PAFA SUSTAINABILITY WEEK: DAY 3 – REFOCUSING THE SME/P

03 August 2022

PAFA

PAN AFRICAN FEDERATION OF ACCOUNTANTS

AGENDA

Topic	Speaker
Opening remarks	Ms. Lebogang Senne
Overview of the Sustainability landscape	Mr. David Madon, Director, IFAC
ACCA and CA ANZ publication ‘SME Sustainability playbook’	Ms. Karen McWilliams FCA, Business reform leader, CA ANZ
Practice transformation - opportunities in sustainability for SMEs and SMPs	Mr. Chris Arnold, Director, IFAC
Perspectives on the opportunities for SMEs and SMPs	Moderator: Ms Faith Ngwenya, PAFA EAA_TAG Chairperson, SAIPA Executive Mr. Paul Thompson, Director: European Federation of Accountants and Auditors for SMEs | Mr. Rodney Ndamba, CEO, Institute for Sustainability Africa | Ms Bongiwe Mbungwe, Partner; Mazars - Business Sustainability
Input from the audience	Moderator
Closing Remarks	Mr. David Madon, Director, IFAC

Opening Remarks

Ms. Lebogang Senne, Director, PAFA

OVERVIEW OF THE SUSTAINABILITY LANDSCAPE

Mr. David Madon, Director, IFAC

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SUSTAINABILITY:
The Role of the Accountancy Profession

PAFA Sustainability Week - August 2022

IFAC GLOBAL SUSTAINABILITY DIALOGUE

DAVID MADON

Director – Sustainability,
Policy & Regulatory Affairs

IFAC
International Federation of Accountants

PAFA AGENDA FOR ACCELERATING SUSTAINABILITY

- **Call to action for the Accountancy Profession**
- **Sustainability Starts Inside of Companies who Adopt an "Integrated Mindset"**
- **Public Sector and Sustainability**
- **Building a Global System**
- **Update on the State of Play in Reporting and Assurance of Sustainability Information**
- **Impact on SEMs / SMPs**
- **Education**

ACCELERATING SUSTAINABILITY

Building A Global Reporting System

Recent Developments: ISSB / IFRS Foundation

- Exposure Drafts S1-General Requirements and S2-Climate
- Collaboration agreement with GRI:
- Working groups

Pathway to a Global Baseline

- "Necessary institutional and technical underpinnings to be completed by year-end
- G7 endorsement of global baseline
- IOSCO endorsement will provide a basis for how to adopt, apply or be informed by ISSB standards

ACCELERATING SUSTAINABILITY
The Need for Alignment

IFAC | PRI Principles for Responsible Investment | wbcsd

Leading Financial Market Participants Call for Stronger Alignment of Regulatory and Standard Setting Efforts around Sustainability Disclosure

U.S. SEC Climate-Related Disclosures for Investors

- Stakeholder consensus that SEC and ISSB requirements share key areas of alignment

EFRAG's European Sustainability Reporting Standards (ESRS)

- Stakeholder concerns over granularity and complexity, alignment with ISSB, too much too fast

IFAC Supports Key Global Themes

- Alignment between global (ISSB) and jurisdictional disclosure requirements
- Two perspectives on materiality
- Leveraging existing frameworks and standards as anchor for global system
- The need for mandatory reporting and assurance
- Importance of assurability – using IAASB Stds.
- Need to connect sustainability and financial information

BUILDING BLOCK APPROACH: 2 PERSPECTIVES ON ESG

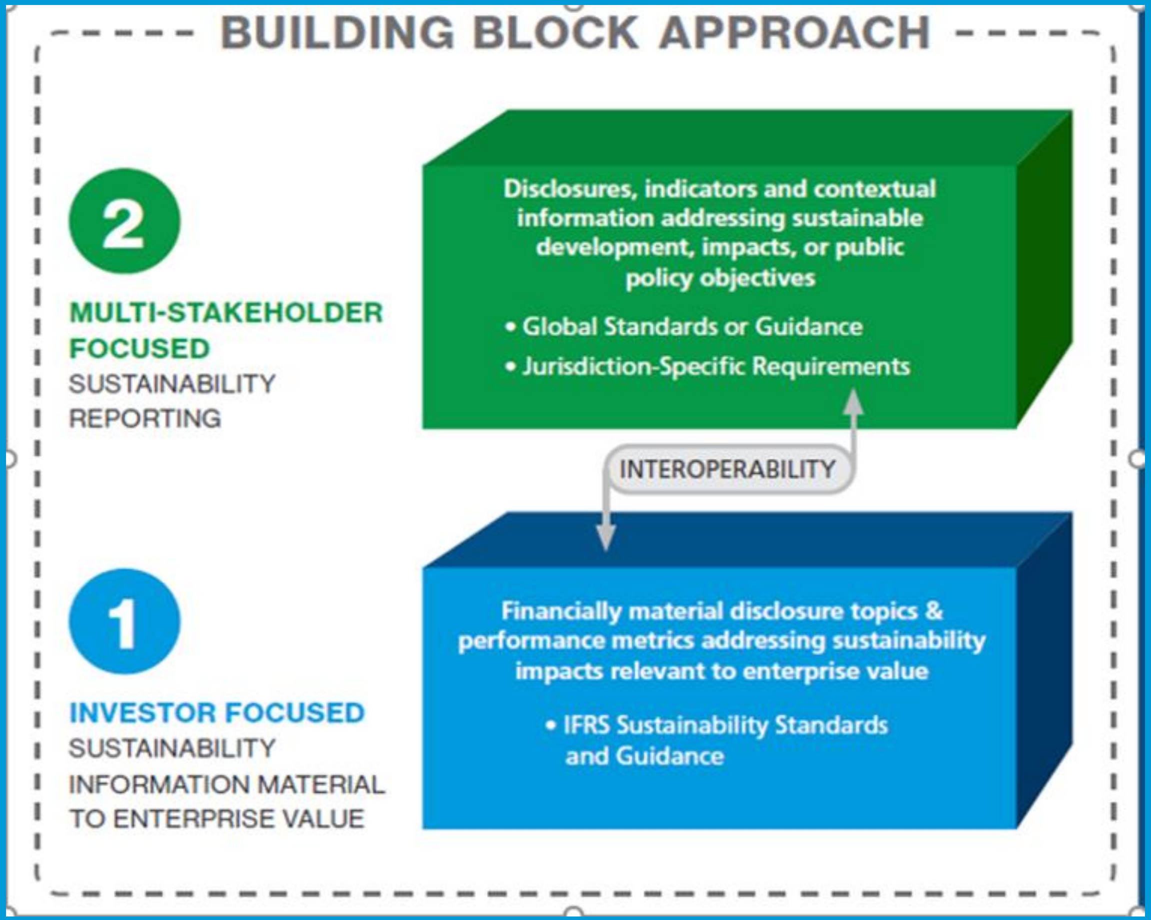
Perspective 1:

- **"Outside-in" disclosures** that address how ESG factors—and a company's actions related to ESG—can impact a company's ENTERPRISE VALUE

Perspective 2:

- **"Inside-out" disclosures** that address multi-stakeholder needs—society impacts—not already captured by the assessment of enterprise value

"IFAC encourages the ISSB to develop a comprehensive global baseline of disclosures addressing EV while taking into considerations whether some societal impacts may be relevant to investors' assessment of EV."



THE STATE OF PLAY: REPORTING AND ASSURANCE OF SUSTAINABILITY INFORMATION

Based on 2020 reporting

- New data on rapidly evolving market
- Supports evidence-based policy development
- Reinforces IFAC Vision for High-Quality Assurance (December 2021)
- 2021 reporting cycle data is next

MAPPING GLOBAL REPORTING AND ASSURANCE PRACTICES

This study was designed to update understanding (based on 2020 reporting) of market practice for the assurance of environmental, social, and governance (ESG or sustainability) information, globally. 1400 companies across twenty-two jurisdictions were reviewed. (See Methodology Section.) A company was considered to have reported ESG information or obtained assurance, regardless of how much information was provided or assured (i.e., one GHG number counts).

KEY FINDINGS: 2020 VS. 2019

2020 92% vs. **2019** 91%
reported *some* ESG information

2020 82% vs. **2019** 83%
of assurance was limited in nature

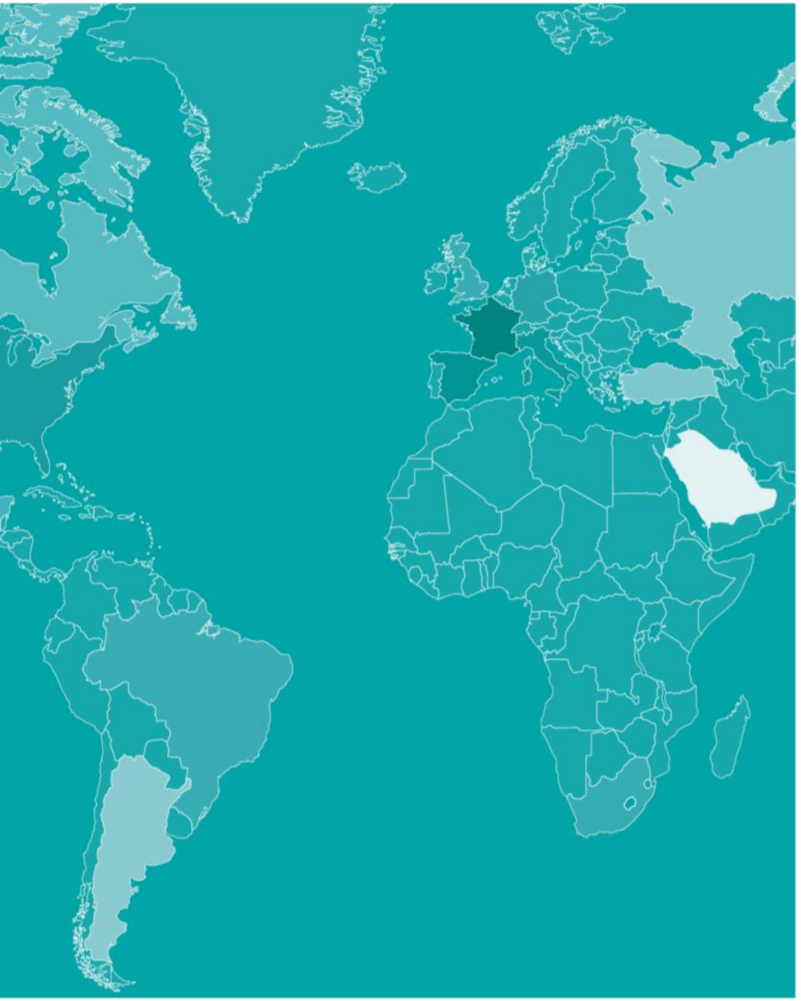
2020 58% vs. **2019** 51%
obtained *some* level of assurance

2020 94% vs. **2019** 88%
of Firms applied ISAE 3000 (Revised)

2020 61% vs. **2019** 63%
of assurance engagements were conducted by Firms

For the second year, our analysis indicates that while the frequency of reporting ESG information is high, the incidence of assurance is not, and there are meaningful differences in practice across jurisdictions.

SUMMARY CHANGES: REPORTING



METHOD OF REPORTING. While the use of stand-alone Sustainability Reports declined globally, some jurisdiction-specific reporting preferences remained the same in 2020. For example, reporting on ESG in the U.S. and Canada relied heavily on Sustainability Reports, while Annual Reports dominate in the European Union and companies in South Africa report in Integrated Reports. (see page 5 for more information.)

1,283 of **1,400** companies reported ESG information (compared to 1,269 in 2019)

SASB increase of 153% over 2019 & **TCFD increase of 100% over 2019**

STANDARDS & FRAMEWORKS.
The use of / reference to SASB Standards and the TCFD framework increased significantly.

STANDARDS & FRAMEWORKS.
The use of / reference to GRI Standards and the Sustainable Development Goals (SDGs) remained high among the companies who reported on ESG.

increasing from **69%** to **72%** (GRI)

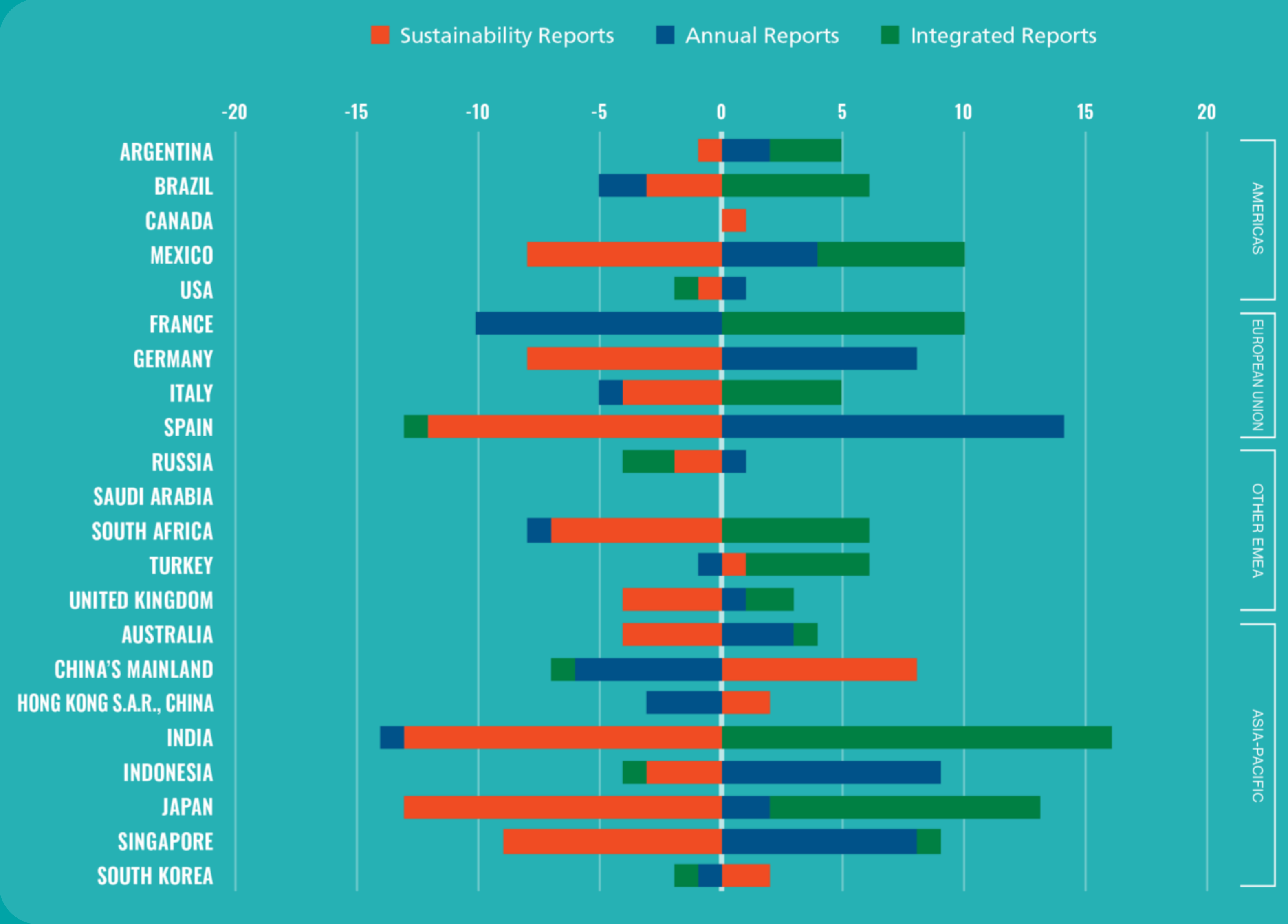
increasing from **62%** to **76%** (SDGs)

CHANGES IN *WHERE* COMPANIES REPORTED ON ESG

Fewer companies relied on stand-alone SRs while Integrated Reports and Annual Reports increased

- ✓ More annual reports being used in Germany, Spain, Indonesia, Singapore
- ✓ More IR's being relied upon in Brazil, Mexico, France, Italy, India, Japan.

FORM TYPE	2020	2019
Integrated	21.0%	16.4%
Annual	19.7%	17.8%
SR	50.9%	56.5%



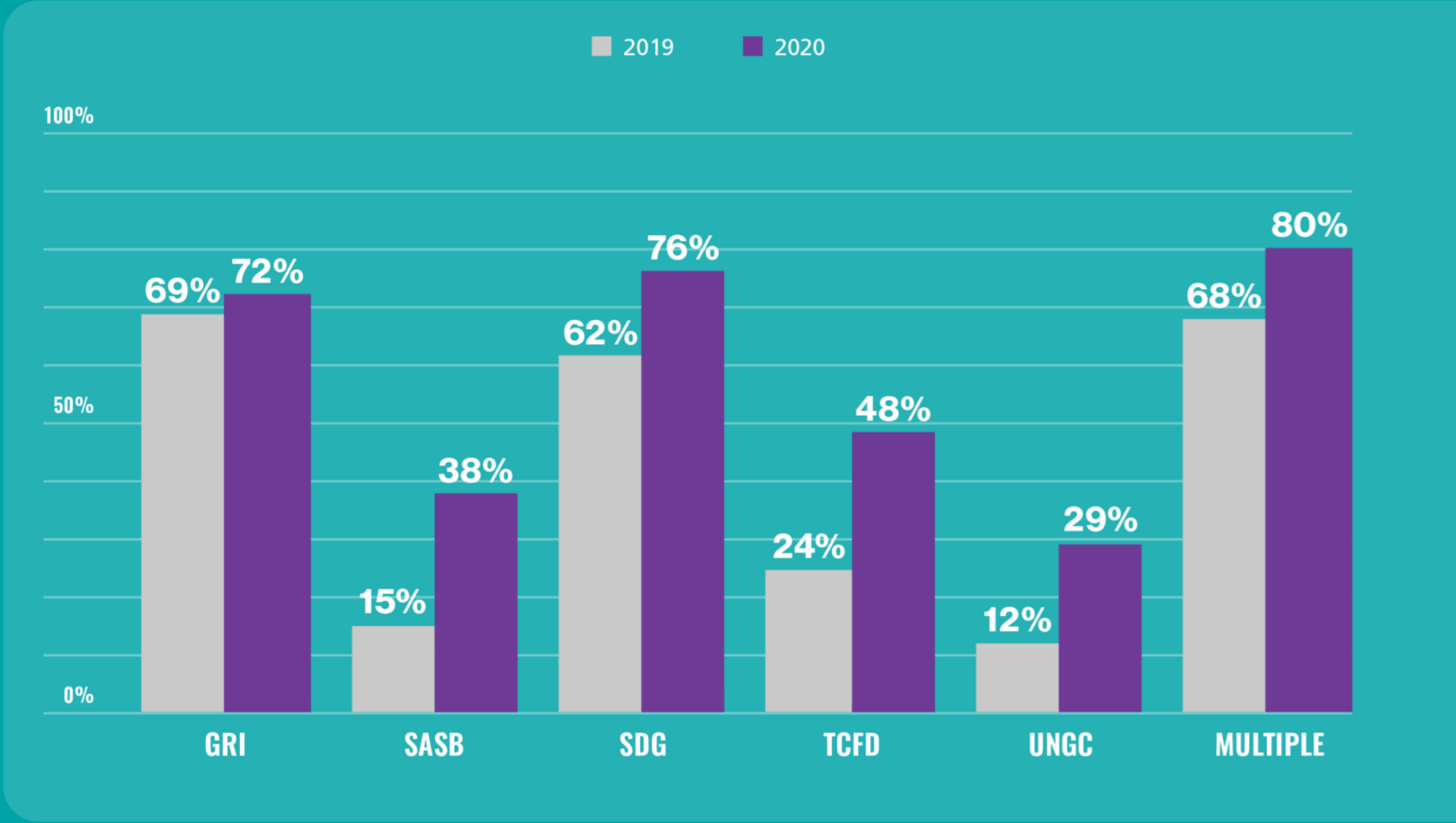
ESG REPORTING FRAMEWORK / STANDARD

The use of MULTIPLE frameworks/standards

increased from **68%** in **2019**

to **80%** in **2020**

- ✓ GRI and the SDGs remain the most popular standard/reference framework for reporting on ESG
- ✓ Data highlights the lack of consistency and comparability that persists without harmonized global standards

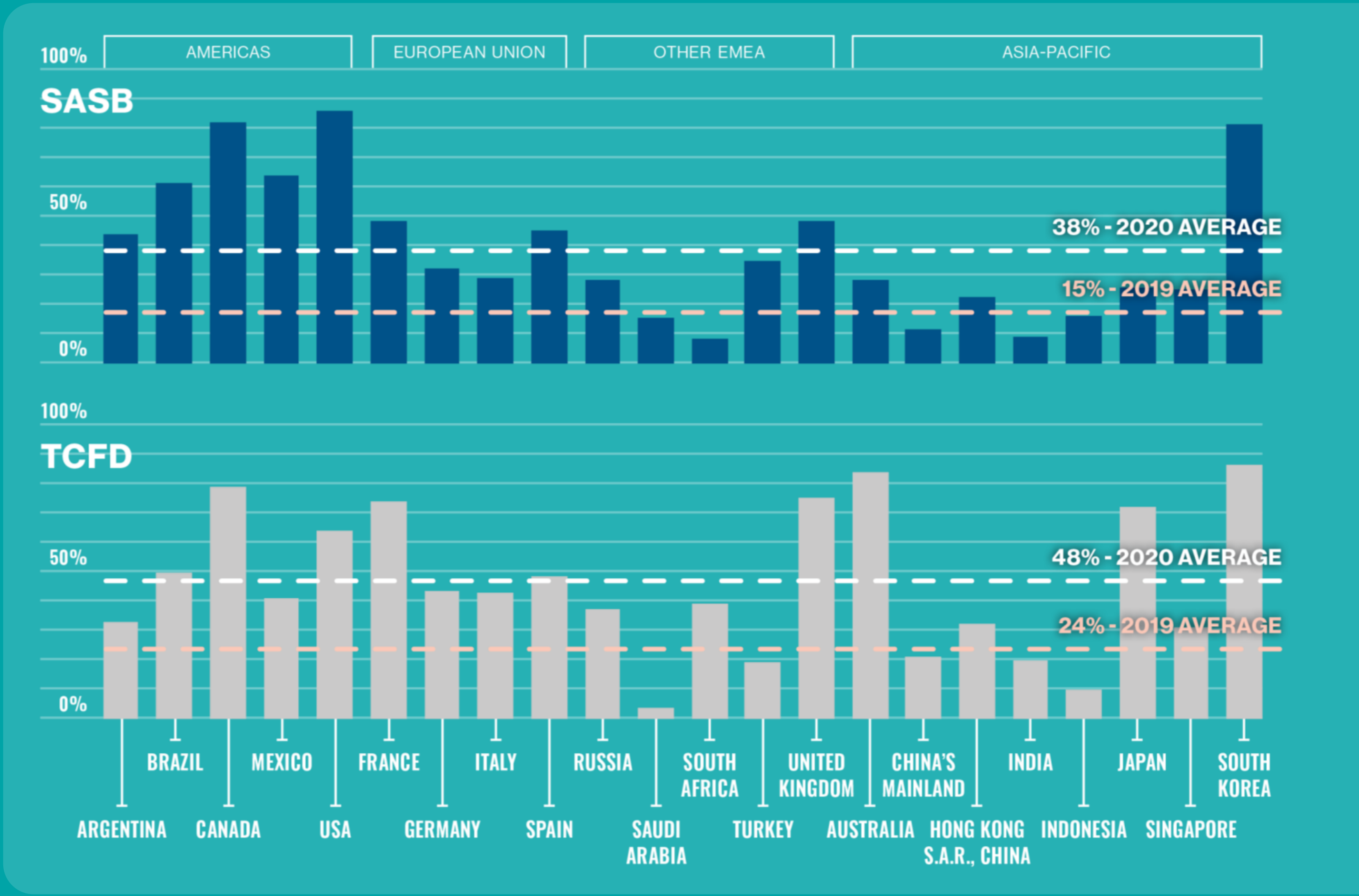


ESG REPORTING FRAMEWORK / STANDARD

- ✓ SASB increases in Brazil, Canada, Mexico, US, EU, UK
- ✓ TCFD use up in Brazil, US, UK, S. Africa, Australia, Japan, S. Korea

“The proposals—exposure drafts—build upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporate industry-based disclosures requirements derived from SASB Standards.”

(ISSB, March 31, 2022)



SUMMARY CHANGES: ASSURANCE

ASSURED ESG INFORMATION.
The percentage of companies which obtained assurance on some of their 2020 ESG reporting increased from:

51% in 2019 to **58%** in 2020

Double-digit increases were noted in Australia, Brazil, Canada, Italy, Russia, Turkey, and the U.K.

WHO PROVIDES ASSURANCE.
Of **833** separate assurance reports from **741** companies:

61% of engagements (i.e., 505 out of 833 reports) were conducted by audit firms or their affiliates—a nominal change from **63% in 2019**.

The majority of assurance engagements in Hong Kong S.A.R., China; India; Indonesia; South Korea; U.K. and U.S. were not conducted by audit firms or their affiliates.

Assurance Standards. ISAE 3000 (Revised) remained the most widely used standard for ESG assurance engagements—increasing from:

68% in 2019 to **72%** in 2020

94% of Firms (or their Affiliates) used ISAE 3000 (Revised), while non-IAASB standards were most commonly used by other service providers (i.e., only 39% used IASE 3000).

Level of Assurance. 97% of audit firm-related engagements resulted in limited assurance reports. In contrast, **59%** of engagements conducted by other service providers resulted in limited assurance, while moderate assurance (**23%**) and reasonable assurance (**18%**) were also prevalent.

SCOPE OF REPORTING AND ASSURANCE

Reporting:

✓ 89% of companies provided information in all four of the ESG categories examines.

GHG	Other Environmental	Social	Governance*	All Topics
92%	98%	96%	95%	89%

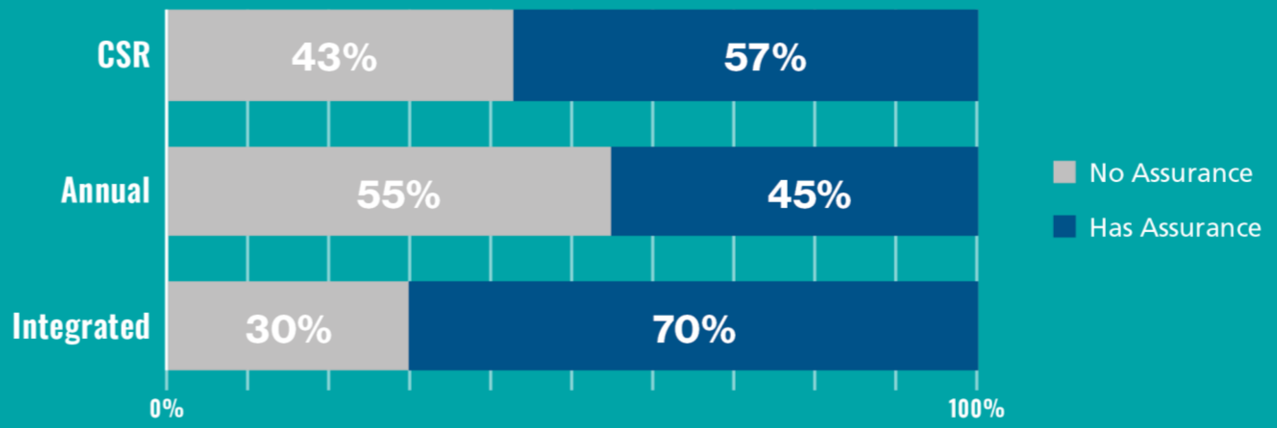
Assurance:

✓ Assurance focused primarily on GHG data.

✓ Only 43% of companies obtained assurance on information in all four of the ESG categories.

GHG	Other Environmental	Social	Governance*	All Topics
95%	78%	68%	43%	43%

Companies who provided ESG information in Integrated Reports obtained more assurance than companies who reported in Annual Reports or Sustainability Reports.



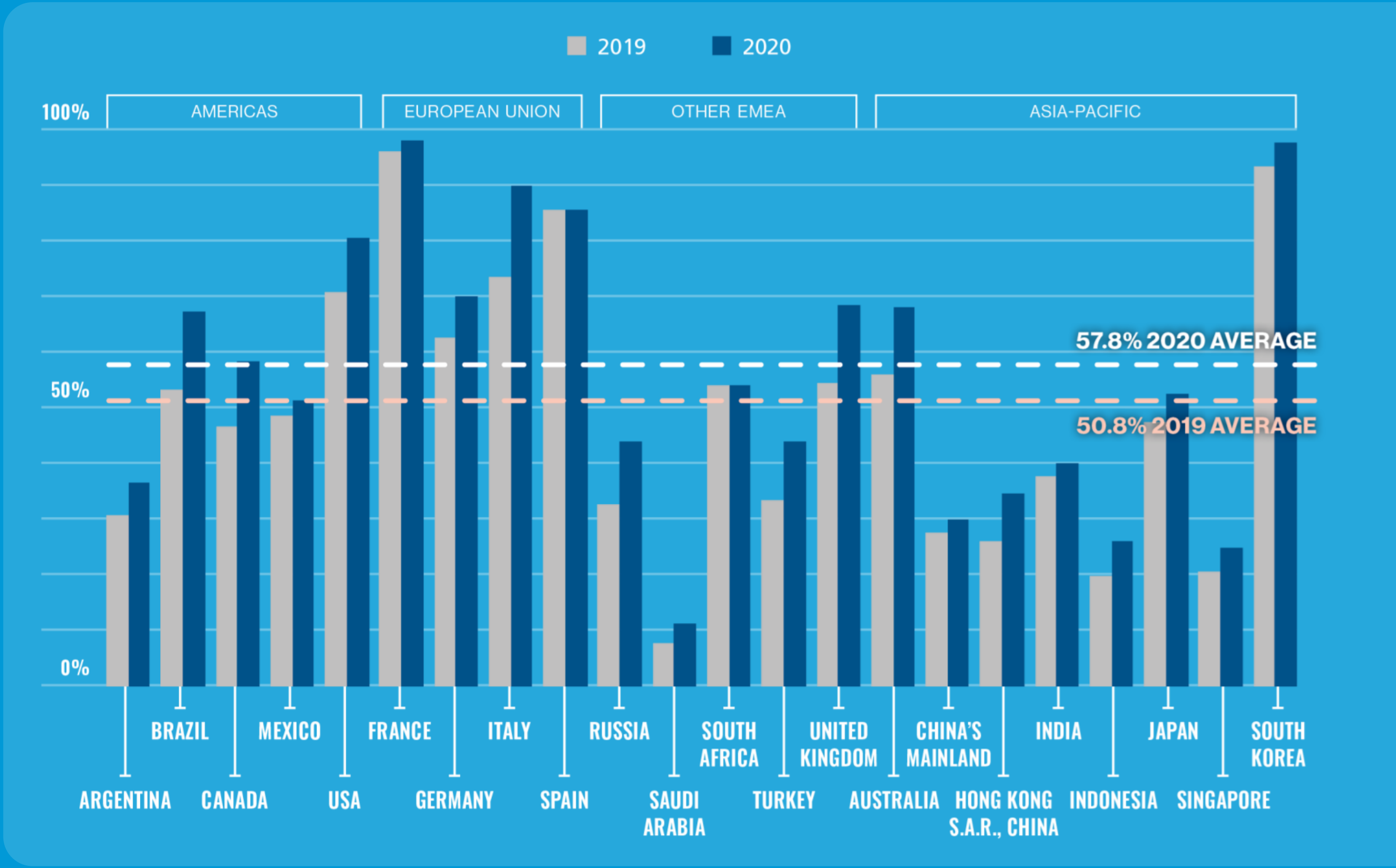
*

ASSURED ESG INFORMATION BY JURISDICTION

833 reports from **741 companies** who obtained assurance in 2020

704 reports from **645 companies (51%)** who obtained assurance in 2019

✓ France and South Korea had the highest rates of assurance, but the nature of that assurance differs significantly.

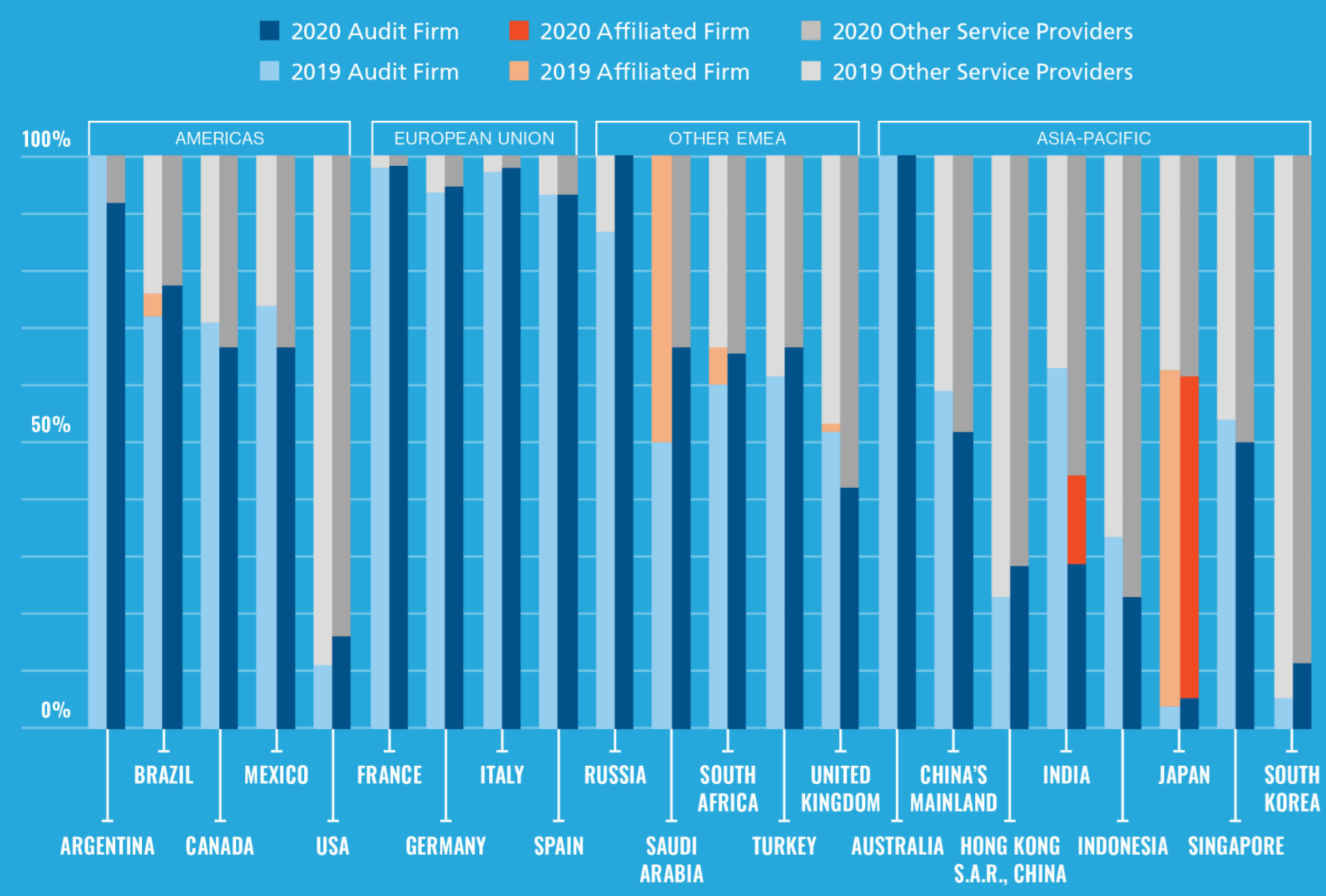


58% of the companies that disclosed ESG data, obtained assurance.

TYPE OF FIRM PROVIDING ASSURANCE BY JURISDICTION

Overall share of engagements performed by Audit Firms (or their affiliates) has remained relatively consistent **(61% in 2020 vs. 63% in 2019),** but there are important jurisdiction-specific differences.

- ✓ 56% Audit Firms
- ✓ 5% Affiliated Firms
- ✓ 39% Other Service Providers

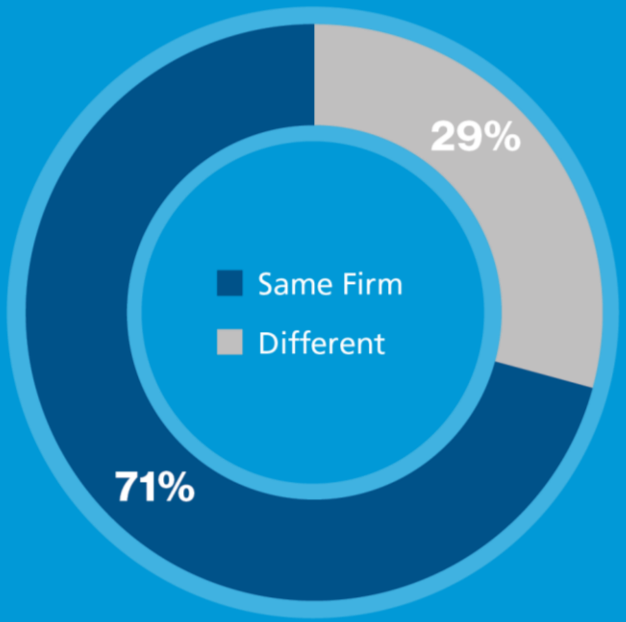


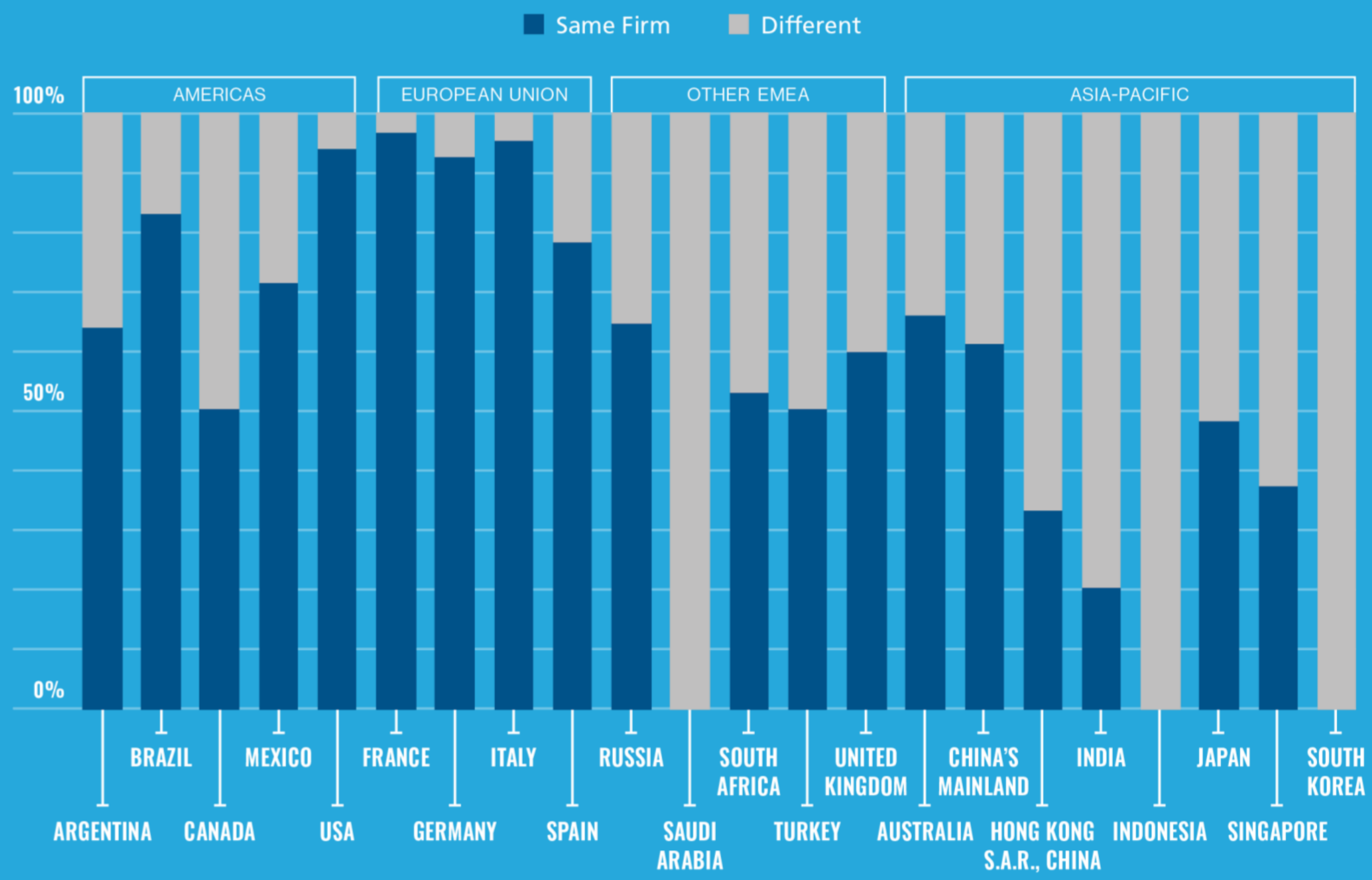
Affiliated Firms are independent entities associated with a separate audit firm (typically the audit firm member of a global network).

STATUTORY AUDITORS VS. ESG ASSURANCE PROVIDERS

71% of 505 ESG assurance

reports provided by audit firms were from the same firm as the statutory audit provider for the same reporting entity.

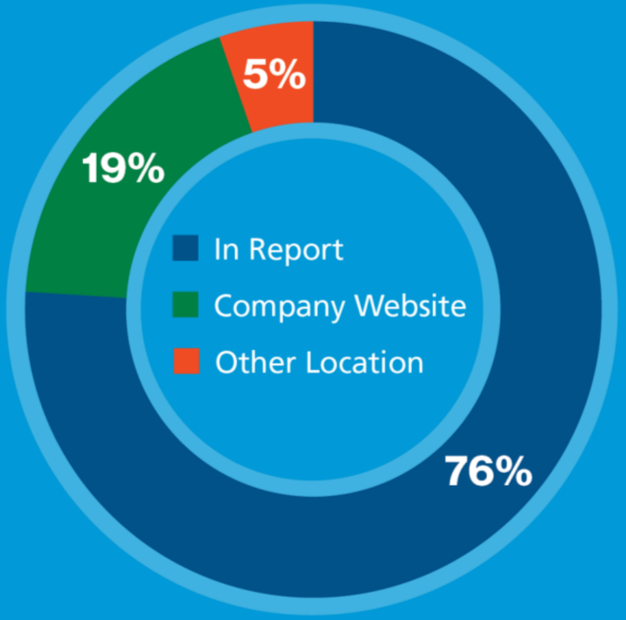


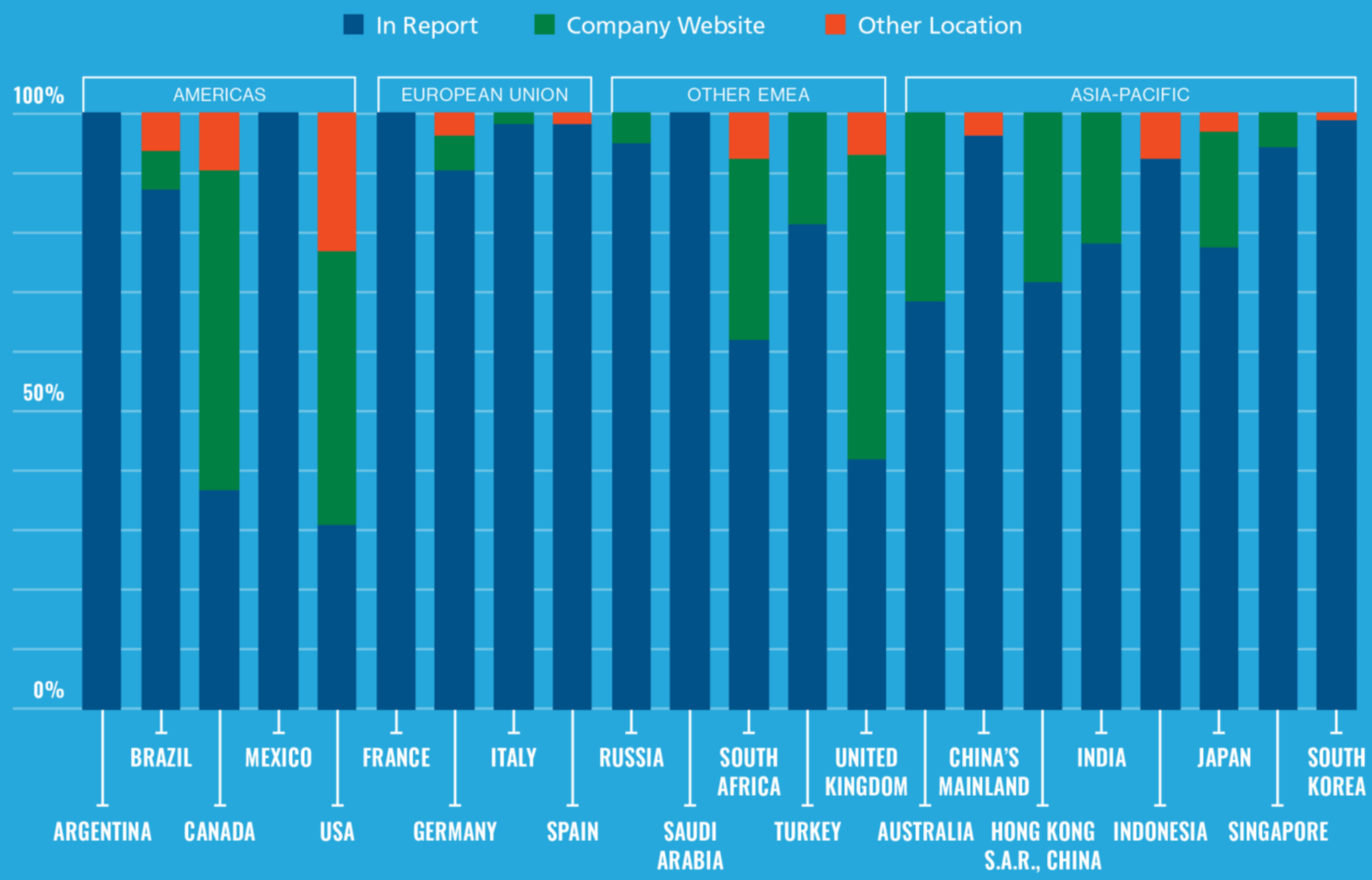


WHERE DID WE FIND ASSURANCE REPORTS?

✓ 76% of companies included assurance reports in the Annual Report.

✓ Most companies in Canada, U.S., U.K. provided evidence of assurance on a company website or other location.



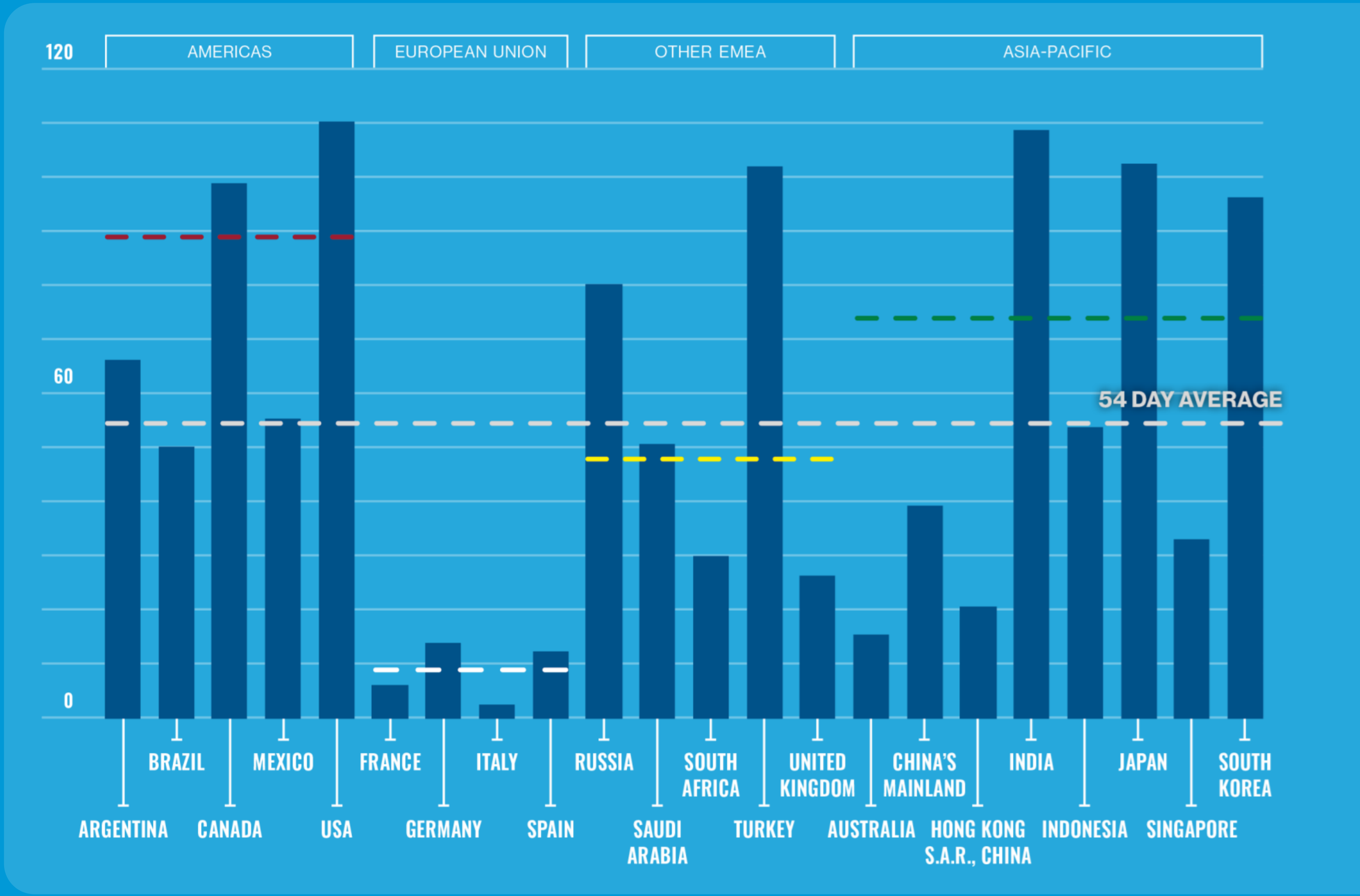


DAYS BETWEEN STATUTORY AUDIT AND ESG ASSURANCE

Based on 733 instances where both financial audit and ESG assurance reports/signatures were examined.

On average, 54 days separated the issuance of the statutory audit report from the ESG assurance report.

- 9-Day avg. gap in EU countries
- 48-Day avg. gap in other EMEA
- 73-Day avg. gap in Asia-Pacific
- 89-Day avg. gap in Americas



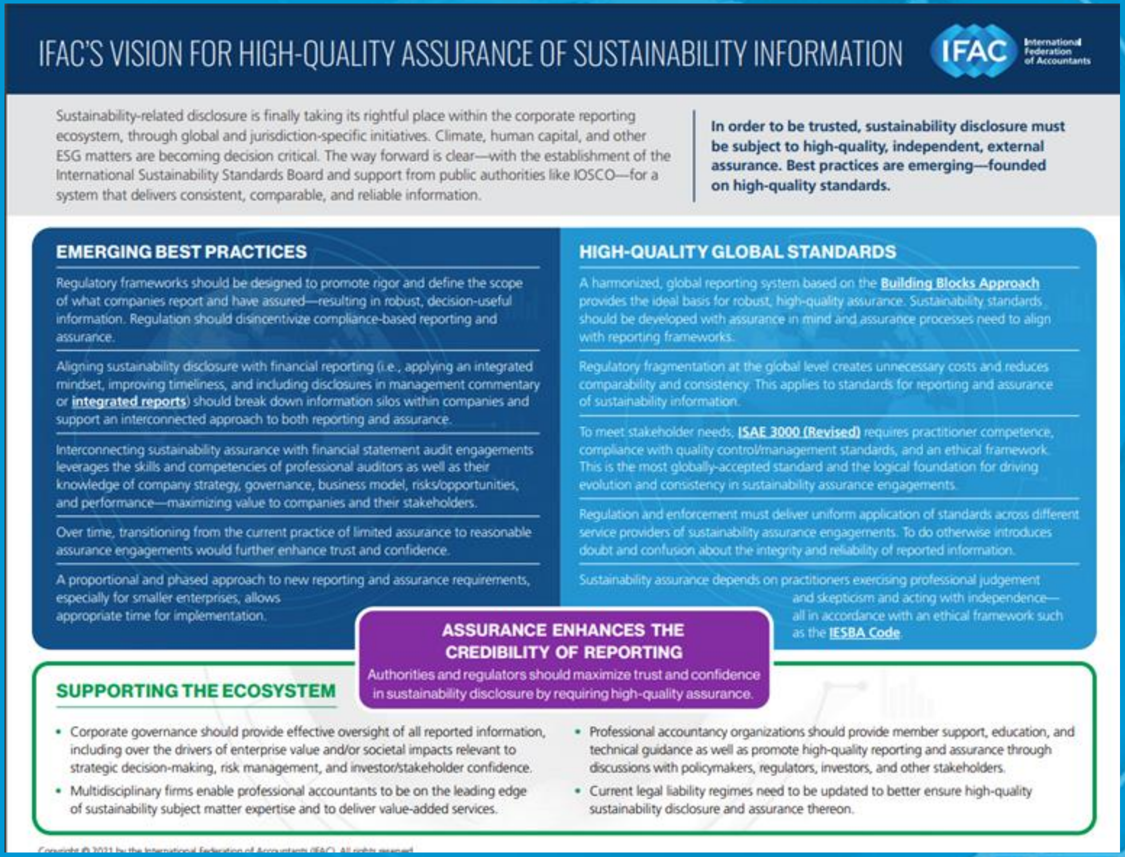
IFAC VISION FOR HIGH-QUALITY SUSTAINABILITY ASSURANCE

Emerging Best Practices

- **Regulatory frameworks matter:** Robust, decision-useful information (with assurance)
- **Alignment:** Between sustainability disclosure and financial reporting
- **Interconnected approach:** To sustainability assurance and financial audits

Built on Foundation of HQ Global Standards

- **Harmonized, global baseline:** Best basis for high-quality assurance
- IASE 3000 (Revised): Foundation for driving evolution and consistency of assurance standards
- Regulation and enforcement: Must deliver uniform application of global standards.



IFAC'S VISION FOR HIGH-QUALITY ASSURANCE OF SUSTAINABILITY INFORMATION

IFAC International Federation of Accountants

Sustainability-related disclosure is finally taking its rightful place within the corporate reporting ecosystem, through global and jurisdiction-specific initiatives. Climate, human capital, and other ESG matters are becoming decision critical. The way forward is clear—with the establishment of the International Sustainability Standards Board and support from public authorities like IOSCO—for a system that delivers consistent, comparable, and reliable information.

In order to be trusted, sustainability disclosure must be subject to high-quality, independent, external assurance. Best practices are emerging—founded on high-quality standards.

EMERGING BEST PRACTICES

Regulatory frameworks should be designed to promote rigor and define the scope of what companies report and have assured—resulting in robust, decision-useful information. Regulation should disincentivize compliance-based reporting and assurance.

Aligning sustainability disclosure with financial reporting (i.e., applying an integrated mindset, improving timeliness, and including disclosures in management commentary or **integrated reports**) should break down information silos within companies and support an interconnected approach to both reporting and assurance.

Interconnecting sustainability assurance with financial statement audit engagements leverages the skills and competencies of professional auditors as well as their knowledge of company strategy, governance, business model, risks/opportunities, and performance—maximizing value to companies and their stakeholders.

Over time, transitioning from the current practice of limited assurance to reasonable assurance engagements would further enhance trust and confidence.

A proportional and phased approach to new reporting and assurance requirements, especially for smaller enterprises, allows appropriate time for implementation.

HIGH-QUALITY GLOBAL STANDARDS

A harmonized, global reporting system based on the **Building Blocks Approach** provides the ideal basis for robust, high-quality assurance. Sustainability standards should be developed with assurance in mind and assurance processes need to align with reporting frameworks.

Regulatory fragmentation at the global level creates unnecessary costs and reduces comparability and consistency. This applies to standards for reporting and assurance of sustainability information.

To meet stakeholder needs, **ISAE 3000 (Revised)** requires practitioner competence, compliance with quality control/management standards, and an ethical framework. This is the most globally-accepted standard and the logical foundation for driving evolution and consistency in sustainability assurance engagements.

Regulation and enforcement must deliver uniform application of standards across different service providers of sustainability assurance engagements. To do otherwise introduces doubt and confusion about the integrity and reliability of reported information.

Sustainability assurance depends on practitioners exercising professional judgement and skepticism and acting with independence—all in accordance with an ethical framework such as the **IESBA Code**.

ASSURANCE ENHANCES THE CREDIBILITY OF REPORTING

Authorities and regulators should maximize trust and confidence in sustainability disclosure by requiring high-quality assurance.

SUPPORTING THE ECOSYSTEM

- Corporate governance should provide effective oversight of all reported information, including over the drivers of enterprise value and/or societal impacts relevant to strategic decision-making, risk management, and investor/stakeholder confidence.
- Multidisciplinary firms enable professional accountants to be on the leading edge of sustainability subject matter expertise and to deliver value-added services.
- Professional accountancy organizations should provide member support, education, and technical guidance as well as promote high-quality reporting and assurance through discussions with policymakers, regulators, investors, and other stakeholders.
- Current legal liability regimes need to be updated to better ensure high-quality sustainability disclosure and assurance thereon.

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SUSTAINABILITY:
The Role of the Accountancy Profession

IFAC GLOBAL SUSTAINABILITY DIALOGUE

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CALL TO ACTION FOR PROFESSIONAL ACCOUNTANTS

TIME FOR ACTION ON SUSTAINABILITY: NEXT STEPS FOR THE ACCOUNTANCY PROFESSION

IFAC International Federation of Accountants

With the establishment of the International Sustainability Standards Board (ISSB), the way forward is clear: The accountancy profession must lead on climate reporting and other material environmental, social and governance disclosures and their assurance—contributing to strong and sustainable financial markets and economies and enabling the UN's Sustainable Development Goals.

ACTIONS

1. Advocate for smart sustainability-related policymaking & regulation—starting with support for the new ISSB and requiring assurance of sustainability disclosures.
2. Adopt an integrated mindset—breaking down information silos within companies and promoting an interconnected approach to what companies report and have assured.
3. Be proactive on climate reporting—complying with existing standard-setter requirements and best practices.
4. Demonstrate sustainability-related skills and competencies—ensuring professional accountants continue to expand the value-added services they are able to offer in the future.

ACCELERATE SUSTAINABILITY

- To address the climate crisis
- To promote sustainable organizations that create long-term value for investors, stakeholders, and society
- To enable reporting entities and investors to measure and assess progress towards sustainability objectives

THE OBJECTIVE

ENABLE HIGH-QUALITY & DECISION-USEFUL INFORMATION

AVOID REGULATORY FRAGMENTATION

- To promote consistency and comparability for investors and capital markets
- To reduce cost, complexity, and confusion for reporting entities

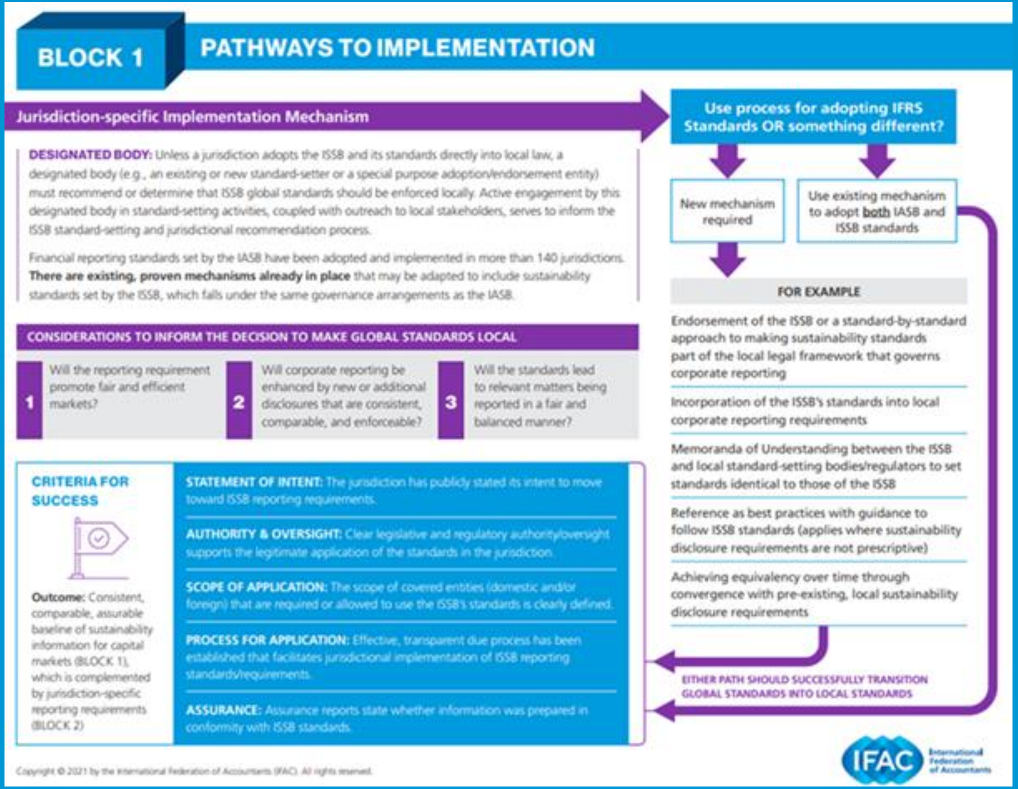
Support and promote the ISSB—the accountancy profession is an essential stakeholder

- The path to globally comparable, decision-useful, and assurable sustainability disclosure starts with a comprehensive baseline of standards set by the ISSB. This is **Block 1 of the Building Block Approach**: investor-focused information.
- The accountancy profession should encourage and contribute to the completion of the ISSB's climate standard in 2022, with potential endorsement by IOSCO. This is step one in the ISSB's mission to develop standards addressing a broad range of environmental, social and governance factors.
- Now is the time to engage with local policymakers and regulators about how to build on the success of IFRS Accounting Standards adoption and to develop a similar **pathway for IFRS Sustainability Disclosure Standards**.
- Policymakers must collaborate and align jurisdiction-specific requirements with global requirements developed by the ISSB.

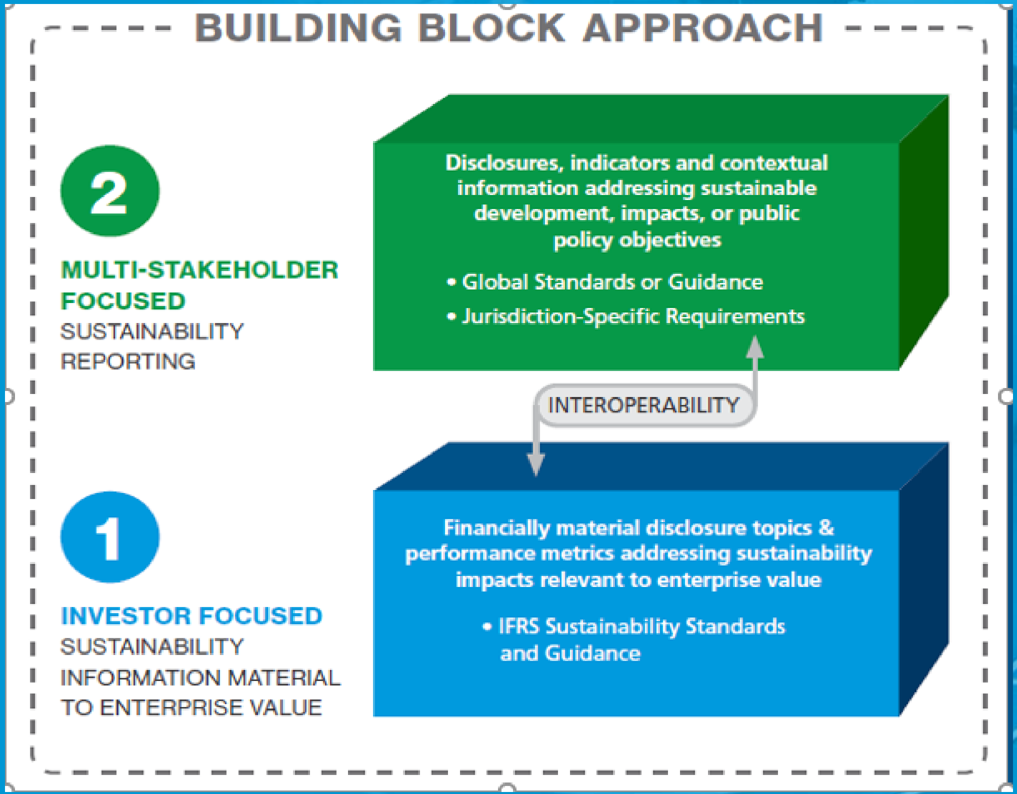
SIMPLIFYING COMPLEXITY

Building A Global Reporting System

How Global ISSB Standards Become Local Reporting Requirements



Building Blocks for Capital Markets *AND* Societal Impact Reporting



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ENABLING SUSTAINABILITY
The Role of the Profession

3 Key Roles

- **Sustainability starts inside of companies**
- **Translating high-quality standards into high-quality information**
- **Bringing trust and confidence to sustainability disclosure**

CALL TO ACTION FOR PROFESSIONAL ACCOUNTANTS

- **Avoid Regulatory Fragmentation**
  - Reduce cost, complexity, and confusion
  - Create level playing field
  - Maximize access to global capital
- **Accelerate Sustainability**
  - HQ reporting addressing climate crisis
  - Measurement and assessment of progress towards sustainability
  - Organizations that create long-term value for investors and society

SUSTAINABILITY:
The Role of the Accountancy Profession

August 2022

THANK YOU

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ACCA AND CA ANZ PUBLICATION ‘SME SUSTAINABILITY PLAYBOOK’

Ms. Karen McWilliams FCA, Business reform leader, CA ANZ

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How SMEs can create a more sustainable world

Karen McWilliams FCA
Business Reform Leader
Chartered Accountants Australia and New Zealand

Why is sustainability relevant to SMEs?

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The universe of sustainability issues

UNIVERSE OF SUSTAINABILITY ISSUES

SOCIAL CAPITAL

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

ENVIRONMENT

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

LEADERSHIP & GOVERNANCE

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

BUSINESS MODEL & INNOVATION

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

HUMAN CAPITAL

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

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

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Sustainable operations are gathering pace. Don’t get left behind

- Supply chain
- Cost savings and value creation
- Talent
- Investment
- Resilience and innovation
- Purchase order from the future

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Sustainability mapping

- Understand the business and activities
- Keep it simple
- Gather appropriate data

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Accountants – take the lead

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

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Climate and the environment

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

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Waste reduction and recycling

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

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Human rights and inequality

- Investigate supply chains
- Use a risk-based approach
- Fair wages and work practices

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Diversity and inclusion

- Examine your own organisation
- Create an inclusive workplace with equal opportunity for all
- Accelerate careers of women and underrepresented groups

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SMEs and SMPs have a critical role

- Reshape business models and reimagine the future
- Act with urgency on climate change
- Identify other critical areas for action
- Adopt sustainable goals
- Instigate, guide and lead change
- Collaborate with others
- Bring integrity to the process

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Thank you

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Practice transformation - opportunities in sustainability for SMEs and SMPs

Mr. Chris Arnold, Director, IFAC

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Sustainability Offers New Opportunities for SMPs

PAFA Sustainability Week

IFAC

August 3, 2022

Practice Transformation Action Plan

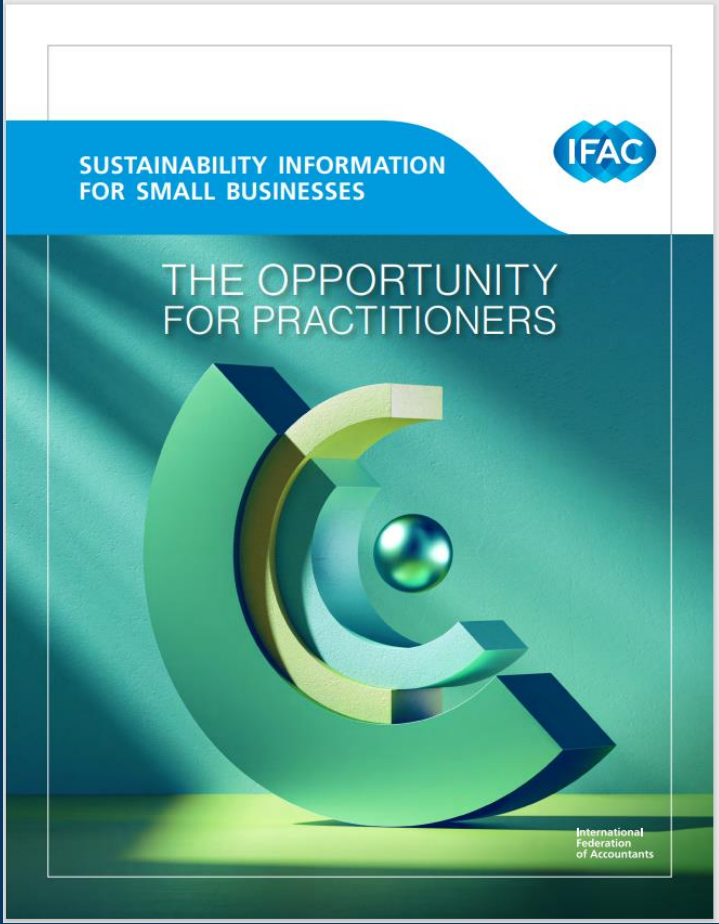
- Embrace Change
- Leverage Technology
- Focus on Talent Management
- Evolve the Firm Operating Model and Build Advisory Services

Practice Transformation Action Plan – A Roadmap to the Future

Sustainability & SMEs

- SMEs are critical to the health, stability, and sustainability of the global economy
- Represent over 90 percent of the business population
- Not easily addressed by a one-size-fits-all approach

[Sustainability Information for Small Businesses – The Opportunity for Practitioners]



Sustainability Information

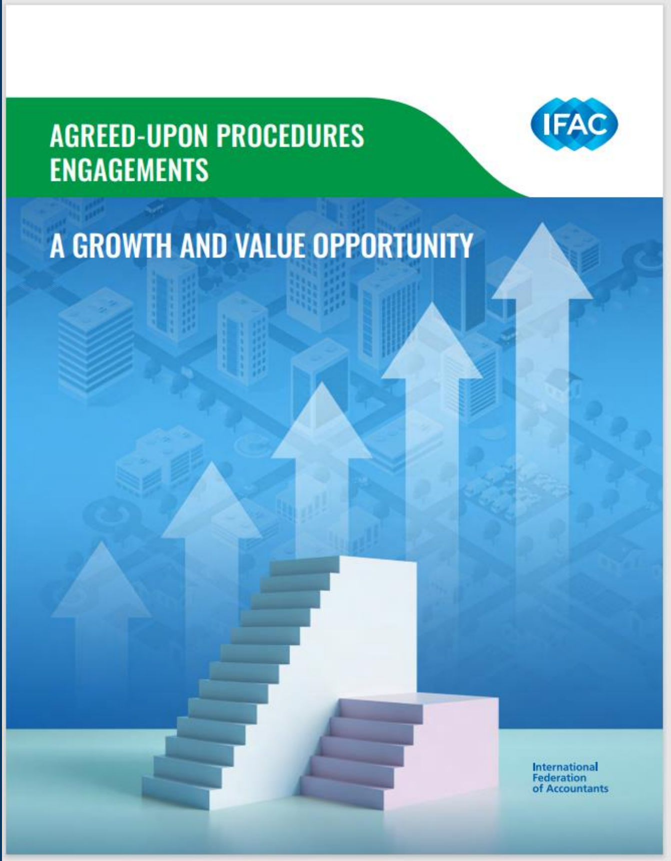
- Have readily available, relevant & reliable sustainability information – for management use
- Enable better-informed business decisions, enhance strategic planning and risk management
- Improve performance, lower costs and differentiate from competition
- SMPs – trusted business advisers providing advisory services

Reporting to External Stakeholders

- Reporting on sustainability information to external stakeholders and business partners who are demanding it
- Increase in supply-chain sustainability info requests
- SMEs will respond differently depending on their size, sector, ownership, business models and available resources

Additional Practitioner Services

- Request a practitioner to undertake an AUP engagement or obtain independent assurance on sustainability information
- AUP engagements can be performed on both financial and non-financial subject matters using ISRS 4400 (Revised)
- Independent assurance enhances the credibility and trust in an SMEs reported non-financial information



IFAC Resources

- Knowledge Gateway: www.ifac.org/Gateway
- Practice Transformation 'Welcome to the Fast Future'
- Guide to Practice Management for SMPs
- Follow us on Twitter: IFAC_SMP
- Join us on LinkedIn: IFAC SMP Community
- IFAC SMP Advisory Group: www.ifac.org/SMP

Experience sharing: Perspectives on the opportunities for SMEs and SMPs

Moderator: Ms. Faith Ngwenya, PAFA EAA_TAG Chairperson, SAIPA Executive

Participants:

- Mr. Paul Thompson, Director: European Federation of Accountants and Auditors for SMEs
- Mr. Rodney Ndamba, CEO, Institute for Sustainability Africa
- Ms Bongiwe Mbungwe, Partner; Mazars - Business Sustainability

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FOR SMES

Sustainability: Perspectives on the Opportunities for SMPs

Paul Thompson, Director, EFAA

3 August 2022

Challenges - Competition

- Rapid increase in consultants of various sizes
- Competitors sometimes lack skills and commitment to ethics
- Sustainability reporting and assurance
  - The State of Play in Sustainability Assurance, IFAC, June 2021
  - Audit market is highly concentrated in many member states - risk of similar concentration in sustainability reporting and assurance market

EFAA Response

- Three-part strategy
  - Advocacy and awareness raising
  - Capacity building
  - Policy and standards
- Dedicated section of website ’SMPs Supporting Sustainability’ and of Latest from Brussels e-newsletter

EFAA Secretariat

The European Federation of Accountants and Auditors for SMEs

4 Rue Jacques de Lalaing, B - 1040 Brussels, Belgium

T +32 2 736 88 86

F + 32 2 736 29 64

E secretariat@efaa.com

Website www.efaa.com

Twitter @EFAAforSMEs

Corporate Sustainability Reporting :

Perspectives of SMEs in Africa

Rodney Ndamba FCCA
Chief Executive
Institute for Sustainability Africa (INŚAF)

Pan African Federation of Accountants (PAFA)
3 August 2022, Virtual, Sustainability Week conference

Presentation

1. The Starting Point….
2. Sustainability Standards
3. Value of Corporate Sustainability to SMEs
4. Threats and challenges
5. Case studies.

SMEs -/Emerging Businesses (EB) - Context

- SMEs represent on average 95% of companies in most countries.

- They contribute significantly to sustainable development in emerging economies with up to 60% of total employment and 40% of GDP.

- SMEs have been under pressure from MNEs for responsible business practices if they want to qualify in their supply chain. As such, sustainability reporting is the viable option for SMEs in Africa to also contribute to sustainable development and poverty alleviation.

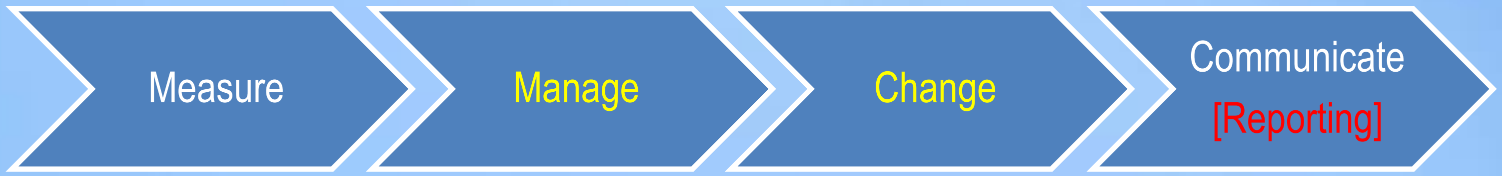
1. The Starting Point..

- Corporate Sustainability – involves integrating economic, environmental, social and governance aspects in business strategy, operations and decisions for long term business success.

- Sustainability reporting provides the step-by-step process of implementing corporate sustainability.

- It is a comprehensive risk management and business strategy that does not focus on financials only but integration of environmental, social and governance aspects in business's value chain.

1.1. The Economics of Corporate Sustainability



- Corporate sustainability and reporting is not just about collecting the figures or numbers and reporting them but about the transformation and impacts of an organisation.

2. Sustainability Reporting Standards

Most widely used are the Global Reporting Initiative (GRI) Standards for the following reasons:

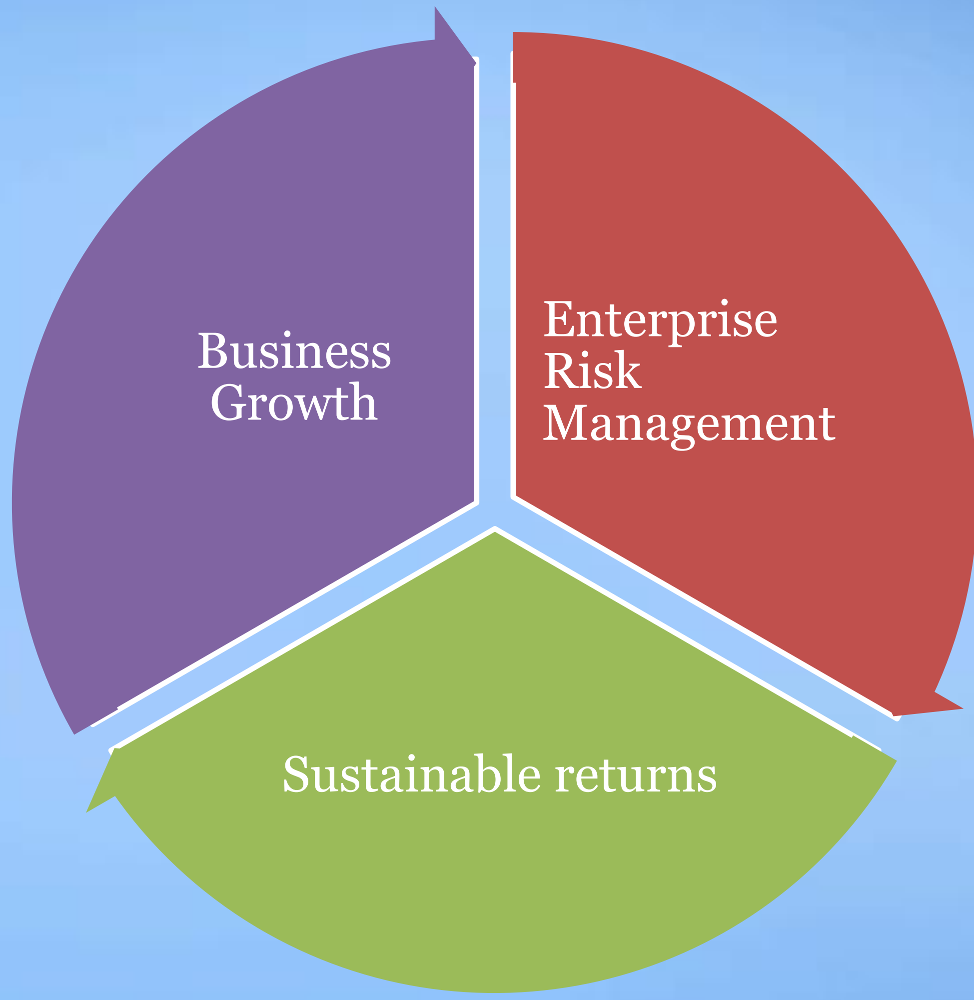
- Allows contextualisation (e.g. reporting materials issues in the company's context and environment).

- Impacts driven and inclusivity (stakeholder involvement.

- Provide comprehensive guide for emerging businesses to de-risk and find opportunities (e.g. qualifying in global supply chains).

- Aligned to sustainable development and climate reporting.

3. Value of Corporate Sustainability to SME



Adopted from Mckinsey 2018

3.1. Benefits of Corporate Sustainability to SMEs

- Innovation.
- Cost saving.
- Brand differentiation.
- Long term thinking.
- Build stakeholder capital.

4. Threats and challenges

- Sustainability reporting being reduced to compliance issue or tick box rather than a sustainable business strategy and accountability mechanism.

- Lack of investment toward sustainability strategy and legitimate implementation.

- Poor data quality due to system challenges and unsustainable business models.

- Lack of alignment between sustainability reporting, business strategy and leadership philosophy.

5. Cases studies

- GRI Study (2019) – 'SMEs that do report say sustainability reporting had improved productivity, reduced costs, strengthened their competitiveness and opened up new markets'.

- Impahla Clothing (South Africa)– The company was losing 2% of its production time. But when they introduced sustainability reporting using GRI Standards for SMEs, the company recovered and ended up becoming the first carbon neutral garment factory in Africa and attract global franchise. The company was bought with 40 employees and grew to over 450 employees.

“A company that is more committed to the sustainability journey and has embedded ESG into its wider business strategy will be more efficient and resilient to change”

William Hughes, Mazars UK (2021) - (Former Founding Director, Impahla Clothing, SA)

“Sustainability is the greatest opportunity of our time.”

— Miguel (2021),

Thank You

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Institute for Sustainability Africa

- An Independent multi-disciplinary think-tank and research institute working towards ‘advancing sustainability initiatives for Africa’.
- Founded in 2010 in Zimbabwe to transform businesses, organisations, capital markets and people in African countries.
- Member of the UN Sustainable Development Solutions Network (UNSDSN).
- Supporting Member of the Good Governance Academy (GGA).

Contact Details:

Institute for Sustainability Africa (INŚAF)
22 Walter Hill Ave, Eastlea,
Harare
Zimbabwe
Africa

Phone: +263 242 796501
Mobile: +263 773057483
Email: rndamba@insafrica.org.zw or ndambar2@yahoo.co.uk
Web: www.instforsustainafrica.org

QUESTIONS AND ANSWERS

Ms. Faith Ngwenya, PAFA EAA_TAG Chairperson, SAIPA Executive

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CLOSING REMARKS

Mr. David Madon, Director, IFAC

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Thank you!

Lebogang Senne, Director: Technical Excellence

lebogangs@pafa.org.za

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