

ESSENTIAL GUIDE TO MANAGEMENT INFORMATION

EXECUTIVE SUMMARY

Supporting decision makers with information that is fit for the future

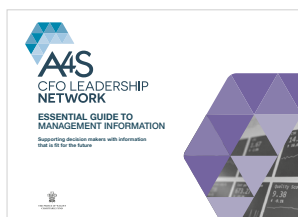
INTRODUCTION

The Essential Guide to Management Information explains why management information (MI) needs to look beyond the preference for financial information and support decision makers with information that integrates broader value drivers. One way of accounting for these broader factors is to think of them as other capitals – human, social, natural, intellectual and manufactured capital. This can help to articulate the relative value (or cost) of the different factors to the organization.

The guide is aimed at management accountants and other finance team members and provides guidance on how to integrate social and environmental information into management information (MI).

The guide consists of four main sections:

- 1. Introduction** – What we mean by MI that is fit for the future and how it aligns with the decision-making cycle.
- 2. Management information framework** – How to extend the current MI reporting framework to consider social and environmental factors and support integrated strategic and operational decision making.
- 3. Control environment** – How to ensure the control environment is sufficiently robust to provide complete and accurate reporting under the framework.
- 4. Reporting and developing insight** – How to produce consistent and accurate integrated performance reports which develop insight and enhance decision making.



[Download the full guide here](#)

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BENEFITS AND TOP TIPS

This A4S guide identifies key benefits to integrating social and environmental factors into MI which include: better decision making and action, efficient reporting, improved financial performance and risk management, and enhanced stakeholder relationships. The guide illustrates how these benefits may be connected and mutually reinforcing.

Acknowledging that finance has a clear role to play in integrating social and environmental factors into MI, the guide lists a number of key challenges that finance teams may be faced with and provides ways in which they can be overcome successfully.



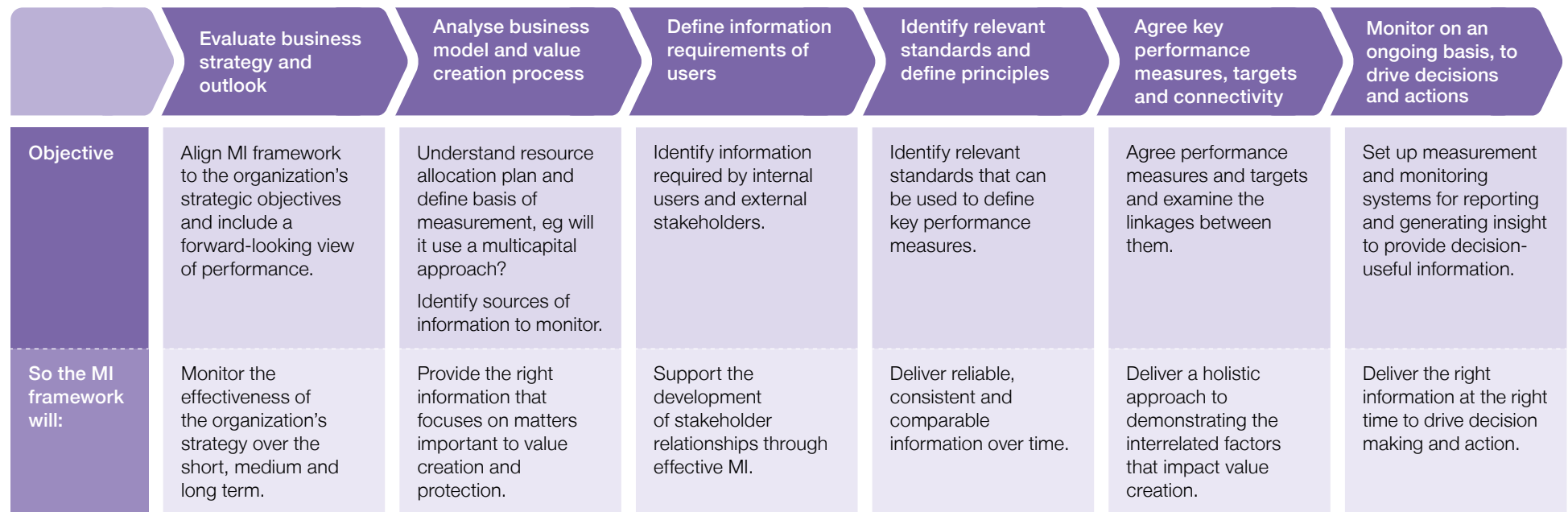
The guide explains five key factors that distinguishes MI that is fit for the future, from traditional MI:

- 1. User-centric reporting:** the needs of users and stakeholders are central to the design and production of MI.
- 2. Connectivity of information:** integrated MI (IMI) provides a holistic view of performance and helps to explain many linkages such as those between the capitals and past and future performance.
- 3. Focus on value creation:** MI should focus on how the organization is creating, protecting or eroding value over time.
- 4. Integrated information:** reports draw together the performance of financial, social and environmental information.
- 5. Outlook:** information covers all of short, medium and long term.

MANAGEMENT INFORMATION FRAMEWORK

The Essential Guide to Management Information provides a six step overview (below) to developing an IMI framework. The framework is a documented policy that outlines the principles, processes and participants relevant to your organization. It will enable the integration of sustainability into MI by embedding sustainability into the processes, people, tools and reports.

For each step, the objective, key questions for the board, finance and executive management, and the role of the CFO and finance is outlined. To enable a pragmatic approach to the implementation of the framework, the guide suggests a principles-based approach is adopted.



CONTROL ENVIRONMENT

RISK MANAGEMENT AND COMPLIANCE

The guide explains that to improve the credibility of sustainability information in MI, an integrated approach to the internal control environment is required. It shows how sustainability information typically sits outside of Enterprise Resource Planning (ERP) and financial reporting systems which means it is not subject to the same internal controls which support financial information.

The finance team should act as a catalyst in aligning the organization, internally, to strategic priorities and the guide provides four steps for the finance team to take to enable integrated risk management:

1. Build a culture that embraces sustainability.
2. Put in place organizational structures and processes that enable ongoing collaboration.
3. Develop cross-functional communication between various departments on social and environmental factors.
4. Leverage existing technology.

The key to developing successful IMI is to adapt and update existing processes, with the Committee of Sponsoring Organizations (COSO) framework being used as an example. The development of a measurement 'handbook' is also recommended to ensure consistency through time, business divisions and regions: an example is shown. Satellite data, social media and Blockchain are examples included to show how technology can be used.

THREE KEY RISKS

A one-size-fits-all approach to MI is not possible due to the complex and diverse nature of different organizations. However, there are three key risks to successful implementation of an integrated approach which are common to all. These risks, detailed in the guide, can be added to the organization's risk register and mitigated in the same way as any other business risk.

1 Failing to respond to arising macro trends

Not being able to measure, manage or respond effectively to macro trends **caused by** arising issues not being captured at the strategic planning stage. **This may result in** loss of competitive advantage if opportunities or material financial impacts on the business are missed.

2 Failing to deliver material information to decision makers

Decision makers not having access to material information, **caused by** incorrect assessment of their information needs when developing the MI framework. **This may result in** poorly informed decisions and an inability to assess reliably the performance of the business against its strategic objectives.

3 Providing low quality sustainability information

Not being able to make decisions using sustainability information as it is not reliable, **caused by** a lack of adequate controls. **This may result in** poorly informed decisions and an inability to assess reliably the performance of the business against its strategic objectives.

REPORTING AND DEVELOPING INSIGHT

DELIVERING MATERIAL INFORMATION

The guide provides a definition of materiality in the context of MI and also looks at other interpretations. Although judgements on materiality for social and environmental information are no different to judgements on materiality for MI, the guide suggests other factors to consider and lists a number of questions when determining which information is material for users.

REPORTING TO MEET USER REQUIREMENTS

Finance teams need to understand the requirements of the end users involved in the process. The guide explains one technique of helping with this is to create personas, an iterative process requiring finance to adopt a customer-oriented mindset. The purpose of creating personas is to have a realistic representation of the end users of reports for reference when designing reports. The guide provides a number of tips to ensure the personas are accurate representations.

TYPES OF REPORT AND REPORTING SERVICES

The guide looks at developing a menu of reports and reporting services to manage the business. To get the best response from the user, any MI should be visual and useful. In particular, social and environmental information should have context, prioritization, analysis of trends and a mix of qualitative and quantitative information. The guide also shows how to use self-service reports to provide contextual information, enabling business users to access and work with IMI without the need for intervention by finance or sustainability teams. Five steps for self-service reporting to be successful are given:



The guide also includes a spotlight on internal carbon pricing and how it can be incorporated into MI.

MI: ROLE OF FINANCE

Financial capital does not exist in isolation. An organization's value depends on many broader factors but the impacts and dependencies on these are often not captured by traditional accounting methods. This guide shows how MI needs to look beyond the financial.

ROLE OF FINANCE

Acknowledging that finance has a clear role to play in integrating social and environmental factors into MI, the guide lists a number of key challenges that finance teams may be faced with and provides ways in which they can be overcome successfully, including:

To secure buy-in from senior management or the board, engage with them on social and environmental risks and opportunities that impact the organization in the short, medium and long term.

To ensure an abundance of filtered data, gain an understanding of the latest technology trends, products and services to see how these can help to develop better reporting solutions.

To prevent short-term financial pressure impacting long-term sustainability goals, adopt a data driven mindset and reinforce the importance of having good quality data available for all key decisions.

To help finance, operations and sustainability teams speak the same language when it comes to sustainability, build a network across other functions, including reaching out to the sustainability team.

To clarify who has overarching responsibility for MI across the organization, use an integrated approach to help to break down silos and increase engagement between teams.

To understand how to convert sustainability measures into financial impact, look at practical examples from the A4S Essential Guide to Social and Human Capital Accounting to get inspiration.

THE GUIDE

The *Essential Guide to Management Information* includes the following:

- **Illustrative examples applying the framework**
- **Links to key standards and reporting resources**
- **Connections to other A4S guides, providing further help and information**
- **Top tips to get started for every step of the framework**
- **Glossary and definitions of key terms.**



“With boardroom access, an understanding of value drivers and the ability to provide robust information, I believe finance professionals have a key role to play in the transition towards sustainable business. We are strategically placed to provide our businesses with the insights they need to thrive.”

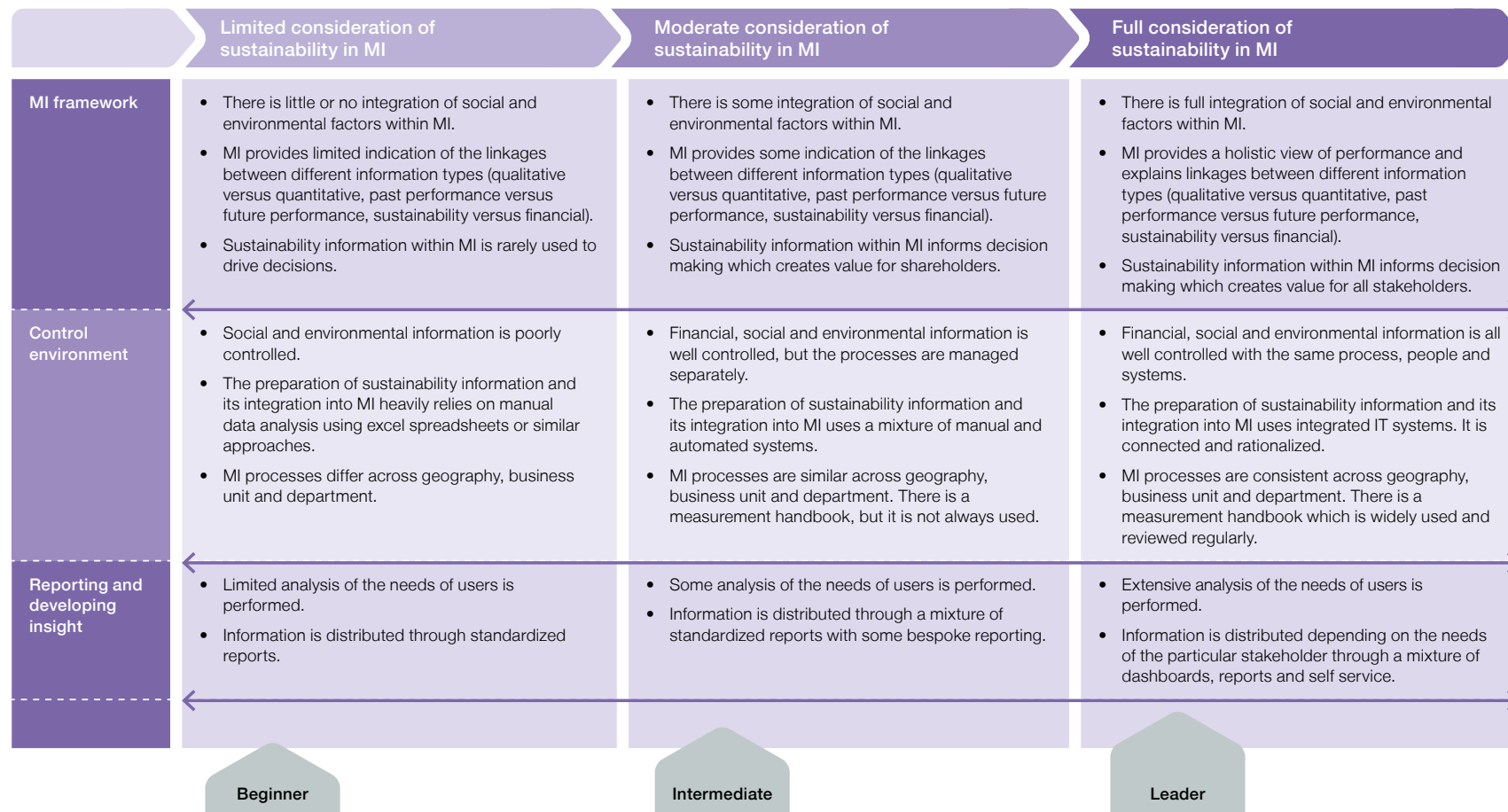


**CLIFFORD ABRAHAMS, CFO,
ABN AMRO**

MATURITY MAP

This guide includes a maturity map designed to enable you to assess what you are currently doing and how you can advance to a leading position. It has been developed as a way to capture the different dimensions of MI.

The maturity map helps you to ask and answer: does your management information (MI) process position your organization to respond to major environmental and social trends? If not, what is preventing this?



THE A4S ESSENTIAL GUIDE SERIES

Organizations today must navigate an increasingly complex, interconnected, and constantly evolving world. Sustainability factors affecting society, the environment, and the wider economy are generating bigger opportunities and risks.

Our CFO Leadership Network has produced a set of Essential Guides to help organizations embed social and environmental considerations into their strategy, culture and processes. They are developed by finance teams for finance teams, but will also be of interest to others seeking to understand current approaches for integrating sustainability into financial practices and decision making.

LEAD THE WAY

Developing a strategic response to macro sustainability trends

- Managing Future Uncertainty
- Engaging the Board and Executive Management*
- Finance Culture
- Incentivizing Action*

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting
- Valuations and Climate Change

*Coming soon

TRANSFORM YOUR DECISIONS

Integrating material sustainability factors into decision making

- Strategic Planning, Budgeting and Forecasting
- Management Information
- Capex

ACCESS FINANCE

Engaging with finance providers on the drivers of sustainable value

- Enhancing Investor Engagement
- Debt Finance
- Implementing the TCFD Recommendations
- Implementing a Sustainable Finance Framework

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The Prince's Accounting for Sustainability Project (A4S)



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info@a4s.org



www.accountingforsustainability.org