

Swedish accounting firms help SMEs to strengthen their businesses and adopt sustainable business practices, at the same time!

In January 2010, FEE (Fédération des Experts comptables Européens – Federation of European Accountants) published a policy statement “Small and sustainable: opportunities for SMEs!” as part of its series of policy statements on core issues in relation to sustainability and the accountancy profession. FEE believes that accountants have a role and responsibility in helping enterprises achieve long-term prosperity. This paper seeks to raise awareness of a practical tool developed in Sweden.

About FEE

FEE represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States. In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, small and larger firms, business, public sector and education, who all contribute to a more efficient, transparent, and sustainable European economy.

The role of FEE in promoting sustainable business practices

Two of FEE's 7 key objectives for the next five years involve promoting sustainability². FEE recognises the important responsibility that accountants have to promote business practices that reduce the carbon footprint of

companies of all sizes. Accountants and auditors are at the heart of business reporting and close to the boardroom and, as a result, accountants are ideally placed to promote sustainable business performance.

Swedish good practice example

Does your business want to improve profitability?

Do you also want to help the environment?

Do you find it difficult to see how these two objectives can be reconciled?

Well they can be, because energy is expensive. Businesses that are “carbon smart” can reduce their consumption of energy and save money at the same time. This is the goal that Swedish accountants are enabling their clients to achieve!

FEE's Swedish Member Body, the accountancy institute FAR SRS, with financial support from the Swedish Transport Administration, the Swedish Energy Agency, the Swedish Environmental Protection Agency and the Swedish region Västra Götaland, has developed a new set of tools, called MER (Miljö Engagerad Revisor, Environmentally Committed Accountant, in Swedish the acronym MER is also the word “more” indicating that auditors

hope to add more value to their services), to enable accountants to work with their SME clients to efficiently assess the financial and environmental status of a business's operations. FEE congratulates FAR SRS on the exciting and innovative MER initiative.

The MER suite of business tools enables companies to analyse their performance in those parts of the operation that have a direct impact on global warming.

“MER – Business Travel” and “MER – Transport” are already available. An additional module “MER – Energy” is under development.

The tools are available in English, they can be viewed on and are freely available from the FAR SRS website at www.merverkan.se/tools.php.

How does MER work?

MER consists of a series of Excel based questionnaires designed to assist accountants to identify the potential for environmental savings that also provide the opportunity to reduce business costs.

A	B	C	D	E	F	G
Direct transportation costs						
Look at accounted costs for haulage and logistics. Use the accounts chart to check that all costs are included.						
Compilation of the direct costs for current year:						
		Invoiced incoming transportation				
		Invoiced outgoing transportation				
		Transport insurance				
		Goods insurance				
	Your own vehicles	Fuel				
		Insurance				
		Staff				
		Depreciation				
		Maintenance				
		Interest				
		Total:		0		
How have your direct transportation costs developed relative to your net turnover in the last five years?						
	Year	Direct transportation costs [kSEK]		Net turnover [kSEK]		Percentage of net turnover [%]
	2005					0,0%
	2006					0,0%
	2007					0,0%
	2008					0,0%
	2009	0,0				0,0%
You can examine specific parts of the direct transportation costs						
	Ar	Specific part of the direct transportation costs [kSEK]		Net turnover [kSEK]		Percentage of net turnover [%]
	2005			0		0,0%
	2006			0		0,0%
	2007			0		0,0%
	2008			0		0,0%
	2009			0		0,0%
<div style="border: 1px solid black; padding: 2px; display: inline-block;"> For example, an employee's car, or a specific department or unit at the company. </div>						
Description of selected part of transportation costs:						
Direct transportation costs relative to net turnover						
Does the company have a positive or negative trend?						

Accountants are then able to identify clients where opportunities for environmental improvements exist. The accountant visits the client and focuses on the area of identified savings, for example, business travel. Using the MER questionnaires he or she pinpoints all the relevant facts and generates suggestions for improvement. The MER modules are designed so that cost reductions are normally achieved alongside reductions in the business's carbon footprint!

Accountants are well-placed to provide this service in a cost effective manner because of their detailed understanding of the finances of their SME clients. This understanding is critical because, for example, a MER Transport project can lead to a review of the whole business of the client, from purchasing raw-material to processing, storing and finally the sale and delivery of the product (or service). On the way issues such as quality, cash-flow, efficiency etc. may be discussed.

In micro-entities most of these discussions and reviews will be conducted by the owner and the accountant, using information from the business's accounts. However, in a larger company several people in the management team may need to be involved.

After completing the review the accountant presents an action plan which shows the client the changes that should be made and the effects this will have – both on profitability and the environment.

Case example

Company A (turnover 15.2 million euros, 113 employees) is a company in design and production of high-quality carpets. Manufacturing takes place in Sweden. Company A has set itself tough environmental targets, and concern for the environment is one of the company's core values. Company A has held ISO 14001 Environmental Management Certification for several years.

Company A is searching for ways of making further environmental savings whilst strengthening their competitive position at the same time. Aided by MER and with the assistance of the company's auditor, the company's environmental manager is making the opportunities for financial and environmental gains more visible – focusing initially on the costs of business travel.

The environmental manager from Company A says:

“The MER tools make it easy to identify the financial and environmental gains that are possible and then to achieve the desired savings through effective financial planning and control.”

Another example of a company that adopted the “MER Business Travel” module is Company B (turnover 2.5 million euros, 32 employees), a one-stop engineering services company supplying the manufacturing and processing industries. Their CEO explains:

“By halving the time absorbed by business travel we estimate that we can increase revenues by 140,000 euros a year!”

And it is not only business people interested in reducing their operating costs that are impressed by the opportunities that the “MER” approach offers:

“It's great to see a method that combines environmental awareness with sound economics.”

Claes Vasterteg, Member of the Swedish Parliament and Deputy Chair of the Parliamentary Environment and Agriculture Committee

“It is inspiring to see how accountants can visualise the possibility of making money on climate improving measures. The tool shows in an easy way that reducing climate affects can be profitable for the company.”

Eva Smith, deputy Director-General, Swedish Environmental Protection Agency

More good practice?

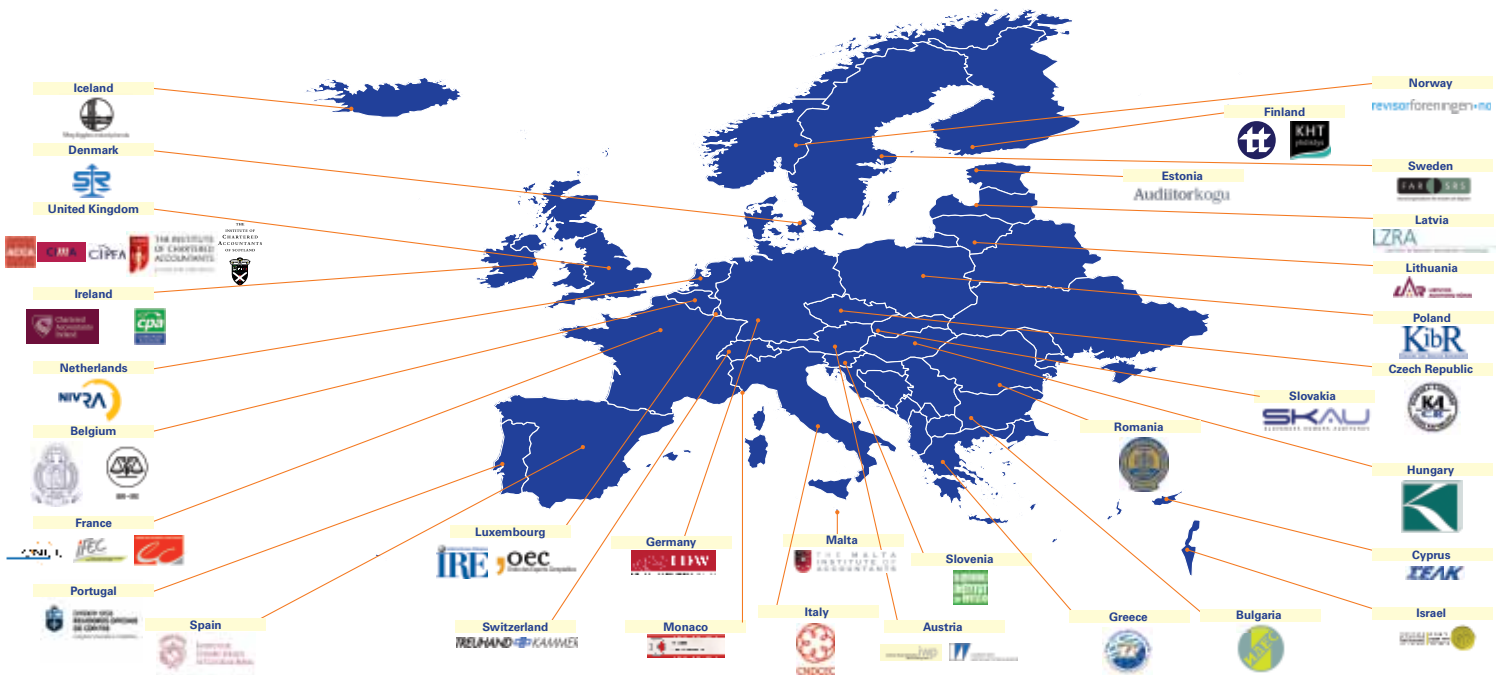
FEE would be delighted to learn about other practical approaches that accountants are using to promote sustainability and FEE is keen, where appropriate, to highlight examples of good practice.

Notes:

¹ Small and sustainable: opportunities for SMEs (http://www.fee.be/publications/default.asp?library_ref=4&content_ref=1191)

² 7 key objectives for 5 decisive years (http://www.fee.be/publications/default.asp?library_ref=4&content_ref=1238)

THE MEMBERS OF FEE



FEE is a Regional Organisation of IFAC, the International Federation of Accountants