Southeast Asia is one of the world’s most vulnerable regions in terms of climate change. With each day passing, our deadline to reach net-zero emissions by 2050 is moving closer. It is time for ASEAN accountants to step up and be more proactive in working with our stakeholders in the region to contribute to our regional sustainability goals.

A key milestone in our profession’s sustainability journey was the establishment of the International Sustainability Standards Board (ISSB). As highlighted by the International Federation of Accountants (IFAC) in its call for action on sustainability, with the establishment of the ISSB under the IFRS Foundation, it is clear that the accountancy profession needs to take a proactive role in leading on and contributing to the global climate reporting, particularly through disclosure of high-quality sustainability-related information and their assurance.

As part of a global profession serving the public interest, we recognise the importance of working with key partners such as IFAC and the IFRS Foundation (including the ISSB) on our regional sustainability journey. Building on our successful collaboration with the Asian-Oceanian Standard-Setters Group (AOSSG) and the ISSB on a regional outreach earlier this year, we welcomed Dr. Tae-Young Paik of the ISSB at our Federation of Accounting Professions (TFAC) and AFA’s ASEAN Accountancy Conference on Sustainability. Dr. Paik further highlighted the need for a global baseline for disclosure of sustainability information, whilst Kevin Dancey of IFAC emphasised on the importance for the accountancy profession to take proactive steps to enable sustainable change, by advocating for smart policy and regulation, demonstrating sustainability-related skills and competencies, promoting climate reporting, and championing integrated mindset. These are points that we very much agreed with and serve as the basis of our regional sustainability journey.

I would like to take this opportunity to thank the AFA leadership, member organisations, partners, and stakeholders for their support and contribution to our initiatives in 2022.

I hope you find this tenth edition of the AFA Connect informative and useful, as we continue with our collaborative sustainability effort for the ASEAN accountancy profession.

Thank you.

1 The Intergovernmental Panel on Climate Change, Report Climate Change 2022: Impacts, Adaptation, and Vulnerability
Adair Turner: The Mistakes We’ve Made on Climate, and Where to Focus Now

The inaugural chair of the Climate Change Committee explains how the climate crisis breaks down into two distinct problems and discusses our chances of resolving them.

As well as being the first chair of the UK’s Climate Change Committee – a statutory body established under the 2008 Climate Change Act – Lord Turner has been chair of the UK’s Financial Services Authority and is now chair of the Energy Transitions Commission, a group of CEOs and other senior executives in the energy sector collaborating on ways to reach net-zero emissions by 2050.

He argues that the climate crisis can be divided into two major challenges. The first is decarbonising the world’s energy system; removing carbon emissions from anything to do with generating, storing or using power. He says he’s “optimistic that by mid century we’ll have technologies available which will enable people throughout the world to enjoy prosperous living standards in a completely green, low carbon fashion.”

But despite this rare beacon of hope among all the doom-laden predictions, he’s careful to caveat his optimism. Although with the right investment and decision-making, we’ll solve this problem by 2050, “we’ve left it too late,” and so we will have to change our lives – what we eat, how much we travel, what we consume etc – until we establish this new energy system.

He is also far less optimistic about the second challenge posed by the climate crisis. This is “the impact of our food and fibre systems, everything that depends on photosynthesis … and the climate change impacts of that.” There is clearly yet no technology yet that can help us meet the demands we make on the planet to feed and clothe ourselves without continuing to destroy carbon sinks, such as the Brazilian rainforests, and producing more greenhouse gases, particularly the methane that comes from cows used to produce beef and dairy products.

Given there is no technology yet to solve this problem, this will also undoubtedly require changes to what we eat and what we consume.

Beyond this, companies and governments must set and report progress on highly specific, realistic targets, so that when people say, ‘My emissions are this, and I will reduce them by 15% this year’ then that is as close as possible to a fact.

This verifiable, auditable information should drive decisions and the allocation of capital, and chartered accountants have a key role to play here. As Turner says, partly
this auditable information depends upon “good information at the next level down. If every company to which every bank in the world has good auditable information on what its CO2, and methane and other greenhouse gas, and biodiversity footprint is, and whether it’s got plans to reduce it, and whether it’s reducing it.” Understanding all this, and making decisions based on it, is where “the really big challenges come,” he says.

This article is reproduced from ICAEW’s insights specials.
What’s Next After the Pledge for Sustainability?

Dr. Josh Heniro
Senior Director of Southeast Asia & Australasia, IMA® (Institute of Management Accountants)

It has been reported that the upcoming COP27 meeting is widely seen as being the first “COP of implementation” with a strong motivation globally as climate finance is expected to bridge the financing gap for climate mitigation and adaptation projects. Green finance has always been an ongoing conversation in recent years, and as organizations pledge their commitment to sustainability, the question of how they should do it comes next. Emerging economies and the people on the ground must also be involved in shaping climate change policies.

According to a recent report by the Singapore Accountancy Commission (SAC), in collaboration with Workforce Singapore (WSG) and SkillsFuture Singapore (SSG), it has been observed that there is increasing attention on non-financial reporting due to a higher interest in achieving sustainability goals to address societal concerns. The report indicated a lack of clarity regarding international standards to follow when evaluating the ESG value of an organization. Thus, the report concluded that ESG specialists would be in demand for financial accounting and business valuation.

During last year’s COP26, the IFRS Foundation Trustees formed the International Sustainability Standards Board (ISSB). The Board aims to develop a comprehensive global baseline of sustainability disclosures for the capital markets to help companies make informed decisions once they have access to information about sustainability-related risks and opportunities. With the ISSB seeking feedback on proposals and reviewing them, they aim to issue the new Standards by the end of the year. A framework and structure incorporating the foundational work of the Task Force on Climate-related Financial Disclosures (TFCD) in order to address systemic failures of financial systems are anticipated.

The role of the management accountant in sustainability

Management accountants will play a huge role in leading conversations around sustainable business management and ESG reporting. Emissions assessments utilize the accounting and finance team’s expertise in gathering reliable data, evaluating alternatives, and making recommendations that align with an organization’s purpose, values, business model, strategic initiatives, and risk management. For small and medium-sized entities (SMEs), it is important that they assess their needs and perspectives for sustainable business information and management.
With the demands for ESG information in recent years, SMEs need to consider the implementation challenges and benefits. Therefore, management accountants will be required to analyze projects and their viability and implement capital budgets for long-term investments. Additionally, their ability to create a reliable decarbonization plan will prepare organizations for external reporting demands subject to new reporting requirements.

Hence, the competency to meet changing regulatory and market demands will prove valuable to organizations as management accountants will have both the breadth and depth of skills to satisfy the needs for the required skillsets. Therefore, we see a strong relationship between the demand for ESG specialists and the capabilities of management accountants, as they are well-positioned to lead information-based decision-making across the business unit.

At IMA, we are committed to advancing the finance and accounting profession with non-financial reporting, such as sustainability reporting. Hence, we established the Sustainable Business Management Global Task Force to speak on behalf of the management accounting profession, accountants, and finance professionals in the business. As we look forward to the new standards set by the ISSB, we will continue to assist management accountants in leading the conversation for a sustainable future as the Task Force defines a set of fundamental principles for building a successful and sustainable accounting ecosystem.

IMA aims to lead by emphasizing the role of management accounting and finance in facilitating the building of resilient, sustainable businesses. We recently released a guide to reducing a carbon footprint which can be accessed here, where we provide a primer on understanding the steps in developing and implementing an emission reduction plan. The time is now to implement actions based on the pledge for sustainable business and ESG reporting as we paint the future. Management accountants have an important role to play in assisting their business organizations as they paint every stroke on the canvas.
Climate change is one of the most pressing challenges facing the world. There are increasing calls from investors and society for companies to provide more transparent and consistent reporting both about how they are dealing with climate change, and about the impacts of their activities on the climate.

In March 2022, the newly-formed International Sustainability Standards Board (ISSB) issued a draft standard – ED IFRS S2 Climate-Related Disclosures (‘IFRS S2’) – for public comment. IFRS S2 aims to provide a global baseline for consistent and comparable climate-related disclosures. In doing so, it builds upon existing standards and frameworks including the TCFD Recommendations, while also adding a number of ‘new’ disclosure requirements. Along with IFRS S2, the ISSB also published ED IFRS S1 General Sustainability-Related Disclosures, which provides overarching requirements applying to investor-focused sustainability reporting, including the materiality judgement that should be applied and the location of disclosures.

Over the coming 2-3 years, jurisdictions around the world are expected to adopt the ISSB’s finalised standards. However, are companies ready for the change ahead?

Research from ACCA and the Adam Smith Business School at the University of Glasgow gauged the extent of ‘preparedness’ of companies to provide the disclosures proposed in IFRS S2, by reviewing current reporting practice from companies in two industries (construction materials and chemicals). These two industries face significant risks due to climate change, while also emitting high levels of greenhouse gas emissions from their operations. The analysis was based on the most recent corporate reporting packages produced by 100 companies: 50 of the largest emitters worldwide from each of the two industries.

Key findings

Companies that have adopted the TCFD Recommendations are significantly better prepared to comply with the disclosure requirements in IFRS S2 than those that have not. Linked to this, where IFRS S2 introduces ‘new’ disclosure requirements that extend beyond the TCFD Recommendations, these see very low, even zero disclosure.

Low disclosure areas include:

- 0% of disclosure on climate-related risks and opportunities for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities (ED IFRS S2, para 14(b))
0% disclosure on processes for reviewing targets for companies’ indirect adaptation and mitigation efforts (ED IFRS S2, para 13(b)(iii))

0% disclosure on companies’ climate resilience in relation to existing financial resources and their ability to redeploy, repurpose, upgrade or decommission their assets (ED IFRS S2, para 15(a)(iii) 1-2)

Moreover, disclosures are often scattered, duplicated, with little to no cross-referencing. The result is information overload that hinders, instead of enabling, transparency and comparability, with readers having to spend considerable time and effort to find the information that they need.

About half of the disclosures are found in the annual report

Over a third of the disclosures are duplicated across multiple reports

Less than half of companies provided cross-references

Further:

Companies in the chemicals industry exhibit a slightly higher degree of adherence to ED IFRS S2 than companies in the constructions materials industry, but observations across the two industries are broadly similar.

The four reporting dimensions covered in ED IFRS S2 see varying levels of compliance:

- The Governance dimension sees the highest level of disclosure;
- The Metrics and Targets dimension comes second overall, but the high level of disclosure about targets masks very low disclosure about metrics;
- The Strategy dimension see less engagement with companies, with low to nil disclosure rates in relation to quantitative financial information and climate resilience;
- The Risk Management dimension also sees low levels of disclosure, particularly around how companies prioritise climate-related risks and opportunities, and the input parameters used

Most companies already engage with various existing reporting frameworks: 77% claim to adopt the TCFD recommendations.

Only 7% of companies don’t reference any standard or framework, and they display much lower levels of disclosure.

55% of our sample companies do have some form of assurance for their disclosures

This article is reproduced from ACCA’s professional insights.
The case is undeniable for the world to go green and in fact, is one of great urgency. Globally, rising temperatures, storms, droughts, melting ice sheets and rising sea levels are leading to the destruction of nature, animals, and human lives. Pandemics, too, have their root causes in climate change. Singapore is not spared – it has been experiencing higher temperatures, a rise in sea levels in the Straits of Singapore, more frequent flash floods and an increase in annual rainfall. These are threats to the country as a low-lying island and, more occurrences of heat stress also put the vulnerable at greater risk.

Green finance is the catalyst for green transition, with global momentum building up

Green finance will catalyse the green transition and global momentum is building up strongly. At the COP 26 held in November 2021, country and business leaders scaled up commitments of public and private funding for climate action. The United States will double annual public climate finance by 2024 to US$11.4 billion, while Germany is set to increase climate financing to US$6.3 billion from US$4.2 billion by 2025. In a significant agreement, the world’s two largest CO2 emitters – China and the US – jointly declared they would increase cooperation to achieve the 1.5°Celsius temperature goal set out in the 2015 Paris Agreement. Another major development was the launch of the Glasgow Financial Alliance for Net-Zero (GFANZ) that represents 450 financial firms from 45 countries with a total of US$130 million in managed assets.

Green financing is focused on the provision of financial products and services that cater to projects that lead to environmental improvement, resource conservation and the mitigation of climate change. The financing can cover project investment and financing, project operation and risk management. Green financing is part of the category of sustainable financing, which involves the provision of financing to address environmental, social and governance (ESG) initiatives. Financial instruments involve bonds and loans and work similarly to standard bonds and loans, except that the funds are channelled into projects with environmental and social benefit.

Since the inception of the sustainable finance market in 2013, more than US$4 trillion of sustainable debt have been issued. In 2021 alone, the global sustainable market amounted to US$1.6 trillion, growing with
“unprecedented global traction” to double that in 2020. The Asia Pacific is one of the fastest-growing regions for sustainable finance with a jump in global share from 15% to 21% in 2021. Although late to the game, the region looks set to catch up fast.

As the world leader in renewable energy capacity growth, China has issued funding for building solar and wind farms and the development of solar and wind power technologies. This spurred record growth of new generation capacity in 2020, which increased 45% more than in 2019, according to the International Energy Agency. The fourth largest bank in the world, Bank of China, has issued green loans towards several projects in renewable energy and clean transportation. One of the projects involve building a new metro in northern China, which is expected to increasingly reduce CO₂ emissions over time as passenger capacity increases. The Bank of China also committed to lending 30% of project investment for an integrated energy project to build wind and solar power capacity for electricity generation in northwest China.

China alone issued US$44 billion in labelled green bonds, which made it the second largest country for green issuance in 2020, behind the United States which issued over US$50 billion. China leads the world in spending on energy transition, with US$266 billion spent on low-carbon technologies in 2021 – more than a third of global expenditure.

ASEAN is also a key contributor to the growth of green finance in Asia Pacific. Cumulatively, the total ASEAN green, social and sustainability (GSS) market is valued at US$29.4 billion. Total ASEAN GSS bonds and loans issued reached US$12.8 billion in 2020, up from US$11.5 billion in 2019. Singapore leads in the region, accounting for close to half of the green bond and loan market in ASEAN.

Types of sustainable financing instruments and projects

There are several types of sustainable financing instruments. They include GSS bonds and loans as well as sustainability-linked bonds and loans.

**Green bonds** make up the largest share of global sustainable debt and is the most established funding type in green financing, where public or private entities borrow money to undertake projects that address climate and environmental issues. **Green loans**, on the other hand, are offered by financial institutions to fund green projects. Across ASEAN and in Singapore, green investment has been mainly focused on the energy sector and development of green buildings. Some examples of green financing projects in Singapore are:

- In February 2022, the Singapore government committed to S$35 billion in green bonds, issued by 2030, to fund green public-sector infrastructure projects.
- In October 2021, HSBC Singapore extended a S$6-million green trade loan to Singapore technology company Durapower Group, becoming the first participating financial institution to issue financing via the Enterprise Financing Scheme-Green (EFS-Green Scheme).
- In September 2021, Singapore’s National Environment Agency (NEA) raised S$1.65 billion in its first green bond issuance, which will be used to fund or refinance new or existing green projects. One of the projects is the Tuas Nexus integrated waste management facility, the first phase of which is due for completion by 2025. Once operational, the plant will generate electricity from waste and will also process incinerable waste, household recyclables, and food waste.

1 Budget 2022 statement, Ministry of Finance
In April 2021, utilities organisation SP Group established a green financing framework and secured its first green loan of S$100 million from DBS Bank, OCBC Bank and UOB Bank on a bilateral basis. Under the framework, SP and its subsidiaries will issue green financing instruments to finance or refinance qualified projects in clean transport, energy efficiency, renewable energy and green buildings.

The social and sustainability bond markets are still nascent in Asia compared to the western regions. In ASEAN, Thailand and Philippines are the frontrunners in this space. Social bonds and loans are aimed at financing projects that create positive social impact, such as driving diversity and social mobility within the community, to improve socioeconomic advancement and empowerment. The positive impact could also include other social aspects, including in the provision and promotion of basic infrastructure such as clean drinking water, sanitation and energy, access to healthcare and education, among others. In 2017, Singapore saw the listing of the world’s first social sustainability bond – the US$8-million Women’s Livelihood Bonds – on a stock exchange. The Women’s Livelihood Bonds works via a special purpose vehicle to provide financing for a group of enterprises whose activities benefit women. The enterprises pay interests charged which fund coupon payments to bondholders.

Sustainability bonds and loans involve funding projects that achieve a mix of environmental and social improvement which are aligned to the United Nations’ Sustainability Development Goals (UN SDG).

Differently, sustainability-linked bonds and loans involve financing being directed to improve the borrower’s sustainability profile based on the achievement of predetermined sustainability performance targets. For example, in April 2021, in line with Earth Day, Singtel Group’s wholly owned subsidiary launched its first sustainability-linked loan of US$565 million provided by DBS Bank, OCBC Bank and UOB Bank. It features interest rate discounts linked to predetermined ESG targets in climate risk, carbon management, and workplace health and safety metrics.

Green finance will lead in the new normal, and the important role accountants can play

The growing green finance market presents a burgeoning opportunity for businesses to access financing to drive their sustainability projects and enhance their sustainability profile. Given the long-term targets set by countries around the world, the opportunity is likely to last for the next few decades and longer. According to the Asian Development Bank, Asia Pacific alone will need up to US$1.5 trillion investment per year to achieve the UN SDG goals in 2030.

Sustainability is the new normal for businesses. Investors and asset owners are assessing companies based on both financial and sustainability performance. The Singapore Exchange (SGX) explained that investors are also “expecting (companies) to fulfil obligations of repayment and returns on investment in a responsible and sustainable manner”. There has also been a reallocation of capital to sustainable assets. The Global Sustainable Investor Alliance reported a rise in sustainable assets from US$30 trillion in 2018 to US$35 trillion in 2020.

Increasingly sustainability-conscious consumers and governments globally also mean that the ability of companies to identify and address unsustainable practices and mitigate ESG risks have a direct impact on their competitive advantage and bottom lines.

Businesses must contend with regulatory implications. The Singapore Budget 2022 announced a five-fold increase in carbon pricing from S$5 to S$25 per tonne in 2024, with further subsequent increases through to 2030. This is in addition to emission standards on industries and motor vehicles.

2 ASEAN Sustainable Finance State of the Market 2020, Climate Bonds Initiative
In December 2021, SGX announced mandatory climate reporting for issuers in the financial, energy, and agriculture, food and forest products industries from 2023. Listed companies in sectors such as materials and buildings, and transportation will also be subject to mandatory reporting commencing 2024. From financial year 2022, all issuers must provide climate reporting on a “comply-or-explain” basis.

As such, finance professionals and auditors must be equipped to collect, analyse, and report on the ESG performance metrics. New sustainability reporting and disclosure standards are also being developed. At COP 26, the International Financial Reporting Standards Foundation announced the creation of the International Sustainability Standards Board, a new standards-setting board that may result in the development of global sustainability reporting standards.

Accountants can also play important strategic roles in accelerating the uptake of green finance in their organisations. Being stewards of capital and corporate reporting, the accountancy profession is in an influential position to help businesses infuse a sustainability culture and accelerate business practices in sustainability from planning and strategy to improving processes and measuring performance. They can be strategic advisors to highlight financial considerations and risks in determining the best ways to embed sustainability into their company’s strategy and decision making.

This article is reproduced from ISCA’s journal.
Sustainability is creating new opportunities for the accountancy profession. Businesses everywhere will need preparers and assurance service providers to undertake more sustainability-related responsibilities. Preparers in the corporate finance function, which include job roles such as Chief Finance Officer (CFO), Finance Manager (FM), Treasury, and others, are increasingly tasked with sustainability-related accounting, risk management, and reporting. Meanwhile, assurance service providers are expected to keep up with the demands for sustainability assurance across various industries. The demand for accountancy and finance professionals with relevant sustainability skills is growing, and it is expected to remain high in the foreseeable future.

The burgeoning of responsibilities has seen the creation of new and emerging job roles, with one of them being Chief Finance & Sustainability Officer (CFSO). The CFSO is a C-suite position that could be placed above today’s CFO and Chief Sustainability Officer (CSO) roles. The CFSO is uniquely placed to translate the impact of environmental, social, and governance (ESG) considerations in business activities into financial metrics. Accountancy and finance professionals, with their financial expertise, are in an advantageous position to assume the CFSo position. There is also evidence that accountancy and finance professionals are already playing important roles in sustainability for businesses, where CFOs are taking the lead in key sustainability matters.

These are some of the key findings from a recent joint study by the Institute of Singapore Chartered Accountants (ISCA), Ernst & Young Advisory Pte Ltd (EY), Singapore Management University (SMU), and Singapore Accountancy Commission (SAC). The exploratory study set out to understand the impact of sustainability on emerging job roles, skill gaps, and skill needs for accountancy and finance professionals. The study conducted interviews with 23 C-suite executives from 10 different business sectors.¹

¹ The 10 business sectors are: Professional Services, Banking & Finance, Manufacturing, Technology, Materials & Building, Real Estate, Energy, Transportation, Food & Beverages, and Forest Products & Agriculture.
The report, titled “Sustainability – Jobs And Skills For The Accountancy Profession”, was launched at the annual ISCA flagship Professional Accountants in Business Conference (PAIB Conference) 2022 on August 25, where over 900 delegates were in attendance. Commenting on the study and ISCA’s support for its members in this area, ISCA President Teo Ser Luck said, “The findings show that accountancy and finance professionals play a critical role in integrating sustainability into businesses. They are called to be stewards of corporate sustainability strategies by facilitating the sustainability transition for businesses. With their professional knowledge, they are able to take a leading role in helping businesses in the process. On ISCA’s part, we are committed to supporting the profession and equipping our members to seize new opportunities arising from the transition to a green economy.”

THREE KEY SUSTAINABILITY TRENDS

The study uncovered three key sustainability trends with significant impacts on business. They are: decarbonisation of the environment, more companies are participating in sustainability reporting, and there is an expansion in the green finance sector.

Decarbonisation of the environment is becoming a global imperative and a priority for governments. Globally, reducing carbon dioxide (CO2) and other greenhouse gas (GHG) emissions has been accelerated to meet the goal of the 2015 Paris Agreement to limit global warming to below 2-degree Celsius above pre-industrial levels. The decarbonisation effort has been given a boost as global rules and regulations stabilised through agreements on an international standard of measuring carbon. This has hastened the development of a global system of carbon markets and made carbon trading much more attractive.

Sustainability reporting is becoming commonplace and this trend is likely to grow more prominent alongside the establishment of the International Sustainability Standards Board (ISSB). The ISSB aims to develop a comprehensive global baseline of sustainability-related disclosures to meet capital market needs. There is evidence that this baseline would improve information usability and comparisons.

Regarding the expansion of green finance, according to a Bloomberg report, in the past two years, the green bond market has already tripled and yet, investors’ appetites for green bonds remain high; it is likely that green bonds will be oversubscribed by twice the supply.

NEW AND EMERGING JOBS; ADDITIONAL SUSTAINABILITY SKILLS

In light of these sustainability trends, the accountancy profession would be required to pick up additional skills to meet new business needs. As SAC Chief Executive Evan Law pointed out, “Sustainability is changing how businesses operate, and the professional accountant’s role is at the heart of this transformation. They know how businesses work and thus, they are well placed to guide businesses in meeting their sustainability goals. As such, it is essential that they equip themselves with the skills to handle emerging areas in sustainability, such as carbon and greenhouse gas accounting, green financing, and sustainability reporting.”

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<tr>
<th>Additional Skills for Corporate Finance Function</th>
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<tr>
<td><strong>Green Finance</strong></td>
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<tr>
<td>- Key sustainable investment strategies or investment approaches and governance practices</td>
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<td>- Sustainable asset classes universe</td>
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<td>- Approaches to take into account sustainable factors in investment process</td>
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<td>- Sustainable investment trends including new</td>
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<td><strong>Sustainability Risk Management</strong></td>
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<td>- Key sources of sustainability risks, and potential transmission</td>
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<td>- Channels through which these risks can impact or be impacted by the financial institutions</td>
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<td>- Regulatory guidelines and requirements, and industry standards for sustainability risk management</td>
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Preparers in the corporate finance function would need additional sustainability skills, such as an in-depth understanding of carbon accounting, carbon trading, and sustainability reporting. Both the CFO and FM would be expected to know and operationalise carbon accounting and the different approaches to measure GHG emissions. In addition, the CFO would need additional skills to understand and keep abreast of developments in the global carbon markets and carbon trading, to identify potential risks and opportunities. Assurance service providers are also expected to understand carbon accounting and trading. As carbon trading becomes integrated into business strategy, companies would come to rely on sustainability assurance to adjust, augment, and authenticate the information for stakeholders. They would be vital partners in the efficient allocation of capital across global carbon markets.

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<th>Job</th>
<th>Current Skills</th>
<th>Additional Skills</th>
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<tr>
<td>Chief Financial Officer</td>
<td>• Accounting and tax systems&lt;br&gt;• Audit compliance&lt;br&gt;• Benchmarking&lt;br&gt;• Business acumen&lt;br&gt;• Business innovation and improvement&lt;br&gt;• Business planning&lt;br&gt;• Business process management&lt;br&gt;• Capital expenditure and investment evaluation&lt;br&gt;• Capital raising&lt;br&gt;• Change management&lt;br&gt;• Conflict management&lt;br&gt;• Corporate and business law&lt;br&gt;• Cost management&lt;br&gt;• Data analytics&lt;br&gt;• Digital technology adoption and innovation&lt;br&gt;• Digital technology environment scanning&lt;br&gt;• Disruption management&lt;br&gt;• Finance business partnering&lt;br&gt;• Financial analysis&lt;br&gt;• Financial management&lt;br&gt;• Financial planning&lt;br&gt;• Financial reporting&lt;br&gt;• Financial reporting quality&lt;br&gt;• Fraud risk management&lt;br&gt;• Internal controls&lt;br&gt;• Macroeconomic analysis&lt;br&gt;• Management decision making&lt;br&gt;• Performance management&lt;br&gt;• Professional and business ethics&lt;br&gt;• Professional scepticism and judgement</td>
<td>Carbon Markets and Credits&lt;br&gt;• Key climate-related policy concepts and leading government and corporate commitments driving carbon markets&lt;br&gt;• Definition of carbon credits as well as the different attributes and qualities&lt;br&gt;• Global carbon markets&lt;br&gt;• Key GHG accounting approaches and principles for financial institutions&lt;br&gt;• GHG (including Scopes 1 to 3) emissions concepts&lt;br&gt;• Mitigation hierarchy approaches and benefits of carbon trading and how they allow for efficient allocation of capital</td>
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<td></td>
<td>Sustainability Reporting&lt;br&gt;• Concepts of sustainability reporting frameworks, guidelines and principles&lt;br&gt;• Concepts of sustainability accounting frameworks, guidelines and principles&lt;br&gt;• Domestic, regional and international sustainability reporting and accounting regulations that are applicable to the financial sector</td>
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Sustainability reporting and sustainability risk management are two other skill sets that would be expected of job roles in the corporate finance function. There are various global sustainability reporting frameworks and guidelines, which the CFO and FM must be familiar with, to navigate different disclosure standards for different stakeholders and purposes. At the same time, the corporate finance function as a whole must upskill in sustainability risk management to identify risks and opportunities. For instance, there should be general understanding of sustainable investment principles and best practices to better prepare and position the organisation for opportunities in sustainability.

Commenting on the new and additional skills required of accountancy and finance professionals, Professor Cheng Qiang, Lee Kong Chian Chair Professor of Accounting and Dean, School of Accountancy, SMU, said, “To meet the rising demand of sustainability accountants, we have adapted our educational curriculum to include existing and emerging frameworks for developing corporate ESG performance metrics, assessing their reliability, reporting to stakeholders, and incentivising managers based on ESG performance metrics. We hope it will help to ease the skills gap in the accountancy sector.”

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<th>Job</th>
<th>Current Skills</th>
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<td>Assurance</td>
<td>• Accounting standards</td>
<td>• Carbon Markets and Credits</td>
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<td>• Auditing and assurance standards</td>
<td>• Key climate-related policy concepts and leading government and corporate commitments driving carbon markets</td>
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<td>• Auditor independence</td>
<td>• Definition of carbon credits as well as the different attributes and qualities</td>
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<td>• Business acumen</td>
<td>• Key GHG accounting approaches and principles for financial institutions</td>
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<td>• Cybersecurity</td>
<td>• Compliance and voluntary carbon markets, carbon pricing mechanisms and policy considerations</td>
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<td>• Mitigation hierarchy approaches and benefits of carbon trading and how it allows for efficient allocation of capital</td>
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<td>• Data governance</td>
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<td>• Professional and business ethics</td>
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<td>• Programming and coding</td>
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<td>• Project execution and control</td>
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<td>• Stakeholder management</td>
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<td>• Communication</td>
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<td>• Collaboration</td>
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<td>• Digital fluency</td>
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WHAT DOES THE CFSO DO?

Today, the CFSO is emerging in companies with a well-developed sustainability drive. The CFSO is a C-suite position that could be above the CFO and CSO functions, to oversee the integration of finance and sustainability into the business strategy of the organisation. The CFSO brings end-to-end strategic and financial leadership to the company’s sustainability strategy and will translate the ESG impact of the company’s activities into financial metrics. The CFSO must be familiar with sustainability reporting and target setting, as well as possess sustainability business partner skills. Accountancy and finance professionals have an advantage in assuming this leadership role due to their financial expertise. This career option would be attractive to those who seek to provide financial oversight and steer organisation-wide sustainability initiatives, investments, and interests.

As Samir Bedi, Partner, EY Asean Workforce Advisory Leader and EY Singapore Government & Public Sector Leader, was of the view that “sustainability, as a topic and a trend, covers more than finance. The role of sustainability in finance will soon be more than just a task and potentially one that requires focus, attention and perhaps even a separate full-time role to be carved out”.

<table>
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<th>Job</th>
<th>Technical Skills</th>
<th>Critical Core Skills</th>
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<td>Chief Finance &amp; Sustainability Officer</td>
<td><strong>Sustainability Reporting and Target Setting</strong>&lt;br&gt;- Best practices for methods to set targets in relation to each material sustainability metric&lt;br&gt;- Best practices for corporate policies, practices and performance measurements in relation to each material sustainability metric</td>
<td><strong>Sustainability Business Partner Skills</strong>&lt;br&gt;- Stakeholder engagement&lt;br&gt;- Communication&lt;br&gt;- Collaboration&lt;br&gt;- Influence&lt;br&gt;- Problem solving&lt;br&gt;- Sense making&lt;br&gt;- Transdisciplinary thinking</td>
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<td><strong>Integrating Sustainability into Corporate Strategy</strong>&lt;br&gt;- Techniques to link the organisation’s targets to global environmental goals and UN SDGs in a quantifiable manner</td>
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<td><strong>Sustainability Reporting</strong>&lt;br&gt;- Techniques to conduct integrated reporting which combine financial and sustainability data</td>
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CONCLUSION

Accountancy and finance professionals are the emerging champions of sustainability in organisations. It is imperative that they are properly equipped with additional sustainability skills to spearhead sustainability transition in companies. As sustainability becomes more entrenched as a business norm, accountancy and finance professionals will find themselves tasked with sustainability reporting and disclosures, as well as the identification of sustainability risks and opportunities.

This article is reproduced from ISCA’s journal.
As sustainability issues gain momentum, there is increasing interest in sustainability reporting. This article looks at the developments driving sustainability reporting in the public sector, the role being played by the International Public Sector Accounting Standards Board (IPSASB) and the role that Public Sector Accountants could take in spearheading the nation’s vision for sustainability.

**The Context: Glasgow Climate Pact**

Like other nations, Malaysia has committed to climate action. In the recent UN Climate Change Conference in Glasgow, United Kingdom (COP26), 120 world leaders and countries including Malaysia, have agreed to the Glasgow Climate Pact and will deliver their commitments to combat climate change. Among those that are relevant to Malaysia’s interest are:

- To revisit and strengthen their 2030 emission reduction targets next year, to bring them in line with the Paris Agreement goals by enhancing their Nationally Determined Contribution (NDC).
- To achieve carbon neutrality.
- To champion in halting and reversing deforestation.
- To set a collective goal to reduce global methane emissions by 30% before 2030.

**Towards Sustainable Malaysia 2030**

In Malaysia, the Ministry of Environment and Water (KASA) is leading the efforts towards Sustainable Malaysia 2030. KASA issued a roadmap in 2020 titled *Environmental Sustainability in Malaysia 2020-2030*, which outlines 30 initiatives. As mentioned by Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of Finance Malaysia in his keynote address at the recent MIA International Accountants Conference 2022, among the key eco-friendly priorities laid out by the 12th Malaysia Plan include:

- reducing greenhouse gas emissions to 45% of GDP by 2030 (to be in line with the Paris Agreement),
- instituting a Comprehensive National Energy Policy – to provide long-term direction on achieving Malaysia’s carbon neutrality aspiration,
- establishing a Voluntary Carbon Market before transitioning to the Domestic Emissions Trading Scheme, and
- establishing the National Greenhouse Gas (GHG) Centre – to improve transparency in climate change data and reporting to boost confidence in low carbon investment.

As the effects of climate change become more visible, organizations are experiencing pressure to recognise and mitigate their
environmental impact. Therefore, there is also a growing focus on reporting and disclosing environmental information to investors and the public. As the public sector is the largest sector in the economy and public sector organisations such as KASA also influence the climate through regulation and the provision of public services, sustainability reporting is critical for public sector entities to demonstrate how they address social, economic, and environmental challenges as well as enables them to be held accountable for their actions.

In moderating a recent concurrent session on Public Sector – Catching Up on Environmental Reporting at the MIA Conference 2022, Rasmimi Ramli, Executive Director – Digital Economy, Reporting and Risk of MIA said, “In the private sector, the demand on sustainability reporting was pushed by the investor community. While for the public sector, taxpayers and citizens like us would want to know how public sector organisations are addressing sustainability challenges.”

At the session, Rasmimi was joined by Bonnie Ann Sirois – Senior Governance Specialist, Financial Management, World Bank, Ian Carruthers – Chair of the International Public Sector Accounting Standards Board (IPSASB) and Nor Yati Ahmad – Director, Accrual Accounting Implementation Team, Accountant General’s Department of Malaysia.

**Sustainability Reporting Progress in the Private Sector**

According to the panellists, sustainability reporting is becoming common practice in the private sector. There has been notable progress towards the development of a global baseline for sustainability reporting in the private sector. Many companies in the private sector have incorporated non-financial information in their reporting which includes the impacts to the environment. In November 2021, the IFRS Foundation Trustees announced the formation of the International Sustainability Standards Board (ISSB) to deliver a comprehensive global baseline of sustainability disclosure standards that will assist in providing information about company’s sustainability-related risks and opportunities that can help with their decision making. The formation of the ISSB will deliver transformative change in sustainability disclosures for the private sector.

**Catching up on Sustainability Reporting**

However, sustainability reporting in the public sector is still at the infancy stage. During the panel session, Sirois highlighted the reasons why public sector around the world should engage in sustainability reporting. This includes assisting the public sector to attract capital, to hold the public sector accountable and for domestic policy-making purposes. As mentioned in the Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework published by the World Bank, reporting on climate and nature-related risks and opportunities will ensure that a clear, consistent level of financial and economic risk information is available on an ongoing basis to all types of users, including investors, policymakers, regulators, donors and development finance organisations. “Recently published World Bank research estimates that the collapse of selected ecosystem services provided by nature could result in a decline in the global GDP of US$2.7 trillion annually by 2030, which underscores the strong reliance of economies on nature. Thus, government needs to accelerate investments in adaptation and resilience to climate impacts,” explained Sirois.

In the World Bank’s proposal mentioned above, the World Bank invited the IPSASB to lead a consultative process to gain support for developing global public sector specific sustainability reporting guidance. “The IPSASB has strong standard-setting experience including in applying relevant guidance to the public sector context and
is best placed to lead the organisation,” explained Sirois when asked about the rationale for the invitation.

**Consultation Paper, Advancing Public Sector Sustainability Reporting**

The IPSASB issued a Consultation Paper, *Advancing Public Sector Sustainability Reporting* in response to the growing demands from its stakeholders for global sustainability reporting guidance for the public sector to contribute to the delivery of sustainable development and to address climate change. The Consultation Paper proposed that the IPSASB:

- serves as the standard setter for global public sector specific sustainability guidance;
- develops initial guidance focused on general disclosure requirements for sustainability-related and climate-related disclosures; and
- develops the guidance at an accelerated pace.

“It’s a comprehensive paper and we are certainly looking for as much feedback as possible from a broader group of stakeholders,” said Carruthers.

According to the Consultation Paper, the breadth of the public sector and its broad range of accountability and obligations to its stakeholders could result in a different focus in the sustainability-related information that users demand, in comparison to the private sector.

Ian Carruthers further added, “Clearly, the nature of the public sector is different. Accordingly, there could be differences in terminology and activities.”

In relation to the proposed approach in developing the guidance, if it decides to proceed the IPSASB would propose to address public sector specific issues and make use of international guidance such as the proposed IFRS Sustainability Disclosure Standards.

The IPSASB welcomes [comments](#) on the consultation paper until 9 September 2022.

**Role of Public Sector Accountants in Sustainability Efforts**

Undoubtedly, public sector accountants will play a leading role in anchoring sustainability efforts, concurred the panellists. “The roles of public sector accountants in sustainability efforts include providing information and advice on sustainability reporting, as well as understanding the entity’s sustainability efforts and issues, and the requirements of sustainability reporting,” emphasised Nor Yati Ahmad.

“Accountants will also need to collaborate with the experts from different fields to comprehend the extent of impacts or damages on the environment,” said Sirois in advocating for a multi-disciplinary approach.

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