

Communication on Engagement

ACTIVITIES IN SUPPORT OF THE UN GLOBAL COMPACT

THE CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS

APRIL 2012 - MARCH 2014

INTRODUCTION

The Chartered Institute of Management Accountants (CIMA) has been a signatory to the UN Global Compact since 2010. This first Communication on Engagement highlights activities undertaken between April 2012 and March 2014.

I am pleased to confirm that CIMA reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this Communication on Engagement, we describe our actions to support the Global Compact and its principles. We also commit to share this information with our stakeholders using our primary channels of communication.'



Charles Tilley, FCMA, CGMA, Chief Executive of CIMA
London June 2014

CIMA, founded in 1919, is the world's leading and largest professional body of Management Accountants. Our mission is to help people and businesses to succeed in both the private and public sectors. We have more than 218,000 members and students operating in 177 countries. They work at the heart of business in industry, commerce and not for profit organisations.

CIMA has strong relationships with employers, and sponsors leading research. We constantly update our qualification, professional experience requirements and CPD programme. This ensures that our members and students are first choice for many employers who are recruiting financially trained business leaders. We are committed to upholding the highest ethical and professional standards, and to maintaining public confidence in management accounting.

Through its thought leadership, magazines, conferences, and CPD support, as well as through its syllabus, CIMA addresses the most pressing responsible business and sustainability issues of concern to business. A global organisation with a growing membership in emerging markets, CIMA and the management accounting profession can provide solutions and innovative thinking to many areas of business, through:

- Demonstrating the business benefits from sustainable business practices
- Exploring and promoting the role of CFOs and management accountants in embedding ethical practices and sustainability solutions in their organisations
- Equipping our members and students with tools, guidance and training to enable action
- Working with partners worldwide in meeting our objectives.

This Communication on Engagement outlines how we support the Global Compact via:

- Education on topics related to the Global Compact
- Applied research and thought leadership in relation to the Global Compact
- Dissemination of Global Compact Principles
- Partnerships for development.

It also outlines other activities related to our global initiatives and internal activities that support the Global Compact Principles.

Access CIMA's page as non-business participants on the Global Compact website at:

www.unglobalcompact.org/participant/12330-Chartered-Institute-of-Management-Accountants-CIMA

EDUCATION ON TOPICS RELATED TO THE GLOBAL COMPACT

Actions

Syllabus: The CIMA Code of Ethics and its fundamental principles are embedded within the CIMA Qualification Framework, at all levels, and across all pillars.

The application of the CIMA Code and consideration of ethical issues are tested throughout the exams in the CIMA syllabus. Students are also tested on their understanding of corporate responsibility, governance and non-financial measures of social and environmental impact.

Outcomes

In May 2013 62,043 papers were sat around the world, and in November the same year another 64,722.

The final exam before membership consists of a case study, including an ethical element. In the November 2013 case (sat by 2,255 students), for example, ethical considerations involved issues in relation to faulty products and also conflict of interest and staff incentives.

During 2013 CIMA interviewed and surveyed global employers on the skills required from finance professionals, and in response new material around sustainability has been added to the 2015 syllabus.

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Global Management Accounting Principles©: CIMA and AICPA are currently consulting on the MA Principles, which outline the fundamental values and qualities that represent best practice management accounting. For the purpose of determining the values that should guide them, the consultation draft has identified the mnemonic 'PRIDE' (Professional, Relevant, Innovative, Diligent, Ethical).

www.cimaglobal.com/principles

Relied upon to perform their duties with due diligence, outmost integrity and objectivity, these principles will set a global standard for the management accounting profession. At time of writing, with the principles still in consultation, we have seen more than 20,000 visits to the page and 2,100 downloads of the consultation document.

'Management accountants have the ability and judgement to make objective, ethical decisions that consider the public interest. But the quality of management accounting remains varied. Our principles will enable organisations to leverage both financial and, importantly, non-financial data. They will provide the forward-looking focus and link different parts of an organisation in a way that many still lack.'

Charles Tilley, FCMA, CGMA, Chief Executive, CIMA

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CPD ethics e-tool: This tool, launched in 2013, includes seven dilemmas that the user is guided through to practise resolving ethical challenges. When considering an appropriate line of action a range of factors are involved, including human rights, society, commitments to the law and anti-corruption.

www.cimaglobal.com/ethicstool

In the nine months since its launch the CPD tool has been completed by more than 650 people worldwide, with almost 3,000 entering the tool. Based on numbers from February 2014, about 65% of the users were CIMA members or students, and 35% non-CIMA.

'The tool bought a world of knowledge in a few short scenarios and has given me encouragement and made me a lot more positive in knowing that I can uphold my own personal ethical values which are backed by a professional body and legislation as a whole. I don't have to "go with the flow" but can choose a course of action that will uphold my ethical standing.'

Member's feedback, via survey on relevance of tool

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Global business challenge: CIMA's annual Global Business Challenge, GBC, is an international competition designed to bring out the best in potential young business leaders and give them the opportunity to showcase their talent on a global platform.

www.cimaglobal.com/gbc

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The competition has evolved from eight countries in 2009 to encompass 24 in 2013. In 2012 there were more than 13,700 participants. The case study requires participants to consider and incorporate sustainability and ethics issues. The 2013 case study, for example, included ethical considerations in relation to toy manufacturing and outsourcing.

Student ethics support e-tool: In March 2014 CIMA released a 'Student ethics support tool' which outlines the ethical requirements of CIMA students, why these are important and how these should be guiding them throughout their working lives.

www.cimaglobal.com/studentethicstool

The tool is produced to support CIMA students in becoming competent management accountants who understand the importance of ethics and professionalism, and feel confident to manage an ethical dilemma. To date the tool has had more than 1,000 visits.

'I like the toolkit and appreciate CIMA's effort in this regard. Telling students about ethics and ethical behaviour right from the beginning will help them absorb the theme of ethics.'

CIMA Student

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APPLIED RESEARCH AND THOUGHT LEADERSHIP IN RELATION TO THE GLOBAL COMPACT

Actions

Sustainability and responsible business research:

CIMA continues to fund academic research on sustainability and responsible business, as well as publish its own thought leadership on accounting for sustainability, integrated thinking and integrated reporting.

We have also produced a number of reports highlighting sustainability and ethics via CGMA, our joint venture with the AICPA (the American Institute of Certified Public Accountants).

CIMA's Financial Management magazine publishes study articles and technical notes on specific papers and on specific topic areas, including sustainability, ethics and governance (see appendix point 10).

www.cimaglobal.com/sustainability

www.cgma.org/resources

Outcomes

CIMA reports published in 2012-2013 include 'Corporate social responsibility and innovation in management accounting in China', 'Business model briefings', 'Embedding ethical values into the corporate culture', 'Acting under pressure' and 'Fact or fiction: Global' (see appendix points 4-7).

Drawing on our thought leadership, CIMA's CPD Academy Courses incorporate a session on sustainability. A CIMA On Demand e-learning course on 'Reducing the impact of climate change' was launched in 2013.

CGMA publications include 'Managing responsible business' - which highlights developments across the Global Compact Principles - 'Sustainable business – shared value in practice' and 'Ten key elements to sustainable business practices in SMEs'. 'Managing responsible business' received large media coverage globally across our key markets, and the 'Ten key elements' tool was featured in the Guardian in January 2014 (see appendix point 8).

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Integrated Reporting: CIMA continues to promote the benefits of IR, and participate in the activities of the IIRC (International Integrated Reporting Council) – this includes chairing the Technical Task Force that produced the first Integrated Reporting Framework in 2014, and attending Working Group and Council meetings.

The IIRC have identified six capitals: 'natural', 'financial', 'manufactured', 'intellectual', 'human' and 'social relationship' capital, which represent potential inputs to the business model, each being either consumed or transformed by activities that produce a range of outputs

In 2013 CIMA jointly authored the 'Business model background paper for <IR>' on behalf of the IIRC, along with PwC and IFAC (see appendix point 9), and hosted a roundtable for UK press to promote the launch of the draft Integrated Reporting Framework consultation.

CIMA also produced a webcast with CIMA's Chief Executive and HSBC's Chief Accounting Officer, explaining how integrated reporting is vital to help build more resilient and successful organisations.

CIMA is one of over 100 organisations involved in the pilot programme worldwide. We released our first integrated

and outcomes.

Besides various articles, blogs and presentations we are also co-sponsoring (alongside the IIRC) research into the business case for IR aimed at greater adoption of IR and IR principles within the corporate environment.

www.cimaglobal.com/integratedreporting

‘Doing business in the 21st century is different from the past. Stakeholders have greater expectations of companies and businesses.’

‘New corporate tools are required for doing business in the 21st century – tools that enable a business to see itself as a part of society, rather than separate from it.’

Integrate – Doing business in the 21st Century - Professor Mervyn King, chair of the IIRC, and Leigh Roberts, Working Group of the Integrated Reporting Committee of South Africa

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DISSEMINATION OF THE GLOBAL COMPACT PRINCIPLES

Actions

Code of Ethics: CIMA takes its role seriously in bringing ethics to the forefront of business thinking. CIMA members and students are bound by a globally applicable Code of Ethics, based on the IFAC Code of Ethics, which safeguards our members, the profession, and the wider public.

The Code is based on international standards and defines the core principles which a Chartered Management Accountant must uphold: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

As professionals our members are committed to lifelong learning and do yearly CPD, further supporting their professionalism and professional competence.

www.cimaglobal.com/codeofethics

Outcomes

CIMA’s 2013 annual survey of members and students showed that 94% of students and 96% of members found it important or very important for CIMA to have a Code of Ethics.

It is essential that CIMA members and students sustain their integrity and remember the trust and confidence which is placed on them by whoever relies on their objectivity and professionalism. Failing to comply with the Code may result in disciplinary action.

‘Companies have to be good at managing their processes, their finances, but the last thing is, they also have to be good at managing their people. And one of the things that we tend to forget in terms of managing people, is managing their ethics. There’s very little out there that manages the behaviours of people to ensure ... what they do is also ethically right. And I think the CIMA Code of Ethics for Management Accountants help them to manage and close the loop.’

Alfred Ramosedi, FCMA, CGMA, Executive Head of Retail Operations, African Bank

‘I contribute to the ethical performance of my organisation by ensuring all employees are trained extensively in anti-bribery, data protection, anti-money laundering and treating customers fairly on a regular basis and are expected to embed this into their work and appraisals.’

CIMA Member, response to the ‘Managing responsible business’ survey 2012

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Events and roundtables: CIMA hosts and sponsors events and roundtables globally. In 2012-2013 focus areas have included responsible business, addressing issues related to professionals under pressure to act unethically, whistleblowing, integrated and sustainability reporting, and ethical leadership.

Our regional offices often run events that highlight sustainability issues of interest in their local markets as well as running seminars related to new CIMA and CGMA thought leadership.

In 2012 CIMA ran a number of events, including the Corporate Sustainability Conference in Canada which attracted 350 business and finance leaders and extensive local media coverage, a breakfast forum in Singapore addressing the need for a Sustainability Index, an event on business ethics for AIESEC members at SOAS University in London, and a roundtable in Malaysia.

In 2013 CIMA's ethics team contributed to over 30 speaking engagements highlighting responsible business with members, students, and wider business audiences, in Malaysia, South Africa, Zambia, Sri Lanka, US and across the UK where issues of Integrated Reporting and sustainability were highlighted. This included a CIMA hosted forum at the Singapore Stock Exchange 'Managing responsible business – harnessing the value'. Global Compact research and the Ten Principles are often cited in such presentations.

'My organisation reduces its impact on the environment by advertising not only the business but also its concern about the environment and environmental issues and action the business takes to enable a sustainable future.'

CIMA Member, response to the 'Managing responsible business' survey 2012

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Publicly available resources: CIMA offers responsible business resources, widely shared and accessible to our members, students as well as externally.

Through articles, leaflets, newsletters, training tools and work sheets, we provide information and guidance around integrated reporting, sustainability, ethics and corporate governance. CIMA's interactive ethics CPD tool highlights scenarios related to bribery and the environment.

CIMA have a constant presence on social media sites and blogs, staying in touch with our 218,000 members and students about their ethical obligations, and informing them of new research in the field of responsible and sustainable business, and where to find support.

Three times per year we publish the newsletter Ethical Lens, which highlights responsible business news from around the world, related to the Ten Principles.

www.cimaglobal.com/ethics

www.cimaglobal.com/sustainability

www.cimaglobal.com/ethicstool

www.cimaglobal.com/ethicalens

www.cimaglobal.com/integratedreporting

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Light on the Global Compact: The Global Compact is continuously cited in articles, blog posts, presentations and our newsletter Ethical Lens (see appendix point 3). We also feature the 'We Support...' logo under

www.cimaglobal.com/ethicsresources, and refer to the Global Compact website as an additional resource in many of our Ethics reports.

As part of our responsibilities to the public, and to create an environment where finance professionals, whether CIMA or not, uphold the highest ethical standards, our resources are publicly available.

In the past year there has been a marked increase in traffic to many of our ethics resources online, with several pages receiving more than double the traffic of 2012. We had 14,300 visits to the 'ethics' landing page, and 16,200 to the 'thought leadership' page, where majority of our resources are available.

Ethical Lens had 1,262 unique visits to its landing page in 2012, and grew to 2,150 in 2013.

Apart from messaging from our corporate centre in the UK, resources and reports feature in regional newsletters and on local social media sites, including [the Bottom Line](#) in Africa, [CIMA Pulse](#) in India, [CIMA Voice](#) in South East Asia, and [CIMA Edge](#) in Sri Lanka and Middle East.

2013 also saw CIMA Sri Lanka featuring sustainability as part of their 'managing innovation' agenda, featuring an article by Ravi Fernando, founder of the Sri Lankan Local Network of the Global Compact (see appendix point 2).

Examples where the Global Compact was specifically cited include an article on recent UK Network meetings on water stewardship and anti-corruption in CIMA's web magazine [Insight](#), a post for the [Accountant blog](#) on anti-corruption, and a 2011 feature about the Global Compact in [Financial Management](#) (see appendix point 2 and 11). The Global Compact is usually also featured in CIMA's newsletter [Ethical](#)

[Lens](#), for example the February 2014 issue highlighting the post 2015 development agenda. In May 2012 Thomas Thomas, of the local Global Compact Network in Singapore, was a panellist during the 'Managing responsible business' report's launch event.

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Anti-bribery guidance: CIMA recently created a new anti-bribery page on the CIMA Global website, which brings together information about the UK Bribery Act, including CIMA publications and events, and general anti-bribery guidance. We also provide links to relevant anti corruption organisations, and regularly post on Facebook and tweet regarding anti-bribery initiatives and messaging.

<http://www.cimaglobal.com/bribery>

As it is new, we do not yet have any robust statistics on traffic to this page. This page is however a useful resource to members and non-members alike and it will be shared globally.

'Finance and accounting is the language of business transactions and accountants have long been the interpreters of this language. Ensuring that information is accurate and transparent has never been more important.'

Jeff Kaye, FCMA, CGMA, Trustee at Transparency International

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PARTNERSHIPS FOR DEVELOPMENT

Actions

Established partnerships: CIMA has established several partnerships to promote long term sustainable business success. Partnerships include Accounting for Sustainability (which includes ICAEW, ACCA and other accounting bodies), Ernst & Young, IFAC and Natural Capital Coalition (includes WBCSD, PwC, World Bank and others). We also work with CIPD, the Institute of Business Ethics, St Paul's Institute, and whistle-blowing provider Expolink. With Tomorrow's Company, we produce high profile lectures focused on responsible business, resulting in publications such as 'Tomorrow's Value' and 'Tomorrow's Company Good Governance Forum'.

Outcomes

Cooperation and sharing of knowledge not only allows for innovative thinking and development but also ensure that the message reaches a wider audience.

Many recent reports and events have come out of joint efforts, including the 2013 'Good people' event (together with CIPD and St Paul's Institute), the 'Business model background paper for <IR>' (with PwC and IFAC), 'The boardroom and risk' and 'Improving the quality of boardroom conversations' (Tomorrow's Corporate Governance Forum/Tomorrow's Company).

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OTHER

Actions

Ethics support: CIMA offers free ethics helplines and support to all its members and students, including a UK Legal Helpline and a Global Guidance Line.

Outcomes

In addition to online resources we receive between 100-150 calls per year from members and students for guidance around the Code and how to approach ethical issues at work.

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Employers: As part of our work to support members and students, we engage with employers globally, many who are also Global Compact signatories, including Diageo, GlaxoSmithKline and PwC.

In early 2014 it was reported that CGMA (the CIMA / AICPA joint venture) holders are guiding 91 of the Fortune 100. With a strong network of partners, we have the ability to influence and support responsible practice more widely.

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Accessibility to education: Anyone can study CIMA, whether they are new to business and accounting or already have some experience. The only requirements are competence in mathematics and the English language.

With no minimum entry requirements, and great flexibility in study options, our qualification supports accessibility and opportunity to all. In some of our large markets the management accounting qualification makes all the difference to the future of individuals and their families.

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Supporting youth: CIMA Sri Lanka, in partnership with Sirasa TV, organise the yearly Spellmaster competition. This competition helps students aged 14 - 18 to develop and improve their English language skills with the chance to win a scholarship to study at CIMA.

www.facebook.com/CIMASpellmasterSriLanka

With 8,000 participants in 2013 and the final broadcast on Sri Lankan national TV this competition is a great success, promoting education. In 2012 the first ever Spellmaster was hosted in Pakistan.

www.facebook.com/cimaspellmaster

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CIMA staff: CIMA have 26 offices in 19 countries, with our corporate centre in the UK. In 2013* we had 427 employees, of which 167 worked with our corporate centre, and 235 with our markets across the globe. 25 of our employees were working part time. As an 'Investor in People', CIMA strongly recognises the importance of its own employees, and the link between satisfied staff and satisfied stakeholders. This is reinforced through our six behaviours which guide our everyday activities:

- Stand up and be a role model
- Promote success
- Inspire a shared vision
- Challenge the way it's done
- Help others succeed
- Make it happen.

We offer a range of training opportunities, and also promote staff volunteering. Outcomes and insights from Global Compact UK Network meetings are shared with staff globally on our intranet.

*31 December 2013

To this end, CIMA has implemented extensive health and safety, employee satisfaction, learning and development, and performance appraisal programmes.

Vacancies are filled from within where a credible candidate exists, whilst secondments and internal moves provide employees with opportunities to further broaden their skills. CIMA also provides yearly anti-bribery training, and an internal speak-up line.

In 2013 CIMA employees undertook a total of over 100 hours of volunteering, supporting local communities with anything from writing CVs and practicing job interviewing techniques to serving lunch, painting and web development.

	2012	2013
Employee retention	90%	91%
Promotions, Moves, Secondments	38	45
Training hours*	1808 hrs	2320 hrs

*Training hours booked through HR at our corporate centre, with an estimate additional 1500 hours per year undertaken in the regions.

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APPENDIX

1. *In numbers*

- In 2013 CIMA's ethics team contributed to more than **30** events across Europe, Africa and Asia highlighting responsible business
- In May 2013 **62,043** papers were sat around the world, and in November the same year another **64,722**. The application of the CIMA Code and consideration of ethical and sustainability issues are tested throughout CIMA exams
- In 2013, the 'ethics' landing page, and the 'thought leadership' page, had more than **14,300** and **16,200** unique visits respectively
- The 'Managing responsible business' report, released in May 2012, had **9,156** unique visits by December 2013
- CIMA's ethics CPD tool, which highlights bribery and sustainability issues, released in October 2013 had **677** completed sessions by April 2014
- CIMA's Global Business Challenge had more than **13,700** participants, and expanded to **24** countries in 2013.

2. *The Global Compact are continuously cited in CIMA messaging*

CIMA's newsletter Ethical Lens

UNGC post 2015 development agenda

The [UN Global Compact Leader Summit](#) of 2013 took place in September. Chaired by UN Secretary General Ban Ki-moon, the summit focused on the development agenda and advice from and for business post the 2015 Millennium Development Goals.



At a separate [event by the UNGC](#), business called for anti-corruption to be part of the post-2015 development agenda. Better disclosure, transparency and enforcement of anti-corruption laws and regulations will work in favour of societies and businesses alike.

► Read the [Leader Summit report](#), or access the [anti-corruption paper](#)

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Presentations

Tipping point – where are you?

UNGC and Accenture Global Survey 2010

"...an overwhelming majority of corporate CEOs – 93 percent – say that sustainability is critical to the future success of their companies—in spite of the recent economic downturn.

CEOs also believe that, within a decade, a tipping point could be reached that fully meshes sustainability with core business – its capabilities, processes and systems and throughout global supply chains and subsidiaries."



CIMA

Chartered Institute of
Management Accountants

Intranet blogs

13/09/2013

Cassava, beer and Spellmaster: a win-win-win

I recently attended the UNGC UK Network's quarterly meeting, this time about water risks and business stewardship. In the news we read about war and conflict on a daily basis, when in fact one of the biggest killers is water – whether droughts, floods or pollution. One of the speakers called water a 'silent risk'. Its big sister climate change has climbed rather high on the business agenda over the years, but water, a much more immediate risk, is rarely seen at all.

This was a very interesting talk, and I could go into the details, but that would take me off my point. If you do want to read more about water stewardship have a [look at this leaflet from the WWF](#).

One of the speakers of the evening came from the brewery giant SABMiller. He was able to give very practical examples of how reducing water had a positive impact on the business as well as communities in which they are present.

He gave an example where they had [installed in canals and rivers for local farmers in Colombia](#), to prevent pollution of the Cauca River, which as a result made the farming more sustainable and the water cleaner and cheaper – for the community as well as SABMiller.



He mentioned another case where they had [introduced beer made of cassava in Mozambique and Ghana](#). Cassava, he explained, is a root that deteriorates rapidly, which makes the logistics of collecting the roots from smallholder farmers a challenge. Partnering up with other organisations they have developed a mobile processing unit to process the root on site – allowing them to produce beer made from cassava on commercial scale and as a result creating a new market for farmers to grow and sell cassava in these countries.

Featured online

Ethics resources

Find all our ethics resources - exercises, articles, case studies, webcasts, our checklist and newsletter, and links to reports and external organisations - in the menu.

Ethics support guide

This guide provides an overview of all the ethics support and resources available to you. It also includes suggestions of how to incorporate these in events and training activities, and how they can help you sharpen your ethical skills.

Access the ethics support guide.

Institute of Business Ethics (IBE)

CIMA is a subscriber to the IBE. The IBE offers our members and students subscriber rates at any of their training in business ethics and related issues, such as the Bribery Act. There are also general events that are open to all.

Find out more on [their website](#). Quote 'CIMA' and your membership number to receive the subscriber rate when booking.



United Nations Global Compact (UNGC)

CIMA are signatories to the UNGC, as are many of the leading businesses where our members work. Being a part of the UNGC is a voluntary commitment to the upholding of ten universal principles, in order to promote sustainability and good corporate citizenship.



CIMA is connected to the local [UNGC UK network](#), but occasionally, as a global organisation, engages with other networks around the globe.

Read more, get engaged and find your local network on the [UNGC's global website](#).

www.cimaglobal.com/ethicsresources

External blogs

THE Accountant *A Timetric briefing service*
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International Accounting Bulletin | Accountancy Asia | Subscribe | Register for a free trial

Why keeping clean is good for corporate returns

19 November 2013

Print | Email

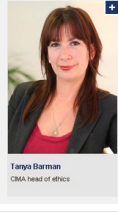
George Serafeim writing for the Harvard Business School found, in his paper *Firm Competitiveness and Detection of Bribery*, that bribery's most significant impact is its negative effect on employee morale.

Whilst some senior executives may be worrying about reputation and regulatory fines (which are ever more punitive) who is calculating loss of productivity, talent and engagement as well as the impact on partners and customers? Would top talent make a beeline for a company known, or suspected, of bad business practice? Who wants that headache?

The United Nations Global Compact (UNGC) is a global platform for business and non-business entities to proactively network and engage in areas of human rights, labor, environment and anti-corruption. I attended the UNGC UK Network's meeting in November on Principle 10: Anti-corruption. Not surprisingly the UK Bribery Act was the focus of the discussion.

It is two years since the Act came into force. The first case to be brought by the Serious Fraud Office, SFO, this year, is a charge against four individuals in connection with an alleged £23M bio-fuel investment fraud. The company is in administration so the testing of the corporate offence related to "adequate procedures" in order to prevent bribery, is yet to be played out.

<http://www.theaccountant-online.com/blog/why-keeping-clean-is-good-for-corporate-returns/>



Web magazine articles

Insight The eMagazine for management accountants

Turning challenges into opportunities: UNGC environment and anti-corruption focus

December 2013



2013 is coming to an end and although the eye of the financial storm seems to have passed, stories of misconduct by senior figures and big brands continue. These have related to tax avoidance in the EU, long supply chains with lack of oversight and large scale corruption in pharmaceuticals. Carolla Heiberg from CIMA's ethics department explains more.

Pressure for more transparency builds as public distrust in business leaders increase. It's not surprising that in a 2013 CIMA survey, three quarters of finance professionals claim that they are prepared to lose profit in the short term for protecting a company's reputation and driving further success in the long term.

The United Nations Global Compact (UNGC) is a global platform for business and non-business entities to network proactively and engage in areas of human rights, labour, environment and anti-corruption. The last two UK network meetings focused on water stewardship and anti-corruption.

<http://www.cimaglobal.com/Thought-leadership/Newsletters/Insight-e-magazine/Insight-2013/Insight-December-2013/Turning-challenges-into-opportunities-UNGC-environment-and-anti-corruption-focus/>

Regional thought leadership

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Home > Our Activities > Pillars > Thought Leadership > 2013 thought leadership

The need for sustainable innovation in business

Ravi Fernando

Unlike at any time in history, the planet is faced with a crisis of unimaginable proportions which the world's leaders have miserably watched and ignored. Positioning business action as the 'savior' will not impact past generations in an act of hubris of all future generations, so it is the present generation that has the responsibility and opportunity to secure future generations.

Figure 1 - The perfect storm

CIMA Sri Lanka article ['The need for sustainable innovation in business'](#)

3. Ethical Lens

CIMA's ethics newsletter and round-up of responsible business news globally, usually also featuring recent Global Compact activities.

www.cimaglobal.com/ethicallens

ETHICAL LENS
CIMA ROUNDUP OF RESPONSIBLE BUSINESS ISSUES - FEBRUARY 2014

IN THIS ISSUE

- Ethics received "radio message" - what have we learnt since then?
- Accountable business practices in SMEs
- UNGC joint 2013 development agenda
- First perceptions of global corruption
- Accountable business results

ETHICS ARE IMPORTANT TO ME BECAUSE

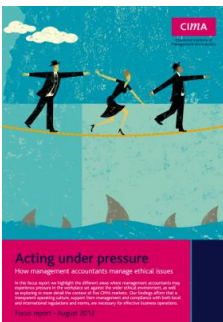
"This was at the very heart of what got me involved with CIMA. The right decisions for business and high standards of accountability to drive sustainable growth."

Steve Brown, Head of Corporate Strategy



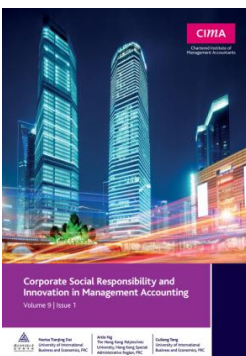
4. *Fact or fiction: the independent business partner | Global*

This report summarises discussions between finance professionals from leading companies and consultants based in London, Singapore, Warsaw and Johannesburg between January 2011 and April 2012. Key themes included challenges in partnering and pressures from the business; skills and competencies for business partnering and structure and reporting lines.



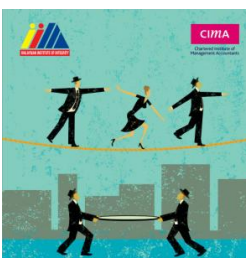
5. *Acting under pressure: how management accountants manage ethical issues*

This report highlights areas where management accountants might experience pressures in the workplace, set against the wider ethical environment.



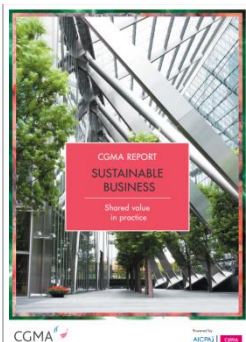
6. *Corporate social responsibility and innovation in management accounting in China*

Report based on research by the University of International Business and Economics, China, and the Hong Kong Polytechnic University which examines how different control mechanisms are adopted in Chinese companies to put strategic agendas related to Corporate Social Responsibility into practice.



7. *Embedding ethical values into the corporate culture*

Report based on a roundtable on corporate integrity in Malaysia, which featured on Malaysian TV, this report looks at the issues of embedding ethical values into the corporate culture of an organisation.



8. *CGMA ethics and sustainability reports and tools*

- Report: 'Managing responsible business'
- Report: 'Rebooting business: valuing the human dimension'
- Report: 'Building world class businesses for the long term'
- Report: 'Business model briefings'
- Report: 'Sustainable business – shared value in practice'
- Report: 'How to develop non-financial KPIs'
- Tool: 'Ten key elements to sustainable business practices in SMEs' *Read coverage in [the Guardian](#)*
- Tool: Ethical reflection checklist



www.cgma.org/resources



9. *Business model background paper for <IR>*

At the heart of an organisation is its chosen business model. Current business model reporting is inconsistent, both in terms of uptake and scope. Uptake appears to be influenced by the presence of regional legislation, corporate governance codes and listing requirements. Scoping inconsistencies are linked to mixed interpretations of what, exactly, constitutes a business model.

This background paper explores and reconciles divergent approaches in business model reporting with the aim of reaching a common, widely-accepted definition of the business model for use in Integrated Reporting.



10. *Financial Management magazine: on sustainability, ethics and corporate responsibility*

- Sustainability: '[A bright idea](#)', technical notes, 2013
- Ethics: '[Test of professional competence in management accounting](#)', study pages, 2013
- Fraud: '[The issues of tackling fraud and corruption for NGOs](#)', technical notes, 2013
- CR: '[Enterprise operations](#)', study pages, 2012



11. *The business of ethics*

Financial Management, February 2011, <http://www.fm-magazine.com/feature/depth/business-ethics>

The United Nations Global Compact has a critical role to play in ensuring that companies pay more than lip service to the corporate responsibility agenda

It has been ten years since Kofi Annan, the former United Nations secretary-general, assembled leaders from business, society and government to develop ethical guidelines that companies wanting to be a force for good in the world could agree to live by.

This meeting culminated in the ten principles that form the basis of the United Nations Global Compact (UNGC). The principles – designed to uphold human rights, ensure good labour relations, protect the environment and fight corruption – have been promoted through collective action and have become increasingly embedded in mainstream business practice over the past decade. It's estimated that 7,700 participating companies, of all sizes and from more than 130 countries, have signed up to the UNGC, making it the world's largest voluntary corporate citizenship initiative.

As a leadership platform, the UNGC must be endorsed at board level. There is also a strong drive to ensure accountability and continuous improvement. Once a company has signed up, it is obliged to submit an annual "communication on progress" disclosure explaining how its activities align with the ten principles. Although the network is global, it operates through smaller national networks, bringing signatories together at a local level. CIMA is a participant in the UK network, currently chaired by Andrew Cave, head of sustainability at the Royal Bank of Scotland Group (RBS).

For RBS, membership of the UK forum provides a chance to interact with other UK banks and share knowledge, practice and architecture. A recent initiative, supported by the government, was the pooling of knowledge about the contribution made by UK firms towards the achievement of the UN's eight millennium development goals. This resulted in a report that was presented at the UNGC leaders' summit last June.

One of the contributing companies was Reed Elsevier, a publisher specialising in scientific and medical research reports. The firm has provided access to critical information that can be used to tackle systemic problems. For example, it has highlighted issues concerning maternal health – one of the millennium development goals – and ensures that leading medical research is available to countries that need it most.

Reed Elsevier's involvement with the UNGC provides a valuable means of building contacts and sharing expertise with a global network of leaders from business and civil society, according to Márcia Balisciano, the firm's director of corporate responsibility. The UNGC principles critically informed the company's development of policies and codes – particularly its ethical code – which applies across the group.

Balisciano's colleagues are engaged in different areas of the UNGC's activities. For example, they sit on a steering group covering supply-chain issues, as well as the current "CEO water mandate" initiative, which focuses on the problems of water scarcity and poor sanitation. One of her firm's divisions, LexisNexis, which provides information and technology relating to the rule of law, is working with the UNGC to produce videos that raise awareness about relevant issues among lawyers.

For small and medium-sized companies, participation in the network activity of the UNGC around the world can be particularly valuable, as they may not have the resources or knowledge to get to grips with sustainability goals and align them with their business goals. The RBS's Cave says that the UNGC provides ten understandable principles and an accessible framework that can easily be translated into practice. This provides a good starter for organisations that wish to strengthen this aspect of their business as sustainability issues rise up the strategic agenda.

Last June the UNGC and consultancy firm Accenture published a comprehensive research report based on the views of global chief executives. Of those surveyed, 93 per cent stated that sustainability "will be critical to the future of their companies". One of the main challenges they face is the transition from strategy to execution. This requires the training of managers, employees and the next generation of leaders to deal with the agenda. For Georg Kell, executive director of the UNGC, it is crucial that "business and finance students develop an understanding that environmental, social and governance issues are relevant to any discipline of their training – from human resources to supply-chain management to accounting".

It's clearly an area where management accountants have the right attributes and skills to contribute. But many may need to learn the latest techniques and update their knowledge in order to help devise and implement appropriate processes. Cave believes that the traditional skills employed by the bank's finance staff – strategy, business planning, project design, measurement and evaluation – can play a valuable role. They lend themselves directly to the integration of - sustainability reporting and impact assessment into the organisation, and to subsequent assessments of their value.

Cave recognises that it is sometimes difficult to make a direct link between ethical issues and the bottom line. But by collating the right information and bringing it to the attention of business leaders, it can influence their decisions about the direction of the business and its wider impact.

At Reed Elsevier the CFO is engaged directly in a number of sustainability issues as the senior champion for the environment at executive group level, as well as working across the group to align financial and non-financial results. Balisciano acknowledges the challenges of quantifying non-financials. But they are considered as "a piece of the whole", contributing heavily to the efficiency, innovation and risk mitigation of the company, as well as its engagement with employees, customers and wider society – all of which add value. As Erik Engstrom, the firm's CEO, states on Reed Elsevier's website: "We know that excellent non-financial performance contributes to the overall health of the company."

According to Kell, accounting can play a key role in all of this by "ensuring transparency and accountability, to both external and internal stakeholders. In addition, integrating, measuring and correctly interpreting non-financial information, particularly on environmental and social performance, will be critical to ensure continuous, long-term performance improvements."

If a company is seen to be paying lip service to the UNGC's agenda, it runs a high risk of

damaging its brand. Companies need to provide hard evidence of the positive impact they are having on society and the environment, and the strategic returns for the business. They also have to show how any negative effects are being addressed.

The UNGC is also contributing to the International Integrated Reporting Committee, which wants to create a globally accepted framework for accounting, and which CIMA is part of. Kell says that, as well as helping to align social and environmental performance with financial reporting, the committee complements the efforts of mainstream, long-term investors to consider these aspects when they are making their investment decisions.

Professional ethics and organisational values also play a large role in creating a culture that will support and embed a sustainability ethos and help to uphold the principles of the UNGC. Ethics and corporate responsibility are inextricably linked. For the RBS, which was damaged badly during the financial crisis, important changes have been made. The new leadership team has made a clear commitment to address corporate responsibility issues and a dedicated committee is now in place at board level. Results are already being seen within the group. For example, RBS chiefs said in 2009 that they would do business with a new-found “humility and openness”. Kell says that “any organisational effort to achieve greater sustainability requires the adoption of a guiding value framework at an individual level. That is why professional codes of ethics often serve as an important precursor to more comprehensive efforts”.

Although more and more companies are producing corporate responsibility reports, there are still doubts about who is using and reading these supplementary reports; who is independently monitoring them; and, critically, how they link to specific business issues. This is why a move towards integrated reporting is an important step.

It is also still uncertain how many companies, even in the developed economies, are familiar with the concept of sustainability reporting. But awareness is increasing. Civil society and campaigning by non-governmental organisations have a crucial role to play in holding companies to account and highlighting risks and abuses. But these stakeholders tend to have the fewest resources, so governments will ultimately have to take on this role. Certainly, recent discussions by leaders of the G20 group of leading economies reflect this, and there is hope of more progress from the sidelines.

Some critics view the UNGC as a club with no sanctions and find fault with the low level of disclosure that it demands – they say it is a body with “no teeth”. But it has to be seen as force for good in encouraging and globalising the sustainability debate and raising awareness of the need for corporate responsibility, as well as its benefits for business and society. After all, corporate responsibility is now seen as a business imperative and a part of core strategy, not as a side issue. The increasing influence of global regulations, standards and initiatives mean that there are higher risks for those who pay lip service to the agenda.

Initiatives such as the UNGC move the debate forward, giving smaller companies access to the learning, support and resources of larger companies. They also continue to voice the issues at leadership level. In pursuing its mission, the UNGC keeps reminding business that, as a primary agent driving globalisation, it can help to ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. That is good for us all.



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