

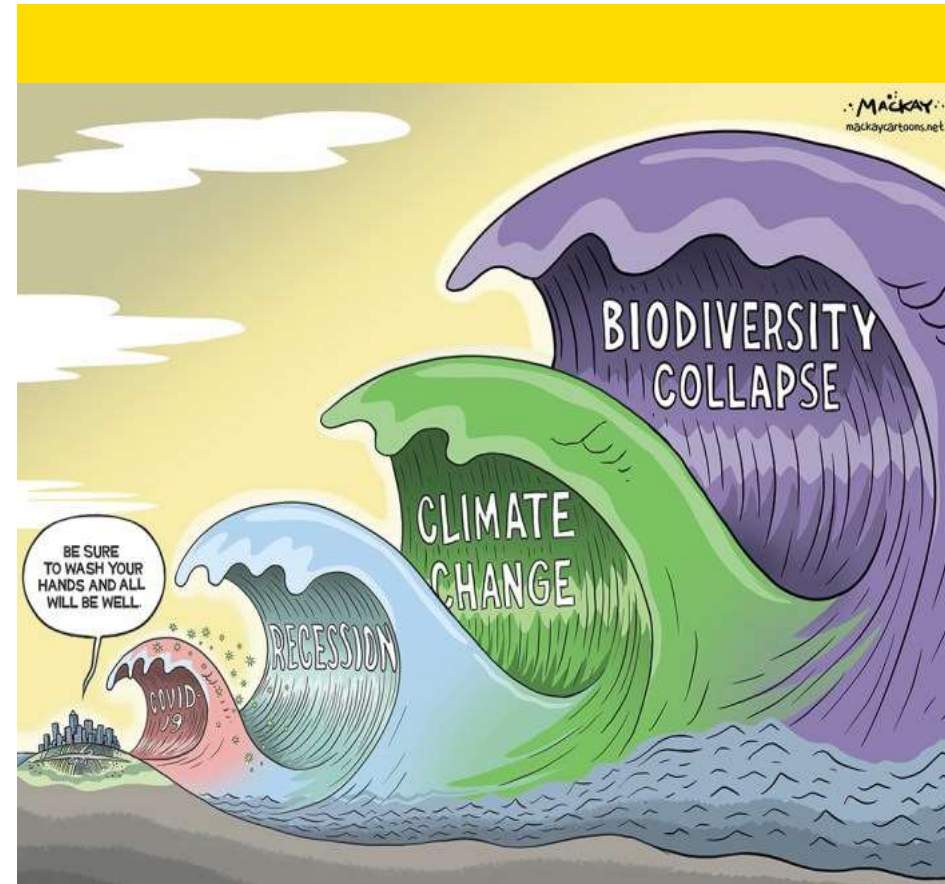
# Role of Internal Audit in Sustainability

Presentation for the  
Institute of Internal  
Auditors Philippines

by:

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# Polling Question 1 – About you

- How many years have you been an internal auditor?
  - 1-2 years
  - 3-5 years
  - >5-10 years
  - >10-15 years
  - >15 years

# Polling Question 2 – About your employer/company

- Which Sector do you currently work in?
  - Manufacturing
  - Services
  - Financial
  - Mining
  - Government
  - Not-for-profit
  - Other

## Polling Question 3 – Does your company have a sustainable business agenda?

- Yes, this is well developed
- Somewhat
- Thinking about it
- None

## Polling Question 4

- Has COVID-19 pandemic changed your opinion on having a sustainable business agenda?
  - More important than ever
  - Less important
  - No change

## Polling Question 5

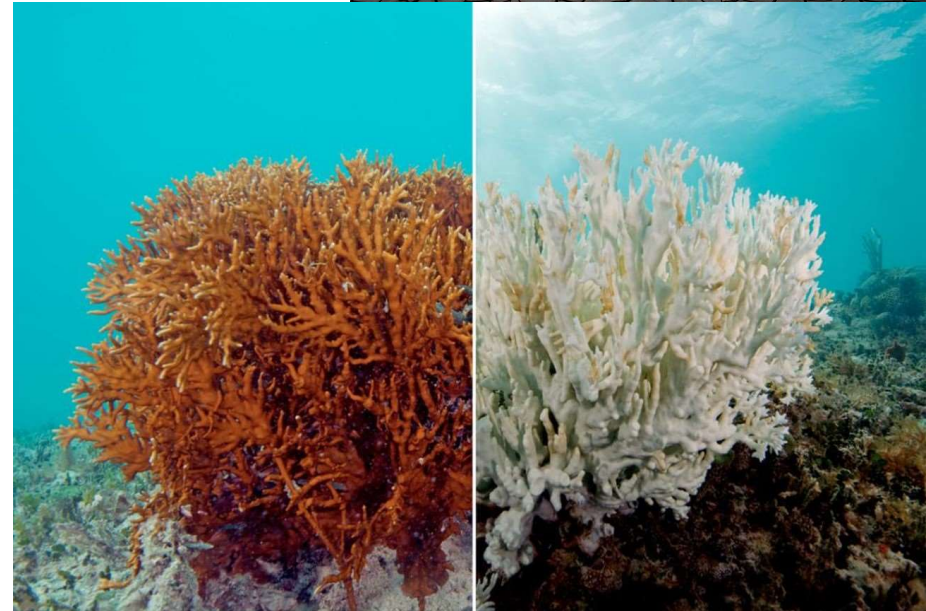
- Do you think businesses should act in a more socially and environmentally sustainable way?
  - Strongly agree
  - Agree
  - No opinion
  - Disagree
  - Strongly Disagree

# Agenda

1. Why sustainability matters?
2. What is sustainable development?
3. Various terminology for corporate social responsibility reporting
4. Benefits of sustainability reporting and why corporate reporting needs to change
5. Guidance on Sustainability Reporting
6. Role of Internal Auditors in progressing sustainable development

# Trends shaping the world

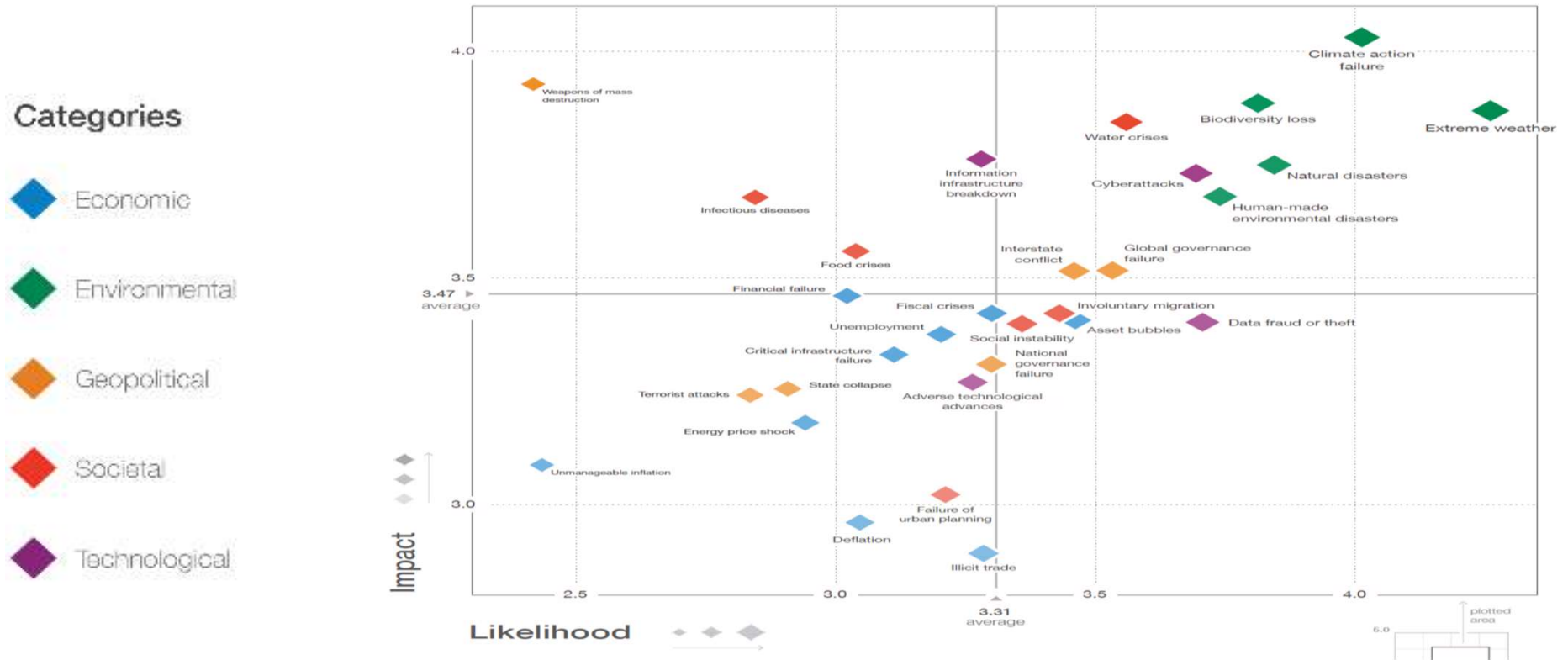
- Extreme weather
- Climate Action Failure
- Natural Disasters
- Biodiversity loss
- Cyberattacks
- Water crisis





# The Global Risk Landscape

Figure II: The Global Risks Landscape 2020



Source: The Global Risks Report 2020, World Economic Forum

# Why should sustainability matter?

Risk Mitigation

Cost efficiency

Competitive advantage

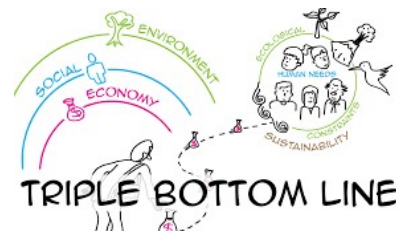
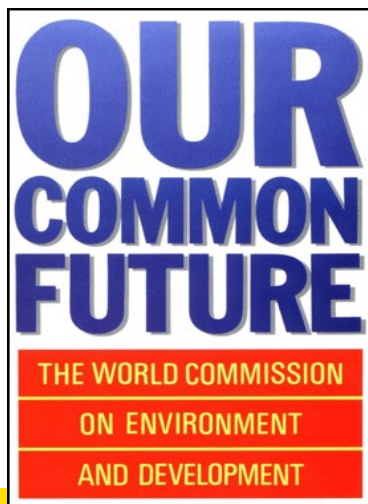
New Opportunities

Innovation

Improve productivity

# What is *Sustainable Development*?

- seeks to meet the needs and aspirations of the present without compromising the ability of those of the future (Brundtland Report, 1987)



- involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability need to perform not against a single financial bottom line, but against the **triple bottom line**” (Elkington, 1997)

# Why bother with sustainability?

- Traditionally business entities perceived to be responsible for their financial performance and that the principal stakeholders were the owners (shareholders)
- Views are changing; it is becoming accepted that entities also have responsibilities to a broader group of stakeholders (e.g. local communities, customers, suppliers, employees, creditors, government and even future generations)
- Entities now being held responsible for their *social* and *environmental* as well as their financial performance
- With the changes in expectations about responsibilities of corporations we would expect to find a change in the expectations about corporate accountabilities
- Changes in expectations about accountabilities in turn should lead to changes in corporate accounting and reporting

# Many other names of CSR

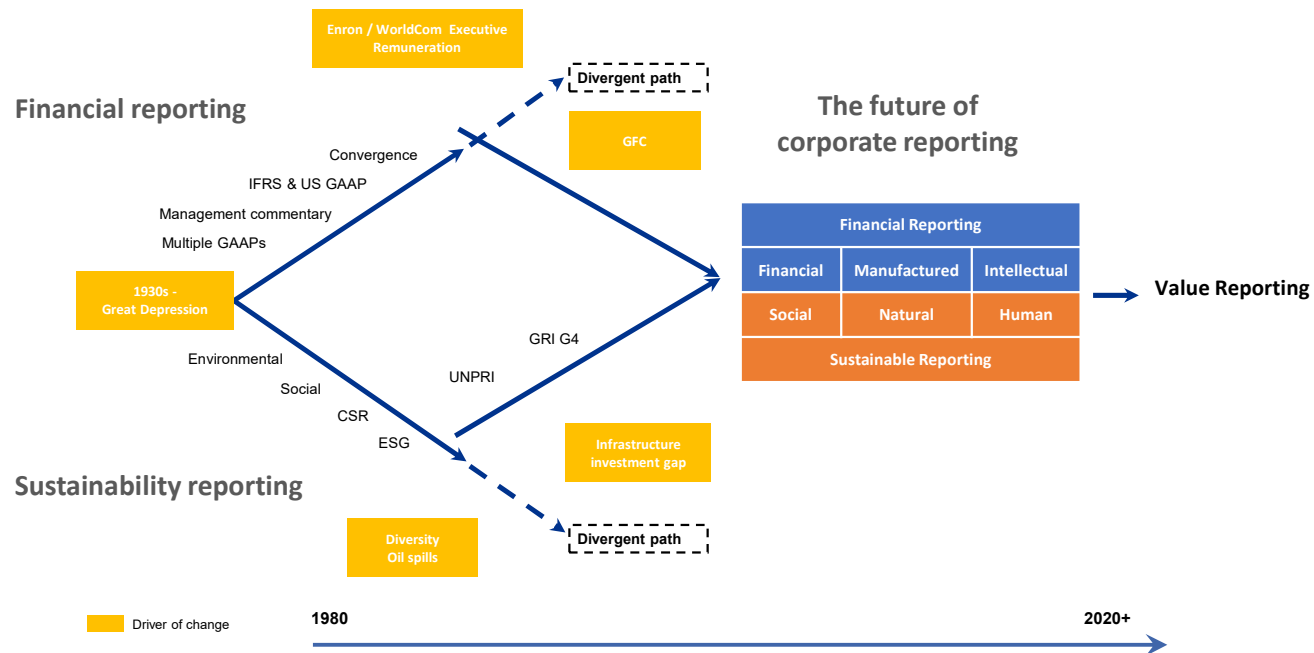
Is anything missing?



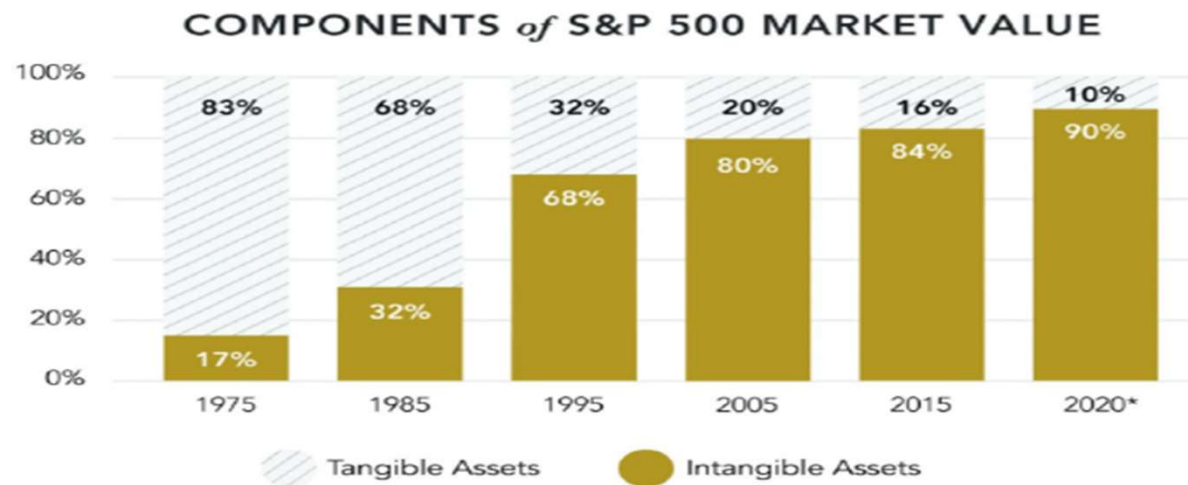
## Benefits of Corporate Social Responsibility Reporting

- **It's good for society – and business really *can* make a difference.**
- Companies offer fresh ideas and scalable solutions to society's challenges – exactly what we need to create a better world.
- They're helping alleviate extreme poverty, address labour issues, reduce environmental risks around the globe, so much more.
- **It's good for business ....no longer a good thing to do but a must have**
- Corporate and organizational success requires stable economies and healthy, skilled and educated workers, among other factors. And sustainable companies experience increased brand trust and investor support. (UN Global Compact)

# Why corporate reporting needed to change?



## Where value is found



Source: [Ocean Tomo](#)



# Guidance for Sustainability Reporting

The two most widely used reporting schemes are:

1. Global Reporting Initiative (GRI); and,
  2. United Nations Global Compact Communication on Progress (UNGC COP).  
– Ten Principles
- Other reporting guidance are specific in their application
  - e.g. Sustainability Accounting Standards Board, Integrated Reporting Framework, Carbon Disclosure Project, Water Disclosure Project, Connected Reporting Framework, Energy Industry Sustainability Reporting Guidelines, Forest Footprint Disclosure Project, OECD Guidelines for Multinational Enterprises)
  - More recently we have seen incorporation of UN's Sustainable Development Goals. (17 aspirational Goals to achieve by 2030)

## Other Guidance or Frameworks (not exhaustive)

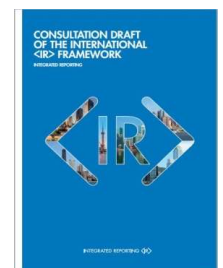
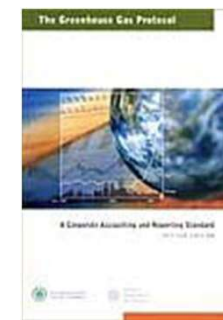
- Greenhouse Gas Protocol
- ISO 26000 – Social Responsibility
- ISO 14001 – Environmental management systems
- ISO 14064 – Climate change
- OHS 18001 – Occupational, health and safety
- AA1000 Series – Accountability and Assurance
- <Integrated Reporting> - Framework

Sustainability Accounting Standards Board (SASB) is developing a guidance for reporting – US based

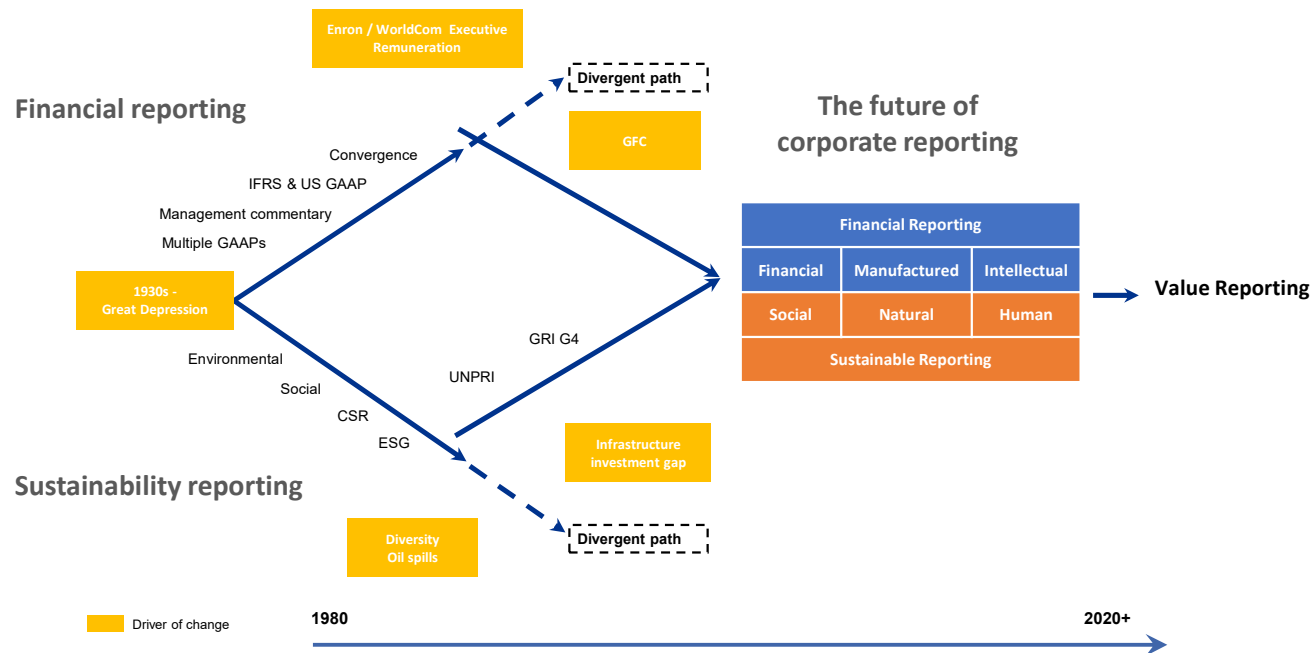
Corporate Reporting Dialogue

Task Force for Climate-related Financial Disclosures

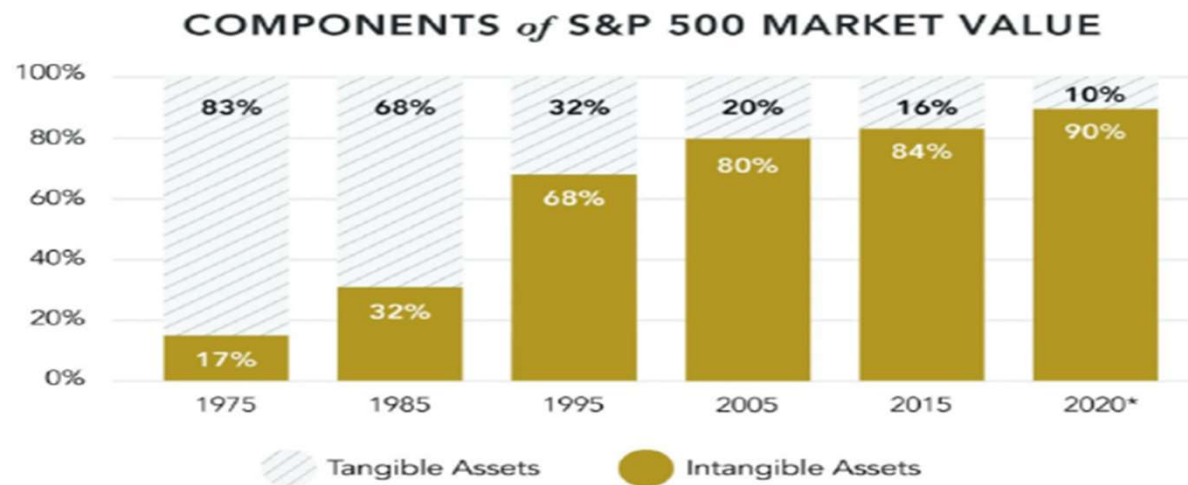
OECD Guidelines for Multinational Enterprises



# Why corporate reporting needed to change



## Where value is found

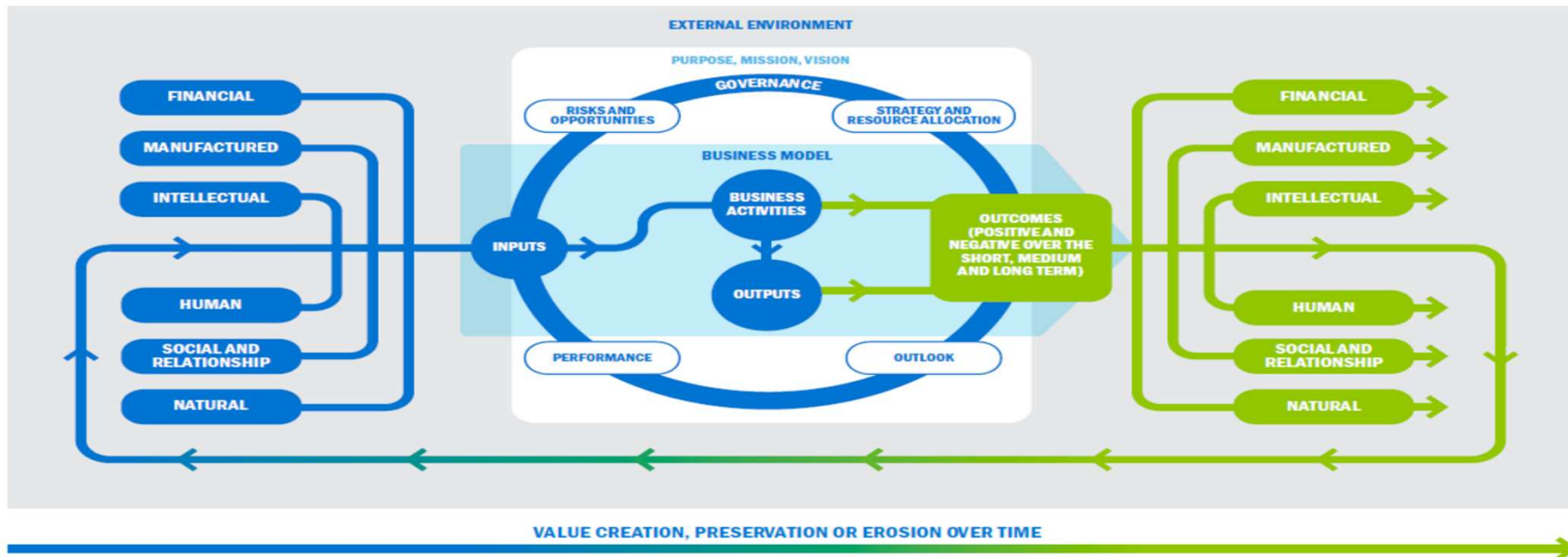


Source: [Ocean Tomo](#)

# Integrated Reporting Concept

## PART 1 INTRODUCTION

Figure 2. Process through which value is created, preserved or eroded



# Agenda 2030: Sustainable Development Goals

## Sustainable Development Goals

Select one of the 17 SDGs to see it on the map or [display the global index](#)



<https://dashboards.sdindex.org/#/>

# MODERN SLAVERY



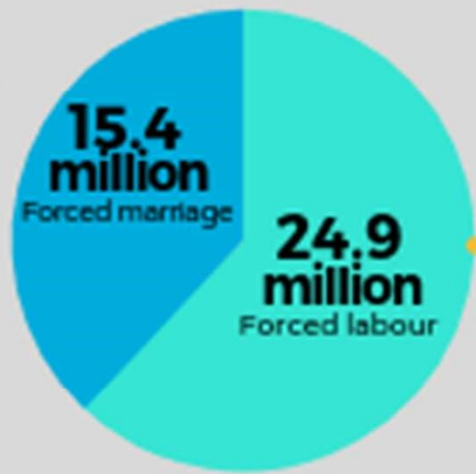
**71%**  
female



**29%**  
male

**1 in 4**

victims of modern slavery are children



- 16 million** people exploited in global supply chains in the private economy
- 4 million** people in forced labour imposed by state authorities
- 4.8 million** people in forced sexual exploitation



Forced labour generates annual profits of  
**US\$ 150 BILLION**

\* Estimates based on data from 2016

\*\*Based on estimates by the ILO and Walk Free Foundation 2017 and the Global Slavery Index 2018

# Modern Slavery

## What is it? (relevant to workplace):

**forced labour**, which refers to work that people must perform against their will under the threat of punishment

**debt bondage**, when individuals work to pay off a debt while losing control over working conditions and repayments

**deceptive recruiting**, a form of forced labour where the victim is deceived about the type or conditions of work

**human trafficking**, which concerns the moving of people (usually for forced labour or sexual exploitation)

**child slavery**, concerns employment of underage workers and paid below minimum wage



## High risk imports

- Bricks
- Coal
- Cocoa
- Coffee
- Cotton
- Floor coverings
- Footwear
- Garments
- Gems/diamonds/jewellery
- Natural rubber
- Rice
- Seafood
- Sugars/sugar cane
- Textiles



# Role of Internal Auditors in Sustainable Development

- Define and understand the risks and opportunities created by the sustainability processes and determine how this will affect the entity
- Advise management to gain trust of stakeholders to harness not only financial value but all resources used by the organization to create value (including capitals other than financial)
- Assess and report sustainability indicators
- Assist/promote in designing of sustainable management system (must be an auditable structure)
- Contribute to credibility enhancing mechanisms in what is suggested as combined assurance (with Corporate governance and external audit)

**THANK YOU!**

**Questions?**