

A background image showing two people shaking hands in front of a field of wind turbines. The scene is captured in a warm, golden light, suggesting a sunrise or sunset. The wind turbines are silhouetted against the sky. The overall mood is one of partnership and sustainable growth.

Sustainability in transactions

A report by Chartered Accountants Australia and New Zealand and ACCA

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Think Ahead



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Agenda

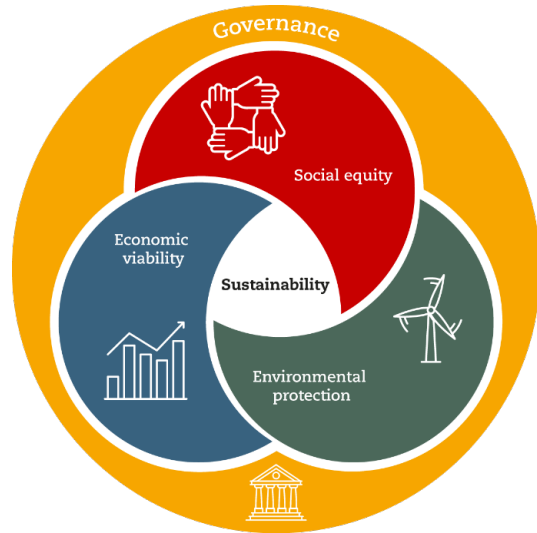
- Sustainability and the transaction process
- Considerations in due diligence
- Action steps





Sustainability and the transaction process

A sustainable world



Sustainability

An organisation's approach to creating **long-term value** by taking into consideration how a given organisation operates in the **environmental, social, and economic** environments. It is built on the assumption that developing such strategies ensures an organisation's **longevity**.



Why does it matter?

‘Why is this suddenly everybody’s agenda? Because it is no longer philanthropy. It is essential. Now you will only work with businesses who are number one putting plans in place and then everything else. This is a real return’.

‘[Sustainability-related due diligence] is still a very much a box-ticking exercise. So, the question for me is, how do we make this front and centre of the conversation and bring other stakeholders along that journey?’

Four key factors for increasing relevance



Financial institutions
and investors



Supply chains

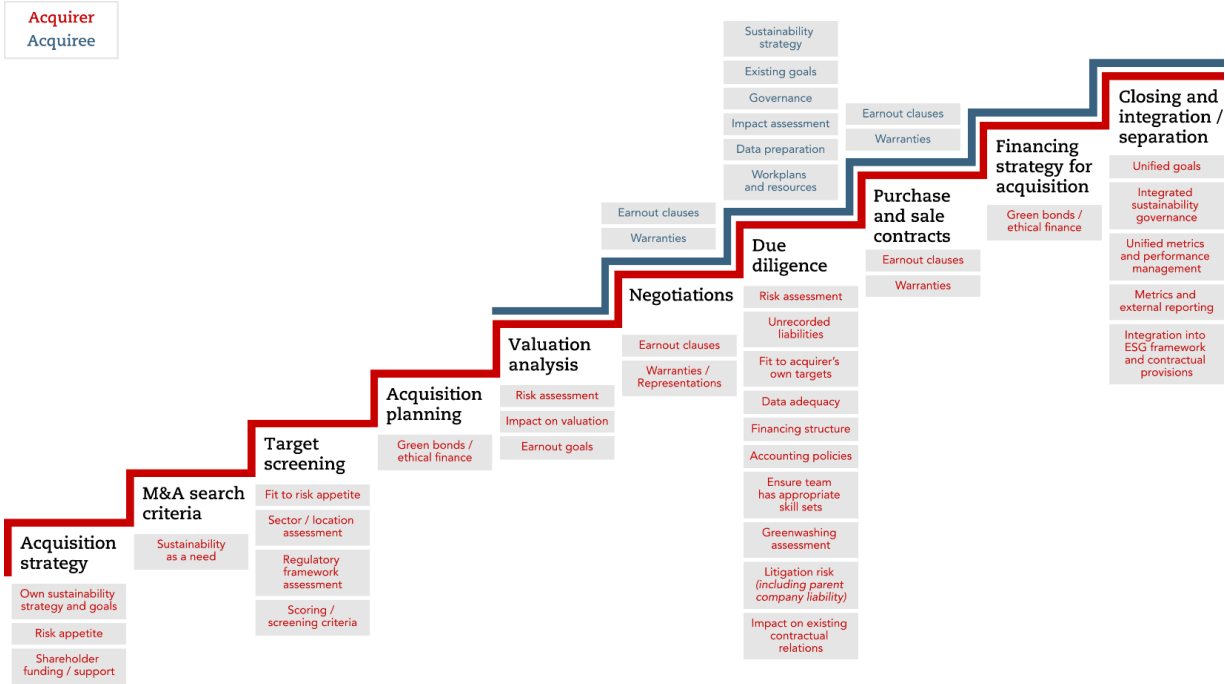


Regulators



Customers, clients and
employees

Relevant throughout transaction workflow



Impact on the valuation

- Valuations are impacted
- Future commitments
- Variations in cost of capital
- Standards: IVS 104 appendix

The graphic features the IVSC logo in the top left corner. The word "Standards" is written in a large, white, sans-serif font across the middle. The background is a photograph of a modern library or study area with white bookshelves and a blue ottoman.

What are International Valuation Standards

International standards for international markets

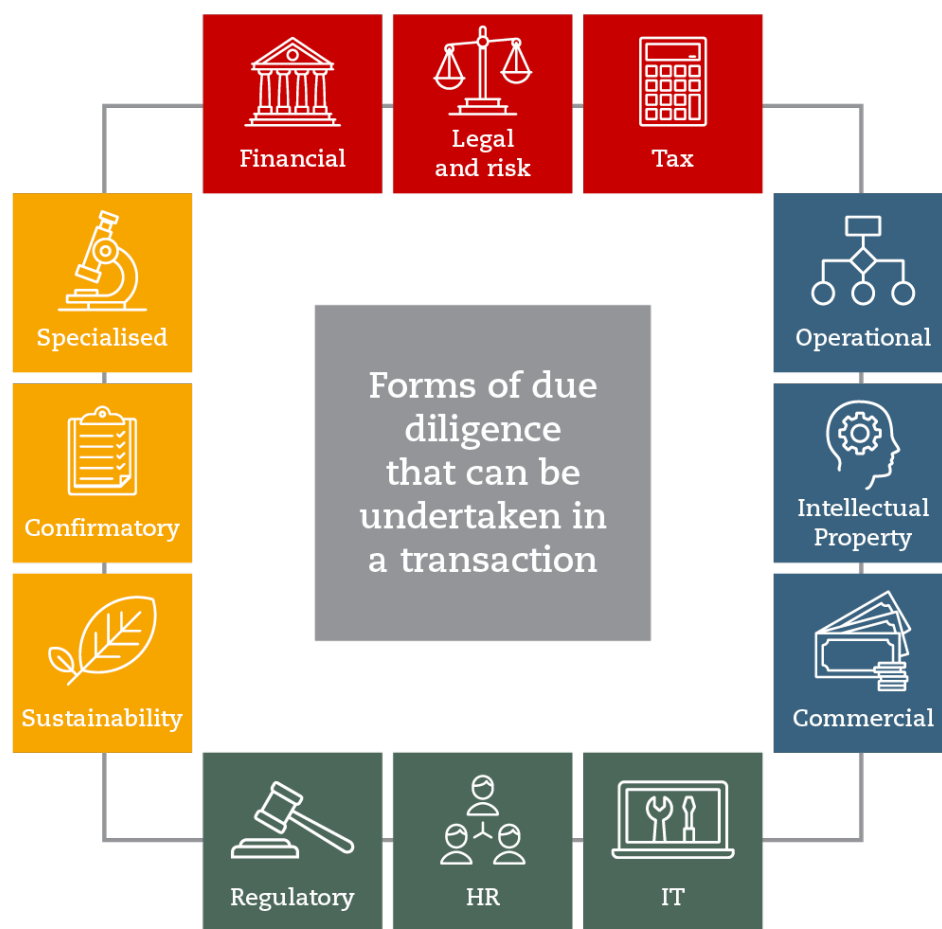
International Valuation Standards (IVS) serve as the key guide for valuation professionals globally to underpin consistency, transparency and confidence in valuations.

IVS are central to the IVSC's mission to raise standards of international valuation practice as a core part of the financial system for the benefit of capital markets and the public interest.

Considerations in due diligence

Many forms of due diligence but risk remains

- Sustainability due diligence or sustainability in due diligence?
- Risk-based approach
- Outcome led
- No common standard
- Sustainability is both a risk and an opportunity



Sustainability considerations in due diligence

- Broad in scope
- Many factors to consider
- Varied evidence sources
- Specialist input



An aerial photograph of a beach and ocean. The left side shows a sandy beach with many tracks and footprints. The right side shows the ocean with waves breaking. A semi-transparent white square is centered over the image, containing the text 'Action steps' in white.

Action steps









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Five key actions for sustainability in transactions

	Strategic and risk-based scope	Drive transactions towards strategic goals for sustainability and adopt a risk-based approach
	Integrated approach	Integrate sustainability-related issues into all aspects of the due diligence approach
	Operational rigour	Recognise that sustainability is a core part of the operating model
	Agility and flexibility	Assume constant change and evolution of sustainability goals
	Relevant expertise	Ensure that the depth of the sustainability-related risks is addressed by relevant experience
	Actionable observations	Ensure that outputs of any assessment are actionable



The role of the accountancy and finance professional

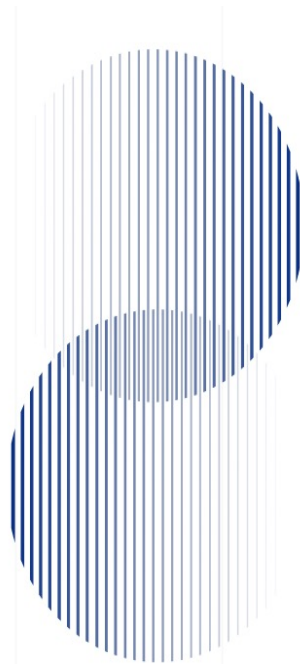
- 'I think it is great that accountancy and finance professionals are involved in this because we bring a rigour and a focus on evidence from our training. That is important, but we do need to be thinking beyond what we can easily do in financial terms'.

Australian roundtable participant

Developing your skills

- 'I do not see [sustainability-related factors] necessarily added as acquisition criteria per se, but these factors should be seriously considered in due diligence and for plans post close and in post-merger integration'.

*Professor Dr Christopher Kummer,
President and Founder, IMAA.*



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Access the report and its findings

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