



Federation of European Accountants
Fédération des Experts comptables Européens

Venice 16 April 2010

HOW TO HELP CLIENTS BECOME MORE SUSTAINABLE

Professor Chiara Mio
University Ca'Foscari of Venice

Standing for trust and integrity



It's a long story:

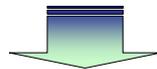
In 1987 the Brundtland Report (also known as *Our Common Future*), alerted the world to the urgency of making progress toward economic development that could be sustained without depleting natural resources or harming the environment.

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”

- Sustainable development focuses on **improving the quality of life** for all of the Earth's citizens **without increasing the use of natural resources** beyond the capacity of the environment to supply them indefinitely.
- It requires an understanding that **inaction has consequences** and that we must find **innovative ways to change** institutional structures and influence individual behaviour.
- It is about **taking action, changing policy and practice at all levels**, from the individual to the international.

CORPORATE SOCIAL RESPONSIBILITY

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. ” *



Being socially responsible means **not only fulfilling legal expectations**, but also **going beyond compliance** and **investing “more” into human capital**, the **environment** and the **relations with stakeholders**. *

* = GREEN PAPER *Promoting a European framework for Corporate Social Responsibility* - COMMISSION OF THE EUROPEAN COMMUNITIES (2001)

- Sustainability is relevant in **all types of companies** and in **all sectors of activity**, from SMEs to multinational enterprises (MNEs).
- The experience suggests that going beyond legal compliance can contribute to a **company's competitiveness**.
- A number of companies with good social and environmental records indicate that these activities can result in **better performance** and can generate more **profits and growth**.

Preliminary Questions

- Sustainability: fashion or opportunity?
Only “green washing” or a real change?
- Sustainability: what is its span of impact? Production, plants, product, strategy, organisation, management systems, accounting, finance, ...
- Sustainability after (during) this crisis

Presentation of Participants:

- Nancy Kamp-Roelands
- Mats Olsson
- Davide Dal Maso
- Moderator: Chiara Mio

Structure

- ↪ **Two rounds**
- ↪ **Questions (feedback)
from the public in between**

To Nancy

- 1. The context of sustainability**
- 2. The perspective of the accountancy profession**

(focusing on SME)

To Mats

- 1. Sustainability: more costs? Or also some opportunities?**
- 2. Are there some tools available?**

(focusing on SME)

To Davide

1. Investor's Perspective

2. What's going on in the market

(focusing on SME)

Other issues:

- ↪ Communicating on sustainability: mandatory or on voluntary basis
- ↪ How financial institutions can give a push towards sustainability to SMEs?
- ↪ Is size relevant for better sustainability performance?
- ↪ What about EU role and policy?
- ↪ Some important national experience on sustainability (benchmark)?



How to help clients become more sustainable?

Dr. Nancy Kamp-Roelands RA

ERNST & YOUNG
Quality in Everything We Do

Presentation

- ▶ FEE Policy Statement Sustainability and SME

- ▶ Reporting by SMEs, including best practices
 - ▶ GRI for SMEs
 - ▶ A4S

- ▶ Credibility
 - ▶ Assurance engagements



- FEE believes that accountants have a role and a responsibility in helping small enterprises achieve long-term prosperity.
- FEE believes that accountants must encourage small enterprises to embed sustainable business practices. This will also facilitate the ability of small enterprises to seize the business opportunities associated with a green economy.

20-4-2010

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What is sustainability?

- ▶ Value creation
- ▶ Stakeholders
- ▶ Long term Ecological, Social and Economic impact



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Pagina 4

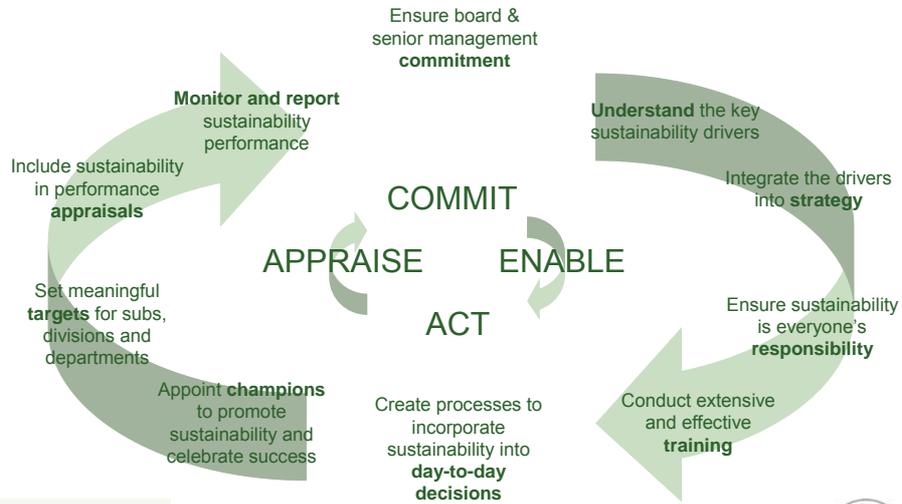
What is an SME?

Enterprise category	Headcount	Turnover	or	Balance sheet total
medium-sized	< 250	≤ € 50 million		≤ € 43 million
small	< 50	≤ € 10 million		≤ € 10 million
micro	< 10	≤ € 2 million		≤ € 2 million

Key challenges SMEs

- ▶ Sustainable procurement governments
- ▶ Supply chain pressure
 - ▶ Example food supply chain
 - ▶ Example clothing and footwear
- ▶ Critical consumers
- ▶ Lack of natural resources, waste
 - ▶ Energy
 - ▶ Water
- ▶ Employee retention
- ▶ Innovation and product design
- ▶ CSR and administrative burden

10 main elements to embed sustainability successfully based on case study organisations



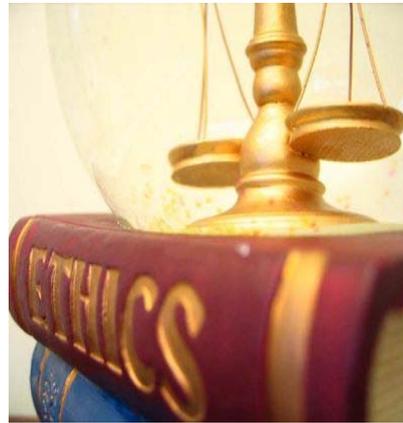
The Connected Reporting Framework

A model to assist organisations to report performance in a connected way, reflecting the organisation's strategy and the way it is managed.



1. The sustainability report

- Why?
 - Business driver
 - Transparency in the supply chain
 - Compliance with industry of regulatory requirements
- How?
 - Website
 - In annual report
 - In separate sustainability report



2. For whom?

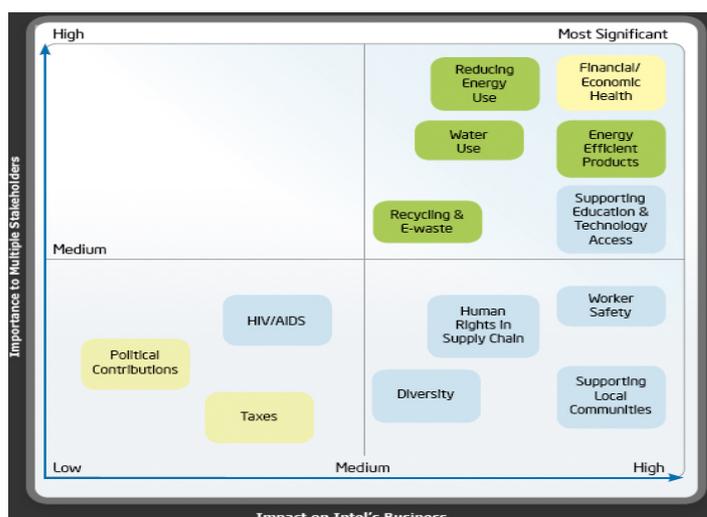
- Investors
- Customers
- Suppliers
- Banks
- Suppliers
- Governements
- Etc...



3. How to identify key issues?

- What has an important financial impact?
- What has a big risk for our business operations?
- What offers business opportunities?
- Where can we make the biggest difference?
- On what issues do my competitors report in the industry?
- What concerns stakeholders and what do they expect from my organisation?
- What fits within my business principles?
- What is my ambition?

Materiality matrix Intel



Materiality matrix Sulzer

	Stakeholders	Values	Importance of Values		
			Neutral	Medium	High
Economic Sustainability	Investors	Value creation			*
		Corporate governance			*
		Transparency			*
		Risk management		*	
	Customers	Price			*
		Solutions, services			*
		Product life cycle cost/product durability			*
		Reliability			*
		Product innovation		*	
	Suppliers	Value of brand		*	
		Partnership			*
		Reliability		*	
Social Sustainability	Neighborhood and Society	High quality standards		*	
		Fair treatment			*
		Safe workplace conditions			*
		Maintain employability		*	
	Employees and Social Partners	Development opportunities		*	
Compensations			*		
Environmental Sustainability	Environment	Workplaces			*
		Good citizen		*	
		Taxes		*	
		Community involvement	*		
		Continuous reduction of pollution			*
Continuous reduction of resource consumption		*			
Product resource consumption		*			
Livelihood	*				

Structure of a sustainability report



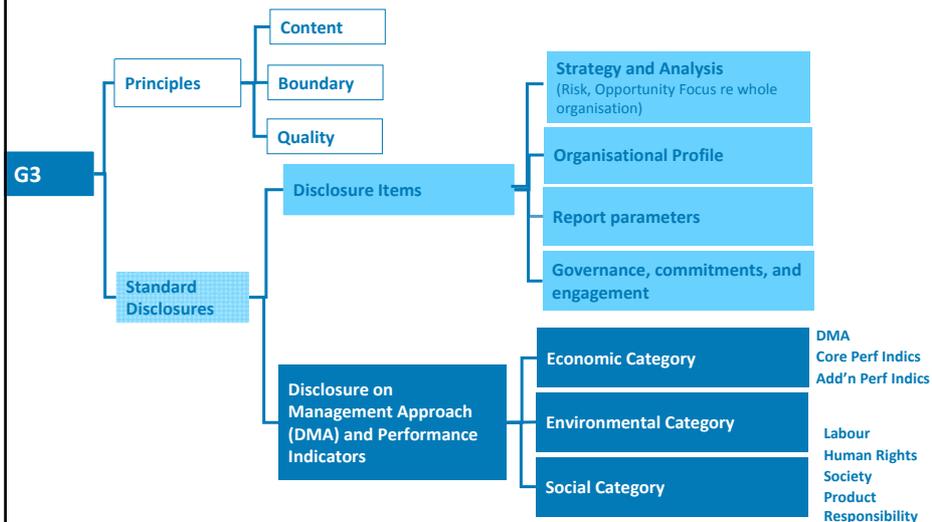
Key performance indicators examples

- ▶ Health and Safety:
 - ▶ Lost time injuries

- ▶ Emissions:
 - ▶ CO2 and other climate related substances
 - ▶ Water discharges

- ▶ Employees:
 - ▶ Diversity
 - ▶ Training hours

G3 Map



Assurance

- Assurance on sustainability reports
 - Full report
 - Selected KPIs
- Level of Assurance:
 - Reasonable
 - Limited
 - Combination
- Criteria
 - GRI G3
 - National laws and regulations

Building Credibility



Useful websites

- www.csr-for-smes.eu
- www.accountingforsustainability.org
- www.globalreportinginitiative.org
- www.iso.org



Dr. Nancy Kamp-Roelands
RA MA

Ernst & Young
CSR Knowledge Center



Federation of European Accountants
Fédération des Experts comptables Européens

Venice 16 april 2010

Highlights from MER

Mats Olsson
Adrian & Partners AB, Sweden
FEE SME/SMP Working Party

Standing for trust and integrity



➤ The structure of MER TRANSPORT

- BASIC INFORMATION
- DIRECTS COSTS
- PROFITABILITY ASSESSMENT
- INDIRECT TRANSPORT COSTS
- ENVIRONMENTAL ASPECTS
- LOAD RATIO
- DISCUSSION QUESTIONS
- INVENTORY AND CAPITAL TIE-UP
- IMPROVEMENT WORK
- ACTION PLAN
- GOOD EXAMPLES
- CHART OF ACCOUNT
- NOTES



IMPROVEMENT QUESTIONS, TRANSPORT

Comments

PLANNING AND TIME MANAGEMENT

Is it possible to increase load ratio in the vehicles by co-operation (geographically or sectorally)? Are there other companies that transport goods in the same direction/from the same terminal/to the same destination? Are nearby companies open to co-operation? Is co-operation financially beneficial?

Yes
 No

Have you during the last year examined how your internal routines affect the frequency of transportation?

Yes
 No

There is a potential for saving money if you overhaul your transportation regularly.

Have you examined how much of the company's transportation is unplanned, e.g. emergency orders?

Yes
 No

What is the cost? Is the trend increasing or decreasing? What are the reasons for the emergency orders?



MER TRANSPORT – IMPROVEMENT QUESTIONS.

COMPANIES WITH THEIR OWN VEHICLE FLEET

Have you examined how your company and your customers are going to be affected if the transportation is outsourced?

A fleet is often more expensive than you expect since it is easy to overlook costs such as maintenance, repairs, stationary vehicles, administration, depreciation, etc.

Are your drivers trained in environmental driving?

It is estimated that companies can save, on average, 13% by driving economically. Read more at www.ecodriving.se

Have you examined how the load ratio in your vehicles affects the company's finances?

Load ratio is a good measurement of how well optimised the transportation is (i.e. how efficiently it is used).

MER BUSINESS TRAVEL - improvement questions

Strategy for travel and meetings

- 1► Do you have guidelines for meetings and travel?
- YES
- NO
- There are many benefits (climate, cost, health, etc.) from implementing guidelines. Experiences of other companies, *read more*. Are you interested in a general guideline? *Download a Swedish version*.
- Do you evaluate your guidelines for meetings and travel regularly?
- YES
- NO
- The value of a strategy will increase if you implement routines for follow-up.
- Do you have routines that guarantee that you always know where in the world your employees are?
- YES
- NO
- This is a question of security. In Sweden, the law regulates this.

More improvement questions Business Travel

Attitude

- 13► Are the business trips felt to be efficient and essential, or does travelling cause irritation and difficulties for the employees who travel/who do not travel?
- GOOD
- BAD
- Trips are often important for the company's growth and profitability, and therefore should be done in an efficient and quality-conscious way. Too many trips and much absence from the workplace can be seen by some employees as burdensome. It is important that everybody has a "tolerable workday".
- Would your customers/clients appreciate it if you travelled less often to meetings and used other technical solutions instead?
- YES
- Would your customers/clients appreciate a new approach and a more climate smart conduct?
- We recommend that you contact some of your most environmentally engaged customers/clients and discuss how you can convert to more environmentally sustainable business travelling!

Hidden profits and costs

Indirect costs	Before	During	After
Work time	Inquiry, booking, authorisation	Extent, correct form of traffic, times and geography	Invoicing, accounting, control, authorisation and evaluation
Inefficiency	Book trip instead of working, level of utilisation of car	Cannot combine work and travel, poor route planning	
Absence		Employee that cannot work efficiently, e.g. waiting for decisions	
Health/quality of life	Preparation outside of working hours	Losing feeling of belonging. Lack of routines.	Tiredness

Make good for the environment and for both your client's and your own profit. Make MORE/MER!



Mats Olsson
Adrian & Partners AB



FEE-CNCDEC Congress

Session 2 - how can we help companies to become more sustainable?

*Davide Dal Maso, director, Eurosif
April 16, 2010*



Summary

0. Eurosif

1. Sustainable and responsible investment in Europe, today

2. The challenge: SRI and SMEs

**Eurosif - the European Sustainable and Responsible
Investment Forum**



Eurosif Key Facts

Governance

- Governed by 7 National SIFs from European countries
- Existing European Sifs include: **UK, FR, DE, NL, IT, BE, ES, SW, DK**
- Regional Sifs: RIAA, ASRIA, SIO, US SIF

Funding Sources

- Institutional Member Affiliates (80+)

Mission / Benefits

- Address Sustainability through Financial Markets
- Networking and Promotion for Member Affiliates

Activities

- Research
- Lobbying
- Events and Communications
- Partnerships

Eurosif Member Affiliates, 2010



Leverage and Reach through SIFs

National SIFs in Europe:

***Belgium**



Denmark



***France**



***Germany, Switzerland, Austria**



***Italy**



***The Netherlands**



***Spain**



Sweden



***U.K.**



* = Board Members of Eurosif

SIFs outside of Europe

Asia



Australia



Canada



United States



Eurosif Activities in 2009

Lobbying

- **EU Public Policy Position Paper**
- **G20 Letter: Global SIFs Coordination**

Research

- **Investment Consultants Survey**
- **Sector/ Thematic Studies**

Partnership Initiatives

- **Transparency Guidelines**
- **Media Partnership**
Le Monde,
La Stampa,
El Pais,
Die Zeit,
Le Temps

Events/ Comm's

- **Workshops on Selected Topics**
- **EU Events**
- **Public speeches**

Core Activities

- **Newsletter, Research Quarterly, EU Insider**
- **Coordination of EU SRI information, Regional SIF quarterly updates**
- **Video streaming, website, Member Affiliate Servicing**
- **Member Affiliate Servicing**



Research - Eurosif Thought Leadership

2008 European SRI Study

Created with the support of:

- Greenpeace
- Human Rights Watch
- IDEAM
- Human Rights Watch
- Human Rights Watch

EU SRI Market Study

- Reference tool for EU SRI Market
- New report in 2010



2009 Investment Consultants & Responsible Investment Study

Created with the support of:

- INVESTMENT MANAGERS
- SARASIN
- ROBECO
- sam

Specialised Reports

- 2009 – Consultants
- 2008 – Private Banking
- 2007 – Venture Capital

Nuclear Sector Report - 1st in a series

This Eurosif sector report has been compiled with research by EPR. It describes the major Environmental, Social and Governance (ESG) challenges facing the European Nuclear energy industry and the associated risks and opportunities these pose for long-term returns.

NUCLEAR OVERVIEW

From 1960 to 2008 world electricity generation has grown at an average rate of 3% per annum. In the same time horizon, the share of nuclear power in world electricity generation increased from 4% to about 16%. Five utility companies dominate the EU nuclear power landscape. (see chart 1)

Nuclear capacity grew by 17% each year between 1970 and 1990 and slowed to 2% from 1990 to 2004, following the Chernobyl accident.

Nuclear power plants (NPPs) are capital intensive with a 'boom-loaded' cost structure. NPPs have stable and predictable costs, a long lifetime (30-60 years for new plants), extensive lead times (planning and construction) and long payback periods.

Most of the existing nuclear plants are generation II light-water reactors from the 1970s. Generation III plants, developed in the 1990s, include evolutionary reactors with passive safety systems, longer lifetimes as well as more optimized fuel use, construction time and reduced waste. Generation IV nuclear reactors are under development to improve safety and economic performance, enhance proliferation resistance and maximize nuclear waste.

1 TWh of nuclear in the electricity generation of European utility companies (2007)

10 TWh of nuclear in the electricity generation of European utility companies (2007)

NUCLEAR TRENDS

Within the EU nuclear power currently represents 21% of electricity generation, and there are competing views about its future share going forward (see chart 2 analysing different scenarios)

Additionally, the nuclear share in electricity generation varies greatly between the EU Member States: in 2008 it represented 74% in France, 32% in Germany, 18% in the UK and only 3% in Romania.

Economic competitiveness of nuclear power depends on many factors: available alternatives, overall electricity demand in a country, market structure and investment environment, environmental constraints and investment risks due to possible political and regulatory delays or changes. Factors like the production of a carbon emissions cost and increases in coal and gas prices improve the business case for new NPPs.

Uranium resources are considered to be abundant and widely distributed around the world. Fuel (i.e. uranium) represents a relatively small part of the overall cost, making nuclear power less vulnerable to fuel price changes than gas- and coal-fired power plants.

With a carbon price of 120€/t there is a potential for nuclear to represent 10%-22% of global electricity generation by 2050, resulting in a 40%-50% reduction in CO₂ emissions worldwide by mid-century. However, if the key issues of waste management, proliferation and social acceptance are not properly handled, this share could drop to 7%.

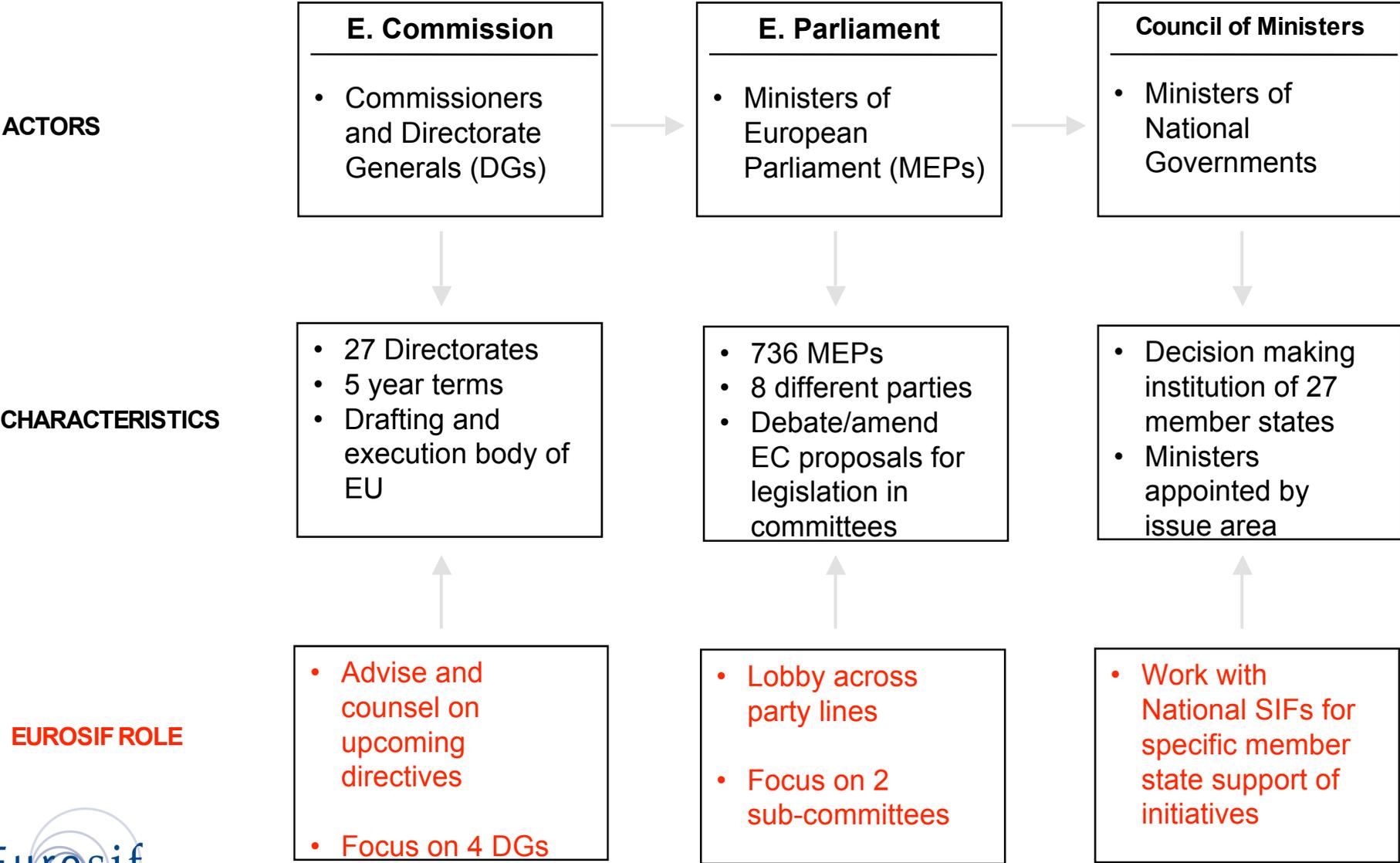
With the expansion of nuclear power, risk of proliferation should be carefully considered by governments and international organisations. Concerns are linked to nuclear facilities without adequate controls, the existing stock of separated plutonium (which can be used for weapons) and global nuclear technology transfer bringing countries closer to being able to produce nuclear weapons.

According to the IAEA the world's plutonium stockpile (the world's total stockpile) is sufficient to produce around 100,000 nuclear weapons. The world's total stockpile of plutonium is around 1,000 tonnes. The world's total stockpile of plutonium is around 1,000 tonnes. The world's total stockpile of plutonium is around 1,000 tonnes.

Sector Studies

- Read by policy makers & investors
- Other studies: Banking, Shipping, Biodiversity, Water..

Public Policy Shaping – Eurosif Liaises With EU Institutions



Partnerships - Eurosif Works with Stakeholders on CSR Issues

Media

- Le Monde, El País, La Stampa, Die Zeit, Le Temps



NGOs

- OECD Multinational Guidelines including Supply Chain and Human Rights

The OECD Guidelines and Socially Responsible Investment

Introduction

The Organisation for Economic Co-operation and Development (OECD) publishes for Multinational Enterprises (MNEs) a set of OECD member governments to agree on the basic components of responsible corporate conduct. They cover a range of issues, including labor and human rights, bribery and corruption, the environment and information disclosure. These guidelines can be a useful tool for the socially responsible investment (SRI) community because of their broad coverage of corporate social responsibility (CSR) issues, as a statement from governments, and support from business, labor and some civil society groups. OECD Watch, a network of 70 international NGOs working on corporate accountability, and Eurosif (the European Social Investment Forum) have partnered to develop a series of fact sheets to help investors and CSR agencies better understand the scope of the OECD guidelines and factors that may...

Download the entire fact sheet series at www.oecdwatch.org or www.eurosif.org.

Fact Sheet 1 2 3 4

Assessing Adherence to the OECD Guidelines' Supply Chain Provision

Summary

The OECD Guidelines for Multinational Enterprises are non-binding provisions addressed by governments to multinational enterprises that cover a broad range of corporate activities. This fact sheet, the fourth in a series of four, focuses on the Guidelines' provision on supply chain responsibility. Regardless of sector, following standards of good practice, three sheet supply chains are recognized to be among the most important and challenging issues for multinational corporations that are seeking to meet CSR...

The OECD Guidelines' Supply Chain Provision

2008-09-01

Industry & Stakeholders

- Transparency Guidelines
- Over 50 signatories representing 230 funds

transparent

Eurosif Transparency Guidelines
for the retail SRI Fund Sector

Official Version





Sustainable and responsible investment, today



Key features

❑ ***From niche to mainstream***

❑ AUM

- ❑ Uncertain boundaries, but overall growth

❑ Asset classes

- ❑ Still largely focused on equity, large caps, listed

❑ Players

- ❑ Retail vs institutional, asset managers vs asset owners

❑ ***Drivers: less morality, more materiality***

- ❑ ESG factors to manage “extra-financial” risks



The challenge: SRI and SMEs



Address sustainability through financial markets

- ❑ ***Develop the value chain***

- ❑ Social venture capital
- ❑ Private equity

- ❑ ***From a product based approach towards a new mindset***

- ❑ Credit (loans)

- ❑ ***Key for change: transparency***

- ❑ For investors, for companies, for industry sectors and local economic systems

Eurosif's Public Policy Recommendations

Transparency from Companies

European institutions should mandate disclosure of ESG data by publicly traded, large corporations. Such reporting would be principles-based and use a limited number of standardised Key Performance Indicators (KPIs), some of them being sector specific.

Transparency from Institutional Investors

European institutions should introduce a mandatory Statement of Investment Principles (“SIPs”) for Investment Funds in which trustees would state the extent (if at all) to which ESG considerations are taken into account in the selection, retention and realisation of investments; and their policy in relation to the exercise of the rights (including voting rights) attached to investments.

Shareholders Rights and Transparency

The Commission should adopt measures to allow shareholders to keep control of their rights at all times, improve accountability of service providers within the proxy voting chain, and allow issuers to know who their shareholders are at any moment so that they can communicate to them efficiently.

Contacts

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