

# DEEP INTEGRATION



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Sustainability information has fast become a significant lens through which organizations are being judged by investors, regulators, employees, and a multitude of other stakeholders. We are also witnessing a step change in the level of mandatory sustainability reporting. International Financial Reporting Standards (IFRS) S1 and S2 have become effective and are being adopted in jurisdictions around the world. Canada, Japan, and Singapore are consulting on the introduction of sustainability-related disclosures in their respective regulatory frameworks through the adoption or other use of the IFRS Sustainability Disclosure Standards (ISSB Standards). Further jurisdictions—such as Australia and Malaysia—have recently closed similar consultations. Jurisdictions including Brazil, Costa Rica, Sri Lanka, Nigeria, and Turkey have already announced decisions to adopt or otherwise use the ISSB Standards. China's three main stock exchanges—Beijing, Shanghai, and Shenzhen—recently unveiled new sustainability reporting guidelines that will require hundreds of large and dual-listed companies to disclose ESG-related information, including energy use, climate change, ecosystem and biodiversity protection, and supply chain security, starting in 2026. In the EU, accounting and finance professionals are already collecting data on sustainability risks, opportunities, and impacts for the first set of annual

reports due to include these in 2025 in line with the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) which came into effect on 1 January 2024.

Additionally, we are seeing more companies voluntarily moving from strictly financial reporting to a more integrated approach, which includes an organization's non-financial information such as its ESG and sustainability data. The most recent study from AICPA & CIMA in partnership with the International Federation of Accountants (IFAC) found that 98 percent of companies reviewed globally report some level of sustainability information.

## FINANCE'S PIVOTAL ROLE

As core members of almost every business and non-governmental organization, accounting and finance professionals have a crucial role in providing non-financial and financial management information to drive business performance, develop strategies, and influence decision-making. They own the processes, systems, data, management information, reporting, and assurance that will support their organizations' transitions to sustainable businesses.

They bring a unique set of skills and knowledge to the table and can work with stakeholders to integrate responsible and sustainable practices into their business and operating models. Without the rigor and business

acumen of finance and accounting professionals, it may prove impossible to truly embed sustainability into “business as usual”. The profession's very nature makes it a powerful force for supporting and implementing strategies and programs aligned to organizational goals and assuring this information and the systems.

## SIZING THE OPPORTUNITY

Building sustainable organizations may require entire business models to be remade, with sustainability built into processes right along the value chain. That means finance professionals need to be on top of the concepts and, importantly, the processes for collecting and recording the data in a meaningful and actionable manner. It is imperative that the accounting and finance profession seizes this opportunity to position itself as an effective and value-adding business partner with an organization's ESG and sustainability function. To build the next generation of sustainable organizations, accounting and finance professionals need to be thinking much more deeply about how to integrate ESG into all their processes. Risk management is a good example. High-performing organizations will have plans in place to mitigate ESG-related risks, and the development of these plans is likely to un-

cover opportunities for innovation, resilience building and long-term value creation. This shows how embedding ESG will become a central part of how value is identified, created, captured, and recorded.

## MULTI-CAPITAL APPROACH

The accounting and finance profession has always been, and will remain, focused on adding value to organizations. What has changed is that now we understand that value incorporates more than just financial capital. The multi-capital approach takes into consideration a complex interplay between multiple capitals: financial, manufactured, natural, human, intellectual, and social. This will mean that the finance function itself will change. And for that, there are four major shifts needed, all cutting across traditional boundaries.

- Engaging with organizations' business models on a much deeper level. Beyond the important traditional areas of cost and revenue, accounting and finance professionals also need to look at other dimensions including purpose, the customer value proposition, and organizational culture. Our analysis will have a greater impact on how strategy is developed and managed in a multi-capital environment.
- Developing a greater understanding of the importance of human, natural, intellectual, social and rela-

relationship capital. There will be a continuing shift of focus from tangible to intangible assets. Capturing and managing intangible value will be a key part of our role. All the types of capital may need to be accounted for in the business model.

- Prioritizing medium- and long-term value creation over short-term financial returns. Sustainability will also require us to engage in more challenging conversations across the wider stakeholder groups, to shift focus to a longer time horizon.
- Developing further our relationships. Accounting and finance professionals have close relationships with investors and lenders. If they are to build sustainable organizations in a multi-capital world, they will also need to develop further their relationships with customers, distributors, suppliers, employees, regulators, and other stakeholders.

**LEARNING RESOURCES**

AICPA & CIMA have the re-

sources to prepare accounting and finance professionals for this change. We publish topical reports, such as the "Accounting for" brief series, which includes the Accounting for the Sustainable Development Goals, Accounting for Carbon, and Accounting for Nature. In July 2023, we released the latest brief Accounting for Climate Resilience.

In autumn, we launched our Sustainability & Business Toolkit which includes free resources and tools to help organizations navigate the sustainability landscape. And since then, as part of the "Sustainability and Business" series, we have added four "Sustainability frameworks and standards" summary reports. ESG and sustainability are also core topics of our Future of Finance research program, which explores the future state of the finance profession and its broader ecosystem, defining essential skills, competencies, and knowledge. Our findings underpin the de-

velopment of our qualifications, thought leadership and learning resources. In 2023, AICPA & CIMA released emerging theme papers, including a paper on Organizational Sustainability and ESG. And all key findings from this research program are presented in our flagship report entitled Future of Finance 2.0: Re-defining Finance for a Sustainable World published on 22 April 2024 to coincide with World Earth Day.

**NEXT LEVEL SKILLS**

Providing tools and practical courses for broad upskilling on sustainability and ESG matters is another of our highest priorities. The Fundamentals of ESG Certificate is available globally and equips one with a baseline knowledge of ESG topics. The 9-hour course offers a grounding in the fundamental concepts and developments within the ESG field. To deepen one's understanding, the online executive management certificate course in sustainability, which

we offer in partnership with the University of Oxford's Saïd Business School, is worth considering.

In partnership with IFRS, AICPA & CIMA also offer our members the opportunity to complete the IFRS Foundation's Fundamentals of Sustainability Accounting (FSA) Credential at a discounted price. The program is designed to help accounting and finance professionals understand the link between financially-material sustainability information and a company's ability to create value. Last, but not least, we will shortly be launching new e-learning modules for the ESRS, which will help finance and accounting professionals navigate the twelve new reporting standards. We have plans for a new course with Oxford University's Saïd Business School on sustainability-related financial management, which would meet the professional needs of finance and accounting directors, senior managers, and managers.

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