A4S
ACCOUNTING FOR
SUSTAINABILITY

BUILDING A BETTER FUTURE

Introduction

While the battle against COVID-19 is far from over, with governments, businesses and people around the world continuing to grapple with the human and economic consequences, thoughts are also turning to the future. When we look beyond the crisis response towards recovery and the shape of the economy that might emerge, a key question is: how do we rebuild for greater resilience?

Before the pandemic struck, the climate crisis was front of mind for many. There was increasing recognition that climate change presents an existential threat to humanity unless urgent action is taken. That threat has not disappeared.

The International Energy Agency estimates that CO_2 emissions may fall by 8% in 2020, driven by the shutdown of much of the global economy in the first half of the year. Such a reduction would be in line with what the United Nations Environment Programme estimates is required every year over the next decade to keep average global temperature increases to less than 1.5°C. This fact underlines that we need a complete rewiring of the economy to address the climate crisis.

We are also seeing a growing biodiversity crisis. The WWF Living Planet Report 2020 showed a sharp decline in wildlife populations, with population sizes dropping by an average of 68% between 1970 and 2016. Many people have sought solace in nature during COVID-19, but protecting nature and its biodiversity is vital for the economy, too: all businesses depend on natural resources to support their commercial activities.

The pandemic itself is leaving a social crisis in its wake, exacerbating underlying inequalities, and accumulating significant debt which will make tackling social, environmental and economic issues and achieving the UN Sustainable Development Goals (SDGs) significantly more difficult.

Visit our website to see our Accounting Bodies supplement to this report

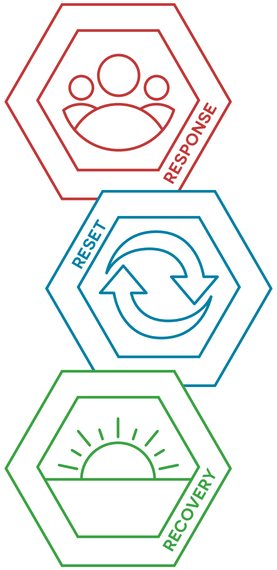
Introduction continued

There is, however, reason to be hopeful.

In responding to, and finding ways to recover from, the pandemic, we have the opportunity – and need – to address the broad set of issues encapsulated by the SDGs.

A4S has been working with the finance and accounting community around the world to identify lessons from the crisis, and the practical actions that can be taken to build resilience, address environmental and social risks and, ultimately, achieve the SDGs.

From our conversations with Chief Financial Officers (CFOs), pension fund chairs, asset managers, accounting bodies, thought leaders and other members of the finance and accounting community across all sectors of the economy, a number of common themes have emerged. These themes provide insight into the principles that will help us to rebuild for resilience. This report summarizes the themes across three stages:



1. Response: what lessons can we learn from the initial response to the pandemic?
   Page 4
2. Reset: what actions do we need to take to redirect the economy onto a sustainable trajectory?
   Page 14
3. Recovery: what might a resilient, sustainable recovery look like?
   Page 22

The A4S Summit

Throughout this report we have embedded links to extra resources, including videos from our Annual Summit held in 2020.

The Summit, held virtually for the first time, attracted over 2,000 finance leaders from around the world, participating in over 45 events including plenary sessions, partner events, interactive workshops and roundtables.

BUILDING A BETTER FUTURE RESPONSE

Key takeaways

- Values-based, purpose-driven approaches have enriched decision making and laid the basis for resilience.
- There is increasing appreciation that a multistakeholder, multicapital approach offers a holistic view and a strong framework for better business performance.
- Organizations that make meaningful contributions to their communities now are building trust and a positive reputation.
- Capital markets are focusing more heavily on sustainable businesses, which are benefiting from more access to capital.
- Insight into the vulnerabilities that have been exposed in global supply chains is showing organizations how to create more sustainable structures for the future.

The importance of a purposeful approach

Well before the pandemic, the corporate world had recognized the commercial value of a purpose-driven approach that took into account a range of stakeholders. An open letter to CEOs from BlackRock stressed that purpose is essential for generating long-term profits. Other business leaders acknowledged this too, with 79% seeing purpose as a driver of commercial success.[1] In August 2019, the Business Roundtable's statement on the purpose of a corporation underlined the trend towards a stakeholder view of the world. Over 200 organizations have signed the statement, committing to deliver value to all of their stakeholders.

The COVID-19 pandemic has put these kinds of commitments to the test, revealing those organizations which are operating as purpose-driven, sustainable businesses – and those which are not. Our research suggests that companies with strong environmental and social credentials have performed better during the pandemic. Purpose-led organizations have shown that they have competitive advantages and less exposure to risks, making them better prepared to weather the pandemic and its aftermath.

Corporate purpose is an invisible guide that drives organizations' behaviour

Corporate purpose, including a focus on multiple stakeholders, has been essential during the pandemic as an 'invisible guide' driving organizations' behaviour. Strong organizations acted immediately and thought carefully about how their decisions would impact employees, customers, suppliers and society as a whole. We have seen inspiring examples of such behaviour across our CFO Leadership Network, with companies supporting people within their organizations, along their supply chains and in their communities. A stakeholder mindset has been central to all of these examples, something that the crisis has reinforced.

Organizations have an opportunity to redefine how they will operate and what they are known for. As well as being the right thing to do, a purpose-driven, stakeholder-centric approach is likely to build up social and human capital, which will pay dividends in the future.

> Developing and implementing an authentic purpose is the most valuable tool businesses have to look holistically at strategic issues including climate change, to help tackle them and in doing so, build resilience, legitimacy and trust.
>
> **Kate Bowyer**
> CFO • The Crown Estate

[1] PwC, "Putting Purpose to Work: A study of purpose in the workplace", 2016. Available here.

Values drive value

Investors are interested in organizations that have strong values and are committed to operating sustainably. According to HSBC's "Sustainable financing and investing survey 2020", nearly half of investors believe that they can improve returns or reduce risk by investing in sustainable businesses.

Sustainable businesses are those that deliver financial returns in the short and long term in a way that generates positive value for society and operates within environmental constraints. Although it is too early to say with certainty, evidence indicates that such organizations have fared better than their peers during the COVID-19 crisis.

Nearly 30% of investors in HSBC's survey reported that they were more committed than before to considering environmental, social and governance (ESG) factors in their portfolios. Data on investment flows supports this finding. Despite overall global fund outflows of US$384.7 billion in the first quarter of 2020, there were US$45.6 billion in global inflows to ESG funds for the same period.[2] The graphs below and on the following page show low ESG-risk funds performing significantly better than high ESG-risk funds during the early months of the pandemic.

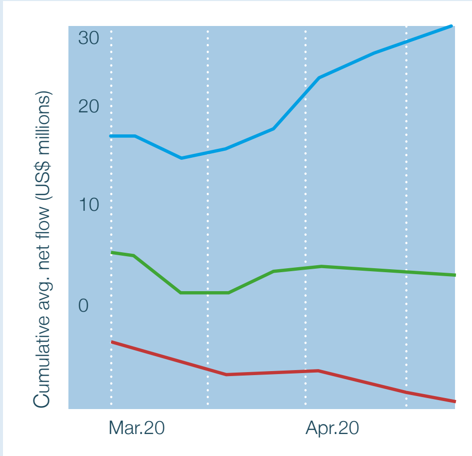
A report by Fidelity International suggests that the reason for these findings is that businesses that are more resilient in an economic crisis will also be better positioned to capture opportunities when economic activity resumes. Given how strongly the economy, the environment and society are interconnected, it is clear why a sustainable strategy and business model can strengthen economic resilience.

A4S Summit video
Inspiring Action - building a resilient recovery from the COVID-19 crisis

A discussion with Mark Hawkins, Chief Financial Officer, Salesforce and Paul Polman, Co-Founder, IMAGINE, exploring how businesses have responded to the pandemic and the actions that we need to take to build a resilient, sustainable recovery.

Watch now

ESG inflows and outflows



Low ESG risk | High ESG risk | All funds

Stark differences appear between low ESG-risk funds (blue line), which experienced positive inflows even during the market collapse phase, and high ESG-risk funds (red line) that suffered continued outflows since then.

Ferriani, F. and Natoli, F. 2020. ESG risks in times of Covid-19. Applied Economics Letters, pp.1-5.

Attention to ESG earns rewards

FIL ESG ratings and stock performance

Stock return (%)

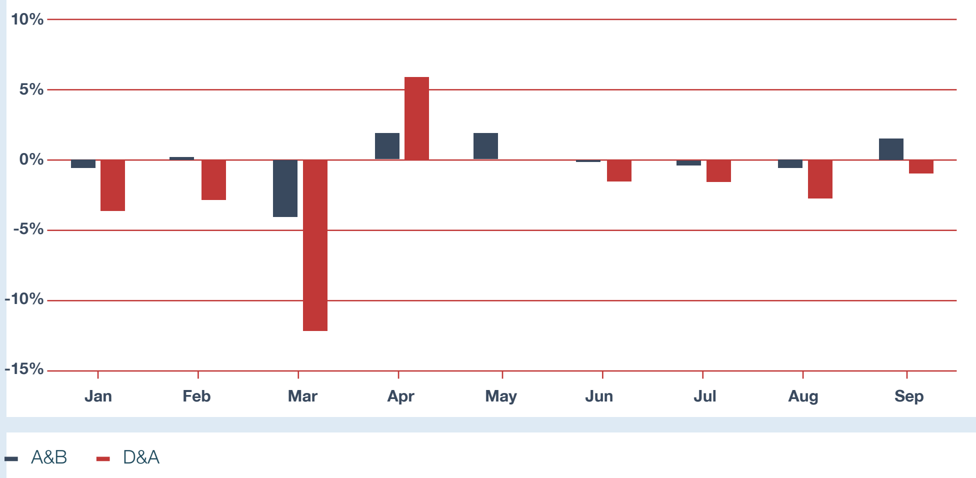
The securities of companies more highly rated from a sustainability perspective have outperformed those with poorer ratings so far this year. The companies at the top of our ESG rating scale (A and B) outperformed those with weaker ratings (D and E) in every month from January to September, apart from April.

Source: Fidelity 'Putting Sustainability to the test', 9th November 2020. Available here.

[2] Finerva, "How ESG Leaders Outperformed The Markets During COVID-19", June 2020. Available here.

A strong balance sheet has been essential to near-term survival

Stocks with higher ESG ratings had better returns in almost every month
FIL ESG ratings and stock performance



Source: Fidelity 'Putting Sustainability to the test', 9th November 2020. Available here.

In a volatile climate, having a robust balance sheet and access to working capital is vital, strengthening an organization's ability to endure an economic downturn. Accountants have played a crucial role in helping businesses, especially SMEs, to shore up finances, access government support schemes and put in place the financing needed to survive COVID-19 in the short term.

A robust balance sheet strengthens an organization's ability to endure an economic downturn

There has been continued interest in the sustainable, green and social bond market as a way to access debt, with this market holding up well. Moody's expects that the COVID-19 pandemic will accelerate and reshape credit trends as the relationship between ESG and investment exponentially strengthens.[3] This reinforces the finding above, that capital markets have maintained a strong interest in ESG and that companies able to demonstrate credentials in this area have continued to benefit.

Poor ESG performance, though, may harm companies and limit their access to credit.[4] The pandemic has prompted debt investors to pay greater attention to ESG risks, and they show a greater awareness of how ESG, reputational and credit risks are intertwined.

3 Moody's, "ESG Focus Coronavirus Effects Q2", 2020.
4 Moody's, "Covid-19: Credit and Sustainability Analysis", October 2020.

Social and human capital have been prioritized

While working to ensure that financial capital remains strong, organizations have also focused on how they can support social and human capital. Companies have recognized that the pandemic is taking a severe toll on people's physical and mental wellbeing. In response, they have leveraged or put in place programmes to provide support for their employees, customers and communities.

Human capital is a central concern for purpose-driven organizations. Investing in human capital pays off, as a workforce that is valued returns value to the organization. Similarly, organizations which had invested in their social capital before the pandemic – building strong relationships among employees, and with customers, suppliers and communities – have been better equipped to respond to remote working and a digital environment. Further, thinking about the impact that actions taken during the pandemic have on the creation and maintenance of social capital has a strong link to reputation now and into the future. 84% of consumers say that they will judge companies by how they respond to the pandemic.[5] Embedding strong values in the workplace is key to building both a resilient workforce and an enhanced reputation.

84%

of consumers will judge companies by how they respond to the pandemic

WPP 2020 First Quarter Results
April 2020

A4S Summit video

People and Place

In this session we talk with Mellody Hobson, Co-CEO and President, Ariel Investments, to explore the impact that the pandemic has had on people and place, and what this might mean for the future.

Watch

Financing Our Future Podcast Series

Valuing mental health during COVID-19

In this episode we talk to Karen Higgins, CFO at the Co-operators, about how she and her finance team have helped to put in place mental health programmes, sustaining the focus during these challenging times.

Listen

5 WPP 2020 First Quarter Results, April 2020. Available here.

BURBERRY
LONDON ENGLAND

> **The most significant enabler to our rapid pandemic responses was robust scenario planning, informed by external economic, epidemiological and scientific data and strong teamwork across Burberry. Scenarios were developed, reflecting the scientific and economic consequences of COVID, and actions developed to manage the business.**
>
> **Julie Brown**
> Chief Operating Officer and CFO • Burberry

Case Study

As the COVID-19 crisis unfolded in the UK, it was clear that mutual support and innovative thinking would be the cornerstones of Burberry's response, both as a business and a member of the broader global community. Our founder, Thomas Burberry, collaborated with the communities around him to support progress, empower others and give back to those in need. Burberry has always been fuelled by the power of creativity and operated in ways that support our communities. When it came to understanding how we could best assist relief efforts, our priorities were to support medical and care workers, help communities struggling to access basic food supplies and participate in funding scientific research into finding a long-term solution.

As one example, we retooled our trench coat factory in Castleford to manufacture non-surgical gowns for medical and care workers and sourced surgical masks through our global supply chain. By the end of May, we had donated more than 150,000 pieces of personal protective equipment to the UK's National Health Service and healthcare charities.

Burberry engaged with industry and governmental organizations on coordinated responses to the pandemic. In support of the UK Government, we also produced a document, which provided information on adapting operations to procure and/or manufacture PPE. This document was designed to be shared with companies across sectors looking to respond to the COVID-19 pandemic.

Collaboration, innovation and trust

Collaborative thinking and partnerships have driven a great deal of innovation in recent months. We have seen many past examples of this happening in our A4S Essential Guide series, but the crisis response has made the need to collaborate and innovate even more striking. The ability of global organizations, with hundreds of employees, to adopt new approaches almost overnight has reinforced a sense of the possible. New ways of working that organizations have developed, enabled by technology, are likely to stick. To tackle the climate crisis and build a sustainable recovery, we need a similar kind of accelerated innovation and rapid adoption of new approaches.

During the pandemic, many organizations focused on how they could help respond to the crisis and committed organizational resources to this purpose. This included donating vacant office space, supporting volunteer efforts and repurposing factories to produce personal protective equipment and sanitizer.

Collaboration – now and in the future – depends on trust. Despite many examples of companies acting with integrity and purpose during the COVID-19 crisis, public confidence in how businesses are protecting employees and the local community is low. The May 2020 update of the Edelman Trust Barometer shows that less than 40% of people believe that business is doing well or very well at either putting people before profits or protecting the financial wellbeing of their employees.

Collaboration – now and in the future – depends on trust

The Edelman report identifies a growing sense of unfairness in the system, with the pandemic highlighting existing societal inequalities and having a disproportionate impact on those with the least. This provides a strong parallel with the climate crisis and the rapid loss of biodiversity, which also have the greatest human impact on the less well off.

Companies must make sure that their pandemic response supports their staff, business partners and wider communities – especially the most vulnerable – and work to rebuild trust.

Reconnecting with nature

The pandemic has had a profound impact on how we relate to the world around us. People are rediscovering the value of the natural world as they navigate lockdowns and social distancing. Many of the finance and business leaders we spoke to said they have felt a profound deepening of their connection to nature during the crisis.

As COVID-19 has attacked our lungs, we have also become more conscious of the quality of the air we breathe. Early in the pandemic, citizens in many cities around the world were able to experience clean air and a rapid decrease in levels of pollution.

What before was part of an 'ESG' box has become a real-world experience. This pervading sense of interconnectedness and a richer appreciation for nature has the power to change the behaviours of organizations and consumers alike, inspiring the actions and investment needed to preserve biodiversity and the natural world.

Financing Our Future Podcast Series

Money doesn't grow on trees, or does it? How biodiversity impacts finance

with Rishi Kalra, Managing Director and Group CFO, Olam Food Ingredients and Mark Gough, Chief Executive Officer, Capitals Coalition

Listen

Supply chains show the interconnectedness of our global economy

The interconnectedness of the global economy across social, economic and environmental dimensions has become ever more apparent during the pandemic. It has highlighted the vulnerability of global supply chains, with many organizations realizing that they don't know who their ultimate suppliers are and where they are based. This is driving organizations to question whether they need to simplify and shorten these supply chains in the future, even if it comes at a short term cost.

Organizations today have complex supply chains with multiple layers

To address this, many organizations we work with have been mapping their global value chains. This is enabling them to identify social and environmental risks and to value their natural, social and human capital impacts and dependencies. We have seen that, with these insights, organizations can enhance their resilience in the face of natural, human and economic disasters.

These organizations are not alone: a McKinsey survey in May 2020 reported that 93% of global supply chain leaders plan to increase their resilience.[6] A total of 44% of business executives were willing to do this even at the expense of short-term savings.

In addressing these issues, organizations can build resilience that goes beyond a response to the pandemic. There is an opportunity to embed greater environmental resilience into value chains and maximize positive social and human impacts.

93%

of global supply chain leaders plan to increase their resilience

McKinsey

6 McKinsey, "Risk, resilience, and rebalancing in global value chains", August 2020.

Sainsbury's

Case Study

Sainsbury's use of data, in the face of disruption caused by the pandemic, allowed rapid responses and reallocation of resources to strengthen the supply chain and significantly increase our capacity in order to meet the needs of our customers.

Prior to the COVID-19 crisis, we used our data and insight capabilities to improve the transparency of our supply chain and provide greater visibility of potential vulnerabilities and risks, for example, in relation to illegal fishing, flooding, deforestation or modern slavery violations. We have created a geospatial mapping team who can analyse the impacts of global risks on our supply chain, a capability which became crucial in our response to the crisis. For example, our geospatial team took the materiality maps that we had created to monitor environmental and social risks in the supply chain and overlaid a map of the spread of the coronavirus. This enabled us to see on a daily basis where our supply chains might be impacted. The foresight afforded by this data enabled us to plan ahead and make decisions with suppliers ahead of time, helping to mitigate disruption to the supply chain.

The power of data-led and actionable insights is being able to allocate resources into the areas they will have the greatest impact, whether that is from a social, health or productivity perspective. The ability to collaborate and share data in a way that helps the common purpose is central to the ability to respond effectively and rapidly.

A4S Summit video
Disruptive technology

In this video, Judith Batchelar from Sainsbury's visits the Satellite Applications Catapult in Harwell. She talks to Mark Jarman, Head of Agriculture, ForestMind and Nick Wise, Founder and CEO, OceanMind to discuss how they are using satellites to improve Sainsbury's supply chain.

Watch

> "Sustainability issues in supply chains are business critical issues for organizations with global supply chains. There is a business opportunity in building resilient supply chains. For example, initiatives to improve the sustainability and resilience of supply chains has resulted in innovative decisions leading to increased agility and commercial rewards as businesses emerge stronger."

Harmit Singh
CFO • Levi Strauss & Co

Rapid transformations of business models to provide solutions

Crises lend urgency to actions, galvanizing effort in a way that little else can. We are forced to confront challenges and cut through barriers with a ruthless focus on finding solutions. Risks that we might have taken a long time to analyse and address in normal circumstances pale into insignificance next to the immediate need. We discover that we can find 'good enough' solutions in an incredibly short timeframe.

As one example, during COVID-19 major supermarkets were able to put in place data sharing agreements with the UK Government in little more than a day or two. This enabled them to prioritize deliveries to vulnerable customers during the pandemic. In the past, similar arrangements may have taken months to finalize.

Many members of our CFO Leadership Network have been directly involved in adapting their operations and business models so they can help to tackle the pandemic. For example, Sainsbury's collaboration with the UK Government and other major competitors enabled the retailers to identify about 65-70% of individuals on the NHS shielding list, so they could be prioritized for online shopping. Additionally, Sainsbury's were able to double their online delivery capacity to meet the needs of customers.

The rapid shift to digital working has accelerated the adoption of technology, whether in terms of communications, collaborative virtual working, remote audits or design, testing and development of products. Many of these changes will not be reversed.

> "Business success in the long run is dependent on the sustainability of organizations' supply chains. COVID provides the opportunity to build back stronger in light of increased awareness of environmental limits and vulnerabilities."
>
> **Julie Brown**
> Chief Operating Officer and CFO • Burberry

BUILDING A BETTER FUTURE

RESET

Finance is central to rebuilding for resilience

Key takeaways

- CFOs should use their influence to promote and embed a purpose-driven, multistakeholder strategy and business model.
- Organizations need high quality financial information to improve their risk models, produce transparent reports and set and measure social and environmental targets.
- Collaboration is essential for tackling what lies ahead and will require finance teams to learn new approaches and share best practices.
- Other actors – particularly investors and governments – need to use the tools at their disposal to support a green recovery.

The pandemic has shown that systemic risks from nonfinancial sources can and do arise – with a devastating impact on people and the global economic system. COVID-19 has also exposed weaknesses in the resilience of companies operating in a globally interconnected economy. In resetting the economy for a sustainable future, incorporating lessons from the pandemic can help to ensure that we are better equipped to prevent and respond to future shocks, including those from known risks such as climate change and biodiversity loss.

CFOs and finance teams have an essential role to play in supporting their organizations and the wider economy to transition. They have a number of tools that they can bring to bear which the response to the pandemic has demonstrated as key, including finding ways to:

- Price risks appropriately so that short-term benefits can be properly weighed against future potential costs.
- Establish more robust risk management frameworks and proactively perform scenario analyses that help manage future uncertainty.
- Integrate sustainability processes and controls with operational and financial performance management to provide rigour and deliver long-term goals.

There are five action areas in which CFOs and finance teams must play a role. These areas are central to taking forward the lessons from the pandemic and accelerating the transition towards a sustainable economy.

1. Cementing a purpose-driven mindset
2. Setting ambitious targets
3. Performing proactive scenario analysis
4. Collaborating with others
5. Accelerating the adoption of global standards

Each of these five action areas is explored in more detail in the following pages.

1. Cementing a purpose-driven mindset

CFOs can ensure that resilience and sustainability are built into corporate strategy and business planning, leveraging their influence at the senior executive and board level. They are uniquely positioned to offer a multicapital, multistakeholder perspective and to communicate the trade-offs between short-term and long-term outcomes. In this way, CFOs can help to strengthen a purpose-driven approach in their organizations.

CFOs are in a unique position to direct capital away from unsustainable outcomes and towards the innovative solutions the world needs. A clearly defined purpose and analysis of impacts across different forms of capital – including social, human and natural – can be used to guide decisions.

CFOs are in a unique position to direct capital towards the innovative solutions the world needs

The A4S CFO Leadership Network can help CFOs to bring about this transformation, offering practical guidance and support focused on core topics. To motivate CFOs and show a pathway for creating change, the A4S network will produce examples of best practice. CFOs can also get support for producing the analytics and business cases that can steer their organizations to purposeful decision making and improved capital allocations.

To produce meaningful analysis, it is essential to invest in skills and retraining for finance professionals.

CFOs, accounting firms and accounting bodies should focus this investment on areas where finance can help to drive a sustainable future, including tackling climate change.

Many businesses have identified ways they can contribute to social outcomes during the pandemic, as shown in the previous section. We need to continue to focus on growing social and human capital into the future.

Visit our website to explore the A4S Essential Guide Series

2. Setting ambitious targets

Watch the Summit video on setting ambitious targets

Targets drive action. Publicly committing to ambitious targets provides additional incentives for organizations to deliver. Ambitious targets can also drive innovation. Organizations should consider targets in three areas:

- Net zero GHG emissions – align targets with keeping the global average increase in GHG emissions to below 1.5°C, using recognized methodologies such as science-based targets, where possible.
- Net positive for nature – there is a growing recognition that organizations need to consider their impact on the natural world, including biodiversity and deforestation, and aim to replenish more natural resources than they extract.
- Positive social and human capital impact – targets should be tailored to the organization, but all businesses should set credible targets in areas such as diversity and inclusion.

Setting ambitious targets will help businesses to sustain the positive changes they made to their operating models during the pandemic. COVID-19 saw organizations embrace a sharp reduction in business travel, significant levels of remote working and further digitization of activities. Committing to continuing these approaches can reduce organizations' environmental impacts and contribute to long-term change. The pandemic has shown that this can be achieved while maintaining or even improving productivity.

The accounting community is currently working with governments on how to incentivize organizations to retain these new business models.

A range of environmental and social targets will help to ensure that organizations make well-balanced decisions. For example, organizations can factor emissions reductions, cost savings, the creation of social capital and staff wellbeing into plans for future office and travel arrangements and budgets.

Organizations have a vital opportunity to redefine how they will operate

Finance can play an important role at multiple points in the process: setting long-term targets; translating those targets into nearer-term goals; putting in place the plans, budgets and incentives to achieve the targets; and monitoring performance with good-quality information. Social, human and natural capital accounting approaches that use a range of data sources – such as geodata – can also offer useful analysis. Applying these approaches across the full value chain can help organizations to set strong targets and put in place effective performance frameworks to deliver them.

Organizations have a vital opportunity to redefine how they will operate, how they think about talent and location and how they use physical and digital infrastructure. The work of finance will be essential to setting and monitoring targets that will keep this work on track.

3. Performing proactive scenario analysis

Many organizations had robust risk management frameworks with well-developed scenario analysis approaches designed to help them adjust and respond to the challenges faced over the past year. Few, if any, though, had modelled the full impact of the pandemic. Modelling future climate and nature-related impacts on individual businesses is a challenge, and organizations need to work on developing comprehensive approaches to scenario analysis and managing future uncertainty.

A starting point to implement enhanced scenario analysis and better manage future uncertainty is the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD itself has issued guidance for different sectors to help undertake scenario analysis relating to climate risk, as have a range of other organizations including the Network for Greening the Financial System – a group of central banks and financial regulators from around the world. A4S guidance to help CFOs and finance teams get started can be found in the A4S Essential Guides to Managing Future Uncertainty, and to Strategic Planning, Budgeting and Forecasting.

> "There is limited availability of historical climate data and models, and incomplete insight into how climate risks translate into potential losses for companies and banks. These are significant challenges we need to jointly address."
>
> **Clifford Abrahams**
> Vice-President and CFO • ABN AMRO

> "The COVID-19 pandemic has been called a 'grey rhino'; a highly probable, high impact yet neglected threat."
>
> **Lars Aa. Løddesøl**
> Group CFO • Storeband

4. Collaborating with others

CFOs are key influencers within and beyond their organizations. They can use their influence to achieve change, by encouraging organizations, investors, governments and other companies to act. Applying what they have learned from the pandemic, CFOs can individually and collectively advocate for interim environmental and social goals. Putting in place interim goals – against which their organizations, value chains and service providers can be held to account – can drive progress against collective long-term goals.

To achieve this, CFOs and other finance professionals will need to share insights and work together. Unprecedented challenges lie ahead that affect our world and demand collective action. By coordinating with other organizations to amplify messages, we can help to rebuild from COVID-19 in a sustainable way.

Unprecedented challenges lie ahead that affect our world and demand collective action

The world's overnight shift to remote working offers a new opportunity to connect on a global basis in a way that was much harder to achieve in the past.

To make the most of this, A4S will expand the **A4S Academy**. Through interactive online sessions centred on practical tools and examples of best practice, academy participants learn how to address pressing environmental social risks and opportunities.

Learning from others and sharing their experiences can help CFOs to reimagine and strengthen their operations.

5. Accelerating the adoption of global standards

To support the green recovery, governments, investors and companies must work together to improve existing data and modelling tools so they can better respond to climate change and other risks.

Many of the recommendations above require access to reliable, high quality information on environmental and social performance. In 2020, considerable progress was made towards converging standards for reporting on sustainability. The finance and accounting community now needs to support common international standards for sustainability reporting and adopt the natural, social and human capital accounting processes that should underpin such reports.

The finance and accounting community needs to support common international standards for sustainability reporting

It is essential that companies report transparently both their impact on the world and how social and environmental trends affect the organization. This has been described as the '**double' materiality concept**. Finance team's expertise in processes and controls will be critical for developing the robust data collection and reporting that will enable organizations to make their reporting clear and credible.

A4S Summit video Reporting

In this session representatives from key framework providers, regulators, companies and investors explore the latest developments in reporting and the potential for global standards to be created and adopted.

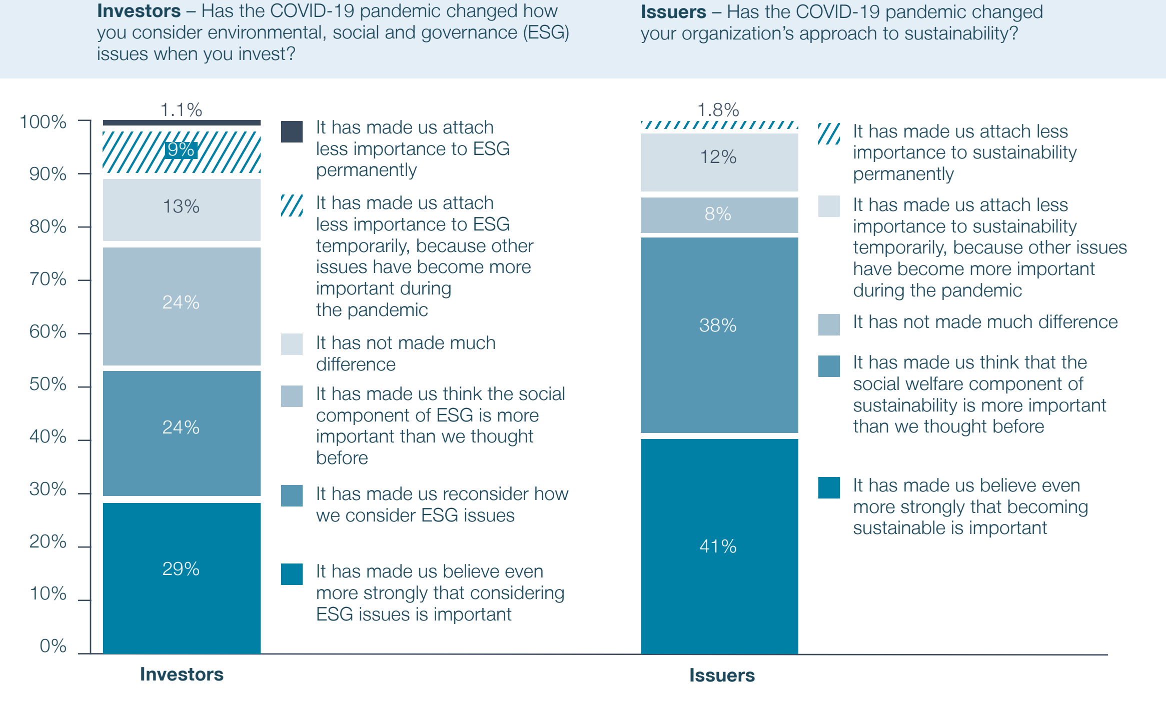
Watch

Other actors

The role of investors
Investors can play an influential role in promoting a sustainable post-pandemic economy. Long-term investors have a particularly strong influence. In building their portfolios, investors can favour companies that engage with environmental and social issues. By using their voting rights and relationships with companies, they can influence companies to adopt sustainable approaches and reduce their emissions. The market power of investors' portfolios can be directed at achieving the UN Sustainable Development Goals.

HSBC's "Sustainable financing and investing survey 2020" asked investors about their ESG disclosures. The report found that the proportion of investors disclosing the ESG characteristics of their whole portfolios increased from 24% in 2019 to 35% in 2020. With a growing number of asset owners setting net zero strategies and strengthening ESG criteria, combined with action from regulators, this percentage is set to increase.

Pandemic brings profound change to thinking on sustainability



Source: HSBC, "Sustainable financing and investing survey 2020". Available here.

A4S Summit video
Delivering a net zero investment strategy with Helen Dean

In this session, we talk to Nest's CEO, Helen Dean, to discuss how the pension scheme developed a business case for net zero, how they set the strategy and the actions they are taking to implement.

Watch

The ESG Toolkit for Pension Chairs and Trustees

Launched by A4S at the Summit, this toolkit supports chairs and trustees of pension schemes take practical steps to embed ESG considerations.

Explore

The role of governments

Governments across the world have started to demand a tangible social and sustainable return on investment in exchange for the financial support they have provided during the pandemic. This approach could incentivize companies to take steps to improve their societal and environmental impact, such as increasing minority representation and gender diversity, investing in green jobs, and halting biodiversity loss and deforestation.

A few governments are adopting such measures. **Canada** now requires companies taking government loans to report using the **Task Force on Climate-related Financial Disclosures framework** and disclose how they will support Canada's climate change goals. Likewise, the **UK's Sustainable Innovation Fund** aims to support businesses that come up with innovative, sustainable solutions to the challenges posed by the COVID-19 disruption.

As more governments add 'green strings' in exchange for financial support, the importance of ESG in recovery – and business performance – will become more evident.

35%

the proportion of investors disclosing the ESG characteristics of their whole portfolios increased from 24% in 2019 to 35% in 2020

WPP 2020 First Quarter Results
April 2020

TCFD guidance

For extra information on implementing the TCFD recommendations, visit the A4S website for case studies, top tips and guidance.

Explore

BUILDING A BETTER FUTURE

RECOVERY

> Achieving a sustainable future is the growth story of our time and can fuel our post-pandemic recovery in a way that pays dividends for decades to come. But we will only realize these dividends if we act now. This is why, after all, I established A4S.

HRH The Prince of Wales
A4S Summit 2020

The COVID-19 pandemic has presented challenges and disruption on a global scale. In finding ways to recover, there is a window of opportunity to reset and rebuild a more sustainable and resilient economy.

The pandemic has reinforced and highlighted the interconnectedness of the many social and environmental challenges we face. The response that has been galvanized does, however, provide a source of hope and optimism for the future – that we can overcome these challenges and create a sustainable future for all.

At the end of 2020 we hosted our annual Summit. Over two weeks, we discussed the themes explored in this report with over 85 speakers and 2,000 finance leaders from around the world.

A shared vision for a sustainable recovery emerged based upon three common themes:

- **Commitment through ambitious targets**
- **Accountability through reporting**
- **Tackling our collective challenges through collaboration**

We leave you with a few words of inspiration from the Summit to bring this vision for a resilient, sustainable recovery to life.

"Now is our opportunity to make change happen, and by design. It is clear we need to build back a better and greener economic model, one that values planetary health over economic wealth, one that measures progress by human wellbeing, not just by GDP growth. We need an economy that can take advantage of technology, innovation and disruption, but also deliver for people and the planet."

Ban Ki-moon
Former United Nations Secretary-General, Deputy Chair • The Elders

"Resilient recovery entails building a greener, more sustainable and inclusive future in a world transformed by the pandemic."

Anshula Kant
Managing Director and Chief Financial Officer • World Bank

"For the most part, the story of the world is one of progress and innovation. I am hopeful that we can use this time to have a breakthrough."

Mellody Hobson
Co-CEO and President • Ariel Investments

"We know one thing from how we've all dealt and worked collaboratively together in the global pandemic, that we can drive big change fast… We need a coalition of the ambitious because we need to move at pace."

Judith Batchelar
Director of Sainsbury's Brand • Sainsbury's

"Companies need to demonstrate they're making progress and there's a commitment to allocating capital and resources towards making an impact."

Ray Young
Chief Financial Officer • ADM

"We can hide away from the risks associated with deteriorating ecosystems, continue down the path where our demands on nature far exceed its capacity to supply, or we can take a different path where humanity's engagements with nature are not only sustainable, but also enhance our collective wealth and wellbeing."

Professor Sir Partha Dasgupta
Frank Ramsey Professor Emeritus of Economics • University of Cambridge

“COVID has shown us that we cannot have healthy people on an unhealthy planet. More people are aware of the relationships between biodiversity, climate, social equality and the economy. However, awareness alone is not enough. If we don’t set targets that make us feel uncomfortable, they’re probably not aggressive enough.”

Paul Polman
Co-Founder • IMAGINE
Former CEO • Unilever

“The recovery from the impact that the pandemic has had – and is having – on lives and livelihoods, has to be structured in a way that rapidly builds a genuinely resilient, sustainable and decarbonized future. The actions we take – or fail to take – now will most certainly define our future, and that of generations to come.”

HRH The Prince of Wales
A4S Summit 2020

“Together we can achieve the Sustainable Development Goals. Together we can build a better future for all.”

Ban Ki-moon
Former Secretary-General • United Nations
Deputy Chair • The Elders

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About our research

We conducted our research for this report between July and November 2020, using a combination of desk research, questionnaires, interviews and requests for insights.

For our desk research, we examined research and publications from organizations in the finance, investing and banking sectors, including BlackRock, HSBC and Moody's. We also reviewed existing A4S resources that we had developed on topics such as workforce and supply chain resilience.

In July 2020, we sent a questionnaire to our Accounting Bodies Network (ABN) and to our CFO Leadership Network chapters in Canada, Europe and the US. Through structured questions, we asked member organizations about their response to the pandemic and what kind of response they thought would accelerate progress towards a sustainable, resilient economy. We analysed the responses to identify common themes.

Following the questionnaire, we hosted a roundtable discussion with the CFO Leadership Network and HRH The Prince of Wales to discuss the responses further. We also held a roundtable discussion with members of our Asset Owners Network.

We hosted another roundtable discussion with the ABN. At this roundtable, accounting bodies talked about their immediate response to COVID-19 and how they had acted to support their members, particularly SMEs. We also explored how the pandemic has affected the sustainability agenda and asked for examples of collaboration.

In the first two weeks of November 2020, we conducted individual interviews with the accounting bodies in the ABN. We sent structured questions ahead of the interviews so they could prepare. The interviews focused on the response and recovery to COVID-19 and how to rebuild.

In November we also requested insights from specific people, selected based on their role and the sector they work in. We wanted to represent the perspectives of different elements of our network, including CFOs, accountancy professionals and academics. Insight interviews used open-ended questions and were less structured. Finally, we explored the findings during the two weeks of the A4S Summit.