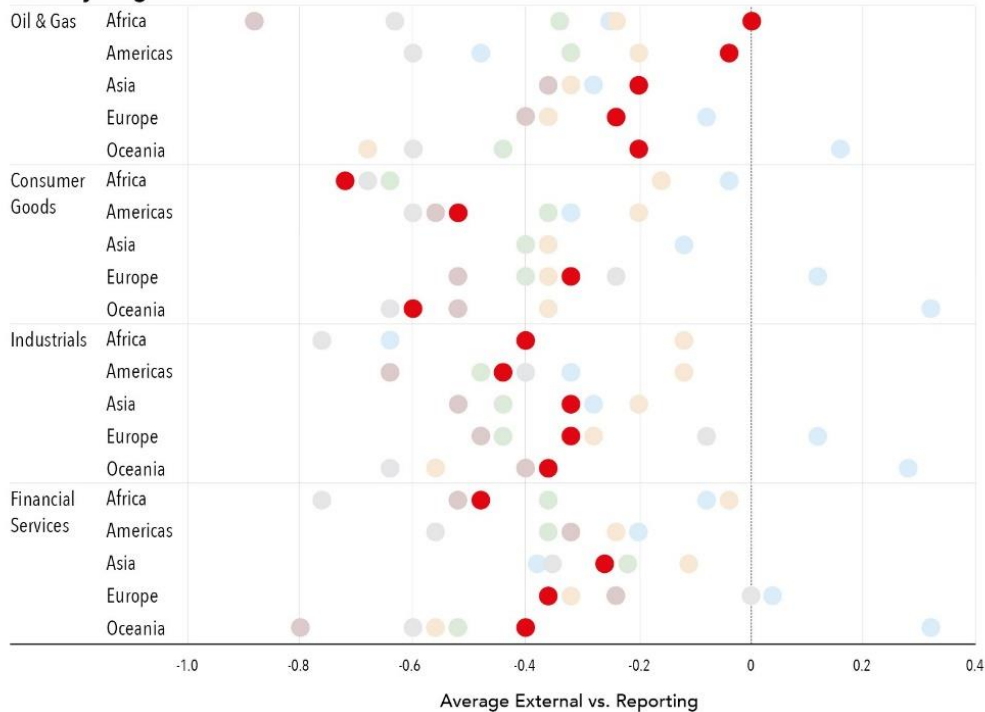
Emphasis score



Disclosure data: climate change and air quality

Regulations + voluntary initiatives + news vs. company reporting in 2019

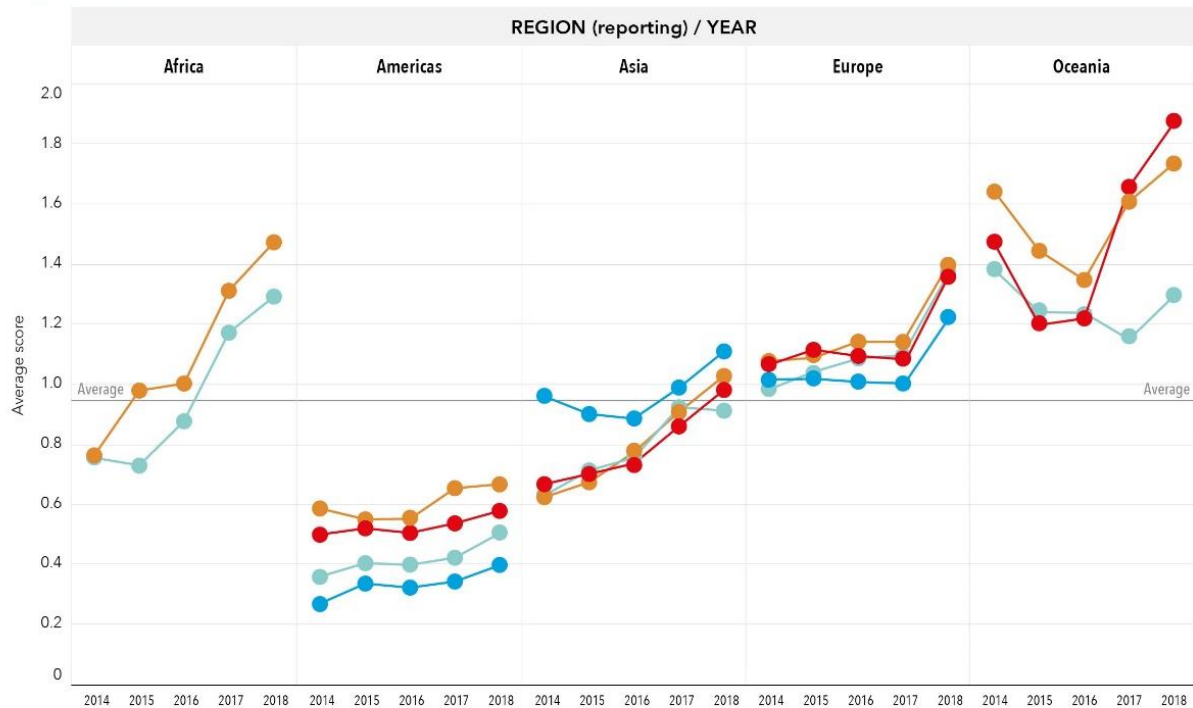
Industry Region



Think Ahead

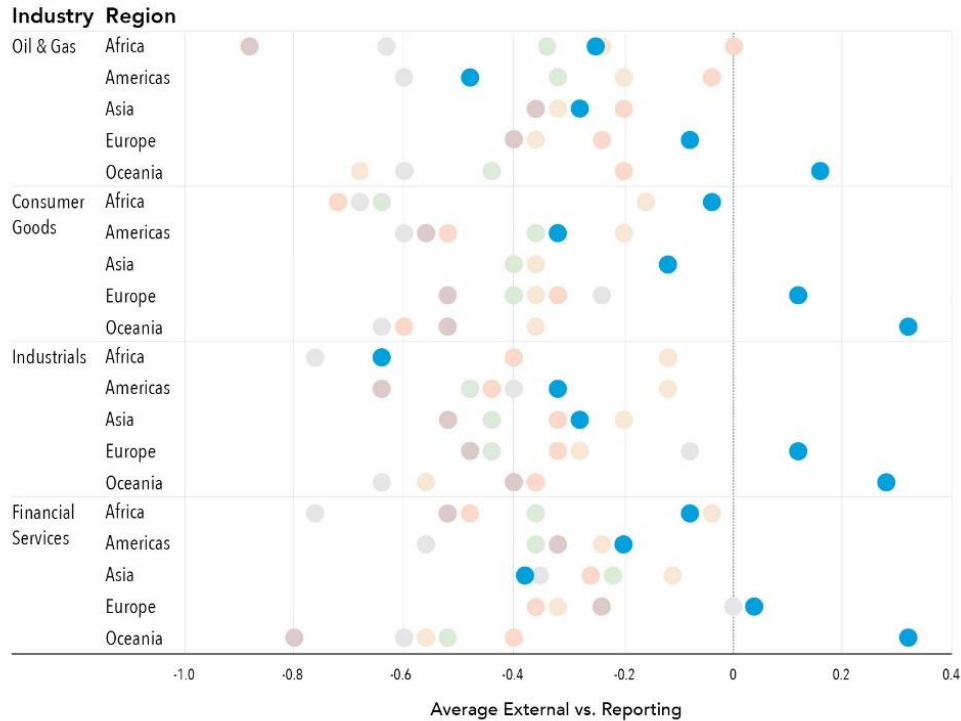
Disclosure data: fair and inclusive workplace

Emphasis score



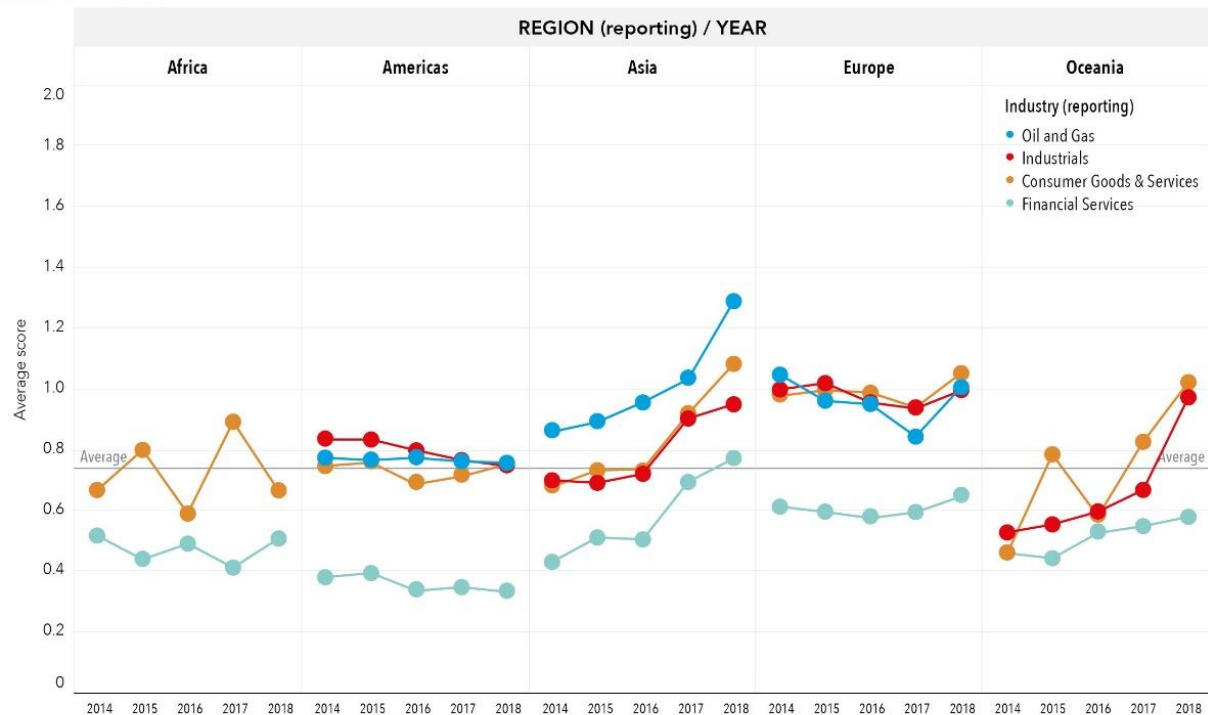
Disclosure data: fair and inclusive workplace

Regulations + voluntary initiatives + news vs. company reporting in 2019



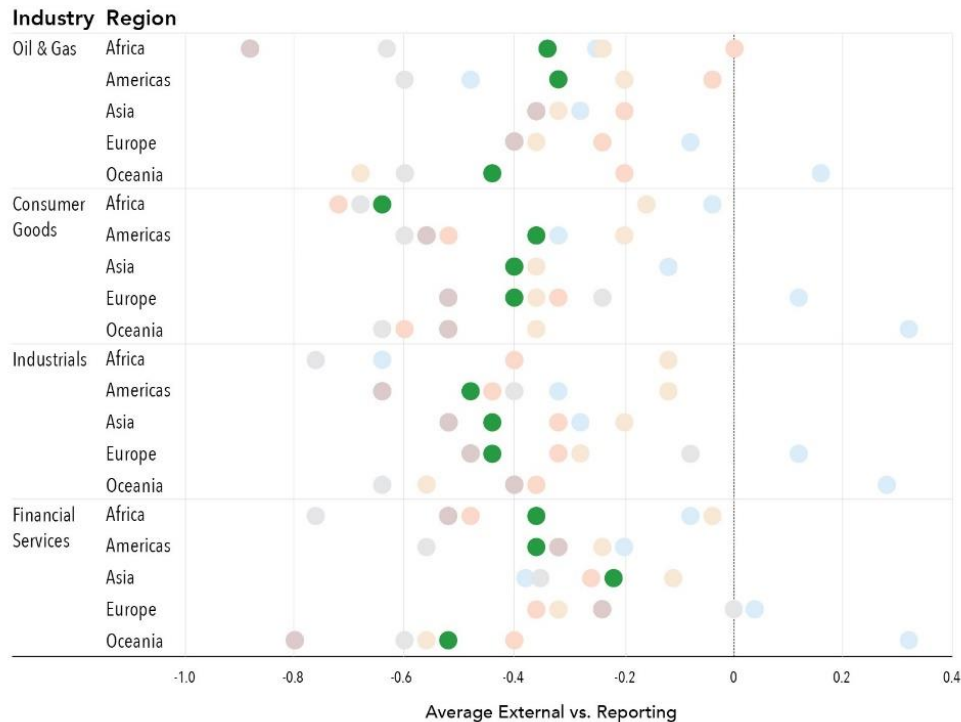
Disclosure data: waste management

Emphasis score



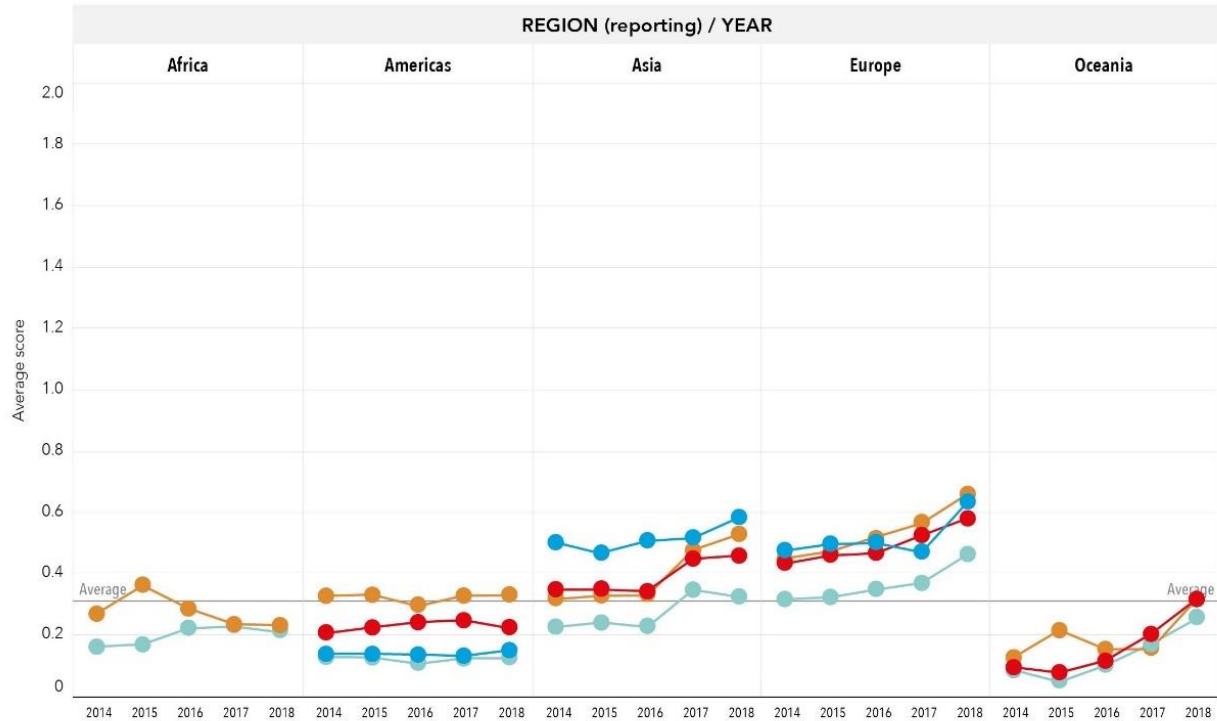
Disclosure data: waste management

Regulations + voluntary initiatives + news vs. company reporting in 2019



Disclosure data: human rights

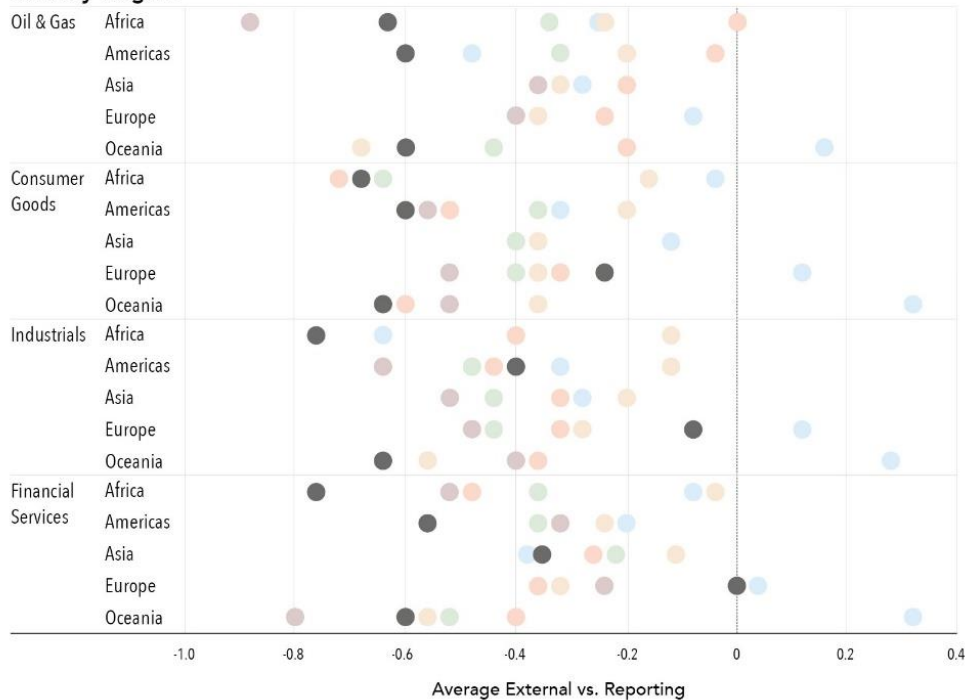
Emphasis score



Disclosure data: human rights

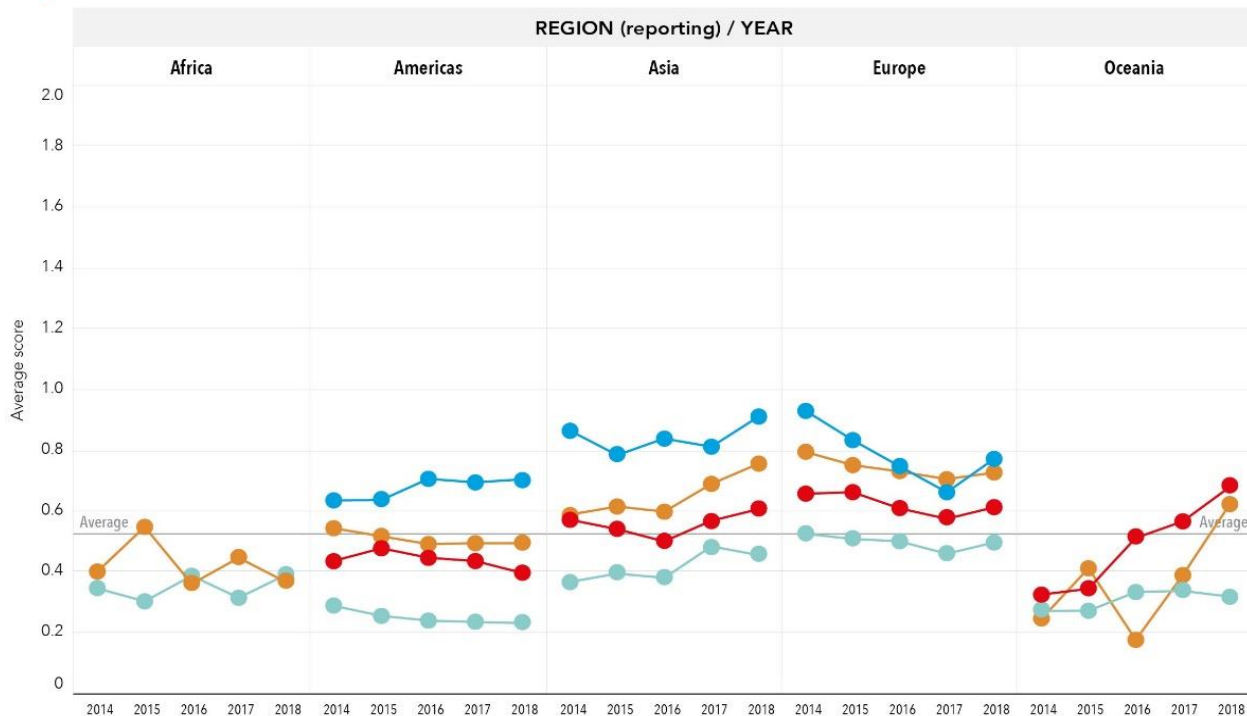
Regulations + voluntary initiatives + news vs. company reporting in 2019

Industry Region



Disclosure data: natural capital

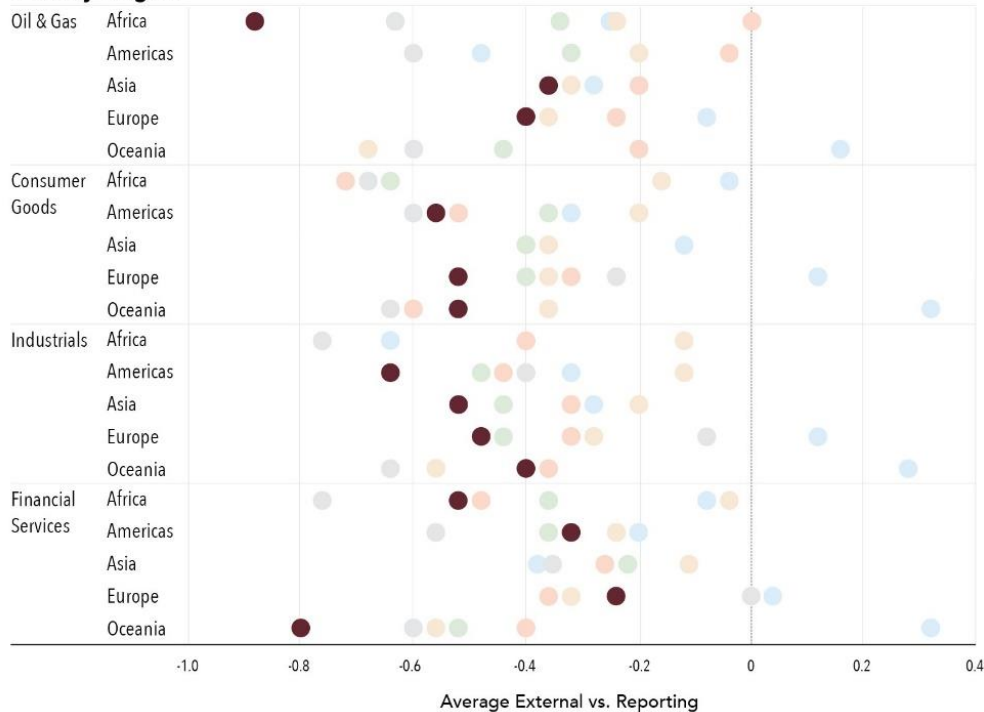
Emphasis score



Disclosure data: natural capital

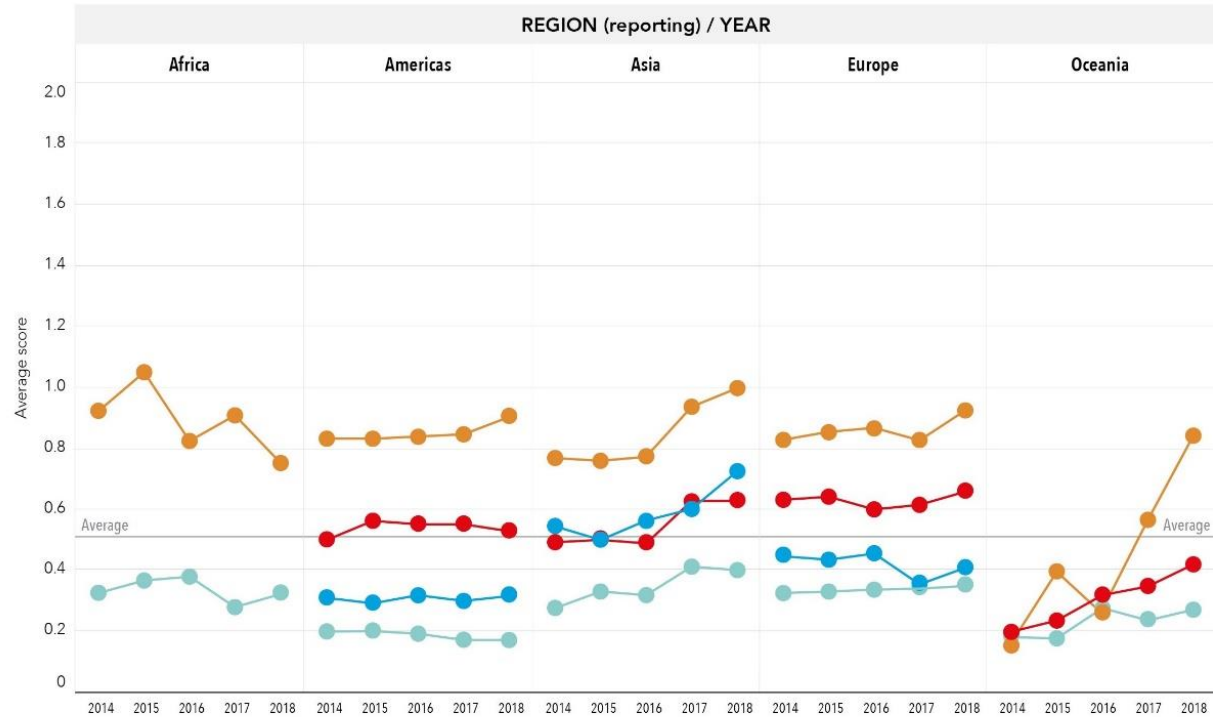
Regulations + voluntary initiatives + news vs. company reporting in 2019

Industry Region



Disclosure data: product responsibility

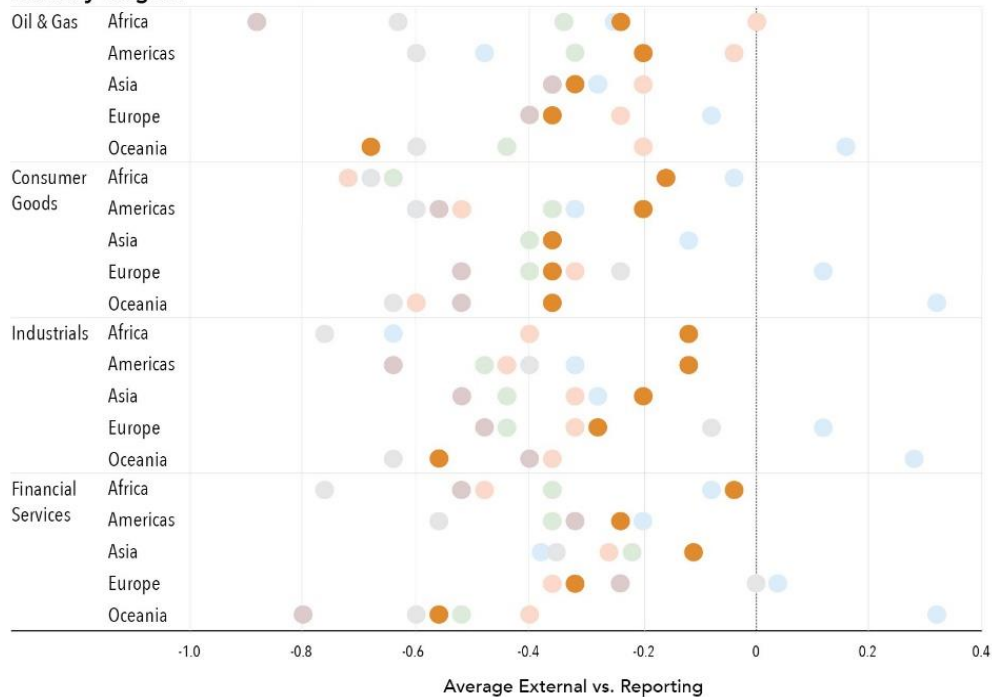
Emphasis score



Disclosure data: product responsibility

Regulations + voluntary initiatives + news vs. company reporting in 2019

Industry Region



From big issues to concrete action: five approaches



CLIMATE RISK
& TCFD



NATURAL
CAPITAL



CIRCULAR
BUSINESS
MODEL
INNOVATION



SOCIAL
IMPACT
& SDGS

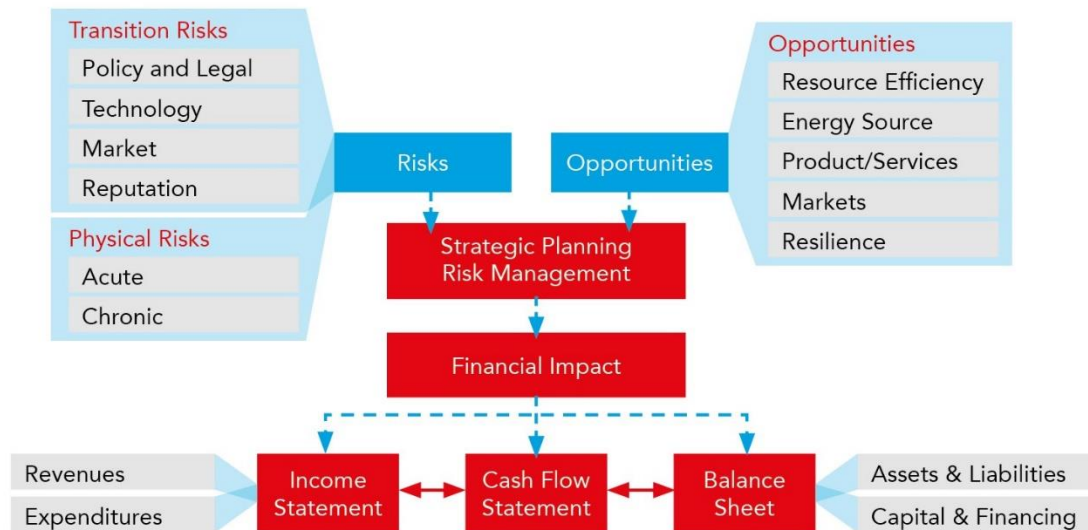


PURPOSE-LED
STRATEGIES

From big issues to concrete action: five approaches



CLIMATE RISK
& TCFD



Source: TCFD (2017)

From big issues to concrete action: five approaches



NATURAL
CAPITAL

Approaches to reporting eg.
How to report – CDSB, IIRC
What to report – GRI, SASB, CDP, GHG Protocol

Strategic initiatives eg.
UN Sustainable Development Goals
Climate targets, commitments or declarations
The Circular Economy, Net Positive Impact

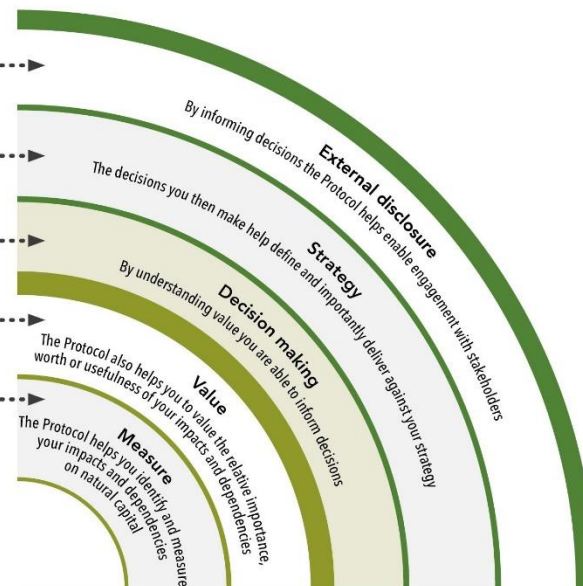
The protocol helps to integrate natural capital
into existing decision making processes

Depending upon the decision that you want to
inform there are various tools and methodologies
to help you value natural capital

Measurement approaches eg.
Environmental Management Systems
(ISO 14001) GHG Protocol

CDP – Carbon Disclosure Project
CDSB – Climate Disclosure Standards Board
IIRC – International Integrated Reporting Council
ISO – International Organization for Standardization
GHG – Greenhouse Gas
GRI – Global Reporting Initiative
SASB – Sustainability Accounting Standards Board

Source: The Natural Capital Protocol, <https://naturalcapitalcoalition.org/natural-capital-protocol/>



This landscape is not exhaustive. The Natural Capital Coalition will continue to explore the landscape as it evolves.

From big issues to concrete action: five approaches



C I R C U L A R
B U S I N E S S
M O D E L
I N N O V A T I O N

Circular business models have three funding requirements that vary in level of risk and return

Funding requirements

Incremental investments
to extend offering portfolio

Significant investment
to finance balance
sheet extension

Significant investment to
finance new and potentially
disruptive offering

Applicability for Business models



Circular Supply Chain
Product Life Extension
Recovery & Recycling



Product as a service



Sharing Platform

Financial implications

- Investments to e.g. modify production equipment or set up reverse logistics processes are required
- Incremental revenue and/or cost reduction opportunity exists
- If deposit system is introduced in take-back, additional cashflows are generated

- Required working capital increases due to changes in cashflow and extension of balance sheet (assets offered to customer as-a-service need to be pre-financed)
- Assets distributed to customers have limited value as collateral

- High investments are required for platform due to "winner takes it all" effect
- Potential to disrupt industry exists but with uncertainty of success for this strategy and related return on investment

Level of Risk/ Return



Source: Circularplaybook.fi
https://www.sitra.fi/en/blogs/nordic_industrial_companies_can_be_winners

From big issues to concrete action: five approaches



S O C I A L
I M P A C T
& S D G S

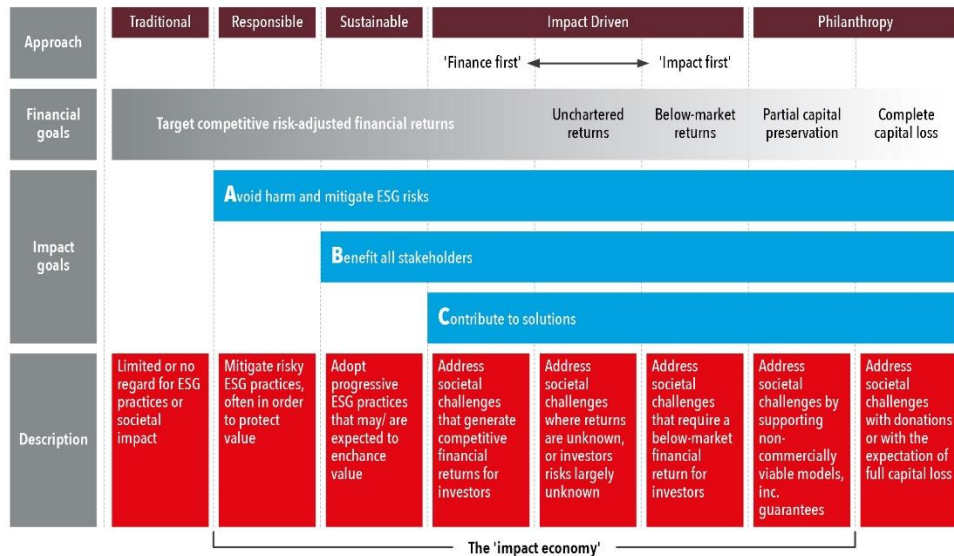
IMPACT DIMENSION	IMPACT QUESTIONS EACH DIMENSION SEEKS TO ANSWER
 WHAT	<ul style="list-style-type: none"> • What outcome(s) do business activities drive? • How important are these outcomes to the people (or planet) experiencing them?
 WHO	<ul style="list-style-type: none"> • Who experiences what outcome? • 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: Impact Management Project, <https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/>

From big issues to concrete action: five approaches



PURPOSE-LED STRATEGIES



Source: Bridges Impact i and the Impact Management Project

Four recommendations to build a better future

Scientific
literacy

Context and
precision

Collaboration,
coalitions and
alliances

Connection of
social and
environmental

Key messages for members & students & employers

- The accountancy profession has a key role to play in creating a more sustainable economy
- Better disclosure of social and environmental risks is increasingly becoming part of legislation
- Investors are now using environmental, social and governance (ESG) disclosures to rate business performance and management quality
- ACCA members have the skills to address and communicate key ESG matters thanks to their understanding of business strategy, financial performance and reporting competencies
- ACCA members are strategic leaders who understand the importance of these issues to business and to civil society



Think Ahead

Thank you