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Confederation of Asian and Pacific Accountants

# CAPA Environmental Accounting/CSR Survey

## Executive Summary

It is an established fact that the increasingly serious and complex environmental and social issues in today's world require the strict attention and concern of businesses and investment communities. Apart from the challenges this poses, an opportunity exists for professional accountants to make a contribution in solving these issues through the promotion of environmental accounting and disclosure, as well as enhancing the credibility of such information.

In response, the Confederation of Asian and Pacific Accountants ("CAPA") Executive Committee, decided to conduct a survey focusing on member bodies' activities in these areas. The main objective of this survey is to collect extensive information on notable practices by the CAPA member bodies, in order to support the activities of professional accountants related to EA/CSR issues by providing such information to all member bodies. Doing so will furthermore, facilitate CAPA member bodies' activities.

Part I gives an overview of CAPA member bodies activities, including trends and examples. Nearly all of the respondents acknowledged the importance of EA/CSR. Climate change, followed by the use of non-financial and sustainability reporting appear to be the main areas of focus for member bodies.

Nearly half of the respondents set up internal organizational units to deal with issues related to sustainability, corporate reporting of EA/CSR and assurance on such reporting. Their competencies include such areas as research, development of guidance or standards, response to international activities, advocacy, advice to management and involvement in governmental policy making. Most of such organizational units consist solely of members' professional accountants, but some organizations are seeking to involve external experts in the discussions of EA/CSR issues.

Most member bodies have undertaken some educational activities, mostly intended for members' professional accountants. Educational opportunities for members' staff are

relatively limited, although some pioneering approaches are evident. In many cases, business people were also given the same educational opportunities offered to member accountants. Such activities range from direct and indirect educational programs, to publications and seminars; as well as support for interest groups including scholarships.

Member bodies have published various research reports related to EA/CSR issues, some of which were developed by themselves. Others were co-developed with other organizations, such as governments and certain industries. Some member bodies retained the services of other organizations, such as academic institutes, to conduct research. Topics of research reports were varied: from the role of professional accountants and sustainability reporting, to climate change.

The survey revealed that several member bodies are responsible for several local as well as global activities, related to the development of guidelines and standards. The development processes range from direct involvement, such as sending staff or members to a committee, to indirect involvement, in the form of participating in the consultation process.

Most issues examined environmental issues in accounting or auditing, sustainability or environmental reporting, assurance of sustainability reporting or GHG emissions and sustainability related issues in business and management. Several member bodies offer or support awards for relevant reporting, such as corporate responsibility reporting awards or sustainability reporting awards. Awards for activities not exclusively related to reporting were also offered, such as the Corporate Responsibility Award and awards for academic achievements.

Some member bodies are actively advocating issues such as GHG emission, sustainability disclosure/reporting and assurance of environmental/sustainability information to various types of stakeholders, such as local governments, standard development organizations, multinational organizations, pioneering initiatives and NGOs.

Approaches to advocacy are diversified from very proactive, such as leadership in international initiatives and recommendations to governments, to the more reactive, such as participation in initiatives and commenting on during a consultation process. Many member bodies hold conferences and events on a variety of topics. Another approach they take is to raise issues of sustainability at conferences held on regular bases. Some organizations are actively involved in environmental and/or social action and donation programs.

Part II refers to the challenges and obstacles faced by member bodies. Many member bodies face a wide range of challenges such as: defining CSR (e.g. no single agreed-upon definition as it covers a wide range of issues which are dynamic by nature, and are influenced by other

emerging issues); lack of clear regulations and guidelines; limited recognition concerning the role that CPAs should play in this area; the necessity to educate the business community as well as the public and member accountants; and a lack of time and other resources.

Part III examines the member bodies' future plans. Comments were often given by member bodies regarding their intentions to continue certain past EA/CSR activities ; while some of them described new areas of focus or specific future plans. There were also some descriptions about future plans that have not progressed much further than the planning stage. The most prevalent issues that member bodies raised in regards to future plans involved education, training and support for their member CPAs. This may be due to the increasing recognition, among some member bodies, of the importance of EA/CSR issues in accounting practices.

Part IV presents the notable activities of regulatory bodies, business associations and organizations other than the member bodies, as well as the role of member bodies involved. Many member bodies commented on how regulatory bodies respond to EA/CSR reporting. The majority of comments indicate that there are no regulatory requirements on such reporting. But some bodies also commented on tendencies for regulatory bodies to promote disclosures.

Responses from member bodies highlighted that there are two types of organizations involved in the sustainability aspect of companies. One is the general and traditional business association, and another is the business association focused on promoting CSR activities of companies.

Part V summarizes major requests to CAPA from member bodies that chose to respond to the survey. Several bodies mentioned raising awareness and supporting activities of CAPA bodies. There were a variety of suggestions concerning research projects, guidelines and standards, CAPA's role in the Asian Pacific region, and cooperation with other international organizations.

The above overview provides the following insights.

Firstly, the importance of EA/CSR is widely shared among member bodies, and they are promoting a variety of related activities such as structure development, education, advocacy, standard development, and regulatory responses.

Secondly, notwithstanding the similarity in issues among member bodies, such as sustainability reporting, assurance on reporting, and climate change related issues, diversity

was also prominent, among member bodies, in approaches, amounts and focus of activities. This may reflect differences in priority of issues in local, social and economic systems of countries, and resources of member bodies. For example, in many countries, climate change is recognized as a priority issue, but the specific responses that member bodies recognize as necessary include accounting, taxation and disclosure and assurance related issue on Emission Trading, to adaptation related issues. This diversity must be a reflection of differences in the situation of the countries where the member bodies belong, such as positions stipulated in the Kyoto Protocol, local programs for GHG reduction, and vulnerability of the nation against potential physical impact of climate change.

Despite the wide recognition in importance of EA/CSR, several bodies noted that they have not been able to promote related activities due to the lack of resources. In addition, although the importance of regulatory responses on disclosure and assurance was widely noted, it was also pointed out that there is limitation in the expected effect of local advocacy in current globalized economy and society. Several bodies noted their expectation for collaboration and support from CAPA.

There were also some comments which state that CAPA should avoid duplication of activities similar to those undertaken by others. One of the examples is Sustainability Framework developed by International Federation of Accountants (IFAC).

On the other hand, several member bodies expressed their needs for support by CAPA. This may indicate the fact that some member bodies are not satisfied with current situation even taking account of the developments by innovative international initiatives develop. One of the factors may be diversity in, and specific nature of issues which reflect social, economical and cultural background of the Asia Pacific nations. This may present a challenge to CAPA to clarify the issues, material and characteristic in this region but not well covered by global initiatives.

Considering the unquestionable fact that this region rapidly increases their importance both in global economy and sustainability, this pioneering survey would give insights into how CAPA, and its member bodies, should respond to the global and local challenges related to sustainable development in the Asia Pacific region. Therefore, this region's international network of accountancy profession's bodies is very well placed to play a key role in this area and the development of society.