

THE ESSENTIAL GUIDE TO STRATEGIC PLANNING, BUDGETING AND FORECASTING

EXECUTIVE SUMMARY

How to integrate sustainability factors into strategic planning, budgeting and forecasting

INTRODUCTION

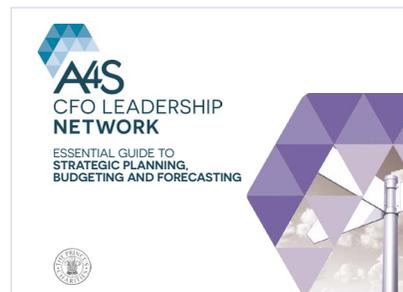
The *Essential Guide to Strategic Planning, Budgeting and Forecasting* is divided into six main sections that outline how to integrate sustainability factors into your strategic planning, budgeting and forecasting processes. It includes tools, guidance, practical examples and a maturity map. This guide begins with an introduction to the role of finance in integrating sustainability into strategic planning, budgeting and forecasting, and what the benefits and challenges are of doing so.

If you work in finance, this guide has been designed to help you. The practical tools and insights are pragmatic and useful, and they are intended for a finance audience, including Chief Financial Officers, Finance Directors, Financial Controllers, Heads of Financial Planning and Analysis, and other finance professionals.

For many organizations, integrating sustainability within strategic planning, budgeting, and forecasting processes represents uncharted waters. It can be challenging to link sustainability drivers to business strategy, and to embed an integrated response in finance and operations.

This A4S guide includes guidance to help overcome these challenges, including:

- Understanding the sustainability factors that affect the business.
- Ensuring there is effective governance and strong commitment from leadership.
- Aligning sustainability concerns with the rest of the organization's performance management framework.
- Prioritizing the most relevant and meaningful data for incorporation into this framework.



[Download the full guide here](#)

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OVERVIEW AND TOP TIPS

This A4S guide explains how the failure to incorporate sustainability into an organization's strategy, and subsequently into the budgeting and forecasting processes, can result in missed opportunities for improving decision making and risk management, enhancing innovation and stakeholder engagement, and aligning business performance with long-term value drivers. The Guide is structured around four stages.

- 1. PROCESS:** adopting a more integrated approach to strategic, financial and operational plans.
- 2. GOVERNANCE:** integrating sustainability into the relevant governance structures and associated processes, ensuring cross-functional involvement.
- 3. PERFORMANCE MANAGEMENT:** identifying sustainability success factors, and making these integral to performance management.
- 4. TECHNOLOGY AND DATA:** defining and building the technology, systems and data capability to support the collation of robust sustainability information.

Practical examples from Network members highlight the business benefits of integration, which include:

- Identifying sustainability opportunities and risks, and enabling integrated strategies.
- Driving investment to protect and enhance long-term viability.
- Aligning performance management with long-term value drivers.
- Reducing cost through operational efficiency.
- Building better employee and customer engagement.

The A4S guide includes some top tips for getting started:



PROCESS

This A4S guide sets out a typical strategic planning, budgeting and forecasting process. Each of these three areas has been divided into four steps. Integration activities are set against each step so that individual organizations can tailor the guidance to meet their individual needs.

STRATEGIC PLANNING PROCESS

Strategic planning should be proactive in integrating sustainability and incorporate long-term factors in order to maximize opportunities and increase resilience in the ever-changing operating environment.

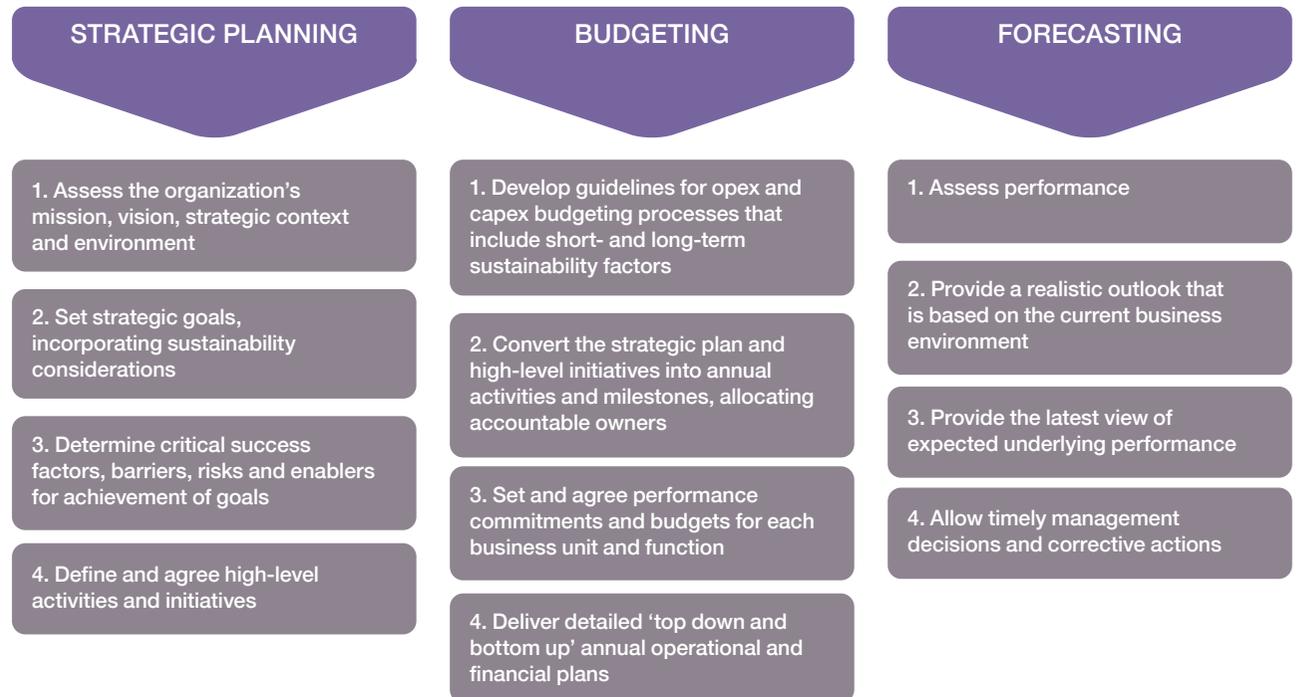
BUDGETING PROCESS

Once the strategic goals and supporting high-level activities have been agreed, capital needs to be allocated effectively by aligning budgets to the desired strategic outcomes.

FORECASTING PROCESS

The forecasting process also needs to incorporate sustainability, ensuring that relevant factors within the current and future environment are taken into consideration.

Each step is outlined, with supporting tools, to guide finance teams towards integrating sustainability into the strategic planning, budgeting and forecasting process.





Detailed guidance and case studies are provided in this Governance section covering each of the six key governance areas, which explore questions such as:

- What are the key governance factors to consider?
- Why does leadership buy-in matter?
- How is the role of the board affected by adopting an integrated approach?
- How do you build sustainability into the leadership agenda?
- How do you set oversight for responsibility and accountability?
- How do you make complex strategic decisions in relation to sustainability?
- What is the role of finance in relation to sustainability?
- How do you ensure that you use common terminology and speak the same language?
- How do you avoid decision bias?
- How do you manage risk and uncertainty?

PERFORMANCE MANAGEMENT

Performance management is a set of processes that enables an organization to monitor its performance against its strategy. This includes both performance metrics (key performance indicators – KPIs) and employees’ behaviours and incentives when working to achieve the strategy.

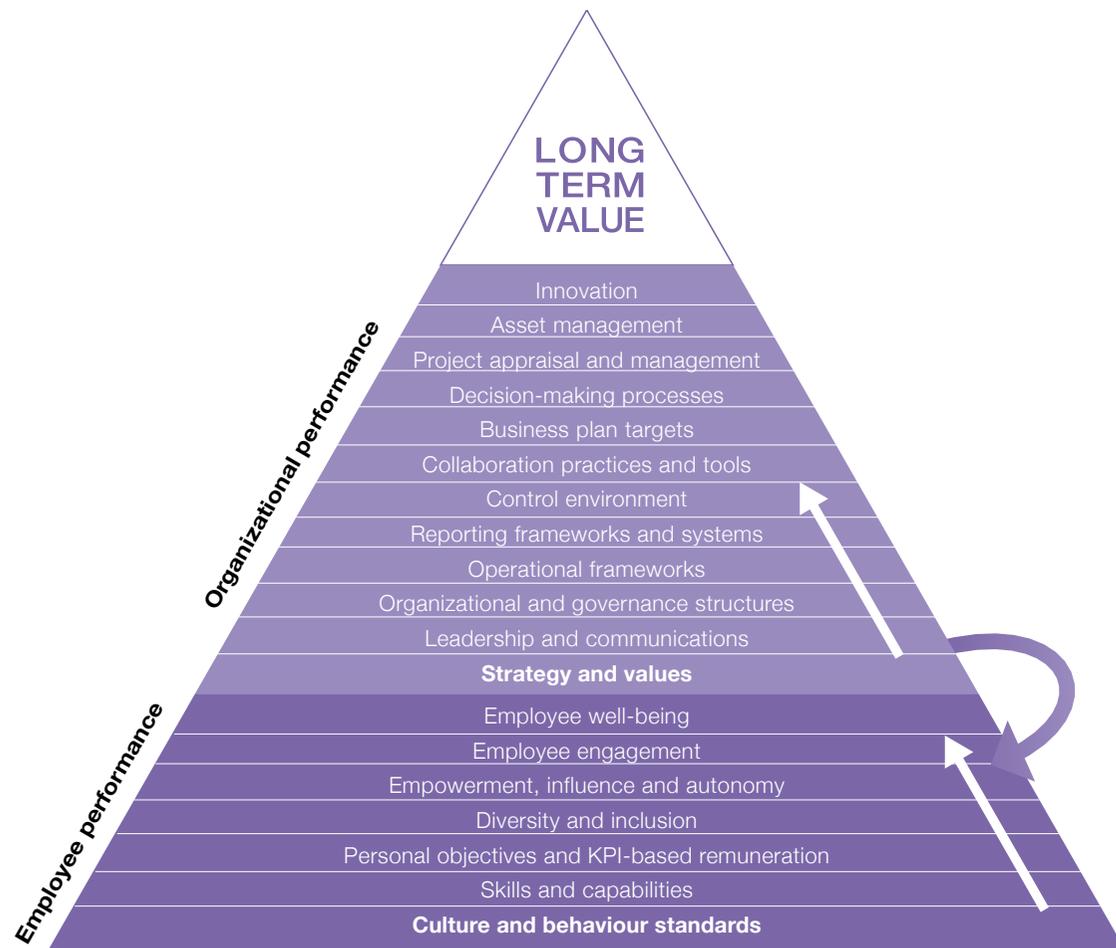
This A4S guide sets out what needs to be considered (summarized on the left) when monitoring organizational performance against the strategy and including corresponding metrics within employee incentives.

EMPLOYEE PERFORMANCE

To encourage progress towards an organization’s strategic objectives, the guide explains why key change agents within the organization should be identified and aligned with sustainability targets through annual objective setting and remuneration frameworks. Guidance is provided on how to select key influencers within the organization, and describes and explains the differences between influencers, champions, contributors and observers.

ORGANIZATIONAL PERFORMANCE

For many companies, short-term financial pressures often preclude incorporating sustainability considerations into strategic plans, budgets and forecasts. The guide identifies a range of short-term pressures and provides guidance on how to prevent sustainability being treated as a secondary issue rather than a core priority. Top tips for tracking the benefits and costs of sustainability initiatives are also given.



TECHNOLOGY AND DATA

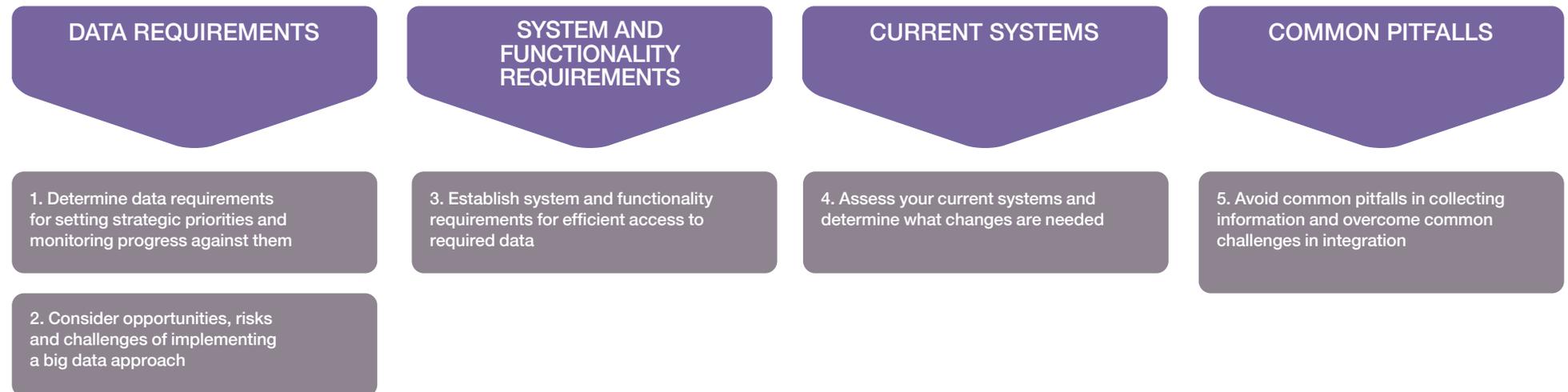
For organizations to track their performance successfully, and to allow effective strategic planning, budgeting and forecasting, they need to define data requirements according to their materiality and the levels of frequency, granularity and accuracy required.

To account for sustainability effectively, finance teams need access to the right data on a timely basis. Market options include sustainability modules for enterprise resource planning (ERP) systems or standalone sustainability data systems, with a variety of functionalities. IT, finance and sustainability teams need to work together to ensure that relevant, accurate data is available to support strategic planning, budgeting, forecasting and decision making.

Guidance, including detailed case studies and common pitfalls, is provided throughout this section to answer the following questions:

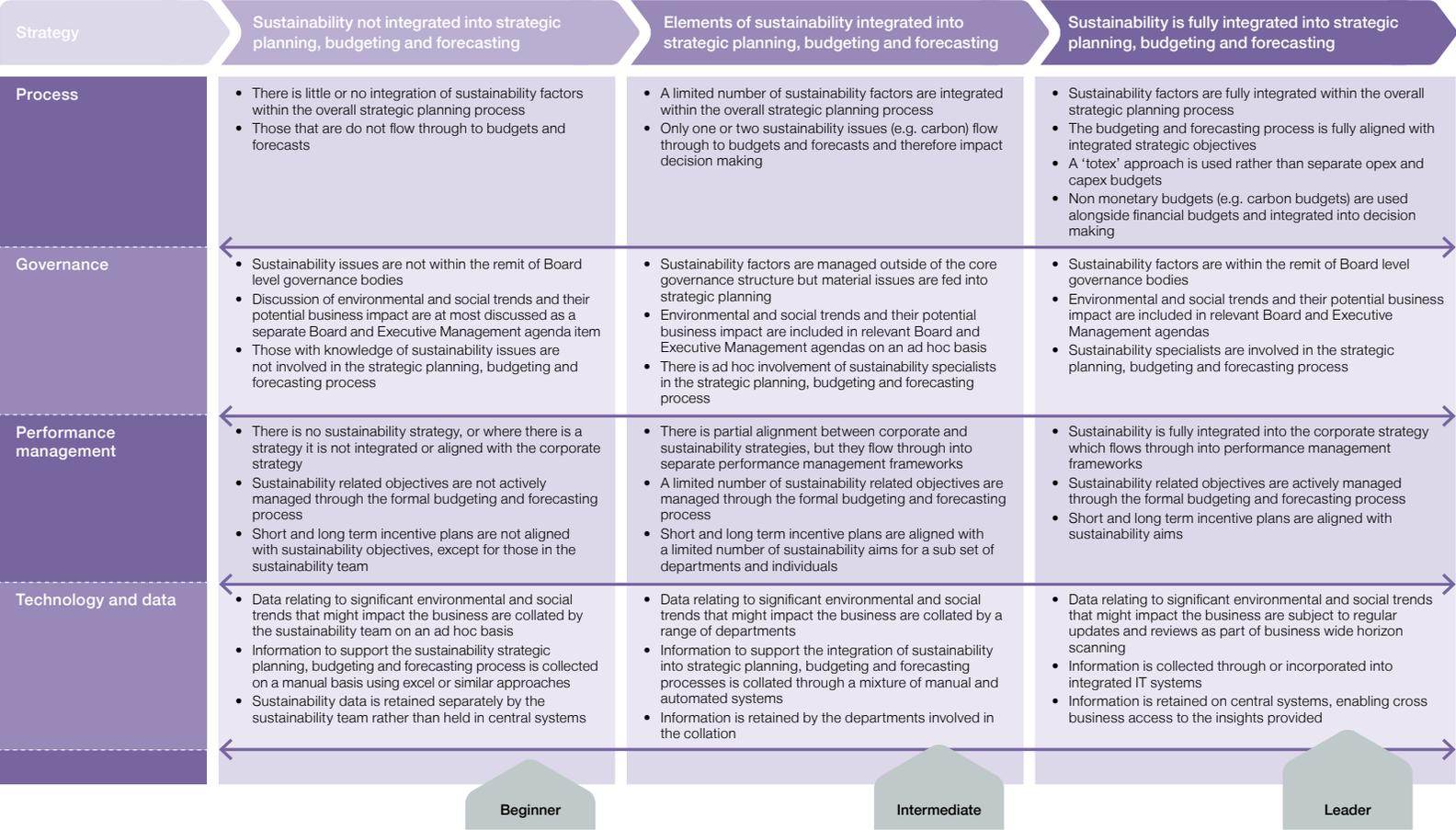
- How do you establish and address relative data importance?
- How do you prioritize your organization's business data on the basis of its criticality to the execution of organizational strategy and the management of business performance?
- What is 'big data', what are its opportunities and risks, and how can you use it to support integrated strategic planning, budgeting and forecasting?
- How do you determine which factors – reliability, functionality, compatibility – are critical, desirable or actually non-essential?
- What are the practical considerations at the strategic planning and budgeting level if significant changes to IT systems are needed?

The Guide includes this structural approach to help finance teams with integrating data and systems:



MATURITY MAP

This Guide includes a maturity map for assessing your overall level of integration. It is designed to enable you to assess what you are currently doing, and understand how you can develop your processes further.



In assessing your maturity, consider the following questions:

1. Does your strategic planning process position your organization to respond to major environmental and social trends?
2. If sustainability is considered at a strategic level, does this flow through into budgetary and forecasting processes? 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 to 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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