



Sustainable Business Management: What Glasgow Means for Management Accounting



The Association of
Accountants and
Financial Professionals
in Business



**STRATEGIC
MANAGEMENT
SERIES**

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Q&A

Asking Questions



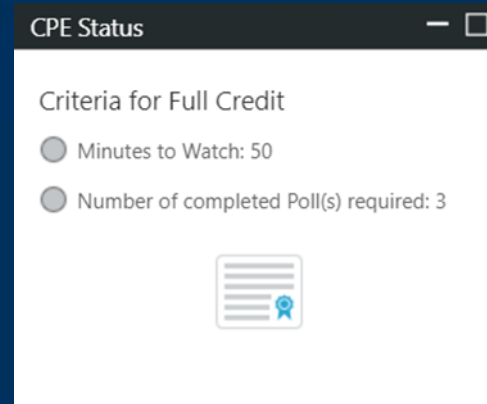
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Moderator

Leena Bhojawala

**Manager, Educational Products and
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Featured Presenter

Shari Littan, JD, CPA

**Director, Corporate Reporting Research &
Thought Leadership**

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Shari Littan's Biography

- Shari is IMA's Director of Corporate Reporting Research & Thought Leadership. Her primary focus is financial reporting and sustainable business information and management. She has led the authorship of several IMA reports, articles and webinars on sustainable business, corporate reporting, and diversifying talent in accountancy.
- Prior to joining IMA, Ms. Littan was a technical editor for GAAP Reporter on Thomson Reuters Checkpoint and an adjunct faculty member at New York University's School of Continuing Professional Studies. She began her professional journey on the staff of two international accounting firms.
- Shari holds a Postgraduate Certificate in Sustainable Business from the University of Cambridge Institute for Sustainability Leadership, as well as a JD from Boston University School of Law and a BS from the School of Management at Binghamton University. Earlier in her career, Ms. Littan was a securities and corporate litigation attorney.

Featured Presenter

Brad Monterio

**Executive Vice President,
Member Competency & Learning**

Institute of Internal Auditors, Inc.

**Member
IMA Global Board of Directors**



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Brad Monterio's Biography

- Brad Monterio is global Executive Vice President, Member Competency & Learning for the Institute of Internal Auditors (IIA). He is a member of the IMA Global Board of Directors, a member of the new IMA Sustainable Business Management Global Task Force, and IMA's representative to the International Integrated Reporting Council, now part of the Value Reporting Foundation.
- At IIA, Mr. Monterio is responsible for portfolio strategy, product delivery, instructional design, education partnerships, competency frameworks, and innovation for professional learning. He has been working in the global sustainability movement for more than 10 years and has focused on reporting frameworks and technologies to help companies navigate the new reporting paradigm.
- Previously, Brad was Chief Learning Officer for the California Society of CPAs and Managing Director of Colcomgroup, Inc., a strategy, marketing and advisory services firm. He received his bachelor's degree from Dartmouth College, speaks French and is an avid traveler.

Learning Objectives

1. Recognize the importance of sustainability issues for management accountants and how sustainability impacts an organization and its strategy.
2. Explain the new regulatory and standard-setting movements toward global ESG reporting standards.
3. Describe the nine principals outlined in IMA's Statement of Position on Sustainable Business Information and Management that are fundamental to building a successful and sustainable accounting ecosystem within an ever-changing landscape.
4. Identify the key takeaways from the Glasgow Global Climate Summit (COP26).

What do we mean by
“sustainable business?”



OUR COMMON FUTURE

THE WORLD COMMISSION
ON ENVIRONMENT
AND DEVELOPMENT

Brundtland Report Definition

- United Nations report, “Our Common Future” (1987):
***Sustainable development:** Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*
- “Sustainable development” generally refers to building economies that align with this definition.
- “Sustainable business” generally means building businesses that align with this definition.



Optimizing Profits Versus Preserving Capital

- Sustainable business reexamines the informal maxim about maximizing shareholders' current profits to optimizing performance and value.
- It emphasizes preserving and growing an entity's value in a way that produces for all its stakeholders over the long term.

“Sustainable business”
reflects traditional concepts of optimizing this year's harvest in a way that preserves the orchard.

Poll Question 1:

Management accountants bring many competencies to sustainable business initiatives. Which of the following do you view as most beneficial?

- a. Enhancing the quality of sustainable business data
- b. Measuring the value of intangibles, such as human resources capital and other relationships
- c. Applying risk management principles ESG / sustainable business concerns
- d. Developing strategy and planning around sustainable business opportunities
- e. I'm not sure

Poll Question 1 Results: (Placeholder)

Understanding the drivers for sustainable business is good strategy

Internal Drivers

- Risk management
- Resilience
- Efficiencies
- Innovation / opportunities
- Intangible value / relationships

External Drivers

- Customer demands
 - Business customers – supply chain
 - Consumers
- Peer pressure
- Investors / markets / disclosure
- Lenders / cost of capital
- Governments / policymakers
 - Reducing greenhouse gas (GHG) emissions

Sustainable business
is disrupting
Accounting paradigms.

“ESG today is like the internet in the 1990s.
Everyone knew it was here to stay and going to get bigger. The business question was whether a company was going to drag its feet and try to resist the disruption instead or whether it would embrace the possibilities and innovate.”

Wealth manager at middle-market accounting and consulting firm.

What was COP26?

- Annual “Conference of Parties” led by United Nations
- Goal: Obtain national-level commitments / agreements (or, “accords”) to reduce GHG emissions
- Glasgow, Scotland, UK in October 31 – November 12, 2021
- Notable previous accord in 2016 was the Paris Agreement
- Other events and activities around sustainable development and sustainable business



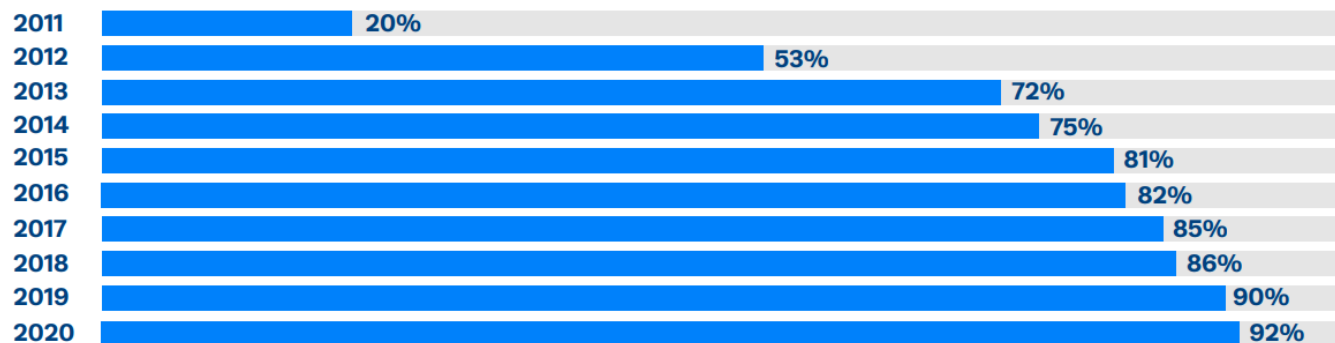
**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IFRS Trustees: Three-part Announcement at Glasgow

1. Formation of new International Sustainability Standards Board (ISSB)
2. Formation of ISSB will include consolidation / merger with several existing sustainability accounting and reporting organizations:
 - Value Reporting Foundation (the combined entity of Sustainability Accounting Standards Board and the International Integrated Reporting Council)
 - Climate Disclosure Standards Board
3. Publication of two prototype sustainability standards:
 - General Disclosures
 - Climate-related Disclosures (largely aligned with the Recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosure, "TCFD")

Sustainability reporting has gone mainstream.

THE 10-YEAR TRACK RECORD OF S&P 500 REPORTERS



Percent of S&P500 issuing sustainability / ESG / integrated reporting.

Poll Question 2:

What is the current role of sustainability management in your organization's strategic planning process?

- a. It drives the discussion and is central to the process
- b. It is a key consideration
- c. It is considered but is not a major driver
- d. It is not a significant factor
- e. It is not considered currently
- f. N/A/I don't know

Poll Question 2 Results: (Placeholder)

Securities Regulators Active Oversight re: ESG Disclosure



- United States Securities & Exchange Commission
- International Organization of Securities Commissioners (IOSCO)
- European Commission
 - European Financial Reporting Advisory Group (EFRAG)
 - Global Reporting Initiative (GRI)



IMA Statement of Position on Sustainable Business Information and Management

Build	Build trust in the profession
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Create	Create entity-level value
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Promote	Promote systemwide value
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Enhance	Enhance stakeholder relationships
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1. Sustainable business reporting must instill trust and confidence.



Build trust in the profession

Create entity-level value

Promote systemwide value

Enhance stakeholder relationships

2. Information must be actionable for management decision-making.
3. Information must flow from systems with strong oversight, governance, and controls.
4. Corporate reporting must follow from a value-creation mindset.

Build trust in the profession

Create entity-level value

Promote systemwide value

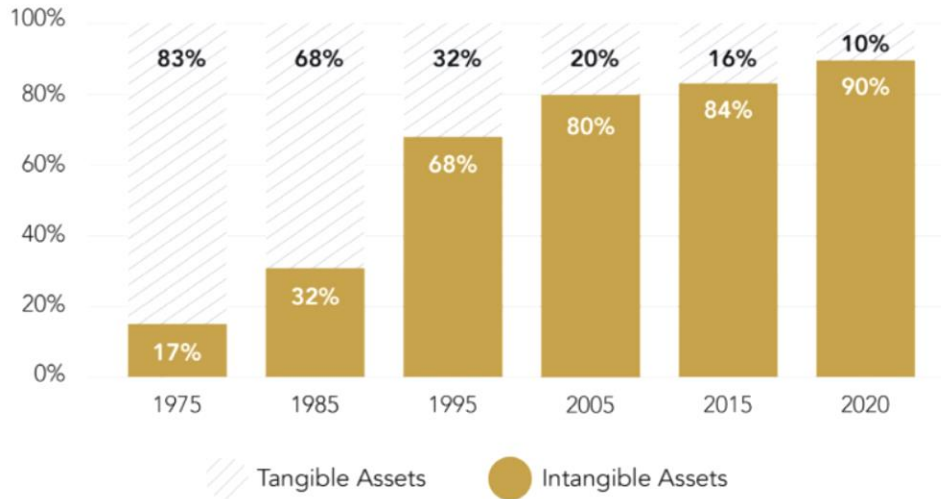
Enhance stakeholder relationships

Principle #2: What do we mean by “actionability?”

- “Actionability” speaks to decision-usefulness of sustainable business information by management
 - Strategic mindset
 - Use of valuable accounting / finance team resources
- “Materiality” has a legal definition that addresses information delivered to investors and the capital markets

Principle #4: Value Creation Mindset

COMPONENTS OF S&P 500 MARKET VALUE



SOURCE: OCEAN TOMO, LLC INTANGIBLE ASSET MARKET VALUE STUDY, 2020

Stakeholder / Value Contributor

- Customer loyalty
- Employee engagement
- Vendor partnerships
- Shareholder commitment
- Reputation
- Community relationships

Poll Question 3:

Which of the following do you think will be the most significant driver in initiating sustainable business management to small and medium sized organizations?

- a. Being part of the supply chain for larger companies
- b. Reputational concerns, including the competition for talent
- c. Concerns over insurance coverage
- d. Government initiatives such as carbon taxes or incentives
- e. I don't know

Poll Question 3 Results: (Placeholder)

Intangible / multistakeholder value is now a focus on research in the sustainable business arena

An Accounting Challenge

Identification

Measurement

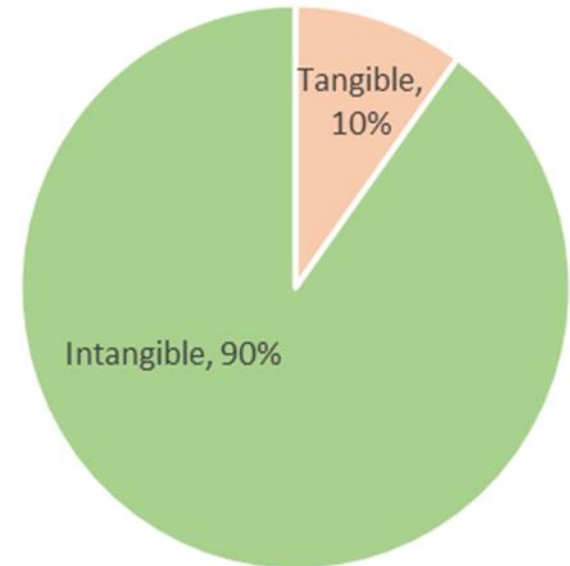
Reporting

Analysis

Management

Internal controls

Total value, 2020



5. Data ecosystem from source to user fully utilizes technology such as digital reporting.
6. Information and management must be relevant to small and medium-size entities.
7. Reporting standards must address fragmentation and preparer burdens.

Build trust in the profession

Create entity-level performance and value

Promote systemwide efficiency

Enhance stakeholder relationships

8. Disclosure to debt and equity investors must adhere to precedent that defines “materiality.”
9. Disclosure mandates must be clear as to the intended user.

Build trust in the profession

Create entity-level performance and value

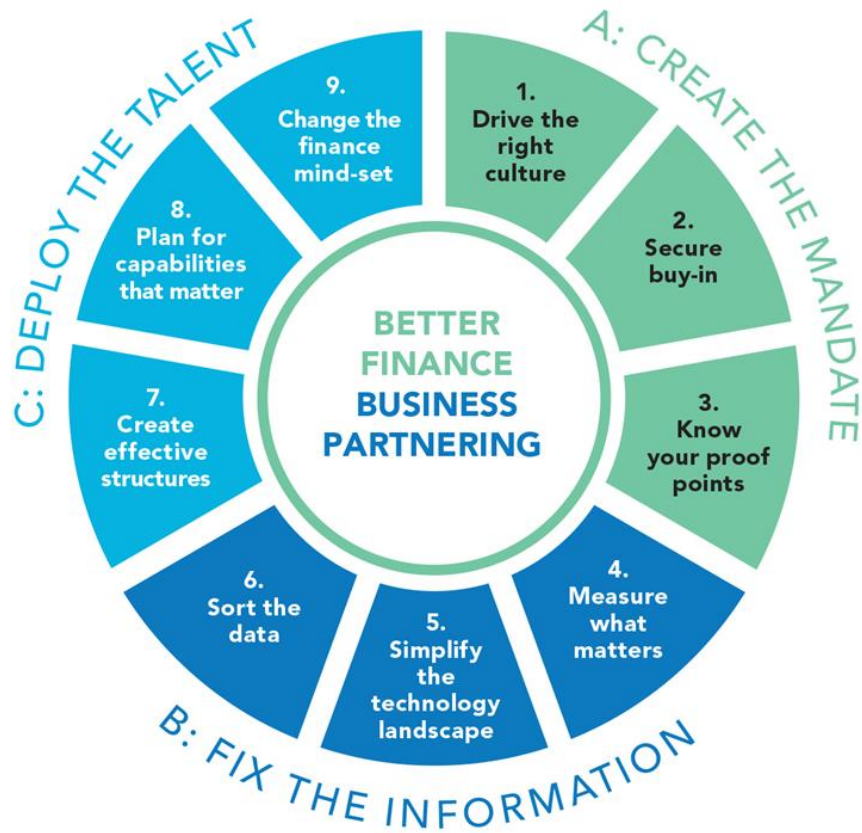
Promote systemwide efficiency

Enhance stakeholder relationships

Role of CFO / Finance and Accounting Function

Top 10 Sustainable Business Activities

1. **Governance, Championing, and Collaboration**
2. **Sustainability 101: Information Sharing on the Basics**
3. **Improving the Reporting Agenda**
4. **Improving Information Quality**
5. **Decarbonizing Operations**
6. **Measuring the Value of Human Capital Resources**
7. **Improving Supply Chain Oversight**
8. **Risk Management: Climate and Other Material ESG Risks**
9. **Operations, Strategy, and Planning**
10. **Connecting Sustainable Business Performance Measurements to Value**



Finance Partnering Framework

Poll Question 4:

Which of the following do you think is the most beneficial aspect of organizations addressing sustainable business matters?

- a. Improving energy efficiency
- b. Working more closely with suppliers
- c. Attracting and retaining talent
- d. Improving operational efficiencies (other than energy)
- e. I don't know

Poll Question 4 Results: (Placeholder)

Sustainability is accelerating the use of digital reporting.

Data flow and processes are a key emerging role for management accountants.

- Transformation of processes from the delivery of physical reports to the delivery of data.
- Data can be delivered to multiple internal and external users in multiple reports or on dashboards.
- Companies need to consider internal controls and oversight over new types of data.
- Sustainability information tends to be more qualitative and forward-looking than conventional transactional data.
- Assessing sustainable business information requires competencies in estimating the future.

Management Accountants: Climate

Risks

- Physical risks to property
 - Consider insurance coverage
 - Consider supply chain
 - Employee access
- Transition risks as economy changes
 - Stranded assets
 - Cost of emissions
 - Cost of capital
 - Relationships / reputation

Opportunities

- Building efficiencies: energy and other resources
- Partnering with business customers
- Partnering with suppliers
- Competing for talent

Questions & Answers



Questions and Answers



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Thank you to Our Featured Presenters!



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Final Reminders

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