



A4S

CFO LEADERSHIP NETWORK

AN INTRODUCTION TO THE A4S ESSENTIAL GUIDE SERIES



THE PRINCE OF WALES'S
CHARITABLE FUND



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“It is not necessarily a choice between making money on the one hand and ‘doing the right thing’ on the other.

On the contrary, once it is recognized that ‘business as usual’ is unsustainable it follows naturally that those organizations which start to develop resilient business models will be the ones that succeed.”

HRH The Prince of Wales

ABOUT A4S

The Prince's Accounting for Sustainability Project (A4S) was established by HRH The Prince of Wales in 2004. Our aim is to make sustainable decision making business as usual.

To do this, we have three core aims that underpin everything we do:

1. **Inspire finance leaders** to adopt sustainable and resilient business models
2. **Transform financial decision making** to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues
3. **Scale up action** across the global finance and accounting community

Who we work with

A4S works across the whole finance community. This includes:

- Chief Financial Officers (CFOs) and finance teams
- The global accounting community
- Investors and capital markets
- Governments and regulators
- Business schools and academia



THE CFO LEADERSHIP NETWORK

The A4S CFO Leadership Network

The A4S CFO Leadership Network was launched by HRH The Prince of Wales at St James's Palace in December 2013.

The Network brings together a group of leading CFOs from large organizations seeking to embed the management of environmental and social considerations into strategy and business processes, and is the first grouping of its kind globally.



Network members commit to actions under the 5'1's

Innovation

Developing new and innovative approaches to integrate sustainability into financial processes and decision making.

Inspiration

Sharing knowledge, experience and tangible evidence of the business case through case studies, worked examples, workshops and outreach to inspire others.

Implementation

Embedding sustainability into business as usual financial processes and decision making, from own innovation or as informed by the A4S Essential Guide Series and leading practice from peer organizations.

Influence

Using positions of leadership and influence to collaborate with and drive action by others, engaging with wider CFO and finance communities, regulators, investors, business schools and professional bodies.

Impact

Demonstrating clear and attributable impact from these activities.

See the members on our website 

THE A4S ESSENTIAL GUIDE SERIES OVERVIEW

Who created the guides?

The guides are created by members of the A4S CFO Leadership Network, and are developed 'by finance teams for finance teams'. The guides have been designed to help address the practical issues of integrating sustainability into financial processes and decisions. To achieve this objective the guides provide practical guidance, knowledge and case studies.

CFO
Leadership
Network
members have a
presence in
200+ countries/
regions

How to use this booklet

We have split our guides into four categories, covering the steps that need to be taken to create sustainable decision making:

- Lead the way
- Measure what matters
- Transform your decisions
- Access finance

Each guide produced is covered in the booklet and includes:

- Guide information
- Key statistics and findings from the case studies and research
- A download link
- Key quotes from the CFO Leadership Network

How to download the guides

All the guides can be downloaded from the A4S Knowledge Hub under the 'Guides' tab.

www.accountingforsustainability.org/guides

The screenshot shows a page titled "TRANSFORM YOUR DECISIONS STRATEGIC PLANNING, BUDGETING AND FORECASTING". It contains several sections with callouts:

- What is covered?**: This guide helps finance teams to navigate the processes which they use to shape the development and implementation of corporate strategy through planning, budgeting and forecasting.
- Key statistics**: 73% of CFOs believe there is a strong link between sustainability performance and financial performance.
- Download link**: www.accountingforsustainability.org/strategic-planning
- What is included in the guide?**:
 - Practical tools and guidance
 - Considerations for integration into existing systems
 - Practical examples from finance teams
- Case Study**: **Ooca-Cola Hellenic**, through a better informed capex budgeting process, is predicted to have a financial payback of **0.5 years** for a water conservation project, versus **5.3 years** in their previous system.
- Case Study**: **Siemens'** Environmental Portfolio generated revenues of **€36 billion**, representing **46%** of domestic total revenue, and saved over **521 million tonnes of CO₂** emissions in 2014.
- Quote**: "We can cut costs and enhance efficiency, mitigate risk, open up new competitive and revenue opportunities, drive innovation and develop our employees. It really is a win all round!" **Evelyn Bourke, CEO (and former CFO), Bupa**

*World's A 2014 'Using our Talent Index, Research Report'

THE A4S ESSENTIAL GUIDE SERIES

OVERVIEW

LEAD THE WAY

Developing a strategic response to macro sustainability trends

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

TRANSFORM YOUR DECISIONS

Integrating sustainability considerations into financial decision making

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

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting

ACCESS FINANCE

Engaging with finance providers on sustainable value creation

- Enhancing Investor Engagement
- Debt Finance
- Implementing the TCFD recommendations

LEAD THE WAY MANAGING FUTURE UNCERTAINTY

What is covered?

This guide introduces finance and risk professionals to the potential business impacts of macro sustainability trends such as climate change. This practical guide sets out why it is important to adapt traditional risk management processes to respond to these trends, and it provides examples of how to overcome some of the uncertainty associated with their impact, so they can be better integrated into business decisions.

What is included in the guide?

- Practical tools and guidance
- Considerations for integration into existing processes

Key statistics

Global population is expected to reach 9.8 billion in 2050, with approximately 83 million people being added to the population every year.¹

We are on track to **triple our use of natural resources by 2050**.²

In 2017, disasters triggered by **extreme weather** and **climate-related hazards** led to **US\$230 billion losses** globally.³

Carbon dioxide emissions need to be cut by **45% by 2030** and reduced to **zero by 2050**.⁴

Download link

[www.accountingforsustainability.org/
managing-future-uncertainty](http://www.accountingforsustainability.org/managing-future-uncertainty)

Managing Future Uncertainty



“Businesses that are serious about integrating sustainability into their core business objectives need to understand the risks and emerging issues arising from these trends, how they are likely to impact the business in the short, medium and long term, and how they should be considered within strategic decision making.”

Susan Davy, CFO, Pennon Group

¹ The National Intelligence Council, (2012). Global Trends 2030: Alternative Worlds.

² World Resource Institute (2019), accessed 26th March 2019, <https://www.wri.org/resources/data-visualizations/unchecked-consumption-wont-work-tomorrows-markets>

³ Global Commission on the Economy and Climate, (2018). New Climate Economy.

⁴ Global warming of 1.5°C, (2018) Intergovernmental Panel on Climate Change (IPCC)

LEAD THE WAY FINANCE CULTURE

What is covered?

This is a practical guide to building a finance culture which supports the integration of sustainability into core financial decision making processes.

What is included in the guide?

- Step by step guidance
- Practical and downloadable tools to support change
- Videos from CFOs and finance teams sharing their insights

Findings

In 2017, enabled by a strong sustainability culture, **Anglian Water Group** issued the first ever public utility sector Sterling (GBP) Green Bond.

Heathrow Airport Limited noted that there is a clear interdependency between the success of the Heathrow 2.0 strategy and the culture of the finance team.

Download link

www.accountingforsustainability.org/finance-culture

Finance Culture



“Integrating sustainability into our culture and ways of working has improved decision making, enhanced innovation, and aligned our business performance with creating long term value for our customers, society and the environment.”

Scott Longhurst, Managing Director Finance & Non Regulated Business, Anglian Water Group

TRANSFORM YOUR DECISIONS

STRATEGIC PLANNING, BUDGETING AND FORECASTING

What is covered?

This guide helps finance teams to navigate the processes which they use to shape the development and implementation of corporate strategy through planning, budgeting and forecasting.

What is included in the guide?

- Practical tools and guidance
- Considerations for integration into existing processes
- Practical examples from finance teams

Key statistics

73% of CFOs believe there is a strong link between sustainability performance and financial performance.⁷

Coca-Cola Hellenic, through a better informed capex budgeting process, is predicted to have a financial pay back of **0.5 years** for a water savings project, versus **5.3 years** under their previous system.

Siemens' Environmental Portfolio generated revenue of **€36 billion**, representing **46%** of Siemens' total revenue, and saved over **521 million tonnes of CO₂** emissions in 2016.

Download link

www.accountingforsustainability.org/strategic-planning

Strategic Planning, Budgeting and Forecasting



“We can cut costs and enhance efficiency, mitigate risk, open up new competitive and revenue opportunities, drive innovation and develop our employees. It really is a win all round.”

Evelyn Bourke, CEO (and former CFO), Bupa

⁷Hesketh, A (2014) Valuing your Talent Initiative, Research Report

TRANSFORM YOUR DECISIONS

CAPEX

What is covered?

This guide has been created to help finance teams embed sustainability into capital investment decision making. The guide outlines how businesses can adapt their existing capital investment appraisal processes in a pragmatic and systematic manner to integrate social and environmental considerations.

What is included in the guide?

- Practical tools and guidance
- Considerations for integration into existing processes
- Practical examples from finance teams

Key statistics

Anlian Water's interventions to reduce embodied carbon also resulted in **cost savings in over 90%** of capital projects.

Royal DSM's environmental projects resulted in **annual cost savings of €3 million.**

Marks and Spencers achieved an estimated **45% cost saving** during store construction through a more sustainable approach to materials use, with an emphasis on refurbishment and recycling instead of investing in new products.

Download link

www.accountingforsustainability.org/capex

Capex



“It no longer requires a leap of faith to understand that lower carbon (and for that matter, lower water usage or waste products) often means lower cost, for both businesses and society as a whole.”

**Stuart Humphreys, Group
Financial Controller, National Grid**

MEASURE WHAT MATTERS

NATURAL AND SOCIAL CAPITAL ACCOUNTING

What is covered?

This guide was created to evaluate natural and social capital through a financial lens. The finance teams who developed the guide looked into the business benefits of incorporating these capitals into accounting practices. They developed principles for finance teams and produced case studies on how natural and social capital can be applied to decision making.

What is included in the guide?

- Practical tools and guidance
- Key concepts finance teams should know
- The business benefits
- Practical examples from finance teams

Key statistics

Typically only around **16%** of a company's market value can be accounted for by its financial and physical assets, with other factors such as relationships, human capital and access to natural resources, making up an increasing proportion.⁵

South West Water invested in natural assets in preference to new financial assets which delivered a **benefit to cost ratio of 65:1**.

British Land put a value on their social investment – **£3.70 return for every £1 invested**.

Download link

www.accountingforsustainability.org/natural-and-social-capital

Natural and Social
Capital Accounting



“Whilst financial metrics will continue to be an important indicator of business performance, we now also need better visibility of our natural and social resources and to understand the impacts they may have on our future business viability.”

Lucinda Bell, former CFO, British Land

⁵ Ocean Tomo (2017) Intangible Asset Market Value Study.

MEASURE WHAT MATTERS

SOCIAL AND HUMAN CAPITAL ACCOUNTING

What is covered?

Building on the Essential Guide to Natural and Social Capital Accounting, this guide helps organizations to integrate social and human capital accounting into business decision making.

CFO Leadership Network members in Canada have created in depth worked examples to show how they have implemented social and human capital accounting in their organizations.

What is included in the guide?

- Practical tools and guidance
- Considerations for integration into existing processes
- Practical examples from finance teams

Key statistics

The UK's **FTSE 100** invests over **£200bn** a year on people.⁶

National Grid saw a **2:1 return on investment** from their wellbeing programme.

In 2014, **SSE** measured their human capital and discovered it was worth an estimated **£3.4 billion**, an average of **£173,000** per employee.

Brookfield Asset Management found that **60%** of their market capitalization was in their human capital.

Download link

[www.accountingforsustainability.org/
social-and-human-capital](http://www.accountingforsustainability.org/social-and-human-capital)

Social and Human
Capital Accounting



“Measuring human capital has changed the way we think about our people, and how to develop them as individuals while creating a more productive and sustainable workforce.”

**Gregor Alexander, Finance
Director, SSE**

ACCESS FINANCE ENHANCING INVESTOR ENGAGEMENT

What is covered?

This is practical guide helps investor relations teams to engage with their investors on the drivers of sustainable value.

What is included in the guide?

- Practical tools and guidance
- Overarching principles on how to engage investors on sustainability
- Practical examples from finance teams

Key statistics

38% of **CEOs** believed they were able to quantify accurately the business value of their sustainability initiatives – but just **7%** of **investors agreed**.⁸

90% of relevant studies suggest that sound **sustainability standards** **lower cost of capital**.⁹

80% of studies show that **stock price** is **positively correlated** with good sustainability practices.¹⁰

At **Royal DSM 50%** of short term and long term incentives are related to sustainability targets – all aligned with the company's strategic priorities.

Download link

www.accountingforsustainability.org/enhancing-investor-engagement

Enhancing Investor Engagement ↗

“Your company’s strategy must articulate a path to achieve financial performance. To sustain that performance, however, you must also understand the societal impact of your business as well as the ways that broad, structural trends – from slow wage growth to rising automation to climate change – affect your potential for growth.”

Laurence D. Fink, Founder, Chairman and Chief Executive Officer, BlackRock

⁸ UN Global Compact and Accenture Strategy, (2016). CEO Study 2016.

⁹ University of Oxford Smith School and Arabesque Asset Management (2015) From the Stockholder to the Stakeholder

¹⁰ Ibid.

ACCESS FINANCE

DEBT FINANCE

What is covered?

Created through extensive interviews with lenders and debt investors, this guide shows how environmental, social and governance considerations are considered in debt finance decisions, and how the market is expected to shift in the future, along with practical steps that can be taken in response.

What is included in the guide?

- An introduction on why considering sustainability is important for treasurers
- Perspectives from both debt providers and issuers
- Case studies and practical examples from the CFO Leadership Network and beyond

Key statistics

There has been a **131% growth** in the global sustainable investment market between 2012 and 2018, from US\$13.3 trillion to **US\$30.7 trillion**.^{11,12}

The market is gaining momentum with the number of green bonds issued in 2018 demonstrating a **78% growth** since 2016.

In 2018 **US\$202.5 billion** of ESG-focused bonds were issued.¹²

SSE launched a green bond with a coupon of **0.875%**, the lowest coupon that it had achieved for a senior bond.

¹¹ Global Sustainable Investment Alliance (2014). Global Sustainable Investment Review

¹² Global Sustainable Investment Alliance (2018). Global Sustainable Investment Review

Download link

www.accountingforsustainability.org/debt-finance


Debt Finance



“The case studies in the guide offer practical evidence of the changing debt market. The guide shows how we can reduce risk, interest rates and live in a more sustainable planet.”

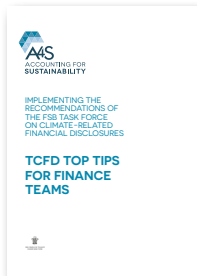
**Jane Pilcher, Group Treasurer,
Anglian Water Group**

FURTHER RESOURCES

More resources are available on our Knowledge hub 

TCFD Top Tips for Finance teams

This booklet includes practical approaches, tried and tested by early adopters of the TCFD recommendations, as demonstrated during our implementation workshops. The booklet has resource suggestions and links to the annual reports of organizations that have started to disclose in line with the recommendations.



Financing our Future

This report sets out actions to deliver a global sustainable financial system, with recommendations for all parts of the investment chain.

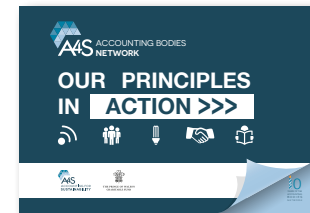
Co-written by The Prince's Accounting for Sustainability Project (A4S) and Aviva Investors, the report was first tabled at a Finance Leaders' Summit hosted by HRH The Prince of Wales.



ABN: Our Principles in Action

In 2008, the A4S Accounting Bodies Network (ABN) was launched by HRH The Prince of Wales at St. James's Palace. Ten years on, we celebrate this milestone in our report, Our Principles in Action.

With a collective membership of 2.4 million accountants and accounting students in 181 countries, the Network represents two thirds of accountants worldwide.



UPCOMING GUIDANCE

Engaging the Board and Executive Management

This guide will provide insight, tools and learning for organizations looking to gain senior internal support and drive strategic progress.

Incentivizing Action

This project is looking at both the Investment Chain and Supply Chain. The project team is developing guidance to enable the finance function to incentivize stakeholders along each value chain to build sustainability into their decision making.

Management Information and Reporting

This guide will help organizations create, integrate and report the information set needed to respond effectively to social and environmental risk and opportunity, building it into decision making.

NEWSLETTER

Sign up to our monthly newsletter to find out when these guides and worked examples are released.

www.accountingforsustainability.org/newsletter





CFO LEADERSHIP NETWORK

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