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**ASEAN ACCOUNTANCY
PROFESSION COLLECTIVE
RESPONSES TO COVID-19**



**CRISIS WITH A LEGACY: ARE
WE PROFESSIONALLY READY
TO BUILD SOMETHING BETTER?**



**AGILITY AND RESILIENCE –
STRATEGIC TOOLS FOR SURVIVAL
IN THE COVID-19 CRISIS**



**HOW THE FINANCE
PROFESSION IS LEADING ON
SUSTAINABILITY**



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With the movement control order introduced by the Government of Indonesia, effective March 17, 2020 the AFA Secretariat office in Jakarta has suspended all operation for the foreseeable future.

All correspondence shall be addressed to our email: [**afa@afa-accountants.**](mailto:afa@afa-accountants.org)



Wan Tin
President, AFA

ASEAN ACCOUNTANCY PROFESSION COLLECTIVE RESPONSES TO COVID-19

When I took over the role of AFA President from President Kon Yin Tong in January 1, 2020 our priorities were to continue with our collaborative efforts in building the capacity of ASEAN Professional Accountancy Organisations (PAOs), leading the development of the ASEAN accountancy profession and becoming the voice of ASEAN accountants in global discussions relevant to the

profession. Fast-forward to the present, we are now certainly living in a different environment, under a situation that has forced many including our profession to adapt to the situation.

As per April 15, 2020, the World Health Organization reported 20,287 confirmed cases in Southeast Asia – including documented cases in ASEAN and SAARC region (WHO, 2020).



The pandemic is changing the way businesses and organisations operate and individuals live. The accountancy profession is no exception. Accountants are forced to change and respond to the many strategic, technical and operational challenges that come with COVID-19.

Our priorities still stand. I believe they are even more important now. As a regional body for the profession, we need to continue our role in facilitating communication and collaboration between our member organisations, partners and stakeholders, creating a network of expertise and pool of resources. I am encouraged to see how AFA member organisations have been actively producing and sharing many COVID-19 related updates. These are valuable resources that I believe will benefit ASEAN accountants in dealing with COVID-19 challenges.

ASEAN's Response to COVID-19

ASEAN is leading the regional efforts in tackling the socio-economic issues that come with COVID-19. In its policy brief¹, ASEAN recognises the disruptiveness of the pandemic to economic activities in the region, tapering growth prospects around the world including Southeast Asia. It also recognises how the pandemic may lead to long-term and considerable economic implications.

ASEAN acknowledges how the ASEAN countries have come up with various measures to counter the impact of the pandemic. Stimulus measures included,

among others, tax breaks, subsidies including targeted support and cash assistance, and moratoriums on loan payments and pension contributions. Central banks also lowered interest rates, reduced reserve requirements, and purchased government bonds.



The brief identifies several policy recommendations to restore confidence and revive the economy such as:

1. Mobilise all available macro, financial, and structural policy tool;
2. Preserve the economy's productive capacity;
3. Keep the supply chains going;
4. leverage on technologies and digital trade;
5. strengthen social safety nets;
6. scale up regional pandemic response; and
7. redouble the resolve to advance regional integration.

AFA as an accredited Civil Society Organisation (CSO) of ASEAN is fully committed to support ASEAN's policies and regional initiatives to deal with COVID-19.

¹ ASEAN Policy Brief on the Economic Impact of COVID-19 Outbreak on ASEAN, 2020

Challenges for Practicing Accountants in the Region

ASEAN accountants are dealing with various operational and technical challenges, similar to their counterparts in other regions. With health and safety as priorities, it is difficult to see how practitioners can continue operating normally under the circumstance. As movement is limited, preparers and auditors' ability to prepare and audit reports are also challenged. Normal activities such as preparing reports on-site (for preparers) and attendance at client site to conduct stocktake and valuation or inventory audit testing (for auditors) are now almost impossible. Confirmation with bank, debtors and creditors may also take more time as they also face similar operational challenges.

On a more strategic level, auditors also need to consider potential challenges in term of group audits and issues related to reporting dates. Practitioners need to think about how COVID-19 are affecting the entities' going concern and liquidity of their assets and liabilities. Would businesses have the ability to continue to operate post COVID-19?



Finally, practitioners also need to consider technical challenges that COVID-19 has brought to particularly implementation of IFRS Standards or the jurisdiction's local equivalents. Matters such as impairment assessment, contract modifications, fair value measurement, and impact of Government assistance, relaxation and policies on income tax need to be carefully considered to ensure consistent application of the standards.

Global implementation of international standards means that most jurisdictions are facing similar issues. Guidance and various toolkits shared by PAOs are valuable resources that practitioners in most jurisdictions can use as references in responding to various practical and technical issues. Our role together with our member organisations is to provide members with access to these guidance and toolkits, as well as different updates and resources relevant not only to accountants but also professionals of different sectors.

Updates and Resources for ASEAN Accountants

As a regional body for the ASEAN accountancy profession, we recognise the importance of maintaining communication with and strengthening collaboration between our member organisations. We believe it is important to leverage our network of PAOs, partners and stakeholders and our collective resources to provide members with access to COVID-19 updates and resources.

I was recently participated in a global webinar on impact of COVID-19 on reporting and assurance hosted by the Institute of Chartered Accountants of India, together with more than a dozen of panellists from different parts of the world. One key take-out from the activity was that accountants and PAOs are facing similar challenges. Updates and resources that PAOs are producing and sharing are a testament to our collective capacity in responding to the challenges, providing accountants with a plethora of references for their further use.

As an IFAC Network Partner, we took a page out of IFAC's book and set up a dedicated page in our website (<http://www.afa-accountants.org/news-94-COVID-19%20Resources%20for%20ASEAN%20Accountants.html>), collating relevant updates and resources for ASEAN accountants. I am encouraged to see how ASEAN PAOs are actively coming out with country or regional specific resources. Our collective resources are limited, but together we are creating a pool of knowledge that can benefit our members and stakeholders.

I believe it is even more important now to show our members that we continue to provide leadership and support in this challenging time.

To support ASEAN accountants, our member organisations have introduced an array of solutions responding to the

challenges that come with COVID-19. Providing online access to various updates and resources, including guidance for consistent implementation of standards, as well as opportunities for professional developments are some measures that our member organisations have brought into the table



Singapore is probably the first country in our region who actively introduced measures to counter the pandemic. The Institute of Singapore Chartered Accountants (ISCA) as the recognised PAO has published several resources to support accountants and practitioners in the country, including guidance on accounting implications arising from COVID-19 for entities with 31 December 2019 financial reporting date and one for group engagement teams on reliance on the work performed by the component auditor in situations where the group engagement team has determined it to be necessary to review the component auditor's work papers but is unable to



access the component auditor's work papers due to an extraordinary event which restricts travel.

The Malaysian Institute of Accountants (MIA) has also been very active in providing COVID-19 updates and resources to their members. Similar to IFAC and AFA, MIA has pooled together an extensive list of resources including statements, Frequently Asked Questions (FAQs), technical guidance, articles and speeches from relevant Malaysian and global organisations. MIA also published its COVID-19 FAQs to clarify several audit matters and a write up on additional measures to support SMEs affected by COVID-19 outbreak.

The Institute of Indonesia Chartered Accountants (IAI) is supporting the Indonesian Financial Accounting Standards Board in issuing several guidance to clarify implementation of their Indonesian equivalent of IFRS 9,

IFRS 13 and IAS 10 under COVID-19. To support this, they have successfully conducted a virtual webinar on Indonesia's local equivalent of IFRS 9, to guide practitioners in consistently implement the standard under COVID-19. You will hear more on this from IAI later.

I am also pleased to observe how our Associate Members – the global PAOs are actively and consistently coming up with and sharing different COVID-19 updates and resources. We will continue to work with our member organisations to actively share information and access to these resources with accountants in the ASEAN region.

I hope you will find the articles in this edition useful. I wish you and your family safe in these challenging times.

Thank you.



AGILITY AND RESILIENCE — STRATEGIC TOOLS FOR SURVIVAL IN THE COVID-19 CRISIS

Dr Nurmazilah Dato' Mahzan
Chief Executive Officer, MIA

C COVID-19 has not only been a mega stress test for our healthcare infrastructure, economies and societies, but similarly a gigantic stress test for businesses and the accountancy profession.

Over 3 million have been confirmed infected as of 1st May 2020¹. To control and flatten infections, many Governments have implemented their

¹ [https://www.worldometers.info/coronavirus/?utm_campaign=homeADemocracynow\(2020\)%20dve-gas1?](https://www.worldometers.info/coronavirus/?utm_campaign=homeADemocracynow(2020)%20dve-gas1?)

own versions of economic and social lockdowns. Malaysia is no exception, and its COVID-19 response is rated as the fourth strictest in Southeast Asia by the University of Oxford Blavatnik School of Government².

While the Movement Control Order (MCO) has been a systemic shock, it has also revealed the weaknesses and gaps that must be overcome for economies and societies to become more resilient and sustainable in the future. And, in order to become more resilient, we need to be more agile and adaptable, able to go with the flow and cushion the blows.

² <https://www.thestar.com.my/news/nation/2020/04/12/malaysia039s-response-to-covid-19-ranked-fourth-strictest-in-sea>

Where the profession is concerned, MIA advocates embracing the following strategies as the gateway to resilience and agility, based both on our direct experience as a regulator and a Professional Accountancy Organisation (PAO) as well as our ongoing stakeholder engagement:

1. Implement Effective Remote Work Solutions

The ability to continue working is crucial to business continuity. MIA's extensive contingency planning and business continuity plan have certainly been put to the test during the MCO, but while MIA's operations are somewhat disrupted, we are able to work towards our realigned targets, albeit at a reduced capacity.

To be productive, it is essential to implement an effective work from home (WFH) culture. Due to the MCO, all MIA staff have been working from



home since 18 March 2020, supported by technology and digital tools.

A healthy WFH culture also depends on continuous engagement and two-way communication, both top-down and bottom-up. At MIA, management works very hard to put people first and ensure their wellbeing. We hold weekly division meetings, regular staff meetings and high-level Townhalls to ensure that all our staff are kept in the loop and on the same page. Managers review KPIs and progress with staff, while staff are tasked to turn in a job sheet, which not only help tracks performance on the Institute's targets but serves as a record for work appraisal.

2. Technology is a Must-Have, not a Nice-to-Have

Technology is essential to WFH success, and MIA believes that COVID-19 measures for social distancing and remote work can be a further driver for technology adoption. MIA has been championing the adoption of digital technology for the profession since 2016, and we are now in the process of operationalising the MIA Digital Technology Blueprint launched in 2018, which guides digital transformation for our members and all accountants.

Those firms and accountants that have transitioned to digital technology earlier on are continuing to work seamlessly throughout the MCO, subject to clients' digital preparedness. Key solutions that

support WFH include the use of cloud-based applications and data storage, VPNs (virtual private networks) for enhanced security, and virtual meeting software such as Microsoft Teams for meetings and team projects.

Other than facilitating WFH, MIA has benefited tremendously from our ongoing digital transformation, which supports our strategic collaborative leadership approach. We are able to serve members with minimal disruption through our MIA Membership Information System (MMIS). We are continually engaging with members in relation to technical matters in working groups and Committees/Boards as well as conducting Continuing Professional Development (CPD) and webinars through online platforms e.g. Microsoft Teams and Go Meetings.

However, digital technology and WFH can only be optimised if everybody has access to tools and infrastructure. Here in Malaysia, slow Internet connectivity and lack of devices hamper remote working for disadvantaged households (those in the bottom 40% household income range) and rural areas. Much has to be done to ensure digital democratisation and equal access to Internet and technologies, which MIA is advocating through its Digital Technology Blueprint and ongoing digital transformation efforts. We fully support the Ministry of

Communications and Multimedia's National Fiberisation and Connectivity Plan (NFCP) 2019-2023 that seeks to improve coverage, broadband package pricing and speed³.

3. Accountants Must Help Others Achieve Resilience

As a driver of nation building, MIA advocates that the profession support agility and resilience for businesses and organisations in all sectors.

PAOs have all along been positioning our members and accountants as strategic business advisors. This is the time for professional accountants, especially small and medium practitioners (SMPs), to step up and provide services geared to business continuity and survival, especially for vulnerable small and medium enterprises (SMEs).

SMPs' expertise is particularly needed to advise affected SMEs lacking resources in finance on how to gain access to the Government's stimulus package measures or the necessary financial advisory to obtain funding assistance from financial institutions and other agencies. The profession needs to help SMEs - as the backbone of the economy and support for larger businesses - to become more agile and resilient and prevent systemic business failure.

³ <https://www.thestar.com.my/news/nation/2019/11/13/connecting-malaysia-digitally>

4. Keep Upskilling and Learning

The more knowledgeable and informed you are, the more agile and resilient you can be. In response to the new norms of social distancing and bans on conferences and communal events, MIA is developing more virtual learning programmes to meet members' CPE needs. In the short span of a month, we have rallied our resources and expert speakers to offer online CPD programmes and webinars to our members.

We have started to see an uptrend in the e-learning take up rate. Our webinars on current topics such as the implications of COVID-19 on taxation, IFRS and business continuity have received tremendous response.

MIA team has accelerated their effort to ensure that our programmes' content and delivery are benchmarked to global standards and local requirements. We have partnered with global professional body American Institute of Certified Public Accountants -Chartered Institute of Management Accountants (AICPA – CIMA) and award-winning providers of online learning (Nelson Croom Ltd) (under its imprint accountingcpd.net) to curate the best mix of global and contemporary content that is relevant for business and accountants, blended with developing and emerging economy perspectives, and delivered via a user-friendly and efficient technology platform.

Currently, members can access about 147 e-learning courses that span across Accounting Standards, Finance, Practice Management, Management, Technology Education including Technology Certificate Programmes, Risk & Governance, and Soft Skills, and content is being updated regularly. Find out more here: https://www.mia.org.my/download/PDD/elearning/MIA_e-learning_programmes_Apr20.pdf

5. Address Compliance Challenges

One of the challenges faced by members who are audit practitioners during this period is the impact that the COVID-19 has on risk assessment, audit procedures and the audit report.

Other than being in constant engagement with the respective Ministries and regulators to advocate for the audit and accounting profession, the Institute has been working on a very tight schedule to have a quick turnaround of



announcements and circulars to inform members regarding extension of reporting deadlines by relevant regulators and other matters impacted by the COVID-19 outbreak.

The Institute also worked overtime to produce a set of frequently asked questions (FAQs) to assist auditors, which considers the various points of views by auditors and practical application. On 31 March 2020, the Institute issued FAQs regarding the impact of the COVID-19 outbreak on auditing. The document is also available on the IFAC and AFA COVID-19 respective Resource page. The FAQs can be accessed at: <https://www.at-mia.my/2020/04/03/covid-19-frequently-asked-questions-on-auditing>.

MIA is also in the process of launching e-confirm.my, the Industry-wide Electronic Bank Confirmation Platform in Malaysia which MIA is spearheading. e-confirm.my will help audit firms to expedite bank confirmations and enhance the audit process, which will in turn support compliance with financial reporting deadlines and practice review requirements during the restrictions imposed under the MCO and even post-MCO.

6. Maintain Constant Communication

During a crisis, people are naturally fearful and thirsty for information. PAOs must step up to keep the profession and members informed of the true state of affairs and to calm

the situation. MIA has revved up its communications efforts and we are working around the clock, even on weekends and public holidays, to keep members up to date.

For the members' and stakeholders' benefit, the Institute has created a page on "COVID-19 Resources for MIA Members and Other Stakeholders⁴" as well as the MIA Telegram Broadcast (Official) channel, where MIA posts information, articles and updates relating to the profession and Institute matters, including COVID-19 statements and articles. This is in addition to MIA's other communications and social media platforms, such as our growing knowledge portal e-AT (<https://www.at-mia.my/>).

Looking Ahead

What I have detailed above are broad stroke strategies and best practice examples; organisations and leaders must identify and craft the strategies that work best in their own context. The overarching message here is one of agility and resilience – we have to be adaptable, prescient, responsive and able to pivot our business models to remain relevant and sustainable in good times and in bad times.

By pivoting our own model to leverage on digital and virtual platforms and strengthen our strategic collaboration with our members and stakeholders, MIA intends to uphold our purpose of sustainable nation building, in this time of crisis and beyond.

⁴ <https://www.mia.org.my/v2/communications/covid19.aspx>

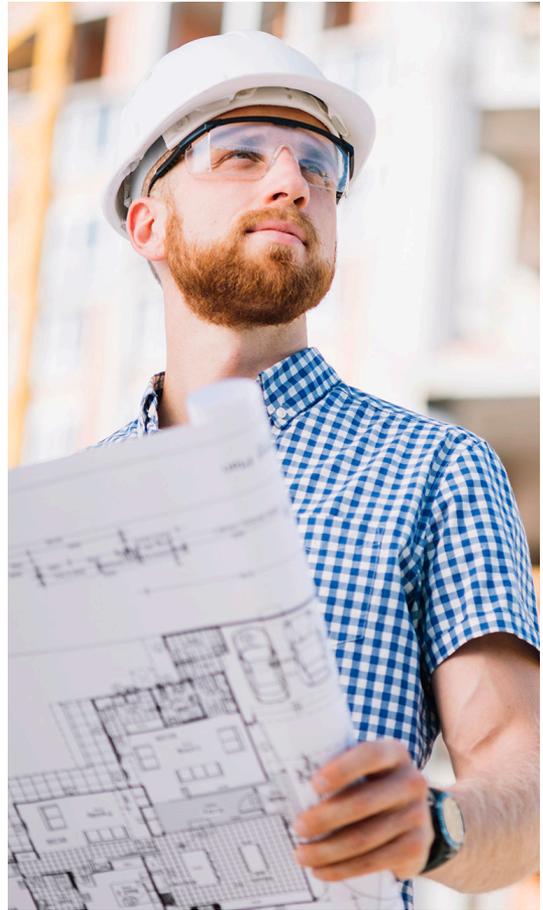


Michael Izza
Chief Executive, ICAEW

CRISIS WITH A LEGACY: ARE WE PROFESSIONALLY READY TO BUILD SOMETHING BETTER?

Can the accountancy profession be part of the solution to this crisis?

In the wake of the 2007-8 financial crisis ICAEW hosted a series of high-level roundtables across the world. We asked: was it a crisis without a legacy? Looking back we would have to say that there was a legacy but maybe not what we hoped for. The way the financial crisis played out contributed to the undermining of belief in international organisations and a retreat into nationalism. It would also be fair to say that the lessons of that crisis were not



learned. More specifically we would have to confess that the accountancy and finance profession did not come out of it well and that we dodged a bullet.

A series of corporate failures and audit shortcomings later and a profession at its watershed moment, we now face another crisis. Much as the mainstream might want to call the coronavirus a black swan, it isn't. There was too much discussion and reference to disease and pandemics in the mainstream for this to be a black swan.



Last October The Johns Hopkins Center for Health Security, World Economic Forum, and Bill & Melinda Gates Foundation held Event 201. While this was not a predictive exercise, this desktop simulation of a hypothetical pandemic was entirely scientifically plausible. To quote from the resulting recommendations document:

“The next severe pandemic will not only cause great illness and loss of life but could also trigger major cascading economic and societal consequences that could contribute greatly to global impact and suffering. Efforts to prevent such consequences or respond to them as they unfold will require unprecedented levels of collaboration between governments, international organizations, and the private sector. There have been important efforts to engage the private sector in epidemic and outbreak preparedness at the national or regional level. However, there are major unmet global vulnerabilities

and international system challenges posed by pandemics that will require new robust forms of public-private cooperation to address.”

Or have a look at the last 15 years of the World Economic Forum’s (WEF) annual Global Risk Reports. Diseases and pandemics appear enough to know they were a major concern. Looking at the connectivity the infographics in the WEF report and Event 201, this swan came with strings attached and we knew it.

Is now the time that the accountancy profession rises to the challenge and becomes part of the solution? Chartered accountants create trusted information and insight, which inform our understanding of the world and the resulting decisions that shape our lives. Comprehending and making sense of risk, uncertainty and opportunity and helping craft a way forward through the storm is what we do. As whole new vistas of risk rapidly open up, now

more than ever the leadership of this profession is needed.

Will there be a legacy?

As this disaster evolves we are now seeing an increasing focus on what will the world be like on the other side. Many voices are seeing the opportunity for pressing the reset button and achieving something better. If the metaphor of world war two is good for how we have responded to the virus, then there are two questions about winning the peace. In the UK during the war the government commissioned William Beveridge to think through what the new world would look like. His 1942 report Social Insurance and Allied Services (known as the Beveridge Report) served as the basis for the post-World War II welfare state. The first question is: who is writing the Beveridge Report for after this crisis? Following World War II, the Marshall Plan, also known as the European Recovery Program, was a U.S. initiative to reconstruct Europe following the devastation of the war. So the second question is: what does the post-Coronavirus global Marshall Plan look like.



In parallel, whilst we all accept that right now we are all ‘hands on deck’ firefighting, we must acknowledge that coronavirus is a chapter of a wider unfolding gruesome-threesome of a catastrophe of climate emergency, massive biodiversity loss and increasing inequality. We cannot lose sight of this bigger picture. In fact as a profession of problem solvers we must learn from how society is responding to the virus but also think about how build on that that.

We cannot continue to look the other way

As I am writing this (22 April) I am conscious that today is not only Earth Day but its 50th anniversary and the UN Secretary General, Antonio Guterres, has marked the occasion by calling on us, despite the impacts of the coronavirus pandemic, not to forget the “deeper environmental emergency” we face.

Before the coronavirus we were content to ignore what the science was telling us. Nearly 30 years after the Rio Earth Summit, when climate change and biodiversity were put on the UN agenda, there have been many worthy reports, initiatives and declarations. All were well-intentioned but in truth all the reasoned argument, science and ambition hasn’t moved us on much.

The past two years have been our wake up call. Our Greta moment of grassroots activism and our Corona moment of a lived experience mean that much like Wilberforce said about slavery “You can choose to look the other way but you can never again say that you did not know”.

We must understand where we are now in a systemic way

We have also tended to ignore the connectivity of issues, putting climate change, change of land-use, intensification of agriculture and livestock breeding, growing inequality, and so on into different buckets. This enables us to ignore their interdependencies, which drive them exponentially. In recent years this has begun to change.

The WEF risk report is a great example of how risks are represented in an interconnected way. The emerging narrative of capitals thinking, with its focus on how business and economic success is rooted in thriving societies and nature, is also a demonstration of how connected thinking is becoming normative. The coronavirus crisis is an object lesson of this.

What began as a virus jumping species as a result of deforestation, intensive agriculture, climate change, wildlife trafficking and wet markets, rapidly became a human health crisis. This has become a global economic crisis. It has laid bare existing inequalities and became a reinforcing feedback loop for others.



It has highlighted institutional fault lines: getting cash into the business community has been challenging and the fragility of charities' funding at the moment they are needed most has been exposed. Thinly capitalised businesses have and will continue to fail as they lack any resilience. In addition, various groups in our societies have been left behind. The elderly have been forgotten or triaged out of help; the poor, refugees and people in prison cannot isolate physically and don't have the same access to health as the wealthy. Lockdown has forced victims of domestic abuse to become prisoners of their abusers, caused civil unrest, enabled the wholesale removal of human rights, often without question, and facilitated the worst excesses of dictators.

Oxfam's report Dignity not Destitution published this April highlights the disproportionate effect the Coronavirus is having on the developing world as well as on the vulnerable and women. The report estimates potentially half a billion people are being pushed into poverty.

The web of interconnectivity just keeps expanding and reinforcing itself.

A way forward has to be one that brings together the needs of economy and society but one that is rooted in nature's carrying capacity

It is true there are positive stories. We have seen communities pull together. A recent YouGov survey commissioned by the RSA's Food, Farming and Countryside Commission (FFCC), and The Food Foundation reports that most people

in the UK wanted to alter their lives in some way after the pandemic. Only 9% of people said they wanted life to return to how it was before. 54% agreed with this statement: “I hope to change some things about my life and I hope we will have learned from this as a country.” We have also discovered that we can take the homeless of the streets, we can pay people a basic income (although these will come at a cost to some).

The coronavirus has reduced pollution and we can all experience the joy of birdsong and clear skies; however, human, social and economic capital has taken a battering. We are experiencing a taste of what nature has been subjected to for decades. This is devastating value destruction and it will take years to rebuild this capital.

So, the solution has to be one that works for us all and the planet. As businesses if we do not solve this our liabilities will be beyond measure and our assets will have no value. Just like the Beveridge Report argued for a better deal for all, so must the post-corona recovery. This isn't just the narrative of the sustainarati. A recent Financial Times editorial titled Virus lays bare the frailty of the social contract noted:

“Beyond defeating the disease, the great test all countries will soon face is whether current feelings of common purpose will shape society after the crisis. As western leaders learnt in the Great Depression, and after the second world war, to demand collective sacrifice you must offer a social contract that benefits everyone.

Today's crisis is laying bare how far many rich societies fall short of this ideal. Much as the struggle to contain the pandemic has exposed the unpreparedness of health systems, so the brittleness of many countries' economies has been exposed, as governments scramble to stave off mass bankruptcies and cope with mass unemployment. Despite inspirational calls for national mobilisation, we are not really all in this together.”

The EU and governments across the globe are talking about post-crisis development plans that are green and just. Some commentators are even suggesting that a green rebuild will be cheaper than a return to pre-crisis business as usual.

We now have an opportunity to ensure that the choices we all make now, create a pathway to that better tomorrow rather than back to where we left off. We have a vision of what that looks like in the Sustainable Development Goals, which through the 17 outcomes they describe, offer a framework for the rebuild. We also have an opportunity to change the way we make those choices to one that is collaborative and inclusive as well as issue-driven.

As we applaud our keyworker heroes at the front - and in that newly acquired admiration for them, value them better - we might reflect on what will be the story we tell about what the accountancy profession did in the war against the virus?

What is the accountancy profession's role?

This profession emerged at a time of corporate crisis in the 19th century. This time we can say the accountancy profession is working as “business first responders” keeping the economy going in its direst moment; helping channel the oxygen of cash into businesses and nurturing their organisations and those they advise through this period, necessary for holding things together.

Then maybe we could say we were part of the rebuild; that we helped operationalise the post-coronavirus Beveridge Report and the Green and Just Marshall plan. The profession did what it has always done: made sure that all that was promised, was delivered.

Please, please do not let us be the ones who learned the lesson of this crisis by developing yet another new disclosure framework; this time for coronavirus. We cannot be the ones who plotted the audit trail of our destruction.

Collectively we need to question if the institutions of government, of civil society and of business & markets and yes of accountancy and finance, are fit for purpose. Do we have the courage to learn from this crisis and then adapt and evolve to meet this greater evolving crisis and develop new industries and products? Can we become change agents challenging the status quo in our organisations and with our clients, charting a route to the new world? Or will we continue to hold conferences and talk about it?



This is the profession's moment: as I have said chartered accountants are in the business of solving problems and this is a problem like nothing we have ever seen. As a profession we must ask: what does this mean for each us personally; what does it mean to the organisations we advise or work in; and are we professionally ready?

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HOW THE FINANCE PROFESSION IS LEADING ON SUSTAINABILITY



 **Josh Heniro, Ph.D.**

Senior Director of Southeast Asia, IMA

The COVID-19 or Coronavirus outbreak affecting the world is now present in all ten Association of Southeast Asian Nations' (ASEAN) countries. The World Health Organization has issued a warning to governments in the Southeast Asia region to increase efforts to combat the spread of the virus, as some countries impose lockdowns and the regional economy grinds to a halt. But unlike most previous health or economic crises, the COVID-19 pandemic is global – and it will be far more difficult for firms based in the Southeast Asia region to recover even after the virus has subsided.

Finance professionals will undoubtedly be – and likely are already – impacted by the crisis and the economic downturn. But what can professionals do to help mitigate the damage in the event of a future pandemic or similar event? The truth is that preparedness and risk mitigation for such events as the COVID-19 outbreak are part of a larger issue: corporate sustainability and the need for finance professionals to integrate long-term ESG risks with traditional financial disclosure. As the global economy recovers from the crisis, investors will be looking for new types of information that will inform their



decisions about where to commit capital. They will be looking for companies where long-term value is considered alongside short-term profits. This is an acceleration of a broader trend, and it is one in which the management accounting profession plays a key role.

COVID-19 has highlighted a host of sustainability risks, ranging from over-reliance on particular countries in supply chains, to human capital issues like having a lack of quality health coverage for employees or relying on having too many workers operating in a single space – with factory closures designed to reduce density hitting big industrial companies with centralized production. To propose an example related to supply chain risk, an automotive manufacturer may know that its engines come from a supplier in a country

largely unaffected by the virus, but it may not know that that supplier sources engine parts from a company that has shut down operations due to the virus. Though only a single link is broken, the lack of engine parts can disrupt the full supply chain.

This lack of internal information makes it easy for a company to be caught off-guard. The reality is that most companies remain “siloeed,” with different departments being unaware of much of what is going on outside their own lines of business. This means that while each department may see few sustainability risks within their own areas, shortcoming across the company can add up to a major vulnerability, enhancing exposure to such issues as climate change, trade conflict or a global pandemic like COVID-19.

In an upcoming IMA (Institute of Management Accountants) report, researchers identify the key actions that organizations must embrace to ensure that reporting reflects all material risks and concerns that investors need to make informed decisions – and become an Integrated Enterprise.

Champions, Governance and a Culture of Collaboration

Among the factors that lead to better adoption of cross-functional sustainability reporting, perhaps the most crucial is for leadership from the top. CEOs must necessarily be in the lead, but CFOs have a vital role to play as those responsible for the financial reporting function. As CFOs are increasingly expected to be involved in strategy and decision-making, more of the responsibilities for accounting for non-financial risks will fall on them as

well. For this reason, the finance chief will be instrumental in pushing for the breaking down of corporate “silos” and the sharing of vital information about risks and liabilities. CEOs and CFOs must both embrace a “value-creation” mindset that encompasses a working command of the overlapping concepts of risk management, governance, innovation, human resources (HR), technology and sustainable business.

As leaders encourage this approach from the top, departments begin taking better account of where potential risks lie, whether they be exposure to pandemics or natural disasters. The CFO’s team can serve as a linchpin for various areas of the company – bringing together the sustainable business and investor relations (IR) teams with other disciplines, such as HR, facilities, operations, and environmental health and safety.



Improving the Reporting Agenda

Finance leaders are taking the initiative in moving beyond the culture of collaboration to actually making a company’s reporting include sustainability information, drawing on their ability to connect metrics to the organization’s overall business case. This requires cross-functional collaboration, for instance with the sustainable business or environmental health and safety teams on climate risk, or with the HR department on human capital issues, to prepare reports that address investors’ concerns and offer the clearest possible picture of where the company stands on sustainability.



This will become increasingly important in coming years as large institutional investors enhance their scrutiny of corporate disclosures. Key for CFOs and finance leaders is to demonstrate a connection between sustainability and company value, persuading not just the large institutional investors who now focus on ESG, but the wider markets that there is long-term profit in allocating capital to a business that practices sustainable growth and proactive risk management, not just on issues like carbon intensity or water use, but employee engagement and retention and corporate reputation.

Educating Professionals to Become CFOs of the Future

As more CFOs and corporate finance departments embrace the concepts of sustainability and the Integrated Enterprise, they are also embedding these principles and best practices into

onboarding and training for new finance employees, to prepare them for their roles as the bridges between various departments, divisions and regional entities that comprise the business. This requires investment in new educational materials that highlight these issues and concepts, while ensuring an immersive corporate culture that values collaboration and emphasizes the importance of integrated reporting and ESG. A more long-term focus will be building out a pipeline of future CFOs and finance leaders who will understand – and safeguard – the Integrated Enterprise.

The Integrated Enterprise and the Future of Sustainability Reporting

The COVID-19 pandemic will have as-of-yet unknown long-term impacts on the economy, business and corporate behavior. But what we do know is that investors are more acutely concerned about sustainability than ever before. IMA research indicates that these are the actions that proactive companies are taking in regard to better reporting, disclosure and investor communications around these issues, placing the concept of the Integrated Enterprise at the center. As the Southeast Asia region and the wider world endures this unprecedented crisis – and once it begins to recover – new issues will likely emerge as being of interest to investors, while investor attention to existing ones are intensified. Companies had best be ready to address these concerns, and the finance leader and team will be at the heart of the response.