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# How SMEs can create a more sustainable world:

A playbook for accountants in practice and finance teams in small and medium-sized organisations

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## ABOUT ACCA

ACCA is the Association of Chartered Certified Accountants. We're a thriving global community of 227,000 members and 544,000 future members based in 176 countries that upholds the highest professional and ethical values.

We believe that accountancy is a cornerstone profession of society supporting 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.

Through our world-leading ACCA Qualification, we offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. And using our respected research, we lead the profession by answering today's questions to prepare us for tomorrow.

[www.accaglobal.com](http://www.accaglobal.com)

## ABOUT CA ANZ

Chartered Accountants Australia and New Zealand is a professional body, comprised of more than 130,000 diverse, talented and financially astute members, who use their skills every day to make a difference for businesses the world over. Members are known for their professional integrity, principled judgement, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide, which brings together leading institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries. We also have a strategic alliance with the Association of Chartered Certified Accountants. CA Catalyst is our strategic programme to help CAs build capabilities, explore new markets, and provide greater value for themselves, their clients and communities.

[www.charteredaccountantsanz.com](http://www.charteredaccountantsanz.com)

# Foreword

Doing business sustainably is a catch cry for this decade. Employees and conscious consumers expect it. Investors want to see evidence of progress towards it. Governments, having adopted ambitious sustainable development goals for the end of this decade, are ramping up regulation to encourage and even enforce it.

Many small and medium-sized enterprises (SMEs) are changing how they do business. They have found that by adopting sustainability initiatives, they can reduce costs and create new opportunities for growth and profitability. They also recognise this better prepares them for the future. Some have adopted a truly transformational strategy, placing sustainability at the heart of their purpose to make a difference by solving some of the world's biggest challenges.

But there's evidence that suggests that many more SMEs, struggling from the impact of the Covid-19 pandemic, have neither time to rethink and reshape their supply chains and business models, nor financial resources to do so. Real action on sustainability isn't yet on their agenda.

This playbook is for them. More specifically, it is for our members who work as accountants and in finance teams within the sector and in small and medium practices (SMPs). Many of you have already helped businesses navigate a path through the pandemic. Your skills, insights and relationships of trust with SMEs are critical.

For that reason, we're urging you now to lead initiatives in your own organisations, and for those you advise, to do business sustainably. It's the right thing to do for future prosperity.



**Helen Brand**  
CEO, ACCA



**Ainslie van Onselen**  
CEO, CAANZ

We're pleased to present this playbook jointly as an introductory resource for the almost xxx,xxx present and future Chartered Accountants our organisations represent worldwide. It includes:

- actionable steps to embed sustainability within your own business
- ways to encourage, support and advise other organisations to do so too, and
- case studies from around the world and links to useful tools and resources.

Business as usual is no longer an option. We face a climate emergency. Sustainability is an urgent, global project. The collective impact of billions of actions at local and organisational scale will make a huge difference. We are here to help.

## URGENT CALL TO ACTION

We urge you to:

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

# Snapshot

Small and medium-sized businesses and accounting firms have a critical role to play in the world's transition to a sustainable future. This playbook urges you to:



## RESHAPE BUSINESS MODELS AND REIMAGINE THE FUTURE

Raise awareness. Prepare your organisation and your clients to innovate and disrupt business as usual, mitigate and adapt to risks, and build resilience.



## ACT WITH URGENCY ON CLIMATE CHANGE

Employees, customers and investors expect businesses to reduce greenhouse gas emissions in line with the Paris Agreement and the UN SDGs.



## IDENTIFY OTHER CRITICAL AREAS FOR ACTION

Consume less resources, promote human rights, diversity and inclusion, protect and regenerate the natural environment. Contribute to reducing poverty and inequality.



## ADOPT SUSTAINABLE GOALS

Create ambitious strategies to create sustainable future growth. It makes good business sense. It's also the ethical and community-minded thing to do.



## INSTIGATE, GUIDE AND LEAD CHANGE

Start with your own organisation. Map out who needs to be involved and how and create relevant key performance indicators (KPIs) and key risk indicators (KRIs).



## COLLABORATE WITH OTHERS

Connect with a diverse range of organisations tackling sustainability, and achieve more by collaborating with them in ways you may not have considered.



## BRING INTEGRITY TO THE PROCESS

With unique skills, insights and knowledge of reporting practices, accountants and finance teams can bring integrity to sustainable transformation.

# An introduction to sustainability

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The world must make sure that no one falls short on life's essentials while avoiding development that overshoots Earth's capacity to support life.

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# An introduction to sustainability

SMEs can play an important role in ensuring that humanity continues to develop and thrive within the planet's capacity.

For Indigenous or First Nations people worldwide, sustainability has remained integral to social and cultural practices for millennia. In New Zealand, a Māori proverb says: 'Manaaki whenua, manaaki tāngata, haere whakamua.'<sup>1</sup> *If we care for the land, if we care for people, we can move forward into the future.*

Rapid and widespread economic development over much of the past century took for granted the health of critical natural processes, such as the regeneration of soils, clean air, water and forests — as well as the availability of natural resources to expand production. As a result, the world now faces a sustainability crisis and global climate emergency.<sup>2</sup>

## Priority for business

Sustainability is an increasingly urgent focus for businesses, large and small. It places an organisation's environmental and societal impact on the same scale as financial viability. This concept of 'triple bottom line' accounting was first coined in 1994, and aimed to integrate social, environmental and financial outcomes - people, planet and profit - to evaluate sustainability.<sup>3</sup>

It has evolved over time encompassing approaches such as CSR (Corporate Social Responsibility), ESG (environment, social and governance), integrated reporting, shared value and impact investing. Now, some enterprises are called 'for

purpose' or 'regenerative' businesses. At a minimum, these concepts help organisations become accountable for their impact; at best, they serve to transform businesses to build prosperity that is truly sustainable.

## Risk drivers

The World Economic Forum, based on risk perception surveys of more than 650 members of its leadership communities, identifies the failure of effective climate action as the biggest risk facing businesses.

TOP 5 Risks by Likelihood	Top 5 Risks by Impact
Extreme weather	Infectious diseases
Climate action failure	Climate action failure
Human environmental damage	Weapons of mass destruction
Infectious diseases	Biodiversity loss
Biodiversity loss	Natural resource crises

Source: The World Economic Forum Global Risks Report 2021



## 1.6 X EARTH'S CAPACITY

Humanity over-consumes natural resources as if we lived on 1.6 Earths.<sup>4</sup>

## ++++ EARTH OVERSHOOT DAY

marks the date when humanity's demand for ecological resources and services each year exceeds what Earth can regenerate in that year. In 2021, it fell on July 29. For Australia, it was March 22, New Zealand May 15 and the UK May 19.<sup>5</sup>

**3%** The percentage of Earth's land surface now considered "ecologically intact"

(Source: Frontiers in Forests and Global Change)

### THE ESG FRAMEWORK

Businesses' approach to sustainable practices is typically framed using ESG criteria:

- E** The environmental impact of a company. Includes energy use and other resource consumption that impacts the natural world, including greenhouse gas emissions, water, waste and recycling.
- S** The social impact and interactions a company has with employees, suppliers and customers and how its operations affect communities where it does business. It includes respect for human rights, such as the eradication of modern slavery in the supply chain, work practices, health and safety, and diversity and inclusion.
- G** Governance refers to how an organisation, through its policies, practices and processes, makes decisions, complies with the law and interacts with external parties.

### DOUGHNUT ECONOMICS

In 2009, the Stockholm Resilience Centre brought together 28 scientists to identify nine processes that regulate the stability of the Earth. They proposed quantitative boundaries within which humanity can thrive. Crossing them will increase the risk of large-scale irreversible environmental change.

Oxford economist Kate Raworth further developed this framework with her concept of Doughnut Economics, which combines the notion of planetary boundaries with the idea of social boundaries. The name came from the shape of the diagram to visualise the concept.

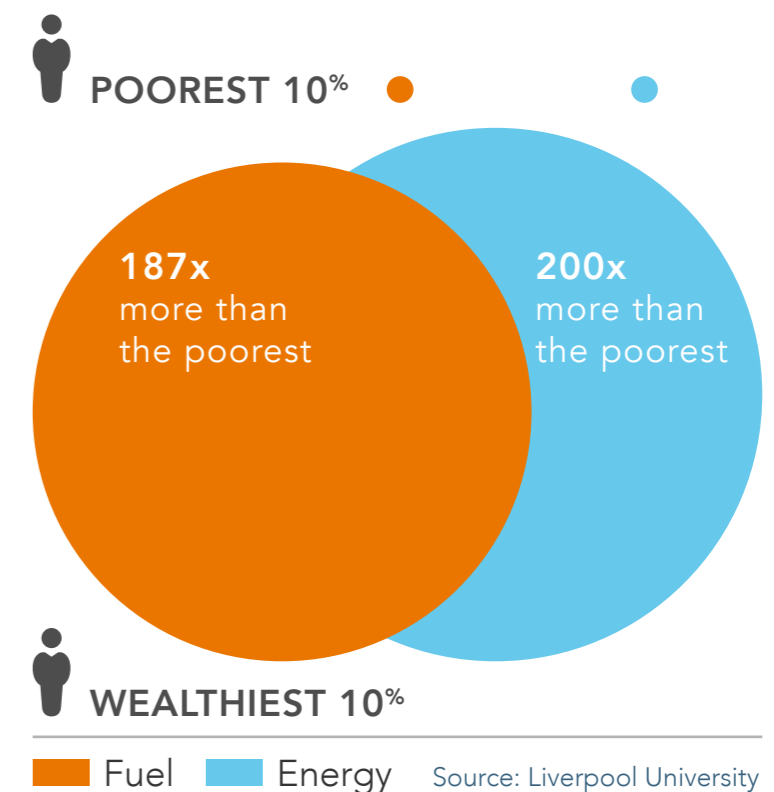
"Humanity's 21st century challenge is to meet the needs of all within the means of the planet," she says. "In other words, **to ensure that no one falls short on life's essentials (from food and housing to healthcare and political voice), while ensuring that collectively we do not overshoot our pressure on Earth's life-supporting systems, on which we fundamentally depend** – such as a stable climate, fertile soils, and a protective ozone layer. The Doughnut of social and planetary boundaries is a playfully serious approach to framing that challenge, and it acts as a compass for human progress this century."

### SUSTAINABLE DEVELOPMENT: A DEFINITION

*'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'*

— The UN Brundtland Commission in 1987

### ENERGY AND FUEL CONSUMPTION



# The universe of sustainability issues

The Sustainability Accounting Standards Board (SASB) has developed standards to “guide the disclosure of financially material sustainability information by companies to their investors.”

The standards identify which of 26 issues are most relevant to each of 77 industries. SASB Standards are now maintained under the auspices of the [Value Reporting Foundation](#).

In order to create value, focus on sustainability topics that align with your business’ purpose and strategy. Rather than identifying and measuring KPIs straight away, reflect on what is truly important for your business, and why. Then develop a strategy defining actions and targets and produce meaningful KPIs.

## **SOCIAL CAPITAL**

- Human rights & community relations
- Customer privacy
- Data security
- Access & affordability
- Product quality & safety
- Customer welfare
- Selling practices & product labelling

## **LEADERSHIP & GOVERNANCE**

- Business ethics
- Competitive behaviour
- Management of the legal & regulatory environment
- Critical incident risk management
- Systemic risk management

## **UNIVERSE OF SUSTAINABILITY ISSUES**

## **ENVIRONMENT**

- Greenhouse gas emissions
- Air quality
- Energy management
- Water & waste water management
- Waste & hazardous materials management
- Ecological impacts

## **BUSINESS MODEL & INNOVATION**

- Product design & life cycle management
- Business model resilience
- Supply chain management
- Materials sourcing & efficiency
- Physical impacts of climate change

## **HUMAN CAPITAL**

- Labor practices
- Employee health & safety
- Employee engagement, diversity & inclusion

Source: Sustainability Accounting Standards Board (SASB), which has since merged to create the Value Reporting Foundation



# The 2030 Sustainable Development Goals

LEARN MORE



A global lens for people, planet, prosperity, peace and partnership

For SMEs seeking to become sustainable, the 2030 Sustainable Development Goals adopted by the United Nations in 2015 form one of the most comprehensive statements of intent ever made by the world community.

*'It is a roadmap to ending global poverty, building a life of dignity for all and leaving no one behind. It is also a clarion call to work in partnership and intensify efforts to share prosperity, empower people's livelihoods, ensure peace and heal our planet for the benefit of this and future generations.'*

Former UN Secretary-General Ban Ki-moon





## SPOTLIGHT: WE Accounting

# Advising purpose-driven Māori and Pasifika clients

WE Accounting grew from scratch a decade ago, taking on a range of business clients. Founders Wyndi and Eli Tagi's own cultural heritage — Wyndi is Māori (Ati-Hau-Nui-A-Paparangi), and Eli is Samoan — attracted a growing number of clients from the Māori and Pasifika communities in Aotearoa (New Zealand).

"Five years ago, we realised that what differentiated us as a firm was our culture," says Eli Tagi CA. "And since we outright made that our point of difference, we've seen a lot of new clients come on board who fit our target market. Our client base has gone from about 40% indigenous to about 70% now."

With an office of eight employees in Auckland, and one in the capital Wellington, WE has expanded its client base across the country as well as to Samoa, where it's established an outsourcing office with seven staff. That's allowed the firm to flip its business model. Business advisory work now accounts for about 70% of revenue.

"There's far more to business than just the numbers," says Wyndi Tagi. "We've really focused on company culture. So, we're able to work properly with business owners to help them understand who they are as individuals, what they bring to the business and how their business really is them."

The firm's founders say understanding their clients'

cultural context has enabled them to reassure them about integrating culture, religion and other values into their business.

"Some of our business owners don't even realise that they're purpose-driven until we talk to them, find out more and then highlight that for them," says Wyndi Tagi.

"I've had a lot of clients cry in my business planning sessions because they hadn't put two and two together before. When they feel validated, they feel like they

understand why they're being so drawn to what they do — it's a very beautiful thing."

Wyndi says sustainability is embedded in Māori and Pasifika culture. "If you are purpose-driven, and you've got that vision that's bigger than you are, and you know that what you're doing is right for your ancestors, for your land and for the generations to come, then you work harder. You do everything that you possibly can to make sure that you are successful because you just know that it's the right thing to do — it's in your heart, it's your life."



# The Role of SMEs

SMEs form a major part of the world's economy and employment, and have a critical role to play in the transition to a sustainable and prosperous future

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# The role of SMEs

How small or medium-sized businesses are defined varies, but collectively they play a major role in every country and in the global economy.

SMEs, which include small and medium-sized accounting practices (SMPs), play a central role in every aspect of achieving the Sustainable Development Goals (SDGs) of the United Nations.

Small businesses make markets work. Their operations are critical to employment, food production and distribution, construction, health and wellbeing and the delivery of critical services. Collectively, they have a major economic impact.

As trusted advisers to SMEs, accountants support this pillar of the economy already, through enhanced business support and access to finance.

## Size and scope

Small businesses typically have 5–19 employees, and medium-sized 20–199 employees. The EU and Australia define SMEs as independent businesses which employ fewer than 200 people (250 people in the UK). In New Zealand, small businesses have fewer than 20 employees and medium-sized fewer than 50.<sup>7</sup>

## SMES AND SUSTAINABILITY

Many SMEs are preoccupied with survival and growth challenges such as navigating globalisation, digitalisation and the changing nature of work. However, they may find it challenging to see how sustainability could be a force for growth.

A new survey by ACCA found that only 8% of SMEs had set net-zero targets for 2050. One in four of the 3,500 respondents said they felt they lacked the professional skills required to become sustainable.<sup>8</sup>

Reasons SMEs may not be embracing sustainability include the lack of:

- awareness about the business case for becoming sustainable
- access to affordable financial resources
- information about how to implement sustainability initiatives
- knowledge about how sustainability initiatives affect business strategy<sup>9</sup>

The SMEs in the ACCA survey said they would like to gain skills to report effectively on sustainability as well as have access to checklists and resources.



## GLOBAL IMPACT

**90%** of the world's businesses are SMEs.

**50%** of the world's employees work for SMEs.<sup>6</sup>

## Stages of sustainability in SMEs

Global environmental and social challenges can only be addressed appropriately with the small business sector fully involved.

An SMEs approach to sustainability fits with one of these four stages, representing the shift that is taking place as awareness and action gathers momentum.<sup>10</sup>

While many existing businesses are working out how to move from 1 to 2 or from 2 to 3, thousands of new fast-growing startups are positioning themselves firmly in the fourth stage from the beginning.



**SPOTLIGHT:** BDO

## ‘The biggest transformation of modern times’



Accountants seeking to have an impact on businesses should lead by example, says Catherine Bell, manager for Global Sustainability at BDO in Perth, Australia.

“We’ve activated our own sustainability journey,” she says. “We can’t go and help our clients unless we can walk the talk, and put our hands on our hearts and say, ‘this is what we are doing to integrate sustainability into our business.’ The path to sustainability will be different for every organisation, but to speak from experience always helps.”

BDO, which counts SMEs among its clients, is building a learning and development program at a global level to ensure all employees and partners better understand sustainability. “We need to use a

sustainability lens on everything we do,” says Bell.

The firm has a Sustainability Readiness Tool clients can use to conduct a self-assessment. An Energy Transition Diagnostic Tool encourages them to adopt more sustainable energy solutions and benchmarks them against their industry.

“We are telling clients this will be the biggest business transformation of modern times, and we don’t have a lot of time,” says Bell.

**SPOTLIGHT:** Thrive Accountants

## Take easiest actions with largest impact



James Lizars ACCA has a novel approach to sustainability to help his clients: find the easiest thing to do, with the largest impact and just do it.

Lizars, who runs Thrive Accountants in East Grinstead UK, has taken the Million Tree Pledge and already planted 30,000 trees directly, and through his clients 35,000 more. His firm is part of B1G1, a global giving movement that for every self-set milestone a business reaches, they give to a project elsewhere in the world.

“My favourite project is based on micro loans,” he says. “Every time we get a new client, we give to this project, and they use the money to make a loan to a female entrepreneur in Malawi. When her business is successful, she pays back the loan

and it’s loaned out again.” That’s the kind of leverage Lizars is looking for in his sustainability projects.

As well as assisting his clients to calculate their carbon footprint, Lizars also advises them to take simple sustainability steps, such as working with a more sustainable bank or running their payroll alongside giving projects. The B-Corp assessment process is also great for helping clients with their sustainability - even if they don’t want to commit in the end.

An aerial photograph of a lush green landscape featuring terraced hills. A prominent, light-colored road winds vertically through the center of the image. The terraces are meticulously maintained, showing a rhythmic pattern of green and brown soil. The lighting is bright, highlighting the textures of the vegetation and the curves of the hills.

# Sustainability: the business case

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The collective impact of SMEs adopting sustainable practices will contribute to solving critical global challenges.

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# Sustainability: the business case

*'Moving our world to a sustainable place requires significant change. The entire finance community must come together to support each other.'*

— Sarah Whale ACCA,  
founder of Profit Impact.

Whether you're an accountant in practice or within a business, the momentum towards sustainable operations is gathering pace. Don't get left behind.

Sustainability initiatives present a compelling opportunity for accountants to assist SMEs navigate their own path of change.

## SUPPLY CHAIN

As larger organisations face mandatory reporting requirements, their supply chain is coming under increasing scrutiny. Because many SMEs form a significant part of larger businesses' supply chains, this is a key driver for them to become more sustainable.

Demonstrating your commitment to sustainable business raises your profile and enhances your 'social license' to operate.

Larger organisations will view your business as a low-risk supplier, who can positively contribute to their supply chain, by lowering their carbon footprint or demonstrating proactive steps to eradicate human right abuses.<sup>12</sup> If SMEs aren't acting, then they risk losing existing contracts/clients or they will soon in the future.

## 'PURCHASE ORDER'

The SDGs themselves have been described as a "purchase order from the future" worth an estimated US\$12 trillion of market opportunities by 2030.<sup>13</sup> Adopting sustainable practices is increasingly the key to SMEs long-term survival.

## COST SAVINGS

Embracing change creates significant opportunities to reduce costs. Water and energy efficiency initiatives and recycling and re-using and reducing waste improve resource allocation, streamlines operations and boosts profitability.

There's also an opportunity cost of failing to act in a timely way, which is likely to lead to a smaller market share and weaker growth as other more progressive businesses attract customers. Saving money this way is particularly important for SMEs affected by the pandemic.

## VALUE CREATION

Becoming more sustainable and helping others do the same, gives your organisation a point of difference, improves your brand reputation and perceived goodwill. Increasingly, consumers want brands that reflect their own values and are seeking progressive, environmentally and socially aware products or services, ones with a clearly stated purpose rather than traditional ones.

There's a chasm between conscious consumers demanding sustainable products and the number of companies offering them. Almost half of New Zealanders say they have switched to brands that are more sustainable.<sup>14</sup> In another survey of 834 New Zealanders, 96% felt it important that products were made of material that was repaired, reused or recycled.<sup>15</sup>

In a nationally representative survey of 8,000 people in the UK, more than two-thirds said they believed businesses have an important role to play tackling societal and

environmental issues - with homelessness, unemployment and child education rated most important.<sup>16</sup> SMEs that are seen to be tackling these issues as part of their business will win more loyal customers and improve their brand image.

## TALENT

Finding talent can be a challenge for SMEs in many markets. Potential employees are attracted to apply to work at, and stay with, organisations with values that align with theirs, have a cohesive purpose, and are willing to take a stand on social and environmental issues.

Creating a purpose-driven business makes your practice or business a more attractive career destination. It bolsters engagement, increases retention and reduces recruitment costs. This ensures long-term viability because it appeals to the next generation of talent. A survey of 23,000 Millennials and Gen Z<sup>17</sup> in 45 countries found that climate change was their top concern.<sup>18</sup>



## Sustainability: the business case (continued)

### INVESTMENT

When SMEs are looking to expand they typically need capital. Investors, funds, capital markets and financial institutions are encouraging, if not requiring, companies to disclose non-financial risks and demonstrate their commitment to more sustainable business practices.

Investors want companies to anticipate and manage climate-related risks<sup>19</sup> which will reduce operating risks and costs in the future.

A survey of UK investment funds that focus on SMEs and micro enterprises found 87 per cent believe the focus on ESG issues will increase over the next 12 months with 31 per cent expecting a dramatic increase in the next year.<sup>20</sup>

The annual [Investor Confidence Survey by CA ANZ](#) and released in September 2021 revealed:

- 86% of retail investors viewed voluntary disclosures of ESG information as important.

- 83% said their confidence in sustainability information would increase if it was subject to independent assurance.

### RESILIENCE AND INNOVATION

The biggest risk is business as usual. SMEs need to focus on sustainability and embed it into all decision-making. This leads to better risk management and strategic planning. They'll become more resilient, bouncing back quicker in uncertain, volatile situations.<sup>21</sup>

Accountants can position themselves to cultivate this cultural mindset by keeping business owners, boards and managers well-informed and ensuring the appropriate systems are in place so that everyone adheres to the same values.<sup>22</sup>

Lessons SMEs learned during COVID-19 can be transferred to the sustainability journey. Many SMEs faced a sharp drop in revenue and closed temporarily but it also had an opportunity to innovate and build more resilience as many pivoted to survive.

### A SURVEY OF SMES IN AUSTRALIA DURING COVID-19 FOUND:

**44%**

changed their business model to adapt

**1/5**

embraced online trading

**42%** who switched

to online trading did so permanently<sup>80</sup>

### SPOTLIGHT: Sarah Whale FCCA

## Collaboration is key to driving sustainability by SMPs



Sarah Whale FCCA is a member of [sustainavistas](#), a network of professionals committed to creating an impact, and she's passionate about encouraging accountants to add value through sustainability advisory work.

"Working with others allows you to learn, avoid repeating mistakes and speed up what you are trying to achieve," she says.

"Moving our world to a sustainable place requires the entire finance community to drive this change."

Whale qualified in sustainable finance at the Cambridge Institute for Sustainability Leadership and is a B Leader; a training program by B Lab UK to empower people who want to lead organisations through the [B Corps](#) certification.

She is also a founder of [profit impact](#) which helps SMEs measure and grow their positive social, environmental and financial impact.

"Not to offer ESG reporting is a lost opportunity, with lost income and a failure to protect the firm for the future," she says.

Explaining to clients that there are no shortcuts is an important early step. "No KPI is an indicator of success," Whale says. "You have to explain to clients that it will take time for the impact to show. This is our biggest challenge."

Whale supports awareness-raising on sustainability and collaboration. She runs monthly [ACCA Practice Room](#) sessions, global peer to peer community discussions dedicated to supporting SMPs in their sustainability journey.

# Accountants: take the lead

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Accountants are best-placed to advise SMEs on the path to sustainability because of their trusted connections, skills and insights.

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# Accountants: take the lead

LEARN MORE



[ACCA website](#)  
[CA ANZ website](#)

Accountants are uniquely placed to lead climate action and other sustainability related initiatives within SMEs and SMPs.

- ✓ **Raise awareness about sustainability.**
- ✓ **Analyse business models.**
- ✓ **Advise on how to transform business models.**
- ✓ **Report on non-financial indicators.**
- ✓ **Provide assurance of non-financial indicators.**

If accountants don't step up to take the lead in driving sustainable business, others will. As Professor Naomi Soderstrom, Deputy Head of Accounting at the University of Melbourne, says about tackling climate change: "We don't want to leave this to the engineers. While their expertise is crucial — and we need to work with many different experts — accountants are the information brokers."<sup>23</sup>

## Raise ambitions

Accountants should encourage businesses to change their approach, to move from being "less bad" to embracing transformative approaches that help solve global challenges. In other words, accountants should help businesses raise their ambition.

Accountants capture and analyse a wide range of financial and non-financial data for organisations. This enables more robust and transparent reporting on progress towards long-term sustainability.<sup>24</sup>

## Unique skills

Unique skills, insights and deep knowledge of business practices, as well as their role as trusted advisers, creates the opportunity for accountants — if not a

responsibility — to engage with these issues. Leading by example, they can support other organisations to act.<sup>25</sup>

## Create awareness

Simply starting a conversation with an SME owner or manager about risk management and its added value, can lead to a broader discussion about sustainability — especially where SMEs may have an obvious impact.<sup>26</sup>

## 90% OF ACCOUNTANTS AGREE THEY NEED TO DO MORE

In a survey of 864 ACCA members, 62% of people surveyed said accountants should understand organisations' social and environmental impact and help them improve risk management, 75% said their own organisations needed to do more to address social inequalities and 85% wanted their organisations to do less damage to the environment.<sup>27</sup> In a survey of 1,140 CA ANZ members, 83% said they wanted more education on sustainability.<sup>28</sup>



**SPOTLIGHT:** Mark de Lat

## ‘Impact accountancy’ for SMEs

Mark de Lat is a partner in a medium-sized accountancy and advisory practice, Eshuis, in the Netherlands, where he runs the firm’s dedicated sustainability service line.

His ‘impact accountancy’ team works with small and medium-sized businesses to help them integrate, report and conduct assurances to become sustainable companies. They use an accessible sustainability template for SMEs based on B Corp methodology, who are often confused about where and how to start.

“First, we talk to owners about their vision - is the company looking at sustainability because of regulations or are they looking at it because they want to, and because they see the opportunity?” he says.

Then they work with the company to disclose and assure the data. “Step-by-step they are seeing that it can be done,” says de Lat.

Eshuis commissioned research from a university to discover why SMEs want to take the first step towards sustainability. “It confirmed what we already knew: that most owners only want to do something



if they feel they have to and more importantly when they want to.”

De Lat says it’s essential that sustainability moves out of the communications function in businesses and the finance function drives it across all departments. “Accountants need to learn to partner with many different types of experts. They have a role to play in being the leading adviser on sustainability,” he says.

Accountants should be working across the business and throughout the supply chain to make sustainability operable and assurable, no matter the size of the business.

De Lat’s own business is in the process of becoming a B-Corp, so he’s walking a similar path to the SMEs he advises.

**SPOTLIGHT:** Aleena Kareem ACCA

## Pakistan: building awareness

Aleena Kareem ACCA is focused on spreading sustainability awareness in Pakistan even though it’s an uphill battle, she says.

“I feel I have a responsibility to do this. Only about 5% of people are even aware of sustainability here,” she says. Even younger generations aren’t as interested in sustainability as they are in other countries.

Using the UN Sustainable Development Goals as her guiding light, Kareem aims to educate businesses about the opportunity from sustainable practices.

“Because of the lack of understanding among Pakistani businesses, we have to start with the education and awareness side, then it’s my hope we will move onto sustainability reporting, and finally sustainability advisory,” she says.

Due to COVID-19 and successive lockdowns, many businesses in



Pakistan are in survival mode, but the sustainability agenda can be closely connected to the recovery, she says. “SMEs in particular need to understand that survival and sustainability are not mutually exclusive.”

Kareem is co-founder of Pakistan-based SHAOOR Training and Consultancy. She is Vice Principal, an international trainer and tutor at SKANS School of Accountancy.

## How to add value

Accountants can assist SMEs on their path to sustainability. They can take the lead by advising, connecting, determining impact and embedding sustainability within organisations.



### ADVISING

- Explain the business case, how addressing environmental and social problems can create value, reduce costs and raise the company's profile in its industry.
- Understand the challenges of large businesses and explaining how they might apply to smaller organisations.
- Guide them through the maze of emerging reporting frameworks, carbon accounting, and waste reduction schemes, including relevant benchmarks and best-practice frameworks or ratings.
- Undertake gap analyses to help businesses better understand their situation and formulate action plans to address gaps identified.



### CONNECTING

- Connect economic trends and government initiatives on sustainability to a client's strategy, business model and performance.
- Encourage related community engagement, such as sustainability projects with local schools, charities or volunteer programs for employees.
- Facilitate networking and information sharing on sustainability issues between local businesses in chambers of commerce and industry organisations.
- Connect with and working alongside other experts to assist adoption of sustainable practices.

**4/10** SMEs in the UK are B2B businesses.<sup>30</sup>



## Accountants: take the lead (continued)



### DETERMINING IMPACT

- Help address climate risk management and calculating carbon footprint.
- Drive efficiency by advising clients on reducing waste.
- Assist with communicating transparently and authoritatively with all collaborators.
- Assist with disclosures for relevant reporting frameworks.
- Provide external assurance over sustainability information.
- Access government incentives and grants.<sup>29</sup>



### EMBEDDING SUSTAINABILITY

For some SMEs, sustainability may already be a core value of their business and part of everything they do. Others may regard it as unimportant.

Motivation to embed sustainability within the business may be driven by opportunities to become part of, or continue to be part of, another company's supply chain, including government.

Accountants shouldn't wait for SME clients to come to them. The growth of sustainability-focused consulting businesses should encourage accounting firms themselves to go after the work. Doing so will involve networking with a range of organisations involved in sustainability initiatives that can enable your firm to assist clients, for example, with analysing their carbon footprint, supply chain, sourcing finance, and becoming more diverse and inclusive.

## SUSTAINABILITY AND CARBON DATA

At the University of Melbourne, sustainability is integrated into courses for a new generation of accounting students, says

department head Associate Professor Brad Potter CA.

“Pretty much every class now has some element of sustainability in it. It's core knowledge. It's not a choice — it's crucial.”

Professor Potter was part of a collaborative research project between the University of Melbourne's departments of botany and accounting, Chartered Accountants Australia and New



Zealand and the Royal Botanic Gardens Melbourne.

They drew on more than 25 years of tree data to develop carbon capture models for different tree species and ages and created an empirical equation that accountants can now use to more accurately calculate carbon capture by trees. This equation will underpin future carbon reporting, enabling higher levels of assurance in the future.

**SPOTLIGHT:** Mike Atkinson FCA

## The 'carrot and stick' in New Zealand

Mike Atkinson FCA is a director of Bellingham Wallace Accountancy, an Auckland-based firm with 37 employees and more than 2,000 clients nationwide. Atkinson has been involved in various sustainability initiatives over the last decade.

"Back then, there wasn't an effective stick, and the carrot wasn't really working, so being sustainable was a nice-to-have but didn't have much cut-through for most companies," he says.

Attitudes are now changing markedly. More recently, Atkinson has seen increasing interest from small and medium-scale businesses to adopt ESG practices. For example, local governments issuing tenders are scoring companies higher if they meet certain sustainability criteria.

"Businesses are starting to adjust and develop ways to meet those criteria because they don't want to miss out on opportunities if they're not addressing ESG issues," he says.

"Ultimately, it's bigger organisations such as central or local government departments and larger corporates, further up the supply chain, that are demanding smaller suppliers become sustainable. This is having a trickle-down effect," he says.

It's typically much easier for large companies to address all these issues as they often have a sustainability officer or a whole team dedicated to these initiatives. That said, small businesses have the advantage of being able to act much more quickly when they need to, compared to larger companies.

"The smaller companies typically just don't have the resources, and so this is where you as their accountant, their trusted adviser, come in," says Atkinson.

This is a good business opportunity for accountancy firms, he says. But the problem is how to tackle these issues with clients.

"Often, as accountants, we are quite risk averse and not very good at selling," Atkinson says. "The point is that sustainability is firmly on the agenda of most companies and it's definitely becoming a conversation point. Clients are actually going to demand this type of service and advice from their accountant."

He suggests that "braver" accountants could take a leadership role on sustainability and encourage clients to look at the business case. "It can improve financial efficiency and lead to business growth, creating an environment in which we all win."



Mike Atkinson FCA Director,  
Bellingham Wallace Accountancy

# A Guide to Action

The collective impact of SMEs adopting sustainable practices will contribute to solving critical global challenges.

The future of every business is inextricably linked to the sustainability crisis. Mitigating climate change is one of the world's biggest challenges. Others include biodiversity loss, waste and recycling, water scarcity, and ocean pollution. Many of these existential risks are intricately linked to social issues such as poverty and inequality, modern slavery, working conditions, housing affordability and health.

Highlighted in this section and the next are interconnected sustainability challenges headlined "TAKE ACTION". These are only some of the critical issues SMEs and SMPs must tackle as part of an overall strategy. They provide an overview or summary of the issues and suggested responses and links to further information or tools, rather than a comprehensive approach.



# Adopt a principles-based approach to doing business

LEARN MORE



[United Nations website](#)

The following are the ten principles of the UN Global Compact.

## WORK



### Support

freedom of association to open collective bargaining



### Eliminate

all forms of forced or compulsory labour



### Eradicate

all forms of child labour in your productive chain



### Stimulate

all practices that eliminate any form of discrimination at the workplace

## FIGHT CORRUPTION



### Fight

corruption in all of its forms, including extortion and bribery

## HUMAN RIGHTS



### Respect

and support internationally recognised human rights in your area of influence



### Ensure

that your company does not participate in any way in the violation of human rights



### Assume

a responsible, preventive & proactive posture towards environmental challenges



### Develop

initiatives & practices to promote & divulge socio-environmental responsibility



### Promote

the development & dissemination of environmentally responsible technologies

## ENVIRONMENT

# TAKE ACTION: Climate and the environment

SMEs can voluntarily reduce greenhouse gas emissions and participate in global initiatives that hold them to account for their commitment to do so.

- ✓ **Understand your carbon footprint**
- ✓ **Set targets to reduce emissions, and share them**
- ✓ **Be accountable — sign up to credible standards**

The climate has already changed. More change is unavoidable because it is locked into the climate system from past emissions,<sup>32</sup> but we still need, in the words of one climate scientist, “monumental global action to avoid the catastrophic future we are currently heading towards.”<sup>33</sup>

To limit global warming to less than two degrees, we must halve emissions by 2030 and reach net zero by 2050. In the second half of this century, we need to pull more carbon dioxide out of the atmosphere each year than we put into it, according to the Intergovernmental Panel on Climate Change.<sup>34</sup>

Accountants can help SMEs by advising them on appropriate standards, certification and reporting — as well as guiding them through measuring their carbon footprint and setting relevant, meaningful goals.

### Mitigation and adaptation

It's important to understand the difference between climate change mitigation strategies and climate change adaptation. Mitigation is more proactive: trying to minimise and avoid the risk of a changing climate by reducing greenhouse gas emissions. Adaptation is more reactive: acknowledging climate change and modifying your business to manage the risks now to avoid more severe impacts in the future, while also taking advantage of opportunities that arise.



# Towards net-zero emissions

LEARN MORE



[SME Climate Hub](#)

The path to net-zero begins by committing to reduce emissions using targets informed by science. National and global initiatives can assist businesses achieve their goal.

## MAKE A COMMITMENT



The SME climate hub in the [UK](#) has an extensive range of [tools](#) for SMEs to reduce emissions and raise their ambition for sustainability. SMEs can make a climate pledge by [Signing the SME Climate Commitment](#).



The [Science-Based Targets initiative](#) (SBTi) provides a credible pathway for businesses, including a pathway for SMEs, to reduce greenhouse gas emissions with a view to meeting the Paris Agreement goals.<sup>35</sup>



[Climate Active](#) is an Australian government initiative to drive voluntary climate action by businesses. It provides a framework for organisations of all sizes to measure, reduce and offset emissions.

## TOOLKIT: RESILIENCE



New Zealand's [Resilient Organisations](#) has created a step-by-step checklist applicable to any organisation so that they can tackle, survive and thrive through any disaster thrown up by climate change and stay resilient - be it a flood, earthquake, bushfire or another pandemic.

## ONE BILLION

children in 33 countries face an “extremely high risk” from three to four simultaneous impacts of the climate crisis including heatwaves, floods, cyclones, disease, drought and air pollution.<sup>31</sup>

## CARBON OFFSETS

Carbon offsets are controversial. Their very existence, some argue, provides an opportunity for companies, especially those attempting to enhance their public image, to claim they are “carbon neutral” instead of doing the hard work to reduce or eliminate emissions.

The quality of some offset projects is also in doubt, especially related to avoided emissions or where questions about the amount of carbon dioxide that is sequestered or captured is uncertain.

For example, an Australian farm sold soil carbon credits to Microsoft under a scheme based in the United States. When academics analysed the methodology used, they found the increases in soil carbon claimed under the scheme were far too optimistic.<sup>41</sup>

Significantly reducing actual emissions should be an organisation’s priority. Carbon credits or offsets should then be used only to offset remaining emissions. Companies can purchase carbon credits linked to domestic and international registers and should ensure the provider and source are credible.

The carbon market provides an opportunity for accountants in SMPs to provide advisory and assurance services for companies large and small.

## TYPES OF EMISSIONS

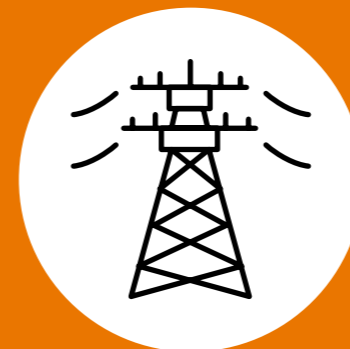
Understand the three categories of carbon emissions defined by the Greenhouse Gas Protocol:

Companies typically start with a focus on scope 1 and 2 emissions, as these are easier to measure and manage. Scope 3 emissions are increasingly featuring in commitments and targets but only for specifically identified categories. Understanding the extent of all emissions will help develop a strategy of phased reduction.

Measuring an organisation’s carbon footprint properly isn’t easy. Accountants can do this with access to the right databases and information. The following is a summary of the three categories:



**Scope 1** - direct emissions from all fuel consumption as well as emissions released from company vehicles, also during industrial processes and on-site manufacturing. This may include generators and boilers. It also includes fugitive emissions, largely refrigerants for cooling buildings.



**Scope 2** - indirect emissions from the generation of purchased electricity, for steam, heating/cooling, to power equipment, computers or lighting.



**Scope 3** - 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.<sup>38</sup> This could include emissions from employees’ travel to and from work, customer travel to your business, transport of products and from data centres.

# SMEs adopt different routes to cut emissions

LEARN MORE



**Science-based targets for SMEs**



## **GARDEN POT BUSINESS GOES CARBON NEUTRAL**

The Balcony Garden is Australia's largest online pot and planter store and manufactures its products in Vietnam, Thailand and Italy. In June 2021, the company said it had gained 100% carbon neutral certification under the Australian government's Climate Active.<sup>36</sup>

The company took more than 18 months to go carbon neutral, offsetting 503 tonnes of CO<sup>2</sup> emissions through investments in wind power in India and China. The bulk of its emissions come from product manufacturing (70%) and transportation (23%).<sup>37</sup>

## **HOW TO MEASURE YOUR CARBON FOOTPRINT:**

- Define your organisational boundary under the GHG Protocol.
- Gather data to determine emissions across the different scopes and categories of emissions.<sup>39</sup>
- Consider resource and raw material use (including metal and timber products), water use and product/machinery lifecycle.
- Where possible and relevant, include all emissions associated with the production and use of a specific product, including transport, storage, sale, use and disposal.
- Establish a baseline year to set reduction targets against. Many organisations find the pandemic has affected emissions levels making it more difficult to determine a reasonable baseline year.
- Analyse emissions across scopes and categories and compare information to peers where possible.
- Set emissions reduction targets for the business and timeframes for achieving them. Determine the emissions gap and plan changes your organisation will take to cut emissions to meet those targets.



## **TAYLORS WINES SETS SCIENCE-BASED TARGET**

Taylors Wines, a medium-scale South Australia-based family wine producer, used the SBTi to commit to reducing emissions. SBTi has a streamlined route for SMEs, which it defines as a non-subsiary, independent company which employs fewer than 500 employees.

The company committed to reduce its scope 1 and scope 2 GHG emissions by 50% by 2030 from a 2018 base year, and to measure and reduce its scope 3 emissions. Its targets are consistent with reductions required to keep global warming to 1.5°C.

# Cutting emissions in your workplace

## TO REDUCE CARBON EMISSIONS:

- Choose products with longevity and lower embodied carbon products and services, made with recycled materials or renewable energy.
- Investigate energy efficient appliances and equipment, such as lighting, air conditioners and water heaters.
- Switch to renewable energy onsite - such as installing solar panels or choose a renewable energy provider through Purchase Power Agreements (PPA)/ green power. For example, Xero, the accounting software provider, cut about 560 tonnes of CO<sup>2</sup> emissions by purchasing carbon neutral electricity from [Powershop](#) for its Melbourne and Sydney offices.
- Decrease business travel domestically and internationally by using teleconferencing.
- If you own and run company vehicles, switch to electric, hybrid or hydrogen trucks and company cars.
- Assist employees manage their commute-based emissions.
- Ensure you have the digital infrastructure set up, with all operations in the cloud where possible, which reduces paper usage, but also check on the power and energy practices of the service.
- Report progress to management, board and other external parties for accountability.
- Reduce waste to landfill.

## TOOLKIT: HOW TO SET A TARGET



Your minimum aim should be to halve absolute emissions (the total quantity of greenhouse gas emissions being emitted) every ten years, but preferably faster. This is a 7% year-on-year reduction. If you choose to halve in five years, it will mean 13% annual emissions reductions and halving in three years will mean a 21% reduction rate each year.<sup>40</sup> Break down your plans into yearly targets and milestones.

For more detail see: the Exponential Roadmap Initiative — an accredited partner of United Nations' [Race To Zero](#), [TED Countdown](#) and a founding partner of the [1.5°C Supply Chain Leaders](#) and the [SME Climate Hub](#).

**21%** The share of the world's 2,000 largest public companies that now have net zero commitments.

Source: Energy and Climate Intelligence Unit

## TOOLKIT: HOW TO MEASURE ANNUAL EMISSIONS



To work out annual emissions, small businesses can use tools including:

- [Carbon Footprint calculator](#)
- [Climagap](#)
- [CoGo](#)
- [Bonneville Foundation's calculator](#)

## TAKE ACTION: Climate and the environment (continued)



### RENEWABLE ENERGY

SMEs are thriving in the renewable energy industry, which is creating jobs, up and down the supply chain and spurring broad and sustainable social and economic development.

Jobs in the renewable energy sector grew globally from 11 million to 11.5 million from 2019-2020.<sup>42</sup> New renewable sources and storage will become a routine part of doing business and there is significant growth. Innovation in energy efficiency financing to households will be an area of rapid growth.

### TOOLKIT: GRANTS FOR SUSTAINABILITY ACTION



Many jurisdictions offer funding, grants and incentives to SMEs to increase energy efficiency and reduce consumption. In Australia, a range of grant programs are available from [state and federal government agencies](#). Several other international initiatives to assist SMEs aligned with sustainable transformation include:

- [Green Recovery Plan for Small firms to face climate crisis](#)
- [European Green Deal from the European Commission](#)
- [UK's biggest renewable energy scheme](#)
- [Support for SMEs in London to kick-start green recovery](#)

KPMG has created a [green tax index](#) to assess 180 countries on how they're greening their economies with tax incentives, looking at areas including renewable energy, pollution, management of water, resources, waste and how they're encouraging green building and innovation.

### SPOTLIGHT: Brighte

## Brighter future for green bonds

Katherine McConnell is an energy-tech entrepreneur in a rapid growth area of green finance in Australia.

A former investment banker, McConnell set up her own company Brighte in 2015 to solve a pressing problem: a gaping hole in the lending market. There was no transparent, fast and affordable way to obtain finance for people with green ideas.

The company offers two streams of finance up to \$10,000 - to companies that provide green home improvements and solar panels and others directly to homeowners.

Since 2015, and now with its own staff of 140 employees, Brighte has approved more than \$800 million in finance. It has enabled 1,800 solar and home improvement businesses to help more than 100,000 Australian households.

The company in 2021 obtained its own injection of finance to expand



operations by completing a \$190 million securitised 'green bond' issue, which was four to six times oversubscribed.

Billionaires Mike Cannon-Brookes and Scott Farquhar, co-founders of the Atlassian software company, also invested \$100 million in Brighte.

The startup is the sixth fastest-growing technology company in Australia and illustrates that there's big opportunities for companies with novel ideas to capitalise on the growing sustainability market.



## SPOTLIGHT: ASB Bank

# Sustainable finance to support business

ASB Bank is one of New Zealand's leading commercial banks with more than 5,500 employees.

Its climate change strategy includes supporting its customers in the transition to a low emissions economy. Like most other New Zealand banks, ASB is also in scope of new mandatory climate-related financial disclosure.

"Climate change and sustainability are becoming increasingly central to banking – and this requires new skills of finance professionals," says Charlie Chen CA, ASB Senior Manager Corporate Responsibility.

Chen has a background in strategic and financial planning but now focuses on sustainable finance and climate change. "It is an exciting transition and accountants have a lot to contribute," he says.

"Mandatory [climate-related] reporting requirements will cascade down the entire economy, forcing SMEs to think harder about how climate risk and opportunity affect their business," says Chen.

"Many SMEs are part of bigger companies' supply chains so if they can offer a lower carbon product it will give them a competitive advantage. Also, if they are measuring and reporting greenhouse

gas emissions, this may even help their clients in their own disclosures as it will demonstrate they are reducing emissions in the supply chain."



### Targeted loans

One of the ways that ASB is supporting its customers' transition is through targeted loans to address specific sustainability challenges.

ASB launched the Rural Sustainability Loan in 2021 to help farmers make environmental improvements. For larger business customers, ASB has a loan with a more competitive rate when the company commits to a sustainability strategy. The Bank also has products with a sustainability focus on its home loans and managed funds business.

ASB's customer-facing offers are aligned to its climate change focus for its own operations. ASB is Toitū Envirocare Carbon Zero certified and is committed to reduce its operational greenhouse gas emissions in line with the Paris Agreement to limit global temperature rise to 1.5 degrees from pre-industrial levels.





# TAKE ACTION: Waste reduction and recycling

By reducing, reusing and recycling, SMEs can decrease plastic pollution, and stop it going into landfill, oceans, and waterways.

- ✓ **Reduce use of plastic made with fossil fuels.**
- ✓ **Reuse or repurpose as much as you can.**
- ✓ **Recycle as much as possible and buy sustainably.**

Use of the world's resources has tripled in the last half century and is predicted to double again by 2050.<sup>43</sup> The world's oceans have turned into a giant waste dump of plastic, most of it made with fossil fuels.



## REDUCE PLASTIC USE

As an SME, the first steps are to:

- Use less plastic in your own business, such as product packaging. Initially look to reduce unnecessary packaging and then carefully consider alternative materials and/or how the packaging can be returned for reuse.
- Work with suppliers to help them cut their plastic use and recommend alternatives.

[Oceanic Global](#) provides downloadable guides for businesses involved in hospitality, sports, music and general offices about how they can introduce measures to introduce sustainable practices, reduce plastic, recycle waste and buy from recycled sources.



## RECYCLE AND BUY SUSTAINABLY

Some of the biggest contributors to waste are from food production and construction industries. By implementing a collection and recycling program, you can do your bit to ensure that your waste doesn't end up in landfill, the ocean, creeks or river systems:

- Get designated bins to separate your waste.
- Educate employees about why you're recycling.
- Task an employee to ensure that people recycle properly.
- Investigate the supply chain.
- Switch to suppliers that have sustainably certified products.

**1/3** of the world's food production goes to waste.

**200 MILLION** The number of people who could be fed each year by food waste in Europe.<sup>46</sup>

### TOOLKIT: RECYCLING HUBS



Connect with your local hub. [Recycling Near You](#) and [Business recycling](#) are Australia's largest recycling and reuse hubs, listing 20,000+ recycling points for individuals and businesses. These websites by not-for-profit Planet Ark receive 4 million page views a year.



## SPOTLIGHT: Heng Hiap Industries

# Closing the loop on ocean plastics

Established in 2002, Malaysian company Heng Hiap Industries is a perfect example of a fully closed loop company. It's become the first company globally to receive Ocean Bound Plastic certification co-developed by NGO Zero Plastic Oceans and Control Union.

After China banned the import of plastic waste in 2018, Malaysia became the next alternative destination for plastic scrap and faced a massive influx of garbage.

This offered a business opportunity for Heng Hiap Industries. They collect plastics that wash up on Malaysia's beaches and riversides. In their plant, they sort, crush and clean the plastic before they melt it down and extrude new 100 per cent recycled plastic pellets that other companies can use.

Company founder and CEO Seah Kian Hoe says he got the recent Ocean Bound Plastic certification so that his company can be part of the supply chain of international companies.

"Their previous thinking was that we recyclers were not up to par in terms of quality, industrial standards and professionalism. They need all these high standards and quality sources checked before they could offer the product to the conscientious consumer," he says.<sup>47</sup>

### Exciting journey

Now, armed with the Ocean Bound Plastic certification, Heng Hiap Industries is poised to enter the global market. "We can say we are ready; we as the recycler can give you everything you ask for. From now on you will see a lot more action going on and that will kick-start a very exciting journey with more and more brands adopting ocean plastic in their products," Seah says.

Creating pellets is just the beginning. Heng Hiap has over 18 patents on other sustainable processes such as detecting and removing heavy metals from the plastic and turning it into green diesel.

The world generates **260 million tons of plastic** waste every year, but only 16 percent gets recycled.<sup>44</sup> In the UK, 57% of plastic bottles are recycled, in Germany and Denmark 90% of bottles are returned for recycling. Norway is the world leader at 96%.<sup>45</sup> We need to reframe waste as a valuable commodity.



# TAKE ACTION: Human rights and inequality

Global supply chains can inadvertently link SMEs to businesses with exploitative labour practices — and even modern slavery. Due diligence is crucial.

- ✓ **Understand where their products originate from.**
- ✓ **Know how they are made and by whom.**
- ✓ **Find out what raw materials are used in their manufacture.**
- ✓ **Ensure labour conditions meet international standards.**

## TOOLKIT: REPORTING ON SLAVERY



To find out more about how to report on modern slavery go to this report from the [Red Cross](#). By going to the [Global Slavery Index](#), SMEs can access to determine if they have supply chain risk and prioritise risk depending on their country, sector or industry.

The scale and complexity of most supply chains is one of the biggest challenges SMEs will face as they try to become sustainable.<sup>48</sup>

For example, it takes more than 200 suppliers to make each iPhone - Apple uses different businesses around the world who supply the memory chip, the modem, the camera module, the microphone and the touch-screen controller.<sup>49</sup> Some of these are SMEs. This doesn't include the minerals: the copper, tellurium, cobalt, manganese and tungsten that all have to be extracted to create the parts.<sup>50</sup>

### Investigate the supply chain

Globalisation has made supply chains remote and opaque, and SMEs often don't have sight of their whole value chain. But as large businesses are being required to investigate and report on human rights abuses within their supply chains, SMEs can expect increasing scrutiny from the procurement offices of large companies they supply.

## MODERN SLAVERY

Even though slavery was criminalised in most countries in the 19th century, the International Labour Organisation estimates that as many as 40 million people work in modern slavery conditions worldwide today.<sup>51</sup>

Modern slavery describes situations where offenders use coercion, threats or deception to exploit victims and undermine their freedom.

Practices that affect a supply chain include human trafficking, forced labour, debt bondage and child labour.

Modern slavery does not include substandard working conditions or underpayment of workers - which do contravene people's human rights<sup>52</sup>.



Global trade makes it likely that products made by people working in conditions of modern slavery will travel across borders into other countries.

The UK introduced modern slavery legislation in [2015](#), France in [2017](#) and Australia in [2018](#) which require large companies to investigate their supply chain for modern slavery and human trafficking and report on steps they have taken to identify and eradicate the practice.

## TAKE ACTION: Human Rights and inequality (continued)

### SMEs adopting sustainability strategies will need to:

- Investigate supply chains not only for emissions and environmental impact, but social impact as well.
- Use a risk-based approach, considering the product/service and location.
- Request information about fair labour practices, human rights, anti-corruption policies.
- Only buy [Fairtrade](#) or other certified products.

### Help alleviate poverty

Inequality exacerbates poverty and leaves millions of people globally unable to exercise their rights to have a basic standard of life, health and dignity.

In 2020, 120 million more people were living in extreme poverty than the previous year and that's expected to rise to 150 million in 2021.

And it's not just the global south: one in seven New Zealand children live in poverty<sup>53</sup>, one in five German children<sup>54</sup> and nearly one in three British children<sup>55</sup> do too.

Poverty and starvation go hand in hand. The number of people affected by acute food insecurity reached 272 million by the

end of last year.

The COVID-19 pandemic knocked back a decade of progress in the world's poorest countries,<sup>56</sup> and yet billionaire fortunes bounced back to their pre-pandemic highs in just nine months.

To act on poverty SMEs can:

- Work only with businesses in the supply chain that provide humane working conditions, safe workplaces and pay fair, living wage to employees.

By investigating supply chains, SMEs can also intentionally support smallholder agricultural producers of products such as chocolate, coffee, tea, cotton, paper and other cash crops, to supply their office staff room and more particularly, if they're a food retailer, restaurant, cafe, caterer or events organiser.

Small businesses involved in these sectors can also:

- Donate excess food to food banks, food charities, refugees, domestic violence refuges and homeless shelters.

### Fair wages and work practices

Fair wages enable families to provide for their needs. Businesses that pay employees and contractors fairly are contributing to economic and social sustainability.

## UK AND AUSTRALIA 'WAGE THEFT'



Not all businesses around the world follow fair work practices, even in the wealthiest nations. In August 2021, UK Revenue and Customs found 191 companies owed 34,000 workers a total £2.1 million between 2011 and 2018.

Named employers had to pay back what they owed and were fined an additional £3.2 million.<sup>57</sup> Breaches included employers wrongly deducting pay from workers' wages, such as for uniform and expenses and failing to pay workers for all the time worked.

In Australia, underpayment of wages by large and small companies are at "epidemic proportions," the Australian Council of Trade Unions said in a 2020 submission to the Senate Economics Committee of the Australian Parliament.

The ACTU said wage theft included failing to pay superannuation, pay for breaks and overtime, not paying for trials or training or annual leave, and charging employees for uniforms.

SMEs specifically were avoiding paying redundancy pay, the ACTU said. Employees were particularly at risk in construction, agriculture, healthcare, commercial cleaning, meat processing, hospitality, retail, beauty, fast food and accommodation, sectors in which SMEs are prevalent.<sup>58</sup> PwC has estimated some \$1.35 billion in wages are underpaid each year<sup>59</sup> affecting about 13% of the entire Australian workforce.

**SPOTLIGHT:** Frances Carter CA

## Finding meaning in sustainable business

Frances Carter CA worked as an accountant for ten years and then changed career direction to find more meaning in her work. She worked for the Australian Red Cross in Botswana under the [Australian Volunteers for International Development](#) and then completed two masters degrees in international business administration and another in sustainability management.

Carter now works as a sustainability consultant for two international consulting firms: Conservation Capital, which operates in conservation financing and sustainable development and ERIAS Group, working in corporate ESG, climate change and sustainability. She consults on projects ranging from large resources companies and international NGOs to small businesses and landowners.

"I always had a passion for conservation and the environment, so I thought I'd combine that with accounting." Australian companies, she adds, are "very much behind the curve" on sustainability compared to European and American companies.

Carter is interested in how financial services can contribute to conservation and livelihoods. Sustainability must be embedded in every aspect of a business' strategy and operations. Whether you're a multinational corporation or a subsistence farmer the same principles apply, she says.

Carter is currently working with an international not-for-profit, multiple multinational coffee companies, Indonesian banks and smallholder coffee growers to increase their productivity to discourage deforestation in a national park.

She's collaborating with a host of other experts trying to help growers improve yields and adopt more sustainable practices without expanding their plots and planting a bigger area.

### Theory of change

Measures to ensure they can get a fair price for their crop is a key consideration. This raises their quality of life and means they can afford school fees, particularly for girls. Carter is also working with banks to provide micro-loans to these farmers.

"I start with a Theory of Change Model," she says. "Begin at the end goal - to conserve the forests and then work backwards to see how we achieve this."

She says it's a win-win for everyone. Coffee farmers produce more and increase their income, the forest and biodiversity are protected, while multinational coffee companies are assured of sustainable supply chains that don't include deforestation or pushing people further into poverty.





**SPOTLIGHT:** Farm Crowdy

## Tackling hunger in Nigeria

Food insecurity in Nigeria is driven by civil conflicts, rising food prices, natural resource degradation and poverty. In 2020, COVID-19 and the subsequent lockdowns also prevented many farmers from working their land.

“We need to solve the food security problem and we need to solve it in a sustainable way,” says Akindele Phillips ACCA, “so that, by 2050, we have enough food to handle the growth of our population.”

Phillips is the co-founder and CEO of Farmcrowdy - which provides agronomic knowledge, microinsurance and market access to small farmers. Farmcrowdy also connects smallholders on its farmer network database with institutions, government agencies and other providers of development funds.

The business negotiates with suppliers on farmers’ behalf, shares technical knowledge with them and helps them sell their produce directly to customers. During the pandemic, they developed a delivery system app so customers could get farm fresh produce delivered to their door.

All businesses should have a sense of social purpose, Phillips says. “The way I see it, as a private entity, you are making use of certain resources, some of them natural. So, the least you should do is to give back to the ecosystem in terms of social services.”<sup>60</sup>





# TAKE ACTION: Diversity and inclusion

Focusing on diversity and inclusion will help your organisation navigate today's uncertain world and better prepare it for the future.

- ✓ **Examine your own organisation.**
- ✓ **Create an inclusive workplace with equal opportunity for all.**
- ✓ **Accelerate careers of women and people of colour.**

Your people are the core of your business and its future purpose and prosperity. Ensure equality, diversity and inclusion is central to everything you do and reflects how you deal with employees and customers.

There is still a long way to go globally until women, LGBTIQ+ people and people of colour are represented equitably across organisations and governments. Educating girls and empowering women is an essential focus.

Most of the 38-member countries of the OECD require companies to pay men and women equally for equal work. Iceland was the first country in the world mandating companies with more than 25 employees to detail measures they're taking to tackle the gender wage gap.<sup>61</sup> Large companies in Australia and the UK are now required to report the same.

- Analyse the gender pay gap in your organisation. CA ANZ has produced their own gender pay gap report [here](#).
- Determine how many women and people of colour your business employ from entry-level to executive roles.

## RECRUITMENT AND EXIT

- Examine your recruitment and selection process.
- Address gender and ethnic bias in interviews and selection panels to include women and other minorities.
- Provide decent and productive jobs for vulnerable people such as asylum seekers, people with disabilities and others - for example companies such as Starbucks and IKEA have particular programs that employ refugees, while in Sydney, Australia, the [Social Outfit](#), a fashion label and [the Bread & Butter Project](#), a commercial bakery, are two SMEs completely run by refugees and new migrants.
- Hold exit interviews to listen and understand the reason why employee is leaving.

## TAKE ACTION: Diversity and inclusion (continued)

### PROMOTION

- Hold frequent performance reviews that are more transparent, accountable and fair.
- Publish promotions and pay rises while making sure that you offer men and women equal remuneration for the same role - it's the law.
- Change your remuneration structure to reward performance and outcomes, instead of traditional billable hours that favour full-time workers.
- Hold training sessions to encourage women and minorities to have confidence to negotiate for higher salaries and bonuses.

### CAREER FLEXIBILITY

- Normalise career breaks for study, travel, parental leave (for men and women) or carer leave to care for elderly or disabled family members as well as children, to reduce the significant impact to employees' promotion or remuneration prospects.

- Embrace and create a flexible workplace. This improves all employees' mental health and work/life balance.

### MENTORS AND LEADERS

- Accelerate representation of women and people of colour to senior levels, with an inclusive mentorship program that supports all employees' progress and widens your talent pool. Everyone who wants to participate becomes either a mentor or mentee.
- Get men and women senior leaders to sponsor women and people of colour into roles in management, the executive suite and the board. Hold networking events so women can have role models and learn from other women.
- Support education within your organisation, an avenue for all employees for self-advancement and deeper understanding of the organisation's operations. This leads to innovation within the organisation, to make processes, products and services more efficient, cost effective and sustainable.

**100-150  
MILLION**

The number of people who would have enough food if women farmers had more resources.

(Source: Oxfam)

#### TOOLKIT: CREATING AN INCLUSIVE WORKPLACE



The [Workplace Gender Equality Agency](#) has resources on creating a more inclusive workplace, conducting a gender pay gap analysis, introducing a gender strategy and flexibility in the workplace or mentoring more women into leadership positions.

The [Australian Human Rights Commission](#) has resources for SMEs and opportunities for training employers. The [Ministry of Women in New Zealand](#) also has resources on the gender pay gap. [Gender at Work](#) is a Canadian organisation with a wealth of international resources on how to address gender.

#### TOOLKIT: MENTORING TO EMPOWER EMPLOYEES



CA ANZ has a partnership with LinkedIn learning where all members have unlimited access. The platform includes information sessions on how to set up a mentoring program. CA ANZ also uses [Mentorloop](#), a software platform to connect mentors and mentees and has a program called [Mentor exchange](#).

ACCA also has a [mentoring program](#) providing online training programs and on-demand webinars for both mentors and mentee about what to expect and how to fulfil expectations in the mentoring process.



# Business transformation

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Action starts with awareness and understanding of the opportunities sustainability initiatives provide and adoption of an effective strategy to implement change.

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# Business transformation

*'When you start asking questions about sustainability and benchmarking non-financial data, you end up learning more about the overall health of an organisation.'*

— Jennifer Cantero,  
Sensiba San Filippo

Use the SDGs as a guide to develop a strategy to embed sustainability into your business model, operations and culture.

Whether you're planning to transform your own business or advising an SME, you'll need to start a conversation about opportunities for sustainability.

- Engage and create awareness of the environmental, social and governance issues and the UN Sustainable Development Goals.
- Consider conducting quick surveys that separately target customers, employees or other individuals and organisations.
- Get buy-in from employees, management and/or the board of directors to act on key issues and ensure they understand the business case.
- Identify sustainability champions who can help drive change from within.

## Expand your knowledge

- Develop internal knowledge by learning from others and encouraging champions to develop their understanding.
- Identify courses or other external expertise, tools and resources.
- Engage with industry bodies and other formal networks nationally and internationally, learn from and participate in sustainability initiatives they promote.
- Network locally and connect with like-minded SME or SMPs.

**200%** The annual growth of global plug-in electric car sales in 2020.

(Source: RenewEconomy)

**10.3%** The growth in renewable energy capacity in 2020, the highest annual increase in renewable generating capacity ever.

Source: IRENA

## TOOLKIT: HOW TO TALK ABOUT CLIMATE CHANGE



Not every business owner or manager accepts climate science and/or that they can do anything about it. Working through a guide — such as [How to talk about climate change: a cheat sheet](#) by New Zealand consulting firm The Workshop — will help when it comes to having the conversation.

The UN Global Compact provides a free 30-minute [e-learning course](#) designed for professionals at all levels to learn more about integrating the Sustainable Development Goals into their business.

# Define priorities: keep it simple

## SUSTAINABILITY MAPPING

Start by understanding the business and its activities. This guarantees that you're giving relevant, tailored advice. Much of the information you need, you will already know or have easy access to. Try and keep it as simple as possible.

You'll be gathering data on the following areas:

- the client's or your firm's knowledge of sustainability
- business size and industry metrics
- business model: sources of revenue, customers, products and financing
- business' position in supply chain (importer, manufacturer, primary producer)
- sustainability progress so far, such as energy consumption, gender equity<sup>62</sup>

Ensure that your client agrees to the process and then you can focus on creating a sustainability strategy and embark on a reporting process.

## SET GOALS

- Identify and assess key industry benchmarks and sustainability goals and targets.
- Make a commitment to sustainability goals and targets and embed them into your organisation's mission, strategy and priorities.
- Incorporate sustainability as part of your value proposition.
- SMEs can learn from big business and get some ideas on framing their own plans and objectives.

## INTEGRATING

- Map pathways to achieve these sustainability goals.
- Define specific actions that will drive that process.
- Establish performance metrics, to measure your progress towards becoming a sustainable organisation or help your client do the same.
- Take steps to improve your sustainability, particularly environmental actions to reduce your energy, recycle

and reuse items and improve the human side of your business.

## COMMUNICATE

- Use social media, meetings, newsletters and your website to reach employees, managers, executives, your board and clients. Consider using engagement apps too, such as [Employment Hero](#).
- Be granular and specific about what actions you're taking and why.
- Start early and include the company's sustainability related commitments in your induction process.<sup>64</sup>

## DEVELOP A SUSTAINABILITY STRATEGY:

- Ensure employees, management and board are committed to sustainability issues.
- Develop and document a strategy that uses SMART goals (Specific, Measurable, Achievable, Relevant, and Time-Bound).
- Delegate employees to lead change in specific areas.

TOOLKIT: LOOK AT  
WHAT LARGE COMPANIES DO



[Pivot Goals](#) is an online database of the environmental, social and governance goals set by the 500 largest companies in the world.

# TAKE ACTION: Governance and partnerships

The sustainability crisis is the result of institutional failure to properly manage the consequences of economic development.

- ✔ **Connect with local organisations acting on sustainability and climate change.**
- ✔ **Join your industry body and speak out for sustainability initiatives.**
- ✔ **Reach out to other accountants or SMEs in your sector to unite your voices on change.**
- ✔ **Work together on joint actions such as sharing recycling or access to renewable energy.**

As important actors in the economy, SMEs can connect within their local communities and countries — as well as across international boundaries — to engage on sustainability issues.

The world lacks proper institutional mechanisms, for example, to adequately protect oceans, biodiversity and rainforests.<sup>63</sup> SMEs can be part of initiatives seeking to address these issues. Indeed, some already are.

### Risk assessment

Identify and, where possible, measure sustainability risks relevant to your business. Assess the environmental and social impacts as well as appropriate governance and determine the risks and opportunities that lie in each area and analyse the likelihood and consequences of them. Look at inherent risk, such as whether they're in an energy intensive industry or reliant on scarce resources or face risk in their supply chains.

### Finance impact

Then determine the impact each category has on the business. All risks can have material consequences but maybe not yet. Discover where data is lagging or missing, where they'll need to do further investigation and what they're doing to mitigate and prepare for that risk. You'll need data and fundamental analysis to measure the impact and set goals and targets to prepare for potential ripple effects.

### Materiality

A useful tool is the [SASB Materiality Map](#) which looks at the risks mostly likely to occur in 77 industries grouped into 11 categories overall. Use it to identify sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry. Also ask customers and employees, as well as looking at what your peers are doing, to identify the material issues.

**7 MILLION**

The number of deaths and respiratory illness which could be prevented if air pollution was reduced

(Source: WHO)

### TOOLKIT: HOW TO TACKLE THE SDGs



The UN has created the [United Nations Global Compact](#), which contains comprehensive resources on the SDGs so that businesses of all sizes can align their strategies and operations with these goals. It's the world's largest business sustainability initiative, with more than 13,000 participating organisations in over 160 countries.

# TAKE ACTION: The circular economy

The circular economy SMEs need to change the way they design, manufacture, repair, reuse, recycle and repurpose products to lead the way to a circular economy.

A circular economy could generate \$4.5 trillion of additional global economic output by 2030, according to new research that identifies circular business models which separate economic growth from natural resource consumption while driving greater competitiveness.<sup>65</sup>

The circular economy involves a mindset change by businesses and consumers of how products are designed, manufactured, repaired, reused, repurposed and recycled.

It involves creating products with extended life cycles, using intelligent design that builds in reuse, recycling and remanufacturing,<sup>66</sup> practices that lead to a more resilient and sustainable economy and a healthier Earth.

SMEs have a huge opportunity to be part of the circular economy. They can engage with customers in new ways, create new business models and processes and connect with different parts of the supply chain.

In Australia, the [Environmental Protection Agency](#) has information sheets on every material or product that businesses can recycle in Australia.

Contact your local e-waste recycler to collect computers and printers and allow employees to even bring their e-waste from home.

### REDUCING WASTE

- Go paperless, digitise your business to reduce waste and costs associated with paper, printers, copiers, ink cartridges and filing cabinets.
- Buy sustainably-produced products, services and equipment.
- Separate all other waste.



# Opportunities to develop new businesses

## RECYCLING ELECTRONICS

APR Electronic in Malaysia refurbishes laptops, mobile phones and computers and resells them at a fraction of the price of a new one. Their business model democratises technology and enables not-for-profits, schools and other small businesses to be able to afford these devices. To ensure these devices stay out of landfill, APR Electronic also has a buyback policy to take back used IT equipment. More than 1,000 small businesses and charities have so far benefited. They also supply spare parts to other companies and offer a repair service.<sup>67</sup>

## WASTE MARKETPLACE

ASPIRE is an Australian SME that's created an App so users can access a waste marketplace and create a circular economy.

It matches businesses trying to get rid of waste with those that want it. For example, they've matched [AB](#)

[Mauri](#), a company that makes baker's yeast with [EarthPower](#), a company that turns food waste into power and feeds it back to the grid.

AB Mauri's molasses waste has gone to farmers to feed cattle.

## TRACKING A PRODUCT'S LIFE CYCLE

[atma.io](#) is an innovative supply chain tracker which allows businesses to create a digital ID, like a birth certificate for a product so the business and their customers can monitor the product's entire supply chain and lifecycle.

The traceability features enable tracking on a very granular level, to

find out which raw materials are used for production and every stage of its manufacture, transportation and sale to enable companies to capture and track the carbon footprint for each product individually.

It was launched in March 2021 and already is tracking 14 billion products.

## TOOLKIT: 4D SUSTAINABILITY CANVAS



This tool helps SMEs that feel overwhelmed and lack resources to start their sustainability journey. It provides a simple step-by-step process to integrate sustainability into their business model.

The Canvas is divided into community, employees, governance and planet. It provides an overview of social and environmental impacts and encourages co-workers to become the main actors in shaping a business' sustainability strategy.

Once an SME has completed the 4D Canvas, they can link business actions to the SDGs with the help of SDG Cards and establish sustainability goals and targets in the 4D Targets.

The toolkit is available at [4D Canvas Download](#) for free.

**SPOTLIGHT:** Sensiba San Filippo

## Mid-sized firm creates sustainability centre

Sensiba San Filippo LLP became a certified B-Corp in May 2018, as a way to “walk the talk” on sustainability, says John Sensiba, managing partner of the mid-sized accounting firm in California, USA.

The firm was so positively impacted by their own B-Corp certification, they wanted to help their clients through the same journey.

In 2020, they launched the Sensiba Center for Sustainability. The Center’s goal is to help companies move to a purpose-driven, sustainable business model that includes social and environmental performance, accountability, and transparency.

### **Carbon footprints**

“We looked at everything a company could do to move the needle on sustainability,” says Jennifer Cantero, Director of Marketing and Sustainability. “Like calculating carbon footprint, supply chain management.

Sensiba San Filippo’s already seen benefits from its B-Corp certification. “It’s been a real game-changer in terms of recruitment,” says Cantero.

“At university careers fairs, students would flock to the Big Four booths, but now they see our booth, with the B-Corp logo, and they come to see us first. We’re pulling as much interest from talent as the Big Four, which is amazing.”

### **Starting the client journey**

When a client isn’t ready to talk about sustainability, says Cantero, they tend to approach it from a ‘bottom line’ angle. “We talk about cost savings — retention of employees, for example — resource use, waste collection, production efficiency and so on,” she says.

“When you start asking questions about sustainability and the non-financial data, you end up learning more about the overall health of an organisation than just looking at just the financial data,” says Cantero.

“You’re asking questions they probably haven’t asked themselves since their early years of operation.”



# Ensuring Integrity

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Accountants have a huge opportunity to bring integrity to sustainable transformation by advising organisations and providing expert non-financial reporting and assurance services.

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# Ensuring integrity

Just as accountants bring integrity to an SME's financial report, they should bring the same approach to non-financial reporting and assurance — especially claims of sustainable practice.

- ✔ **Reporting standards cascade down the supply chain**
- ✔ **By adopting voluntary standards SMEs demonstrate commitment**
- ✔ **Claims of non-financial performance need to be backed by evidence**
- ✔ **Beware of greenwashing, even if it's well-intentioned**

SMEs may choose to adopt several voluntary sustainability standards that certify their sustainability efforts as organisations, or for the products and services they offer, or report progress towards emissions reduction, for example.

Carbon neutrality may be an objective of some organisations, but it's important that businesses understand when to use carbon offsets.

A company's commitment to sustainable practices, through claims they make in marketing materials, a sales pitch or product packaging, needs to be backed by evidence.

Awareness of reporting standards increasingly required of large entities will help SMEs win business and set their own strategies.

## VOLUNTARY STANDARDS

As organisations create plans for sustainability, accountability is essential.

More than 450 voluntary sustainability standards operate globally in at least 25 industries. They inform consumers about sustainability efforts in production and manufacturing. Their aim is to positively impact communities, the environment and the economy.<sup>68</sup>

Standards can help producers increase market access and benefits from trade. But some small-scale businesses may not have the technical or financial ability to do this. Also, because of the increasing number of standards, it can be expensive for exporters to achieve required certifications.<sup>69</sup>

The International Trade Centre (ITC), an agency of the United Nations, has developed a [Standards Map](#). It provides free 'comprehensive, verified and transparent information' on more than 300 standards for environmental protection, worker and labour rights, economic development, quality and food safety, as well as business ethics.

The [State of Sustainability Initiatives](#) is an international research project that provides credible information about how voluntary standards can support better environmental and social performance in important commodity sectors.

SMEs can use the [Ecolabel Index](#), the largest sustainability index in the world, to find a standard applicable to their business.

**EXAMPLES OF SUSTAINABILITY STANDARDS:**



The FAIRTRADE Certification Mark means producers and traders have met Fairtrade Standards and support the sustainable development of small-scale producers and agricultural workers in the world's poorest countries.



The Forest Stewardship Council® (FSC) promotes environmentally appropriate, socially-beneficial and economically viable management of forests. It tracks certified products from forest to consumer, including processing, manufacturing and distribution.



Rainforest Alliance Certified™ guarantees that a product comes from a farm or forest that meets comprehensive standards to protect the environment and promote the rights and well-being of workers, their families and communities.

**FOSTERING INNOVATION, ENGAGING SMES**

Simon Tagliapietre, a senior fellow at Bruegel, the Brussels-based European economic think tank, says SMEs will play a fundamental role in the green transition and it's important to engage them in the process. He recommends that governments do this "with efficient and well-designed green industrial policy aimed at fostering green innovation and creating the best market conditions for their products and services."<sup>77</sup>



**SPOTLIGHT:** Counting the clouds

# B Corp certification roadmap



To become a certified B Corporation, a business must meet transparent and verified social and environmental performance standards. They are also legally accountable to balance profit and purpose.

The business must show they're working towards reducing inequality, poverty and creating high quality jobs with dignity and purpose. So far, 4,088 companies in 153 industries across 77 countries have become Bcorp-certified.

Caroline Harridence ACCA, Managing Director of Counting the Clouds, an accountancy firm in Cambridgeshire UK, has completed BCorp certification.

"I found the accreditation process to be extremely valuable as it provided me with a clear structure and a roadmap of where I can improve in future," she says.<sup>70</sup>

The B Impact Assessment is a free online diagnostic, accessible to everyone, so SMEs can use it to examine and improve their sustainability policies and processes.

If they want to complete the certification process, they'll pay a fee when they're certified (and need to update every three years), as well as an annual fee based on the turnover of their business.

**SMES THAT ARE B CORPS:**

- reported an average staff attrition rate of 10% in the past year, compared to 16%-20% for the wider SME population
- recorded an average 24% growth in annual turnover between 2017 and 2019 compared to an average of 4% for all companies
- have a net positive expectation of 51% that turnover will change in the next year, compared to 27% of all SMEs
- 45% percent of B Corp SMEs have applied for, or received, R&D tax credits in the past 3 years, compared to 6% of SMEs generally.<sup>71</sup>

## Reporting standards

One of the biggest opportunities for SMEs is supplying large companies. As they adapt to a low-carbon, sustainable future, SMEs that align with their strategy are more attractive as suppliers and customers.

While many reporting requirements don't apply to SMEs, they need to be aware of them because of the cascading effect down the supply chain. Understanding what's expected of large entities can help SMEs set their own strategies.

Governments, regulators, industry bodies, investors and other interested parties are increasingly demanding larger corporations conduct integrated sustainability reporting.

### Towards a global standard

In 84 countries, governments and regulators have established 614 sustainability reporting provisions, according to one count. Many are voluntary, some are backed by law and most apply only to large companies. In addition, at least 25 exchanges have mandated ESG reporting as a listing rule for 16,500 companies.<sup>72</sup>

### Integrated Reporting

However, these reporting organisations are now merging. In June 2021, the

Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) completed their merger to create the new Value Reporting Foundation (VRF).

Integrated reporting brings together information about an organisation's strategy, governance, performance and prospects, reflecting its commercial, social and environmental context. It explains how it creates value, now and in the future.<sup>73</sup> ACCA has published an overview of [integrated reporting](#).

### ISSB

The International Financial Reporting Standards (IFRS) Foundation has also recognised the urgent need to create unified global sustainability reporting standards. They are establishing a new International Sustainability Standards Board at the UN COP26 in November 2021.<sup>74</sup>

### GRI

The international and independent [GRI](#) (Global Reporting Initiative) established in 1997 is used by 73% of Global 250 companies<sup>75</sup> and more than 10,000 large companies worldwide. According to GRI's Sustainability Disclosure Database, sustainability reporting by SMEs in 2018 amounted to 15% of its database.<sup>76</sup> GRI has published [guidance for SMEs seeking to engage in sustainability reporting](#).

### TCFD

The [Task Force on Climate-Related Financial Disclosures](#) (TCFD) recommends how companies deal with climate-related risks, transition risks and opportunities. More than 2,000 organisations have aligned themselves with TCFD and publicly support their recommendations. Several jurisdictions, including the UK, New Zealand, Hong Kong and Singapore have announced their intention to mandate TCFD aligned reporting for certain entities.

### TNFD

Formed in June 2021, [Taskforce on Nature-related Financial Disclosures](#) builds on and complements the structure and foundation of the TCFD by providing companies and financial institutions better information on how to incorporate nature-related risks into their strategic planning, risk management and asset allocation decisions.

### NCAVES

[Natural Capital Accounting and Valuation of Ecosystem Services Project](#) (NCAVES) is a UN-run, European Union-funded standard currently in development, but many companies are already using the methodology. It's going through pilots in Brazil, China, India, Mexico and South Africa.

Ensuring integrity (continued)

## Beware greenwashing: A trap for the unwary

Don't be tempted to cut corners on sustainability for the sake of promotion — or you or your clients will risk being accused of greenwashing.

With momentum growing rapidly for sustainable business products and services, 'greenwashing' is when a company makes misleading claims about its environmental or social impacts or lacks the evidence to back its claim of action. Don't let it be you.

Ensure that all your sustainability claims are backed up with real data and don't use vague language. Make factual statements about the sustainability of your product, where the raw material comes from, how it is manufactured, and how it is transported to the consumer.

A Schroders Institutional Investor [study](#) showed about 6/10 of 750 industry professionals surveyed worldwide identified greenwashing as their top concern when looking for a sustainable investment.

Another study by the UK-based think-tank InfluenceMap revealed that funds marketed as "climate themed" often hold shares in large polluters including big oil companies, and many are inconsistent with the goals of the Paris agreement despite claiming to be "aligned" with it.<sup>78</sup>

### EU screens for greenwashing

In 2021, the EU and national consumer protection authorities screened green claims from companies selling clothes, cosmetics and household equipment online. They found more than 40% of green claims appeared exaggerated, false or deceptive and potentially qualify as unfair commercial practices under EU rules.

Of these, 344 seemingly dubious claims were examined further. In more than half of the cases, the trader did not provide sufficient information for consumers to judge the claim's accuracy.

In more than a third, the claim included vague and general words such as "conscious", "eco-friendly", "sustainable" which conveyed an unsubstantiated impression to consumers that a product had no negative impact on the environment.<sup>79</sup>

LEARN MORE



*Here's a list of issues to consider from a Norwegian organisation focused on greenwashing.*



**SPOTLIGHT:** Xero

## ‘Small businesses have a lot of power’



The company offset more than 12,104 tonnes of CO<sup>2</sup> emissions in 2020 through investing in conservation work in New Zealand, peatland restoration in Indonesia, and biomass energy and wind power in India, “the highest quality offset projects we could find,” says Anne Ascharsobi, Global Head of Sustainability.

Now Xero is keen to help its bookkeeping partners understand exactly what data is required to calculate GHG emissions and other non-financial indicators.

“There just aren’t enough tools to make it accessible to small businesses,” says Ascharsobi. “Out of about 1,000 plus apps we have, around 20 are environmentally-focused.”

Xero is keen to increase that number — and fast. Knowledge is only part of the problem. Access to capital is another. “We know that some small businesses are spending upwards of \$20,000 just to find out about their emissions,” says Ascharsobi. Time is another cost. It can take scores of employees hours a day to figure out ESG impact. Small businesses have neither of those things.

Here, Xero may be able to help. Ascharsobi says that a lot of banks offering green loans are asking for a “high level of very clean, almost audit-standard data,” to release funds to clients.

Xero wants to help small businesses by partnering with green finance providers that don’t require too much cash up front and offer reasonable repayment schedules. It also wants to help small businesses navigate the sustainability market by, for example, connecting them with reputable, cheap clean energy providers.

“Small businesses make up 90% of the world’s businesses overall. That’s 90% of the decision-makers. If we can somehow empower them, then they can help hold larger businesses to account.”

Xero had its operations worldwide certified carbon neutral in 2021, one of the first SaaS (software as a service) companies to do so under Australia’s Climate Active scheme.

### SOFTWARE FOR ESG REPORTING

ESG data is an increasingly important component of corporate reports for investors, customers and government agencies. Companies can choose from a variety of technology solutions, including software and digital tools, and some of them are more applicable for SMEs.

DiginexESG, for example, is ESG reporting software tailored for small and medium sized-companies to help SMEs manage and report on their sustainability data. The tools assist businesses to select material topics, consult widely, collaborate on data collection, and produce reports with all the key frameworks (TCFD, SDGs, GRI, SASB and more).

The Enablon Sustainability solution by Wolters Kluwer helps larger organisations collect and manage environmental and other non-financial data, generate reports and increase engagement with stakeholders.

For more information on available software, see [Capterra’s list of 65 software solutions](#).

This is provided as an example of software options available for this purpose. CAANZ and ACCA encourage technology adoption but do not recommend specific solutions or brands.



**SPOTLIGHT:** Sage

## SME success contributes to sustainability



Sage, which provides software for SMEs to manage finances, operations and people, found in a recent survey of more than 11,000 businesses that 4 out of 5 SMEs viewed the pandemic recovery as a time of real potential to promote sustainability.

One of Sage's three sustainability pillars will be to empowering people to make a success of their own business. "We understand that a large part of our impact as a business comes through enabling SMEs around the world to reach their own potential," the company says on

its website. "This is why our global sustainability and society strategy is built with the views and aspirations of our SME customers in mind."

The company has "ambitious yet realistic targets" including:

- cutting its own carbon emissions by 50% by 2030
- reaching net-zero by 2040 (across scope 1, 2 and 3)
- committing to the SBTi (Science-Based Target initiative).

**SPOTLIGHT:** Intuit

## Intuit encourages SMEs to join net-zero race



Intuit, the makers of TurboTax, QuickBooks and Mint, is encouraging SMEs to take the first step toward climate-positivity by joining the UN's Race to Zero campaign and making a commitment to a zero-carbon world by 2050. The company links customers to the SME Climate Hub to browse tools and resources and get recognised by the Race to Zero campaign.

Intuit is encouraging SMEs to sign up for a beta climate positive program which will enable them to learn about their environmental impact and specific climate positive solutions.

The Science Based Targets initiative (SBTi) validated Intuit's core sustainability targets in 2019. The company achieved carbon neutrality

in 2020 for its own operations. It is now empowering employees, consumers, small businesses and others to reduce their footprint.

Intuit established a Prosperity Hub so economically disadvantaged communities can find new sustainability solutions that lower their emissions while improving financial wellbeing. The hub aims to be a catalyst to scale climate solutions quickly and equitably. Intuit is also a founding member of Drawdown Labs which identifies and scales climate solutions.

# Further resources

- **The B Corp handbook: how you can use business as a force for good** presents a guide to the growing B Corp business movement, companies which meet three requirements: verified social and environmental performance, legal accountability, and public transparency. Offers tools for any company to adopt to build a better business, become a force for good, attract talent, and increase brand trust.
- **The circular economy handbook: realizing the circular advantage** offers companies a practical guide to aligning global production and consumption with sustainability. This advice on the circular economy offers a powerful means to enable greater production whilst creating fewer environmental impacts. It looks at a range of industries, from mining to fashion, examining how to transform a value chain from linear to circular.
- **A more sustainable Supply Chain** looks at the need to ensure companies source their materials and sources from ethical suppliers. It presents three multinational corporations with sustainable practices, examining the social, environmental and economic considerations required to establish an ethical supply chain.
- **Practical guides to natural capital management for professional accountants** provides 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
- **CA ANZ guide to non-financial risks**
- **ACCA certificate in sustainable finance**
- **ACCA certificate in integrated reporting**
- **ACCA Responsible SMP pacesetters** report tells the story of small and medium sized practitioners acting as a force for public good and identifies clear benefits and opportunities for SMPs in having this positive role for the communities.
- **ACCA Practice Connect hub** is for small and medium sized practitioners and its **Growing sustainably section**, bringing together the most updated material on sustainability for SMPs.
- **World Wildlife Fund's beginner guide to emissions reporting** and toolkit supports businesses with their sustainable transformation journey.
- **What do high-quality non-financial reports look like?** offers examples of quality non-financial reports, including sustainability and corporate social responsibility. It includes examples from a range of industries, including transport, energy and landscape management.
- **A better planet: 40 big ideas for a sustainable future** offers 40 ideas to 'save the planet' covering subjects from ecology and environmental justice to big data. It focuses on actionable, bipartisan approaches based on scientific research.

# Acknowledgements

CA Catalyst is a CA ANZ strategic initiative to empower members in SMEs to modernise their business practices and service lines to create value and impact for the communities they serve. With sustainable business practices coming to the forefront of business strategy, CA Catalyst is seeking to help accountants capitalise on opportunities to drive sustainability initiatives within SMEs. Our collaboration with ACCA in creating this playbook helps provide additional perspectives from around the world.

ACCA and CA ANZ wish to acknowledge the contributions to this report of Sunny Sirabas, Lydia Tsen CA, Karen McWilliams FCA, Aleksandra Zaranina-Kirilova, Miranda Siu CA, Frances Carter CA, Charlie Chen CA, Catherine Bell, James Lizars ACCA, Wyndi Tagi CA, Eli Tagi CA, Carol Lynch ACCA, Tom Finn ACCA, Andrew Chong

ACCA, Mark de Lat, Aleena Kareem ACCA, Mike Atkinson FCA, Sara Whale FCCA, Akindele Phillips ACCA, Jennifer Cantero ACCA, Caroline Harridence ACCA, Associate Professor Brad Potter CA, Professor Naomi Soderstrom.

We have also drawn on a range of publicly available documents from several organisations including but not limited to Acuity Magazine, BCorporation, New Zealand Sustainable Business Network, Small Business Council of NZ, UN Global Compact, Accountants for Sustainability, PwC, KPMG, Deloitte, Workplace Gender Equality Agency, Xero, Sage, World Economic Forum, Oxfam.

References are provided as endnotes in this report if they are not referenced in the text itself and where possible and practical are linked to websites throughout the report.

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# Endnotes

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