15 October 2024

ICAS Research Funding Opportunity

Sustainability governance

Introduction

It is clear that sustainability is moving higher up the C-Suite agenda. This is, in part, as a result of the evolving regulatory landscape, such as the anticipated release of the UK Sustainability Reporting Standards (SRS) in 2025, the adoption of the European Sustainability Reporting Standards (ESRS) in 2023 for companies subject to the Corporate Sustainability Reporting Directive (CSRD) in Europe, climate-related disclosure rules announced by the Securities and Exchange Commission (SEC) in the US in 2024, and the publication of the Corporate Sustainability Due Diligence Directive (CSDDD) this year also.

Organisations may be directly and indirectly impacted by these various regulations - indirectly when they form part of the value chain of 'in scope' companies - and as Boards grapple with this topic, there is a need to offer practical guidance for governance over sustainability to illustrate what best practice looks like. The importance of corporate governance is defined by the UK Financial Reporting Council (FRC) as:
"*Corporate Governance is the system of rules, practices and processes that are put in place to manage and control a company. It is underpinned by the UK Corporate Governance Code.*

Good corporate governance contributes to long-term company performance by helping to build an environment of trust, transparency and accountability. These values help businesses foster long-term investments, financial stability and business integrity.

Businesses with good corporate governance policies see stronger growth,and help contribute to more inclusive societies by ensuring the interests of all stakeholders are balanced.[1]"

The governance of sustainability can often be fragmented within an organisation and there is a need for a holistic approach to oversight across the whole business. There is limited practical advice on optimal governance arrangements, including education and training required throughout the governance system to make sure conversations are taking place between the various component parts of an organisation.

Research topic

The proposed research seeks to ascertain the current practice of governance over sustainability in its widest sense, as it relates to financial and non-financial reporting both internally within an organisation and external reporting, as well as the overall integrated management of sustainability matters within an organisation. The aim is to understand where there are gaps and provide recommendations for best practice.

It is acknowledged that sustainability is a broad field and that organisations may employ practices of varying maturity. For example, many organisations are familiar with responsibilities and reporting around climate change due to requirements under the Task Force on Climate-related Financial Disclosure (TCFD), however progress on other sustainability-related areas such as social issues may be more nascent. The research should not be limited to a subset of sustainability matters, however it may be helpful to clearly segregate results based on relevant topics or themes, and/or types of organisations.

Example of areas that are of interest to ICAS, without limitation:
- Is governance over sustainability integrated within the wider governance framework of an organisation, or how else is it managed?
    - To what extent and how is sustainability integrated into strategy?
    - To what extent and how is sustainability integrated into operations management and business decision-making?
    - To what extent and how is sustainability integrated into KPIs and reporting?

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[1] Corporate Governance (overview) (frc.org.uk)

- - To what extent and how is sustainability integrated in a company's risk analysis and business model considerations?
    - Who does all of the above?
- What is the role of the finance team within the sustainability governance process?
- Does the governance process consider both the impact of the entity's operations on sustainability matters as well as the impact of sustainability matters on the organisation?
- Governance is the domain of the Board, with specific areas usually delegated to the audit committee. For comprehensive governance, which committees address which elements of governance over sustainability?
- Knowledge – is Board knowledge and understanding sufficient to effectively scrutinise sustainability matters arising, and how is that knowledge best acquired and kept current?
- Completeness - to what extent and how do those charged with governance ensure that impacts, risks and opportunities arising from sustainability considerations are identified and addressed?
- Appropriate governance - once material topics are identified, what are the appropriate controls and structures to have in place to monitor emerging matters?
- Do organisations employ the same governance process over both financial and non-financial reporting? If not, how do they differ?
- How does organisational culture relate to the implementation and effectiveness of the governance of sustainability practices within an organisation?
- Does effective governance over sustainability support a link between reporting and action?
- How do evolving regulatory frameworks and government policy affect governance over sustainability?
- What is the role of new technologies, including AI, in governance over sustainability?
- How resilient or future-proof are the governance of sustainability processes? For example, will the changes made to respond to TCFD requirements be sufficient to address what is coming next (e.g. the Taskforce on Nature-related Financial Disclosures (TNFD), the Taskforce on Inequality and Social-related Financial Disclosures (TIFSD) etc.)?

Research methods

The aim of the proposed project is to identify best practice and make policy recommendations. Given that sustainability considerations are rapidly evolving and a nascent consideration in many organisations, the research proposal will need to specifically describe how access to best practice will be ensured as part of the pool of subjects/participants, as opposed to solely an assessment of current practice.

While our initial preference is for a qualitative project, ICAS welcomes all research methods, and applications are invited beyond the academic community and are accepted from around the globe. Although we invite proposals which include considerations from international jurisdictions, it is important that the UK features as one of the jurisdictions examined. The rationale for the choice of jurisdiction(s) should be included in the research proposal.

Steering group

The project will be overseen by an ICAS Steering Group which will work with the successful applicant(s) to finalise the parameters of the research. The Steering Group will support the applicant(s) throughout the duration of the project and will oversee the project on behalf of ICAS.

Potential impact of project

ICAS will use the report arising from this call to inform public debate and policy development.

This project could help to influence the future direction of the discussions underway globally on the topic of governance over sustainability. The research will be of interest not just to ICAS but to the Financial Reporting Council (FRC), and global standard setting bodies such as EFRAG, the

International Sustainability Standards Board (ISSB) and the IFRS Foundation, the Global Reporting Initiative and potentially other organisations like The Corporate Governance Institute and the Institute of Directors in the UK.

Terms of agreement

A final draft of the report arising from the project is to be delivered to ICAS in December 2025, although earlier delivery is encouraged.[2]

Authors will be required to make short presentations of interim and key findings to the ICAS Steering Group, the Research Panel, the Sustainability Committee and other panels as may be relevant. A presentation of findings at ICAS sponsored events may also be required.

It is essential that the research report should consider the public interest in these issues, and to draw conclusions, implications and formulate recommendations of interest to policymakers, regulators, members of the profession and wider stakeholders.

Draft reports/outputs will be reviewed by the Steering Group, practitioner and academic reviewers, with a view to publication by ICAS. These should be a maximum of 10,000 words in length.

ICAS encourages these required outputs to be supplemented by other more interactive and/or innovative delivery media, such as webinars, short videos, etc. following discussion and approval by the Steering Group. We also invite ideas from researchers on other innovative ways in which the research outputs could be presented, in addition to or to replace the traditional research report.

Grant funding of up to a maximum of £25,000 is available to undertake this project, which may be payable as a fee to an individual, a business or a university.

Expressions of interest

If you are interested in undertaking a project in this area, please email research@icas.com attaching a call for research application form (available at icas.com) and a proposal together with summary CVs no later than 23:59 (GMT) on 24 November 2024.

Your application should:
- explain why you believe you or your team are suitable individuals to undertake the project;
- demonstrate your level of, or access to, knowledge and expertise in this area and how this will be leveraged in your proposed methodology;
- state how any team will be structured and responsibilities for completion of the report.

The proposal should identify the specific topics which you will focus on and include:
- details of the proposed research questions and methodology;
- a brief review of prior research/literature (academic and other), if any;
- how the project will advance current knowledge on the topic;
- the extent to which the research will be breaking new ground or building upon work which has already been undertaken;
- a summary of the key issues which you believe are likely to arise from the project;
- the anticipated impact and influence of the project; and
- the amount of grant, in sterling, which you require to complete the project imperatively with a breakdown of the estimated costs.

The Guidance Notes for Research Applicants (available at icas.com) explain what should be included in the proposal.

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[2] Should a longer timescale be required, the rationale for it should be clearly explained and supported in the research proposal.

The research proposals will be considered by a panel of academics and non-academics to arrive at a final decision. Presentations will be required by shortlisted applicants in order to reach a final decision. Dates for such presentations will be set at the mutual convenience of ICAS and the applicants. Applicants will be advised of the final decision before the end of December 2024.

For further information about this funding opportunity please contact the ICAS research centre: research@icas.com.