

Professional Accountants in Business—At the Heart of Sustainability?



**International Federation
of Accountants**

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This information paper was prepared by the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC). The PAIB Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. Its aim is to enhance the role of professional accountants in business by encouraging and facilitating the global development and exchange of knowledge and best practices.

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Introduction

Sustainability has long been on the list of important topics for professional accountants in business (PAIBs) to consider but, with some exceptions, rarely on their urgent list. Recognizing the increasing importance of this subject, the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) considered a plan to increase awareness amongst PAIBs on the subject of sustainability. They have recently published an information paper entitled, “Sustainability—the Role of the Professional Accountant in Business.”

In addition, the PAIB Committee commissioned Robert Bruce, a leading accountancy journalist, to conduct a series of telephone interviews, predominantly with professional accountants operating in business throughout the world, to seek their views on the topic. The resulting publication of which this introduction forms part, is an information paper entitled “PAIBs—At the Heart of Sustainability?” It is a fascinating read.

Bill Connell

A handwritten signature in cursive script that reads "Bill Connell". The signature is written in black ink and is positioned above a horizontal line that underlines the name.

Chairman, IFAC PAIB Committee

Executive Overview

Without doubt, the issue of sustainability needs to move rapidly up the priorities for professional accountants in business. For the profession worldwide, it's no longer enough to focus on profits and growth alone. Post Enron, organizations have a heavier responsibility in terms of transparency when carrying out their activities. Businesses will have to answer to the consequences of their decisions in an environment that is placing greater emphasis on accountability. However, the views of many of the professional accountants in business surveyed for this project are quite innovative in the context of the profession's efforts towards sustainability. IFAC continues to be at the forefront in promoting ethics and corporate social responsibility to all its member bodies.

The Rising Awareness of Sustainability as a Business Issue

Sustainability is quite simply a vital issue for business and the concept, quite simply, is about developing a corporate strategy that responds to stakeholders' expectations while ensuring long term performance and profitability.

Andrew Hewett, Global Sourcing Development Manager for UK retail group Kingfisher, illustrated the link between his business and sustainability. He explained, "We sell garden products so timber sourcing is a key issue for us. If we do not focus on sustainability, then we will not be able to sell products in the future. We will not have a supply or customers may not buy them from us."

Of course, good environmental and social standards mean nothing if they do not ultimately make a positive difference to peoples' lives. For some of the firms featured in this project, sustainability and its positive effects on business have been focal points for a long time.

Head of the Corporate Sustainability Office at electrical appliances giant Philips, Henk de Bruin, believes that the founders of the firm had sustainability in their genes. He explained, "Philips introduced profit-sharing in 1906 and company schools in 1905 so for us, sustainability is nothing new."

Michael Foley, Assistant Corporate Controller at US healthcare giant Johnson & Johnson, agreed. "Sustainability is a fairly recent term," he said, "but the concept has been well known within our firm for many years. It is part of our value system."

A similar approach was evident at banking giants ABN AMRO which has just produced its third annual report on sustainability. Sandrijn Weites, Head of Sustainability Strategy and Reporting, explained the importance of sustainability to the banking industry, "Banking is all about trust and we need our clients to be able to trust us." In fact, ABN AMRO tested sustainability against six core values to check whether sustainability adds value. Weites explained: "In each case, we have proved that sustainability does add value, not only for our bottom line but for our stakeholders and our reputation."

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Nancy Tse, Director (Finance) for the Hong Kong Hospital Authority, believes accountants have a key role to play in contributing to the sustainability of the organization. Her views on the best way that professional accountants in business can be equipped with what they need to know on sustainability are to the point, “We need continuous learning,” she said. “And we need to think globally and creatively in the use of assets.”

One of the foundations of sustainability is good business sense which Corinne Proske of the National Australia Bank, underlined, “I sometimes worry that the sustainability lobby believes its own rhetoric,” she argued. “They forget that sustainability has to be relevant to the business. It’s not about applying some formula. Sustainability should be about good risk management and reputation which previously hasn’t been actively managed.”

Understanding Sustainability

For professional accountants in business, sustainability is about thinking in broader terms than just finance. Issues such as science, statistics and performance measurement all come into play.

Some interviewees for this project offered different definitions of sustainability; some preferred internationally accepted definitions. Tony Trahar, CEO of mining giant Anglo American, adhered to the Brundtland definition which says sustainability is about meeting the needs of current generations without compromising the ability of future generations to meet their own needs. Johnson & Johnson’s Michael Foley believed sustainability was a question of “the ability to meet the needs of the present without compromising the future.” Philips’ Henk de Bruin defined sustainability as “an ideal state of where you think the world will be in thirty to forty years time.” He added, “You do have to be a good corporate citizen but there is also a business case for cost savings and being an employer of choice.”

“We don’t view sustainability as a business add-on or hype,” agreed Corinne Proske of National Australia Bank. “For me, sustainability has evolved over time. Initially I concentrated on the environmental side of sustainability. Now I see it as balanced decision-making, factoring in non-financial values, primarily the social and environmental impact on performance.”

Separating sustainability from hype was important. Andrew Jackson, CFO of the UK Atomic Energy Authority said he had seen sustainability used in the “politically correct” sense. He added, “In the business sense, sustainability is about optimizing the long term objectives, not maximizing the short term.”

A solid business view of sustainability where environmental considerations can actually prove to be profitable was important. Nick Shepherd, President of the Canadian-based consulting and training company, EduVision, believed there are wider stakeholder interests involved and intangible assets have grown in importance. He explained, “These issues tend not to sit on the balance sheet but they are the issues which enable business to survive in the long term.” He added that for him, sustainability is a simple concept. “It is the capability of a corporate organization to add value and to continue to exist as an entity.”

However, he added a warning, “Unless the accountancy profession embraces sustainability, we will become less and less relevant to society.”

PricewaterhouseCooper’s Luis Perera, who is based in Chile and is in charge of Sustainable Business Solutions for the firm, emphasized the fact that the financial service sector is a provider of public trust in the financial performance of a company. He explained, “The public need for public trust is not just financial. It is about how a company can sustain itself in the future and there is a need for professional accountants to assure the public that a company is acting in a way which sustains.”

“Sustainability,” as Andrew Jackson of the UK Atomic Energy Authority put it, “is about understanding what the long term objectives of the business are about. If you don’t understand that then the future is less predictable.”

The Importance of Sustainability within a Corporate Model

The concept of sustainability appears to be having a profound effect on the way professional accountants in business see their role. In the wider business context, it’s about making a difference. Moreover, it’s not just an issue for accountants working for large corporations; sustainability matters to all firms, large and small. Corinne Proske explained that sustainability is the basis of her role. She added, “I see myself as a change agent for sustainability in the organization. The strength of my accounting skills enables me to talk to the business in their language.” In essence she is the bridge between the two cultures. “I am a translator,” she said. EduVision’s Nick Shepherd believed sustainability is “beyond compliance.” He added, “It is about being a leader rather than a follower.” Luis Perera, meanwhile, said for him, sustainability is about understanding each other better. He explained, “Sustainability allows you to get a sense of a mission in what companies are doing. If you have a long term view, then sustainability can help you adhere to a model which links your longer term view with that of your organization.” Henk de Bruin concluded, “If you understand sustainability, you understand that on the one hand sustainability is about risk and reputation and on the other hand it is about business opportunities.”

Sustainability Becomes a Recruitment Essential

Several interviewees pointed out that not only was a commitment to sustainability important for recruitment but how it was also an essential part of a company’s offering. “People are more selective,” explained Henk de Bruin of Philips. “Graduates want to work for companies which have an image of being good corporate citizens.” Sandrijn Weites of ABN AMRO agreed, “Our younger employees simply ask what we are doing about sustainability. It’s a new movement and we had better be ready for it.” PwC’s Luis Perera added, “Sustainability affects the type of professionals we are looking for. We are not only looking for professional accountants but also for engineers and environmentalists. Sustainability therefore enables us to attract good people.”

Sustainability as a Driver of Corporate Change

The concept of sustainability as a force which brought about other changes within the financial model is another theme which emerged from the interviews. Intangible efforts on behalf of sustainability need to be recognized and understood. For example, Sandrijn Weites of ABN

AMRO believed energy reduction would create a better environment but would also improve employee engagement as staff became aware of the company's drive to create a better environment.

Michael Foley of Johnson & Johnson provided another example, "If we prioritized investment solely on the basis of financial return then many projects such as environmental ones wouldn't make the cut. We came to an agreement to allocate funds to environmental projects rather than having it compete with other allocations, but we need to recognize objectives which don't always have financial measures."

Of course, sustainability opens up business opportunities which wouldn't have been touched before. Corinne Proske of National Australia Bank gave a specific example, "I have been working on a program about providing loans to low-earning people who the bank would normally decline. For us, it is about going back to how to interpret sustainability and make it relevant to the business we are in."

Nick Shepherd of EduVision added, "Organizations need to recognize sustainability as an integrating umbrella. For example, if you look at management tools like the Balanced Scorecard, companies are filling in all the boxes but they need to look at what the tool is supposed to be doing for them and to look at it in the context of sustainability."

The Effect on Investment Decisions

For professional accountants in business, sustainability is an issue which has a far-reaching effect on business behavior. It's no longer about the pursuit of profits but about being sensitive to society as a whole and the environment the business operates in. Sustainability is a force to ensure that businesses open their eyes to the strategic horizon. Mark Lewis, the finance representative on the Chairman's Task Force for Sustainability at the Ford Motor Company, believes the issues are obvious. He said, "Being part of a global car manufacturer can be a difficult environmental place to be. Sustainability is critical here in that the primary products provided by Ford contribute to greenhouse gas emissions and are critically reliant on the availability of crude oil. In terms of my role as a finance professional, it is important that the potential financial impacts of these risks are factored into decision making."

"You need a long term view," added Corinne Proske on the subject of investment decisions and sustainability. "For something like sustainability to pay off, you need a longer horizon."

Sustainability can also make supply chains more effective, as Henk de Bruin explained, "In supply chain management we select our suppliers on sustainability issues and that helps us select a better supplier."

Andrew Jackson of the UK Atomic Energy Authority added that, as a result of a strategy of sustainability, the financial element becomes more focused. "For example, we will have more benefits from entering into a long term relationship with our supply chain. It is a question of strategic analysis."

“Fifteen years ago, sustainability was not as preoccupying a concept as it is today,” explained Tony Trahar of Anglo American. “It is all too easy for the organization to hide and assume that all is well without realizing that society’s expectations have changed. Every new investment opportunity is examined under very wide sustainability standards. If it doesn’t comply, it doesn’t go ahead. An understanding of sustainability, therefore, is vital,” he argued.

So it can be demonstrated that sustainability makes good business sense and for all professional accountants in business, sustainability should be key to any investment strategy.

Stakeholder Pressures

Engagement with a wide range of stakeholders lies at the heart of sustainability. In the 21st century, the expectations of stakeholders—from consumers, employees and investors to communities and governments—are rising. Shareholders may continue to demand greater dividends, but no longer at the expense of the environment and public interest. Tony Trahar, CEO of Anglo American explained “We are working within an industry with a high impact on social systems and the environment. People are becoming more vociferous and the mining industry has not been good at addressing these issues. We try and act in such a way that governments can see we are adhering to high standards wherever we operate.” ABN AMRO’s Sandrijn Weites said sustainability is a system for stimulating change. He added, “We have 500 meetings with NGOs annually. We engage with them when developing a new risk policy by asking their opinions. The same goes for clients, staff and even our suppliers. Suppliers have to understand there is a need to have a proper policy in place, otherwise they cannot be a supplier of the bank.”

These sorts of debates and pressures produce results. Henk de Bruin at Philips explained, “We started redesigning products to reduce energy consumption at the beginning of the 1990s and we have influenced legislation on the recycling of electronic products to reduce environmental impact.” All these measures produce old-fashioned business advantages. “Green products drive costs down,” Henk de Buin added. “Using our EcoDesign principles, the material costs of the products go down in six out of ten cases.”

The same process of responding to stakeholder pressures helps in other industries. “There are unique points of view,” said Andrew Jackson of the UK Atomic Energy Authority. “For example, in decommissioning nuclear risks, logic tells you the quicker you do that the better for the UK economy. But local stakeholders worry about what will happen to the economy when decommissioning is complete. They have concerns for local employment and business. So you have a conflict between two admirable goals. Therefore we spend a lot of time engaging with local communities.”

The Conflict between Business Performance and the Advancement of Sustainability

There is, inevitably, some conflict between the pressures of business performance and the longer term goals of sustainability. Most interviewees felt this could only be managed by recognizing the problem and working around it. “The business sector dealing with money has quite a short term horizon,” argued Corinne Proske of National Australia Bank. “Banks tend to plan on an eighteen month horizon. Money does not have a payback of thirty years. For sustainability to pay

off, you have to go back to some of your non-financial drivers and tell the business that sustainability will not provide profit tomorrow but will create opportunities in the future.”

Philips’ Henk de Bruin provided another example, “There can be conflict with time. The effects of sustainability are all for the longer term. For example, there is no immediate pay-back on deciding to become an employer of choice.”

Nick Shepherd of EduVision agreed. “Sustainability is not about tree-hugging,” he said. “It is about a company’s capacity to exist. This is the way society is going. People still tend to only put money into new ideas when they are forced to do so.”

The car industry has its own particular problems. “The advancement of sustainability can certainly conflict with traditional measures of business performance,” said Mark Lewis of Ford, “such as the up-front costs of new technologies that often do not generate financial benefits in the short term, and the fact that products with high fuel economy are generally not well correlated to vehicle line profitability.”

Sustainability, therefore, is about risk as well as opportunities. Sandrijn Weites of ABN AMRO would agree. “With sustainability, a number of decisions made yesterday would be thought through differently if you think about tomorrow,” he said, “and that makes it complex.” Decision-making, therefore, has to have greater insight. He added, “We make our decisions with great care often after extensive assessments and stakeholder dialogues, and always taking into account as many interests as possible—including, of course, our own.”

This logical thinking characterized the issue of sustainability for most interviewees. “As a starting point sustainability makes good business sense in the longer term,” said Andrew Jackson. “There is usually a path to follow while building your business around sustainability. It just takes a bit more thought.” Likewise, Michael Foley of Johnson & Johnson believed it was a matter of balance. He said, “There are three legs to sustainability, the environmental issues, social performance and economic performance. You need all three for sustainability to stand up,” he said.

Ensuring Professional Accountants in Business are at the Heart of Sustainability

Most interviewees felt that a great deal more effort was required to ensure that accountants in business are up to speed in this field, to understand the role they could occupy and to make a difference. They also stressed the need for teamwork across different disciplines. “The traditional accountant has to learn to think in other ways than money,” said Henk de Bruin of Philips. “For example, you may be used to the accuracy of counting money but if you measure environmental issues you need to understand statistics, variances and scientific measures,” he argued. “You therefore need a multi-disciplinary team.”

“It’s part of the transition from adding up the monthly figures to being more involved in the management of the business,” pointed out Andrew Jackson. “Accountants must get more involved. That is where the profession is going.”

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PricewaterhouseCoopers' (PwC) Luis Perera argued that the profession is still remote to the idea of sustainability. He added, "We are ideally positioned to be the supplier of trusted information but the profession needs to be better educated in sustainability. I would like to see our professional organizations doing courses in this subject so that we are not just involved in providing financial information."

"Accountants need to take note of the outside world," said Sandrijn Weites. "They also need to be more open to experimentation when it comes to sustainability reporting and auditors need to familiarize themselves with this field." Corinne Proske believed there needed to be a greater understanding of what professional accountants in business could bring to sustainability. She said, "The professional accountant in business needs to have an awareness of the sustainability agenda and factor it in to the business and ensure that it is embedded."

She added that greater accounting involvement in the purer areas of sustainability would be beneficial. "In the community sector for example there is a lack of rigor, systems, transparency and accountability which is quite surprising. You just keep wanting to throw an accountant in there to fix it."

How Professional Accountants in Business Can Contribute More to the Advancement of Sustainability

Society has changed and the market has changed and there was no doubt amongst interviewees that sustainability had completely altered corporate strategic goals. Sandrijn Weites of ABN AMRO summed it up: "Sustainability is a boardroom topic. It's not something you do because it's nice. The time of the fast buck is over for responsible companies; the number one priority now must be sustainable growth. Our horizon has become not just the next quarter, but the next quarter of a century."

One way of managing this, he suggested, was to challenge existing corporate assumptions. He explained, "Business managers with day-to-day profit and loss responsibility have a short term focus. Professional accountants in business need to hold a mirror up to these people and start asking questions. A profit of \$180,000 may be a loss of a million dollars a year later. You need to get people thinking about the consequences."

Nick Shepherd of EduVision agreed. "The most fundamental issue for the profession is getting the point across that there is a link between financial performance and sustainability in terms of a return in investment," he said. "It is about the ability to stay in business as an enterprise." Corinne Proske added that professional accountants in business needed to be stronger. "I want more accountants in this field," she said. "I worry we forget about what we are trying to achieve. We get tied in by the feel-good factor but sustainability needs to be driven by business and it needs to talk business language."

Ford's Mark Lewis maintained that, in the broader area of financial analysis, sustainability will be critical for professional accountants to develop analytical tools and techniques that capture the full implications of sustainability rather than just the adverse aspects of short term costs and potential liabilities.

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“The divide needs to be addressed,” argued Luis Perera. “Accountants may say they need hard data and people in business may say accountants don’t understand, but it is the professional accountants who need to bridge the divide. We are the people who understand the financial language and the language of sustainability. That should be the main contribution of the professional accountant in business.” “It’s absolutely critical,” said EduVision’s Nick Shepherd. “If our only claim to fame as an accounting profession is counting things which are less and less relevant then that’s an indictment of our profession.”

Good ethical practices are here to stay. For professional accountants in business, being answerable for behavior on the issue of sustainability is vital to improving public perceptions and to winning stakeholders’ trust. All professional accountants in business now need the knowledge to handle the responsibility that comes with their expanding roles as it’s clear sustainability can no longer be an optional add-on for business.

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Henk de Bruin: Head of Corporate Sustainability Office, Philips
The Netherlands

Henk de Bruin is Senior Vice-President and Head of the Corporate Sustainability Office at the lighting and electrical appliances giant, Philips.

“I head up a small staff department which is responsible for sustainability for the whole of the Philips Group,” Henk de Bruin said. “We provide advice to the Board of Management on sustainability policy. We do trend analysis on where we want the company to be. We provide strategy. We deal with key performance indicators.” It is a wide range of sustainability work.

For de Bruin the concept of sustainability is forward-looking. “Sustainability,” he stated, “is an ideal state of where you think the world will be in thirty to forty years time. You have to write a road map for that.” This is not easy. “It is like juggling. You have three balls to juggle with, economic prosperity, social equity and environmental quality. You need to keep all three in the air.” It is complex. “There are two sides to the coin,” he said. “It is about risk and reputation management,” he said. “You have to be a good corporate citizen. But it is also a business opportunity. There is a business case for cost savings and for being an employer of choice. You can increase your market share using sustainability as a business driver. We don’t see it as a business add-on or hype.”

Philips has a long history of dealing with such issues. “Our founders had sustainability in their genes,” said de Bruin. “For example, we introduced profit sharing in 1906 and company schools in 1905. For us it is nothing new. What is new is embedding it in the main business.” He has a clear view of this. “We need to make our sustainability office obsolete. Once sustainability is embedded in the business we could close our office. I don’t want it to grow. For example, our system of EcoDesign is now embedded in how we make our products.”

At Philips, although de Bruin is a chemist by background, accountants play a major role in the sustainability program. “We use accountants to drive the process in our organization,” he said. “When we started the embedding process we also started external reporting.” It is all part of the issues of risk and reputation. “It will only add to your costs if you don’t do it properly.” There are two sides to this. “If you understand sustainability very well,” he continued, “you understand it is on the one hand about risk and reputation and on the other hand it is about business opportunities.”

This is a company-wide phenomenon. “You see this emerging in all our disciplines,” he commented, “for example in supply chain management we select our suppliers on sustainability issues and that helps us select a better supplier. For example, it helps human resources. We have

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a different angle in training programs and people want to participate. It attracts employees. People are more selective,” he said. “Graduates want to work for companies which have an image of being good corporate citizens.” And it works in other areas as well.

It helps when raising capital. “In the financial world most mainstream investment companies select companies on both financial and non-financial performance and, for example, use indices like the Dow-Jones Sustainability Index.” And there are useful financial effects gained from using sustainability as a model. “Green products drive costs down,” he suggested. “Using our EcoDesign principles, in six out of ten cases the material costs of the products go down.”

Corporate sustainability efforts work in different ways and it is transforming the way the company works. “I started as an environmental expert,” he said. “Nowadays with the principles embedded it is almost impossible to cope with the demand for support from the different parts of the business.” He suggested that the process of embedding went through different and definable stages. “First you have what I call Level Zero when people don’t take sustainability into account,” he explained. “Then you have Level One when they are willing to listen but you still have to convince them. Then there is Level Two when they are convinced and you start making plans with them. Then there is Level Three which sees the implementation of improvement plans. Level Four sees the monitoring of the results and Level Five is the ideal state, when our department can completely withdraw and the businesses can stand alone.”

Sustainability trend analysis has also affected investment decisions. “It has influenced the strategy of the company,” he continued, “and, as a result, investment decisions, particularly in where you want to invest.” He provided a clear illustration of this. “Traditionally our market was consumer electronics and our healthcare business was very small, but by taking sustainability trends into account such as aging population and the opportunities of personal healthcare at home, the company switched to healthcare. For example, sustainability forces you to take social and environmental trends into account. Many people are dying around the world because healthcare is not there. These are the poor. With healthcare we tend to put our Western glasses on and as a result we focus on hospitals.” But the issues elsewhere around the world are very different. Simple things can make an enormous difference. “1.6 million people die every year because they cook on wood within their houses. They are not aware of the issues. They die of lung disease. So we produced a wood stove with a ventilator in it.” It is a simple help that at the same time reduces the amount of wood by a factor of 2–4.

De Bruin offered another case in point. “We found that children were very afraid of big medical machines, like MRI machines, for example,” he continued. “We created what we call Ambient Experience. The child can select pictures and can see how the machine works. It is a great improvement. That sort of thinking comes from sustainability trend analysis, which forces you to identify what environmental and/or social quality of life benefits products can deliver.” Reducing the fear factor is such a social benefit.

The company has also pioneered energy efficient lighting. “There are huge energy saving possibilities in street and office lighting,” he stated. “The technology of the future is LED technology. It is core for the future and the social and environmental benefits are huge.”

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And there have been many pressures for sustainability from stakeholders. “We have a good network and stakeholder dialogue,” he said. “You can see it as a threat or an opportunity. Companies have huge reputational issues. We have a good network in place to identify and minimize reputational risk.” It is a case of first mover advantage. “For example, we started redesigning products to reduce energy consumption at the beginning of the 1990s,” he explained, “and we have influenced legislation on the recycling of electronic products to reduce environmental impact at reasonable costs.”

The issue of potential conflict between sustainability and business performance does come up. “It can be that investment requires shorter pay-back. But it is minimal. If you anticipate these issues you can stay ahead of the curve. The trick is to implement measures earlier,” he suggested. And the long term strategies can create conflict. “There can be conflict in the time horizon,” he said. “The effects of sustainability are on the longer term. For example, there is no immediate pay-back on deciding to become an employer of choice.”

The question of how professional accountants in business can best be equipped with what they need to know about sustainability is a complex one. “We have worked with KPMG,” he said. “The traditional accountant has to learn to think in other terminologies than money. For example, you may be used to the accuracy of counting money but if you measure environmental issues you need to understand statistics, variances and scientific issues, non financial measurement and performance measurement,” he continued. “You need a multi-disciplinary team. We find that a combination of accountants and sustainability experts from KPMG works well.”

As for the contribution that professional accountants in business can make to the advancement of sustainability, he cites cultural issues as being of the most importance. “In Western Europe,” he said, “companies are more consensus-driven. They have different cultures compared to, for example, Far Eastern companies. They have a different mentality. There if the CEO says we go in a particular direction then the subordinates go in that direction. In Western Europe, in consensus-driven companies people talk a lot about whether it is the right direction. So sustainability is easier to introduce in the Far East. The debate is top-down driven,” he observed. “There is less debate. But the downside is that it doesn’t necessarily become embedded because people are doing it but not necessarily supporting it.”

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Michael J. Foley, Assistant Corporate Controller, Johnson & Johnson
USA

As Assistant Corporate Controller responsible for Headquarter Operations at Johnson & Johnson, Michael J. Foley's responsibilities include financial support to the groups that coordinate Johnson & Johnson's sustainability efforts. He is a member of the American Institute of Certified Public Accountants and the Institute of Management Accountants, and is certified in Financial Management.

Michael Foley defines sustainability as “the ability to meet the needs of the present without compromising the future.” This is achieved through taking account of the responsibilities of the business to all stakeholders. He emphasized that, in many ways, this was nothing new at Johnson & Johnson. What is new is calling it sustainability. “Sustainability,” he said, “is a fairly recent term but the concept has been well known within Johnson & Johnson for many years. It is part of our value system.” He pointed to what is known as the Johnson & Johnson Credo. The original Johnson who took the business from a small family affair to a global enterprise wrote the single-page document which comprises the company's “Credo” in 1943. This document stresses that the company values first, all those who use its products; second, the employees throughout the world; third, the communities in which the company works; and finally, the company's stockholders. “These values were established over sixty years ago,” stated Foley.

Where it affects Foley's role is as an accountant. “It affects the financial organization,” he indicated, “which is traditionally more focused on responsibility to shareholders. But we need to understand the importance of balance between the four key stakeholder groups as laid down in the Credo. What is important is that the financial people are the conscience of the organization in financial matters but finance is not always the driving force in these other areas.”

The understanding of sustainability and Foley's own role in the process are important. “Investment in capital spending has a high degree of focus,” he continued. “If we prioritized solely on the basis of financial return then many projects, for example, environmental ones, probably wouldn't make the cut. We came to an agreement to allocate funds to environmental projects rather than having it compete with other allocations,” he explained. “We need to understand objectives which don't always have financial measures, and recognize that.”

Foley also felt that the company had always taken sustainability into account when making investment decisions. “Because the concept of sustainability is not new to us, it has always guided our decisions,” he said. “But as the focus on sustainability has grown, our obligations have grown as well. For example, our policies have always required safe working conditions for our employees and prohibited practices such as the use of child labor. We now feel an obligation to ensure that the same exists with our sub-contractor operations as well.”

Pressures do come from stakeholders. “About ten years ago one of my roles was Investor Relations,” he said. “It was at the time when socially responsible and ethical funds were far less

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prominent than they are today. We supported their efforts as we saw it as the right thing to do and because we felt it gave us some competitive advantage.” Today no large company can ignore sustainability.

In most companies, there is a conflict between some aspects of the advancement of sustainability and business performance. Foley feels that at Johnson & Johnson this is minimized. “I wouldn’t use the word ‘conflict,’” he clarified. “It is a matter of balance. There are three legs to sustainability, the environmental issues, social performance and economic performance. You need all three for it all to stand up. Decisions affect all three legs. So it is not a conflict.”

The question of how professional accountants in business can best be equipped with what they need to know about sustainability is a complex one. “There are a couple of thousand accountants in Johnson & Johnson and not many of them are even familiar with the term “sustainability,” he commented. It is important that all accountants understand the concept of sustainability so as to provide better financial support to the business decisions of their business partners. One area that is less clear is the involvement of the financial community in the reporting of sustainability results. “The financial community, at least in the US, has not embraced this. We are not trained to report on environmental or other non-financial measures.” But the business environment itself is changing. “There will be greater pressure on transparency of reporting on sustainability results,” he predicted. “Exactly what role the finance function would have is unclear at this point.”

For Foley, non-financial performance is the key to the way ahead for professional accountants in business. “We need to be developing fair methods of communicating non-financial performance,” he said. “We need to help the organization develop those methods. I think the major area is understanding the importance of sustainability and how we make decisions based upon it and the reporting of non-financial issues and it is in that area where the issues are less clear.”



Andrew Hewett: Global Sourcing Development Manager, Kingfisher UK

Andrew Hewett was Director of Global Sourcing with Kingfisher, the UK retail group. One of the Kingfisher store groups is B&Q, a do-it-yourself supplier and provider of home and garden products. He is a member of the Institute of Chartered Accountants in England and Wales.

Andrew Hewett has just become Global Sourcing Development Manager and is involved in a project on timber sourcing. This is a particular issue for the B&Q chain which, like most garden furniture retailers stocks many timber products, and which also sells a huge amount of sawn timber.

Hewett's role is to "try and improve the supply chain, initially for products containing tropical timber." For Hewett, sustainability is a "customer and profitability issue." He clarified, "We want to have sustainable profits. That is hard if our raw materials are in short supply or if, from the customers' point of view, they demand ethically produced products and we don't have them." So the issue of sustainability comes from both internal and external pressures.

The importance of sustainability to the business is obvious. "If we are not focusing on sustainability then we are not able to sell products in the future," he explained. "We may not have a supply or customers may not buy them from us." As an issue, sustainability drives much of Kingfisher's business and is therefore a priority in business activities. B&Q was involved in setting up the Forest Stewardship Council (FSC) which sets standards for sustainable forest management. Kingfisher also works with the Tropical Forest Trust. "This organization helps forests and producers work towards achieving the FSC accreditation," he indicated. "I'm working on a project so we will know where all the well-managed forests are throughout the world so we can ensure we have a short and efficient supply chain."

An understanding of sustainability is important. "If I didn't understand the concept of sustainability I wouldn't have the commitment," he stated. "It's a personal as well as a business commitment to me. But it is a tricky area for us. There are a lot of different certification bodies with different standards and rules. You need to pick your way through the minefield." And it is difficult to communicate this to the customer. "Consumers can be confused," he said. "You need to ensure that what is described as sustainable is truly sustainable."

Hewett's role is to make complex arrangements understandable. And it is all about dealing with Kingfishers' various offices. "If you look at the range of garden furniture in our stores, the majority of it has come through our global sourcing offices." He continued, "So we work, for example, with our office in Hong Kong where our staff can monitor production in the factories in

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Indonesia and Vietnam. They can ensure that we are using timber from well-managed forests and that we meet our strict timber buying standards.”

Our policy is also affected by stakeholders. “We have a healthy dialogue with environmental NGOs,” he said. “A recent survey of garden furniture by Greenpeace showed B&Q in the top tier. We are mindful of their views. And ethical investment funds are increasing their profile.” Where there is an element of disconnect is with customers. “Customers don’t always understand exactly what they are buying,” he commented. “They assume we would only buy from well-managed forests. But surveys show they don’t necessarily understand the FSC logo and what it means, for example. Also there are some rogue traders out there. At the Ideal Home Exhibition I talked to people selling garden furniture and several were selling what they described as Burmese teak, which we wouldn’t touch.”

Foley believes there is conflict between the pressure of short term business performance and sustainability. “On tropical timber products it is difficult to get sustainable products at the same price as non-sustainable products,” he explained. “Well managed forests harvest fewer trees each year which can reduce their income so there are only limited supplies of FSC certified timber. That pushes prices up. It is an issue of supply and demand,” he added. “If our buyers are being pressured to increase profits and are being offered products cheaper we still need to ensure that the source is acceptable to us.” It is the issue of sustainability, by its nature, being a long term policy. “Buyers see the benefits of certified sources but it has taken time to convince them.”

How to ensure professional accountants in business know what they need to know about sustainability is, as Hewett said, “a good question.” “Accountants need to be involved in the subject and to be aware of the debate. Issues like water shortages and the increasing price of oil will add costs to our business but also give us the opportunity to find products which will help our customers reduce the impact of these changes. We want to ensure we are still selling timber products in ten years time. We need to be aware of issues throughout the supply chain.”

As to how accountants can contribute to the advancement of sustainability Hewett provides a simple answer. “If I was a forest owner I wouldn’t cut it all down now and take the income in one year. I would want to ensure that I could maintain and increase my income into the future. Accountants are there to assess the long term issues and income flows and costs and reflect all that in decisions now. It is a case of guarding against problems in the future and focusing on the longer term. It is also a much bigger issue than simply the timber that I am focused on.”

Andrew Jackson: Chief Financial Officer, UK Atomic Energy Authority and a member of the Board



UK

Andrew Jackson joined the UK Atomic Energy Authority as CFO in the Autumn of 2005. The UKAEA is responsible both for cleaning up old nuclear facilities and for developing fusion as a new energy source. Jackson is responsible for traditional areas such as the finance and commercial functions, procurement and the IT function. He is a member of the Chartered Institute of Management Accountants.

His past experience has been in the contracting sector, working for Alfred McAlpine for example. “It is a competitive environment,” he observed. And this is important in his new role. Decommissioning old nuclear sites is at the heart of what the Authority does. But last year a new public body, the Nuclear Decommissioning Authority, was set up to take responsibility for the national clean-up program and introduce competition into the decommissioning market. The UKAEA is now a contractor to the NDA.

For Jackson, sustainability is a straightforward concept. “My perception is that sustainability is about getting the balance between current needs and the long term future,” he said. He is keen to stress the business angle. “I have seen sustainability used in the ‘politically correct’ sense but in the business sense, it is about optimizing the long term objectives, not maximizing the short term. No business can survive without having regard to its long term future,” he explained.

“Sustainability is quite unique in this industry,” he commented. “The socio-economic concerns are very important. For example at Dounreay UKAEA is the dominant employer in that area. Therefore the impact on social issues from our activities forms a large part of our thought processes as does the need to engage with local communities.” It is complex. “There are unique differences of views,” he said. “For example in decommissioning nuclear risks, logic tells you the quicker you do that, the better for the UK economy. But local stakeholders worry about what will happen to the local economy when decommissioning is complete. They have concerns for local employment and business. So you have a conflict between two admirable goals. We spend a lot of time engaging with local communities.”

The benefit of the inclusion of socio-economic impacts in UKAEA’s strategy and planning is illustrated at UKAEA’s Winfrith site in Dorset. The employed population on the site is roughly the same as a few years ago. However, the majority ten years ago were employed in decommissioning. Now, most are employed by local businesses. It has become a science park. “That sort of thing is a fundamental objective of our business aspirations.”

Sustainability affects Jackson’s role. “It means you have to do more assessing of options,” he explained. “For the long term it is not about what is happening immediately. Financial strategy becomes an increasing part of the focus of the business. For example, we will have more benefits

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from entering into a long term relationship with our supply chain. It is a question of strategic analysis,” he continued.

The question of how understanding sustainability can help you do a better job was, according to Jackson, “difficult.” “It’s about understanding what the long term objectives of the business are about,” he said. “If you understand that then you can ally them with other issues. If you don’t, then the future is less predictable.”

His role contributes to sustainability in the organization. “As a public sector organization they were already well down this track before I joined,” he recalled. “Coming from the private sector, I perhaps learned more from them. The private sector has only recently started looking hard at the benefits of sustainability into the long term. Market forces have tended to focus strategy on short term/medium term profitability. The public sector has been there for a while because of its public accountability.”

Jackson provides Alfred McAlpine, where he previously worked, as an example. “In the year 2000 McAlpine had half its business in house building and half in civil engineering and construction,” he said. “Now it has two-thirds of its business in business services.” It describes itself as “a service business focused on the built environment.” “The majority of the company is now based around long term contracts with customers and long term relationships with its supply chain.” Foley indicated,. “It is a clear demonstration of the changing attitudes in business. You have got to use a longer term planning process. We were changing people from the old short term construction business, which involved a lot of conflict over deadlines and contracts, and moving to a business based on long term sustainable relationships.”

There are pressures from stakeholders. “Around Dounreay and Sellafield, for example, the nuclear industry is the dominant employer,” he explained, “so they have concerns. First it is the employment in the local community. You have to think of those longer term issues. Then there are the safety issues. There has to be continual work to demonstrate that we do things more safely,” he said. “You have to take effective measures rather than just quicker and cheaper methods. UKAEA’s relationships with its stakeholders are quite unique. No other industry is as close. The nature of what we do means that those relationships are very important.”

The question of conflicts between the advancement of sustainability and business performance was one which he felt did not arise. “I can’t think of any examples,” he said. “As a starting point sustainability makes good business sense to think in terms of the longer term. There is usually a way you can take while building your business around it,” he added. “It just takes a bit more thought.”

For sustainability to work, accountants need to think differently. “Accountants must work within the businesses rather than at the periphery of the business,” he suggested. “It is a question of not being bean counters but working in the strategic areas. It is part of the transition from adding up the monthly figures to using the financial information to provide management information to support strategic decision making and being more involved in the management of the business.

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Accountants must get more involved. That is where the profession is going,” he predicted. “The finance function is much closer to the center of the business. The line between the CFO and the CEO is much more blurred. It is much more of a team role.”

As to how and what professional accountants in business contribute to the advancement of sustainability, Jackson is clear. “Just keep emphasizing what the advantages of long term relationships can be,” he said. “Decisions should consider all the options rather than just looking at what we do now.” He feels that at the UKAEA, he is at the heart of much of this change. “It is quite unique in this industry,” he stated, “that a lot of these issues have been brought together and thought about for a long time. In the private sector, communication has tended to be more about business performance. But an organization like this spends much more time talking to stakeholders to make sure they understand what we are doing and its impact on them.” He concluded, “No other industry does so much.”

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Mark Lewis: Controller for Product Development, Asia-Pacific Group at Ford Motor Company

USA

Mark Lewis is a Certified Internal Auditor accredited by the Institute of Internal Auditors.

As Controller for Product Development, Mark Lewis' role is to, "firstly, ensure successful development and execution of the business and financial results for product changes and new product introductions; secondly, assist in identifying business opportunities; and thirdly, establish and maintain sound financial controls for key areas of cost, including engineering expenditures and capital spending with an annual budget of approximately \$1 billion," he said. "In addition, I have been involved as the primary finance representative for the Chairman's Task Force on Sustainability. In my previous assignment, I had finance responsibility for product sustainability initiatives, including hybrid vehicle programs and fuel cell initiatives, which included fuel cell alliances with other companies."

He defines sustainability easily. "From a business perspective, the term sustainability is about ensuring that my company can continue to operate in a manner that is sustainable both today and in the future, taking into account future scenario planning and being reasonably prepared for a range of possible future scenarios," he explained. "To be sustainable, this includes providing adequate returns to shareholders, ensuring that all effects on society are reasonably accounted for in a fair and equitable manner, and being prepared for economic and business changes that may result from societal shifts. This includes being part of the public discussion and debate that is necessary to ensure that society is aware of possible future scenarios and conditions and is prepared to make the shared sacrifices that may be necessary."

In the car industry this is not always easy. Lewis recognizes that "the automobile is viewed as one of the key contributors to global warming and is regarded as an area where further improvements are possible. In addition, energy security is also a critical consideration for two reasons. Firstly, the crude oil needed to operate automobiles comes from areas of the world that represent significant geopolitical risk and, secondly, at some point, the supply of crude oil will run out."

As a result, awareness of sustainability issues is very important to Ford. "Sustainability is critical to my employer," he indicated, "in that the primary products and services provided by my employer contribute to greenhouse gas emissions and are critically reliant on the availability of crude oil. In terms of my role as a finance professional, it is important that the potential financial impacts of these risks are factored into decision-making. In addition, as Ford is a member of

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various CO₂ trading alliances, it is critical to establish appropriate accounting controls related to these trading schemes, as they have Sarbanes-Oxley implications.”

Lewis’ understanding of sustainability issues impacts on the company’s strategy at several levels. “As a Product Development Controller, it is critical to understand that while sustainability can be difficult to quantify financially, it has clear implications for the development of future products in a company like Ford and therefore has real implications for the long term viability of the company,” he explained. “In particular, vehicles that are more fuel efficient often tend to be less profitable on a traditional basis, so extra care is needed in evaluating the business viability of product proposals. This is also true in the case of developing new powertrain technologies such as hybrids and fuel cells. Finally, with the growing demand for automobiles that is occurring in the Asia-Pacific region, sustainability is taking on major significance in policy setting, particularly in China. Therefore, it is critical to develop a viable business structure that can allow the company to make a reasonable return in vehicle segments that have traditionally been ‘low profit,’” he said.

“Secondly, in my position as a member of the Chairman’s Task Force for Sustainability, I play an important role in trying to understand how the finance and accounting function can assist the company by integrating sustainability factors into the mainstream of business analysis and reporting,” he continued.

His role contributes to sustainability at Ford in several ways. “Firstly, ensuring proper analysis and characterization of the key financial/cost drivers in the hybrid vehicle business. As is often the case with new technologies, there are significant one-time costs. Many of Ford’s suppliers have amortized these costs into the piece prices they charge to Ford for hybrid vehicle parts. Combined with relatively low volumes for the initial hybrid programs, the net result is variable costs which seem extraordinarily high,” he clarified. “It is important to understand this dynamic, and estimate the impact, in order to properly assess future strategies for Ford’s hybrid business, whether it be additional hybrid programs or other hybrid volume and growth initiatives.”

“Secondly, for research and development related to fuel cell technology, including funds for strategic alliances, I helped to foster a discussion to shift the development costs out of the North American business unit and into a central corporate reporting structure to minimize the risk of cost reduction tasks being applied to strategic long term initiatives such as this. I was also involved in the discussion and agreement to direct incremental funding to these areas once Ford’s overall business results improve,” he said.

All this has an impact on Ford’s investment decisions. “Ford has made a number of key investments in the area of improved sustainability despite traditional business and financial metrics that made it difficult to justify such investments,” he remarked. “These investments have withstood numerous rounds of overall cutbacks in corporate costs, given the business difficulties that Ford faces. Key indicators of Ford’s support/commitment to sustainability in the face of investment constraints include: Ford Escape Hybrid, the first domestic full-hybrid program, expansion of hybrid availability, fuel cell research and development (including investment in external alliances), and continued development of fully-competitive small cars and powertrains in Europe to achieve reductions in CO₂ emission levels,” he noted.

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Much of the pressure has come from internal rather than external sources. “As the topic of sustainability increasingly enters the mainstream, the implications of automobiles on both availability of fossil fuels, energy security, and global warming is naturally a major part of our internal discussions,” he said. “Ford’s overall corporate position in support of sustainability, supported by concrete actions, has meant that much of the pressure is internal, rather than only from external stakeholders. With Ford’s significant involvement in the truck side of the automobile business, and the inherently-lower fuel economy compared with cars, there has been some pressure from external groups who would call for the elimination of certain types of vehicles. Ford will continue to serve all vehicle segments where a business case exists to serve customers with specific product needs such as trucks and SUV’s, and look for ways to improve the fuel economy of these types of vehicles,” he asserted.

As mentioned previously, inherent conflicts between business performance and sustainability do exist. “The advancement of sustainability can certainly conflict with traditional measures of business performance, such as the up-front costs of new technologies that often do not generate financial benefits in the near-term, and the fact that products with high fuel economy are generally not well correlated to vehicle line profitability,” he conceded. “The challenge is not choosing one over the other, as both are vital imperatives. With the difficult business environment that presently exists in the automotive industry, the challenge for Ford is to get strategies and priorities aligned; to ensure that limited funds are used in the best, most effective manner possible. Given funding limitations, Ford does not have the luxury of making mistakes in this area,” he said.

Lewis feels there are many ways for professional accountants in business to become better equipped to deal with sustainability. “Sustainability is just one of many business and social issues that professional accountants need to understand in order to effectively operate within their profession,” maintained Foley. “For sustainability, it will be important to make relevant information available to members of the profession through multiple channels, including communication and formal education. Initiatives such as this PAIB information paper are vital to helping professional accountants understand what others in the profession are doing with regard to sustainability. Much will depend on the personal initiative of individuals to learn about the issues and determine for themselves how their role in business might be affected, both today and in the future.”

Finally, Lewis believes that professional accountants in business can do more to support sustainability. “In the traditional area of financial controls and compliance, professional accountants will likely need to develop new procedures to support sustainability initiatives,” he observed. “For example, at Ford, we have just established a new accounting policy for CO2 trading credits. In the broader area of financial analysis, it will be critical for professional accountants to develop analytical tools and techniques that can capture the full implications of sustainability, rather than just the adverse aspects of near-term costs and potential liabilities. Finally, given the inherent conflicts noted previously between sustainability and traditional business performance metrics, professional accountants will need to be vigilant to ensure appropriate balance is established in situations where trade-offs appear to be necessary, for example in budget tasks.”

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Luis Perera: Partner in charge of Sustainable Business Solutions,
PricewaterhouseCoopers (PwC)

Chile

Luis Perera is in charge of Sustainable Business Solutions for PwC in Chile and is co-leading the firm’s Sustainability Reporting advisory and assurance efforts in South America. He is a member of the Colegio de Contadores and Colegio de Contadores de Chile AG.

He is a veteran partner of some 32 years standing. “There are many definitions of sustainability,” indicated Perera, but the one that he uses is, “To act today in way which does not compromise the future.” And that involves not just the financial aspects. According to Luis Perera, “It is about good management taking into account the long term prosperity of companies. Companies should have a long term view to prosper and survive.”

Sustainability is a core value of PricewaterhouseCoopers. “It has to do with the core aspect of our professional role,” he explained. “We are providers of public trust in the financial performance of a company and this has to do with the sustainability of a company. But the public need for public trust is not just financial. It is how a company can sustain itself in the future and there is a need for professional accountants to assure the public that a company is acting in a way which sustains.” He believes times are changing. “The core of an accounting firm’s business in the future will be to provide an opinion of the sustainability reporting of a company and how far it is fulfilling the needs of the public,” he predicted.

Perera explained how sustainability affected his role as an accountant. “It affects it in many ways,” he said. “There are two dimensions. The first is internal. How to prepare your people and broaden the mindset of the traditional auditor? How to integrate the role of the professional verifier with experts in other fields? It is about cross-disciplinary dialogue and it is about understanding each other better,” he continued. “It affects the type of professionals we are looking for. We are not only looking for professional accountants but also engineers and environmentalists.” And there are recruiting advantages also. “Sustainability is an enabler to attract good people,” he noted.

“The second dimension is external,” he said. “More and more, our clients are demanding sustainability reporting, sustainability advice, sustainability assurance work, and sustainability reports. So we are expanding the offering of our services.”

He feels that the growth of sustainability as a concept helps people to do their jobs better. “It allows you to get a sense of a mission in what companies are doing. If you have a long term view then sustainability can help you to adhere to a career model which links your longer term view with that of your organization.” Perera considers this “an absolute and essential need.” He explained, “The evolution of our profession is going in the direction of incorporating sustainability into our offering. It is a need. It is not just a ‘nice-to-have.’”

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He gave an example. “One of our clients is a huge international company starting to build hydro-electric dams in the far south of Chile,” he said. “They contracted eleven consulting firms to determine the social and environmental actions required. They also need to be in line with rules, regulations and laws. We are doing the assurance on the process. So we are working with experts in fields of flora, fauna and ethnic aspects. Ten years ago that would have been an unbelievable image for accountants. It is an amazing thing to see having a professional role as an assurance provider of the sustainability process related to building dams at the world’s end.”

Perera sees his role as providing the innovation. “My role leads locally the Sustainable Business Solutions,” he said. “I develop the innovation and the development of the practice to respond to this client demand. Leading a group of experts is a way to put my footprint on the managing for the future of the firm,” he asserted. The firm is investing heavily in the process. “We now have a group working on sustainability,” he continued. “We are investing in people and talent and educating people. The partnership took a decision to set goals with a longer view. A three-year plan allows for a less stressful way of demanding results. It is all about how to innovate and introduce sustainability solutions in Chile. It is a longer term way of managing results.”

The pressure comes from the stakeholders. “The specific pressures are to do with clients demanding what we do,” indicated Perera. “We have an external pressure to provide these kinds of service offerings. So it is not just coming from the inside of the firm but from outside as well,” he noted. “It is pressure for the need for professional accountants to reply to market needs. There are the questions coming from society: ‘Where were the auditors?’ ‘What is your role in society?’ Sustainability is a way of responding to those needs of society.”

In such situations, there is often a conflict between business performance and the advancement of sustainability. Perera clarifies the position. “It is not conflict,” he said. “But transparency is a moving target. Sometimes there is a very careful consideration of what to disclose in the advancement of sustainability. We are in the early stages. A good sustainability report has to embrace transparency. In societies where business is not so transparent as in other parts of the world it can be difficult.” But sustainability helps. “Sustainability is an enabler to open more companies to transparency,” he contends.

He still feels that accountants have some way to go in building sustainability skills. “I have the feeling that our profession is still somewhat distant to the mainstream in this,” he observed. “We are ideally positioned to be the supplier of trusted information. We need to be better educated in sustainability. It was not a subject in our professional education. We need now to be trained and updated in this economic trend,” he said. “There is a growing offering of courses, not just in the firms but at university level. I would like to see our professional organizations doing courses in this subject so that we are not reduced to being only involved in financial information.”

This thinking also colored Perera’s views on how professional accountants in business can contribute to the advancement of sustainability. “There is a need to bridge the un-integrated worlds of the financial and the environmental/sustainability figures,” he stated. “Accountants say, ‘We need hard data.’ People in business say, ‘They don’t understand us.’ The professional accountant needs to bridge this divide. We are the people who understand the financial language.

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We can understand the new language of sustainability. That should be the main contribution of the professional accountant in business,” he asserted. “The accountants should be the suppliers of trusted information, comprising not only financial information, but also non-financial information related to data, as well as to business systems, processes and behaviors.”



Corinne Proske: Corporate Social Responsibility Manager for the Australian arm of the National Australia Bank Australia

Corinne Proske is the Corporate Social Responsibility Manager at National Australia Bank and is a member of CPA Australia.

What Corinne Proske understands by the term “sustainability” has changed. As she explained, “It has evolved for me over time. Initially I concentrated on the environmental side of sustainability. Now I see it as balanced decision-making, factoring in non-financial values, primarily the social and environmental impact on performance.”

And in banking sustainability has a very important role. “For the National Bank,” she said, “the drive to sustainability has been around reputation. The banking industry suffered from short term decisions a decade ago. So sustainability is important to customers and stakeholders.” There are several strands to this. “We are a large employer so we know it is important to our own staff,” she remarked. But supporters of sustainability can sometimes be their own worst enemy, she suggested. “I sometimes worry that the sustainability lobby believes its own rhetoric. They forget that it has to be relevant to the business. Sometimes they try to apply a bit of a formula. Sustainability should be about good risk management and reputation, which is a non-financial risk which previously hasn’t been actively managed.”

Sustainability is at the heart of what Proske does. “It is the basis of my role,” she asserted. “I see myself as a change agent for sustainability in the organization. The strength of my accounting skills enables me to talk to the business in their language.” She is the bridge between the two cultures and identifies herself as “a translator.”

Sustainability becomes a powerful tool, according to Proske. “It is embedded in everything I do,” she said. She gave a current example from her work. “For example, today I have been working with the community on a micro-finance program,” she explained. “It is a partnership about providing loans to low-earning people who the bank would normally decline. It is about low esteem. It is going back to how to interpret sustainability and make it relevant to the business we are in. And in this example, it is providing credit.”

Her role is an active one. “I think I’m the facilitator, the consultant. Sometimes projects gestate in our area and we roll them out more widely.” And it has an effect, for example on the investment decisions of the bank. “In the lending,” she continued, “we do consider climate change in investment decisions for project finance, like large infrastructure lending. You need a long term view. The payback may be more than one decade. Uncertainty around climate change can have an impact. Some technologies become obsolete, for example. Some industries may

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become more vulnerable.” Sustainability has a wide effect on the bank’s business. On the bank’s fund management side, it deals in socially responsible investments. Sustainability concepts have been factored into the bank’s property holdings. And sustainability is a factor in relationships with suppliers. “We don’t necessarily buy the greenest but it is considered in all transactions,” she said.

With reputation mattering so much in the banking business stakeholders, take on an even greater importance than they do in many other industries. “We mainly look at the industry-wide issues, for example, reputational issues around the issue of branch closure, for example, and the issues around fees and charges, the issue of credit, either providing too much or excluding people.” And, as is the case around the world, the banks are up against it. “There is a whole sector of lobby groups out there who love to hate banks,” she noted. This ups the ante. “We monitor what customers think and we act on business-critical issues. We measure trust in our stakeholders,” she said. “We are in our third year of independent research work. You start seeing clearly and it gives you quite a wide section of Australian society to look at. We can see over time if we are getting better or worse so we are alive to what our stakeholders have to say. And then we can factor that into changing our business.”

To the question of whether she ever feels that business performance and the advancement of sustainability are ever in conflict she has a swift answer. “Every day!” she replied. “The business sector, dealing with money, has quite a short term horizon. Banks tend to plan on an eighteen month horizon. Money is liquid. It is not like something with a payback of thirty years.” So this is the conflict. “For something like sustainability to pay off you need a longer horizon. Our work on micro-finance, which I mentioned earlier, will take five years before we see results. It all takes time.” So the role of explainer comes to the fore. “You have to go back to some of your non-financial drivers and tell the business it will not provide profit tomorrow but will create opportunities in the future,” she said.

On the question of how best to equip professional accountants in business with what they need to know about sustainability, she indicated that it was hard to answer but gave her own career path as an example of how it might be done. “I started off with Ernst & Young and then went back to university to get the technical and environmental skills,” she said. “That is very important to me for both credibility and expertise.”

She suggested the questions should be approached from two levels. First, “The professional accountant in business needs to have an awareness of the sustainability agenda and factor it in to the business and ensure that it is embedded.” And second, “There is a need for technical training for accountants, particularly in the social sciences,” she asserted. Often accountants were simply unaware of the state of some areas which they must now become involved with. “For example,” she commented, “in the community sector there is a lack of rigor, systems, transparency and accountability which is quite surprising. You just keep wanting to throw an accountant in there to ‘fix it.’”

As to where professional accountants in business can help the advancement of sustainability, Proske was clear. “I think the verification and audit process is a skill set which is critical,” she

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said, “and accountants have a lot to offer there.” There is a need for much greater business rigor in many areas. “I think that some of the sustainability sector is not commercial enough,” she added. “There is not enough hard business sense. There are not enough figures to back things up. Most businesses need figures to enable them to make a decision. But sustainability doesn’t do that enough.”

She believes we are seeing a slow revolution here. “Sustainability needs to be mainstream,” she said. “It needs accounting systems and they need to be built into the mainstream systems. Sustainability systems tend to have a high level of error and are not built into decision-making because the relevant information is so hard to extract.” She gave an example. “A lot of sustainability information was simply never captured before,” she noted, “for example, energy values. They used to just track cost but not volumes.”

Sustainability is a difficult issue in a business context. “I want more accountants in this field,” she remarked. “I worry we forget what we are trying to achieve. We get tied in by the feel-good factor. Sustainability needs to be driven by business and it needs to talk business language. We need to move away from sustainability to talking about non-financial value,” she continued. “I’m concerned that the sustainability sector considers it is more important than it really is as a business driver. Sustainability rarely makes or breaks a business yet,” she said. “We need to step back and look at how we can improve society but we have not yet reached a make or break point, except for climate change. That will change government and business. But it will be seen as a business risk rather than as a sustainability risk. It has become commercial,” she concluded. “The banks manage it.”

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Nick Shepherd: President, EduVision

Canada

Nick Shepherd is President of EduVision, a Canada-based consulting and training company, and a fellow of the Association of Chartered Certified Accountants.

“With a financial background,” he commented, “some 30% of my work is developing financial training for professional accountants and we are constantly looking at new areas they should be interested in.” One of these areas is sustainability. Shepherd saw this early on. “We were seeing a lot of areas like risk coming together under the broad umbrella of sustainability.” And he sees it as part of a broader movement. “If you look at history, you look back to the Wall Street Crash and the subsequent development of accounting standards. All these evolved to support the fruits of the Industrial Revolution. What we are seeing now is the further evolution into a knowledge-based economy. There are wider stakeholder interests and intangible assets have grown in importance, all these things which tend not to sit on the balance sheet. And those are the things which enable business to survive in the long term.”

For Shepherd, sustainability is a simple concept. “It is the capability of a corporate organization to add value and to continue to exist as an entity.” He believes its importance is fairly straightforward also. “As a professional development organization, we assist people to think outside the box,” he said, “and unless our profession embraces sustainability, we will become less and less relevant to society. People equate accounting with accountability and assume we are giving them a true and fair view of an organization’s overall health.” This is where things have changed. “The future of an organization is now about being accountable for the intangible issues. It is about the survival of the enterprise,” he explained.

Shepherd sees his role as “assisting in better preparing professionals.” “It is critical that I find a way of demonstrating that accountants have to evolve their thinking to encompass sustainability,” he remarked. “I am a change agent. Generally Europe is well ahead. In North America, a run-of-the-mill company will not have sustainability on their radar yet. We need to wake them up so they recognize the word when they hear it.”

An understanding of the concept of sustainability enables Shepard to, “tie together disconnected change initiatives in organizations.” “They need to recognize sustainability as an integrating umbrella. For example, if you look at management tools like the Balanced Scorecard, companies are filling in all the boxes but they need to look at what it is supposed to be doing for them. They need to look at it in the context of sustainability. A shortcoming is that people need to look beyond the tool and understand its context and look at the bigger picture.”

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Much of Shepherd's work is enabling companies to "identify future trends and the implementation of these trends." He pointed to the development of leadership-based concepts. "We are helping organizations, for example, to develop a leadership-based value system. Sustainability is at the heart of that. It is about developing corporate values around the context of maintaining the perceived value of the organization."

He recalled sitting in with one board of directors where a director defined one value as "to be an environmentally responsible organization." Another director defined that as: "We comply with environmental standards of all the countries we work in," to which another director retorted: "That is ridiculous. It is about taking best practice to all the countries we are involved in." For Shepherd it is about moving "beyond compliance. It is about being a leader rather than a follower."

And this is how Shepherd sees his role. "We are not doing this because pressures are coming from clients or potential clients. We have to awaken interest in companies. We have to provide the initiatives to add value. Companies mostly haven't recognized the strategic changes taking place. We connect the dots for them," he stated.

As for the question of conflicts between business performance issues and the advancement of sustainability, he roared with laughter. "Oh yes," he said. "I've been quoted as being a prophet before my time. It is one of the real challenges. Telling people sustainability is something which is going to hit them. People tend to do things because regulations have changed. We have to help them understand that, yes, but, it is really about good business practice." It is a problem businesses tend to react to, rather than look ahead. And when they do look at issues like sustainability, they tend to see a caricature rather than the reality. "It's not about tree-hugging," said Shepherd. "It is about a company's capacity to exist. This is the way that society is going. People still tend to only put money into new ideas when they are forced to do so."

The challenge, as Shepherd sees it, is to ensure that professional accountants in business run with the challenge. "For many years, the British Standards Institute has published articles by senior business leaders that reinforce the fact that the adoption of International Standards, implemented effectively, actually adds value to business rather than being a compliance requirement. And that is the role which the professional accounting organizations need to take up. They need to constantly reinforce the ideas. There is at least ten years or more of work ahead to do this. Organizations like the Association of Certified Chartered Accountants are truly world leaders in putting the time and effort into this."

"The most fundamental issue for the profession is getting the point across that there is a linkage between financial performance and sustainability," he asserted, "showing people there is a return on investment from sustainability initiatives. It is all about the ability to stay in business as an enterprise." Much more needs to be done. "The most important thing is getting the message out to the accounting profession. We need to develop the scope of what we do to recognize that the things which provide the ultimate protection of the stakeholders' assets are intangible. It is absolutely critical," he said. The alternative is, he feels, too awful to contemplate. "If our only claim to fame as an accounting profession is counting things which are less and less relevant then that's an indictment of our profession."



Tony Trahar: Chief Executive Officer, Anglo American plc
South Africa

Tony Trahar is the CEO of Anglo American plc, the global mining and natural resources group. “My role is to run this \$55 billion business on a daily basis and to develop and implement its long term strategy.” He is a member of the South African Institute of Chartered Accountants.

For Tony Trahar, the Brundtland definition of sustainability sums it up, “Meeting the needs of current generations without compromising the ability of future generations to meet their own needs.” For one of the largest mining companies in the world, this is a complex issue. “Mining involves depleting a natural resource—albeit most metals are highly recyclable,” he said. “But we can pass the sustainability test through a trade-off between different types of capital. Although we are depleting one resource, we are promoting social benefits such as education, healthcare and community development, skills and capacities in our workforce and, often, building physical infrastructure. The key challenge is how to create the tools to show how we are meeting this trade-off.” It is a question of creating measures to gauge how successfully depletion and replacement are being balanced.

For Anglo American, the core methodology is the Socio-Economic Assessment Tool-Box, (SEAT). “This is implemented at 50 sites in 15 countries.” Trahar explained, “It guides people through a process which objectively analyzes what our business should be doing in the community in relation to sustainable development. In a developed country with strong institutions much of this responsibility can be left to being a good employer, obeying the law and paying our taxes,” he said. “But in some developing countries, organizations need to take a more active role in social development.” He cites Anglo American’s “Chairman’s Fund” in South Africa as an example. “All companies in the Group within South Africa contribute 1% of profits to the Chairman’s Fund which evaluates and contributes to worthy projects and causes, for example, fighting HIV/AIDS, building schools and providing bursaries.”

Sustainability is important to Anglo American for obvious reasons. “We are working within an industry with a high impact on social systems and the environment,” he noted. “And people are becoming more vociferous. The mining industry in the past has not been good at addressing these issues. We try and act in such a way that governments and NGOs can see we are adhering to high standards wherever we operate.”

As for the effect sustainability has on the business, “It affects our whole business model,” said Trahar. “The board sets standards which I am expected to drive through the business. My personal leadership and passion in driving them through is critical. On climate change, for example, we have to focus on energy consumption. Anglo American, as a group, uses as much

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energy as Chile or Finland. It is a huge number. So we set energy targets and we aim to improve our energy efficiency by 15% by 2014 compared with 2004,” he reported.

Trahar suggested that sustainability has changed the way the business thinks. “The new frame of reference allows us to think more intelligently and creatively about sustainability,” he said. “Fifteen years ago it was not as preoccupying a concept as today. We need to engage with and understand stakeholder groups. It is all too easy for the organization to hide and assume that all is well without realizing that society’s expectations have changed. Every new investment opportunity is examined under very wide sustainability standards. And if it doesn’t comply, it doesn’t go ahead. An understanding of sustainability is increasingly vital,” he asserted.

Trahar’s role as CEO is important in this process. “Anglo American has long had a sense of corporate responsibility,” he said. “Leadership of that has always been in the lap of the CEO and the Chairman. Leadership from myself and from Sir Mark Moody-Stuart permeates through the organization. We devote time and are part of the sustainability initiatives. You can no longer delegate that responsibility to some functional department. If you did you simply wouldn’t achieve the buy-in you need.”

Sustainability has also affected some of Anglo American’s investment decisions. “For example one of our mining divisions came up with the idea of a gold mine in the Amazon basin. But we refused the investment on environmental grounds and the sustainability effects on the surrounding terrain,” he remarked.

Anglo American also comes under specific outside pressures. “We are under pressure from investors, for example,” said Trahar. Here there has been a significant change in attitudes towards the information that a company provides. “Fund managers put me through the sustainability and corporate social responsibility experts first,” he explained. “They interrogate me and give me a clean bill of health before I go forward to talk about the financials.” And there are pressures from elsewhere. “There are pressures from NGOs,” he continued. “Oxfam tackled us when we withdrew from the Zambian copper mines. They were very concerned. The pressures are there all the time,” he said. “You have to have the answers there and then.”

And are there conflicts between business performance issues and the advancement of sustainability? “Yes,” replied Trahar. “Of course there are issues which conflict. For example, you can have a situation where it is a question of should we delay a project to clean up emissions because that would enhance financial returns. Our board takes a strong line on this,” he said. “But some companies do neglect sustainability in return for short term economic returns.”

Trahar also has doubts over how well the accountancy profession is dealing with its responsibilities. “I wonder if the accountancy profession is teaching enough about it,” he commented. “In my day it was not part of the curriculum. But sustainability is becoming a part of what ought to be the subject matter. It should be introduced as part of the professional training.” At Anglo American, the company has stepped into the breach. “We run internal courses,” he said. “Our management has to be exposed to sustainability training to equip them to

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run our operations. The issue for the professional accountant in business is how much training in sustainable development should be in their professional training.”

Trahar would like to see a complete change in accounting attitudes towards sustainability. “There needs to be a willingness of accountants to familiarize themselves with the concepts,” he stressed. “There should be no more of the ‘I’m an accountant and it doesn’t bother me’ attitude. Instead there should be a recognition that it is part of being a competent business person.”

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Nancy Tse: Finance Director, Hong Kong Hospital Authority

Hong Kong

Nancy Tse is the Director (Finance) for the Hong Kong Hospital Authority which is a statutory authority set up to manage all of the public hospitals in Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

With an annual expenditure budget of about HK\$29 billion (US\$3.7 billion) in 2006/07, Nancy Tse is responsible for all aspects of the finance function in the Hospital Authority (HA). This includes setting the strategic direction and policies on financial matters, negotiating funding with the Government, financial planning, management, resource allocation, and financial performance accountability reporting to the Board and the Government as well as corporate development initiatives. She is also responsible for overseeing the provision of IT/IS services throughout the organization. In common with other public healthcare organizations around the world, managing healthcare services in Hong Kong is a complex task.

To her, the sustainability of an organization represents it being “built to last.” The Hong Kong Government’s healthcare policy is to safeguard and promote the general health of the community as a whole, and to ensure the provision of medical and health services for the people of Hong Kong so that no one should be prevented, through lack of means, from obtaining adequate medical care. To support this policy, HA provides a comprehensive range of hospital, outpatient and community-based services through its network of healthcare facilities. Like most of its international counterparts, Hong Kong’s healthcare system is facing critical issues such as the ageing population, the rising prevalence of chronic diseases such as cardiovascular disease, stroke and cancer, rapid advances in medical technology, the escalating demand for healthcare services and increasing public expectations. The sustainability of the healthcare system has become an increasing concern, and managing scarce resources to meet the ever-increasing healthcare needs forms a formidable challenge for the whole of Hong Kong.

An awareness of sustainability is important to the organization. “It is an issue which I have to face day-to-day,” Tse said. “Hong Kong people rely heavily on public hospital services. The HA provides over 92% of secondary and tertiary care in Hong Kong. Public hospital services are highly subsidized as the Hospital Authority charges very little for the services it provides. Hong Kong public, in general, consider that they have been receiving quality healthcare services at very reasonable costs. There is a big gap between the fees charged by the public and private sectors. Meeting the ever-increasing patients’ healthcare needs with a limited budget is a major challenge.”

The issue of sustainability is at the heart of her role as an accountant. “Being a public body,” she said, “our main source of funding comes from the Government and the Government budget is always subject to the prevailing economic situation i.e., when the economy is good, funding may

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not be an issue. However, when there is an economic downturn, as has been the case in Hong Kong over the last few years, we have experienced budget cuts. The organization has been operating with a budget deficit since 2001/02 and we target to operate with a balanced budget this year as our reserves have almost been depleted.”

“We as accountants have to be aware that we are constantly facing changes in the internal and external environment. We need to adapt ourselves to change all the time to support our organization,” she asserted, “Within the HA, there are changes in key leaders of the organization, including the CEO and new board members. Externally, there are threats of infectious diseases, the increasing public expectation on service standards and the use of funds, and rapid advances in medical technology. Publicly funded organizations like the HA are under increased pressure to implement performance management solutions and demonstrate higher service levels with lower cost structures. Clearly defined balanced score cards and performance initiatives are increasingly important. The ability to drive insights in improving business performance is one of the most important leadership responsibilities for finance executives.”

“Our accountants have a key role to play in contributing to the sustainability of our organization. Finance executives need to tackle the challenge of establishing reporting systems capable of generating financial information for decision making. The CEO and Finance team are also under significant pressure to respond to demands for transparency in financial reporting. The ability to respond, based on the integration of the right information at right time within the planning process, is crucial.”

“I am a believer in the importance of planning,” she said. “We need to have a dynamic planning process to be able to respond to the demands facing us and the changing environment and to be able to work with our business partners. Some form of technology investment is expected to enhance the planning data/process. Towards this end, for example, the HA is embarking a major project to implement an Enterprise Resource Planning system.” And to that she adds other factors. “I am also a strong supporter of good corporate governance,” she said. “It is about accountability in the use of public funds. We, as accountants, are professionals with ethics and standards. The accountants play a key role as the guardians of the public purse. We also need to ensure the establishment of proper structures and systems and effective functioning of systems of internal control, with which the financial information produced is timely and reliable.”

Work within publicly provided healthcare has its tensions all around the world. And Hong Kong is no exception. Sustainability and investment decisions do not necessarily go together. “As a public body, we always have to look for innovations and initiatives to change the way we can do things more efficiently and effectively. Technology advancement has in a way helped us in our efficiencies of work. However, technology is expensive. This brings the tensions into play as we need to “invest to save.” It is difficult to identify additional funding to invest for the long term. We have to work towards a balanced budget. We have to try and balance our plans between the short and long terms.”

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And there are, of course, pressures and opportunities from very different stakeholders. “We have five major groups of stakeholders,” said Tse. “Firstly, we have the Government who provides our major source of funding.”

“We need to be vigilant in the use of our funds. Secondly, we have the HA Board who are prominent people appointed from various sectors of the community. They have different types of expectations and personalities. Some of them want detailed information. Some of them do not.”

“Thirdly, we have the patients. They feel that, as taxpayers, they have the right to demand quality and a high level of services. This leads to difficult decisions having to be made, for instance over the introduction of new and expensive drugs,” she explained. “It is very difficult in a highly subsidized system where only around 6% of the cost is paid by the patients, for example we only charge US\$12 for an Accident and Emergency attendance.”

“Fourthly, we have the staff. We have over 4,000 doctors and 19,000 nurses as well as many other clinical supporting staff. They are the backbone of our services. They are very committed but many feel they are over-worked,” she continued. “There is a huge amount of work pressure as the demand and expectations continue to rise. Staff turnover is high ever since the budget cut started 5 years ago and morale is low. Enhancing staff morale has been the top priority of our corporate plan. However, fully addressing staff morale would require additional money and there are budget constraints.”

The fifth group of stakeholders is the public at large. “Community Expectations” are high. “They expect the Government to put in more money. There is however a limit as to the level that can be allocated to the ‘health area’ within the overall Government budget priorities, especially with Hong Kong’s low tax environment. Using the resources we have in the most cost-effective way becomes a priority. Determining which services should be publicly funded or paid by the users requires considerable consultation.”

Not surprisingly, Tse sees areas where there is conflict between the pressures of business performance and the advancement of sustainability. “Certainly,” she replied. “Healthcare has always been a very emotional subject. In our environment as a public body there is only so much you can provide.”

“There has to be balance and prioritization. Should we be providing medical treatments for everyone at all costs? There are conflicts over where you should put the resources. Should we put more resources in medical technology or hiring more staff? Should we be treating more patients (more activities) or focus more on preventive care, which might be difficult to measure in terms of performance indicators?”

Her views on the best way that the professional accountants in business can be equipped with what they need to know on sustainability are to the point. “We need continuous learning,” she asserted. “We need to think global. We need to leverage information technology to meet the organization’s objectives. We need creative ways in the use of assets. We need the ability to adapt to change in a flexible manner.”

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And she has a three-point strategy for how professional accountants in business can contribute to the advancement of sustainability. “There are three aspects,” she said. “The first is the professional aspect. It is important to promote good corporate governance practices in the public sector, to be able to assess and manage risk. And there has to be transparency and accountability in the use of public funds.”

“The second aspect,” she continued, “is the need to go beyond our functional boundaries. Accountants need to possess skills of a general manager. We need to go beyond the numbers and support organizations in improving business performance.”

The third is the softer aspect. “We need to pay attention to our psychological and social well-being,” she added. “We need to maintain a healthy work/life balance in order to enable us to contribute more.”

“Healthcare,” she concluded, “is challenging and stimulating. Sustainability is being dealt with every day.”



Sandrijn Weites: Head of Sustainability Strategy and Reporting ABN AMRO

The Netherlands

Sandrijn Weites is Head of Sustainability Strategy and Reporting at ABN AMRO. In that role, he is responsible for formulating the overall strategy on sustainability for the bank worldwide. He is a member of Royal NIVRA.

His is a wide role, involving both internal and external issues with ratings agencies and investors. This year, the bank produced its third annual report on sustainability. “We published it on the same date as our financial report,” he said. “We believe that if you truly want to understand our organization you need to look at both the sustainability report and the financial report.”

For Weites, the concept of sustainability, “enables us to look in the mirror and be accountable to stakeholders.” The aim is, “To live our corporate values and business principles and to meet the needs of the organization and our stakeholders, thus seeking to protect, sustain and enhance human, natural and financial capital needed in the future.” For Weites this is the key. “It enables you to be accountable and transparent and to look into the mirror.”

In trying to define the importance of sustainability to ABN AMRO, Weites goes back to the basics and a bit of history. “ABN AMRO is a bank,” he explains. “Banking is all about trust. We need our clients to be able to trust us. After protests by various non-governmental organizations a decade ago we became more proactive on sustainable development and formed a business strategy. Sustainability is of great importance to us now. We focus on six key areas: First, being accountable and transparent; second, protecting our assets; third, providing responsible financial services; fourth, being an employer of choice; fifth, minimizing impact on the environment; and lastly, sixth, supporting local communities.” These were rigorously chosen, indicated Weites. “In each case we have investigated whether sustainability adds value and in each we have proved that it does add value, not only for our bottom line but also for employees, other stakeholders and our reputation.”

There is a generational issue at work here as well. “Our younger employees simply ask for it. They ask: ‘What do you do about sustainability?’” he observed. “It’s a new movement and we had better be ready for it.” And there are also more traditional drivers. “Ratings agencies, for example, value our sustainability and corporate governance activities,” he noted.

As an accountant, Weites sees sustainability influencing his role. “Sustainability affects my role,” he clarified, “but not as a professional accountant in business. But my knowledge as an accountant helps. At the very basic level I am responsible for sustainability reporting. So we have to develop reporting structures and responsibilities. We have around 100,000 people in nearly 60 countries. I need to implement our strategy throughout the organization,” he said. “The

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profession of accountancy is closely linked to understanding the risks a company and its managing board are facing. So we need to be aware of the risks, and the development in these. Corporate social responsibility and sustainability are a part of that.” The implementation of the strategy is not necessarily easy.

It is hard work to change attitudes, though Weites thinks they are making progress in getting there. “We have almost closed the gap between people who think you should do sustainability to make the world a better place and people who say that in a business it is not relevant because charities should be doing that.”

It is a matter of risk. “As a professional accountant in business, I bring a risk-oriented way of looking at it,” he said. “When I started as an auditor fifteen years ago, I was looking for the internal risks. But now what is much more relevant is what is going on outside. Stakeholders have become much more vocal. The instant nature of news and the internet means you need to be aware of what your stakeholders think of you. You need a kind of radar for external signals.”

He feels that the concept of sustainability enables the bank to do a better job. “Banking is all about trust,” he reiterated. “We include social and environmental risks when we assess our clients. That is very important. We have been able to improve our credit portfolio by doing so.” This is important, when “You are talking about an \$800 billion balance sheet,” he said.

The bank’s involvement with sustainability has changed Weites’ views in a number of ways. Take diversity, for instance. “Until about two years ago I was aware of the drive to hire more women, more handicapped people, more people from diverse ethnic backgrounds. But now I see you need them because the people in your company should reflect the society you live in. Two or three years ago no one talked in those terms. But now they do and that has enabled us to do a better job.”

It is also important, according to Weites, for banks to pay attention to their direct environmental footprint. “As a bank, we also have to ask ourselves how much energy we’re using, or how much waste we’re producing,” he explained. “Energy reduction will create a better environment, but also improve employee engagement as staff becomes aware of the company’s drive to create a better environment. And last, but not least, you also save a lot of cash.”

Pressures come from stakeholders. “We face many pressures both positives and negatives,” he said. “We have 500 meetings with NGOs annually. We engage with them when developing a new risk policy, for example. We ask their opinions. Another stakeholder group is our clients. We develop policies together with our clients and have set up extensive client complaint procedures,” he reported. “And you have to listen to your staff. And we engage with our suppliers and ask them how sustainable they are. They have to understand there is a need to have a proper policy in place and ensure that it is working otherwise they cannot be a supplier of the bank. And we also focus on the needs of our shareholders,” he continued. “The way we do business, we see a bank as operating in a fish bowl. You cannot hide and we do not want to hide, we want to be transparent and accountable.”

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The question of potential conflict between the pressures of business performance and the advancement of sustainability is always there. “In the longer term, there should be no conflict between the two,” he said. But in the short term, dilemmas occur. ABN AMRO publish examples of these in their sustainability report. There they say of such dilemmas: “They also reflect the absence of a simple right or wrong; we are often faced with divergent views and issues with many stakeholders, interests and cross-border elements. We make our decisions with great care, often after extensive assessments and stakeholder dialogues, and always taking into account as many interests as possible—including of course, our own.” The example Weites gives is online gambling. “It is a regulated activity and we had companies asking us to assist in their first IPO to the stock exchange. But the companies cannot stop children or people who are addicted to gambling from taking part. We have nothing against gambling but the companies could not give us any assurances that children or people addicted to gambling would not be taking part in their online gambling. So we turned them down,” he said. “From a business point of view it was interesting. The fees were high and it was a new market. But we decided not to enter into these transactions.”

The growing importance of a concept like sustainability also brings its problems. “With sustainability a number of decisions made yesterday would be thought through differently if you think about tomorrow,” he explained, “and that makes it very complex.”

Professional accountants in business need to be more aware of these issues, Weites believes. “They need to have an understanding of corporate governance and social and environmental issues,” he asserted. “They need to take transparency and accountability into account. And take note of the outside world. They also need to be more open to experimenting when it comes to sustainability reporting. And auditors need to familiarize themselves with this field.”

Weites suggests that the role of professional accountants in business should be bolder. “First professional accountants in business should be the early warners for senior management. This needs to be part of the skill set. And for many companies this is a completely new skill set,” he observed. “Secondly there are rules and regulations out there. They need to be developed further. And we need the professional accountants in business at the table when that happens. And, thirdly, business managers with day-to-day profit and loss responsibility have a short term focus,” he noted. “Professional accountants in business need to hold a mirror up to these people and ask, ‘Are the issues being addressed?’ We need to ask questions. A profit of \$180,000 today may be a loss of a million a year later. You need to get people thinking about the consequences.”

Weites is also critical of the lack of attention paid to the issue of sustainability in the audit profession. “I notice that in the literature from auditors and elsewhere there is not enough attention paid to this topic,” he said. “It is a boardroom topic. It is not something you do because it’s nice. The time of the fast buck is over for responsible companies; the number one priority now must be sustainable growth. Our horizon has become not just the next quarter, but the next quarter of a century.”



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