



External environment and outlook

The external environment impacts our business model and strategy and is a source of the risks and opportunities that we face. Key external trends that have the potential to impact the organisation and its members, and our responses to them are detailed below.

Internal impacts and risks that have the potential to impact our strategy and our responses to them are on pages 33 to 35.

Table 3: External trends

Risks and opportunities from our external environment	Impact on value creation and capitals
 <p>Economic/geopolitical – Changes in the economic/political environment in key markets in which CPA Australia operates.</p> <p>Likelihood: Extreme</p> <p>Impact: Extreme</p>	<p>Financial impact where the denial or restriction to new or existing markets results in fewer new members joining and existing members choosing not to renew (financial capital).</p> <p>Changes in currency valuations can increase or decrease the cost to operate in overseas markets (financial capital).</p> <p>Negative member experience – inability to adequately deliver quality services that support them in the environment they are operating in (social and relationship capital).</p>
 <p>Pandemic or natural disaster – An epidemic that becomes very widespread and affects a whole region, a continent, or the world due to a susceptible population and/or a major adverse event of nature.</p> <p>Likelihood: Extreme</p> <p>Impact: High</p>	<p>Potential for illness/injury/fatality (human capital).</p> <p>Financial impact through significant to long-term business disruption (financial capital).</p> <p>Negative member experience – inability to adequately deliver quality services (social and relationship capital, manufactured capital).</p>
 <p>Climate change – Failure to effectively manage the impacts of climate change, both directly and indirectly, on CPA Australia's operations.</p> <p>Likelihood: Low</p> <p>Impact: Low</p>	<p>Negative perception of CPA Australia by key stakeholders and related public criticism (social and relationship capital).</p> <p>Breach of legislative requirements (social and relationship capital).</p> <p>Positive perception where the organisation is seen to be addressing climate change risk (natural capital, social and relationship capital).</p>
 <p>Technology – Improvements in accounting software are changing the way accountants use and interact with technology. New processes and systems are shifting the critical skill sets required by accountants. Organisations are outsourcing and automating manual and repetitive tasks to free up employee time to complete more complex tasks.</p> <p>This external risk/opportunity is related to our internal risks of IT strategy and data/systems. As such, it is rated as follows:</p> <p>Likelihood: Extreme</p> <p>Impact: High</p>	<p>Opportunities for accountants are changing with greater emphasis on analytical, advisory and soft skills (intellectual capital).</p> <p>Technology changes are also impacting the education space and these changes have sped-up due to COVID19, increasing demand for personalised learning and changing demand for traditional long courses (intellectual capital).</p> <p>Changes in regulation and compliance requirements globally, and in different jurisdictions, also impact technology requirements for members (intellectual capital, social and relationship capital).</p>
 <p>Accountants as strategic advisers – Organisations are becoming more reliant on skilled accountants to provide them with consultation and advice on strategic matters.</p> <p>This external risk/opportunity is related to our internal risks of education and CPD and education strategy. As such, it is rated as follows:</p> <p>Likelihood: Moderate</p> <p>Impact: Extreme</p>	<p>Tailored resources, tools and knowledge are required to help accountants transition into this role (intellectual capital).</p>
 <p>Trust and transparency – Trust and transparency are increasingly important to organisations.</p> <p>This external risk/opportunity is related to our internal risk of brand and reputation. As such, it is rated as follows:</p> <p>Likelihood: Likely</p> <p>Impact: Major</p>	<p>Trust and transparency are important for organisations to maintain their social licence to operate. Impacts could include:</p> <ul style="list-style-type: none"> • Financial impact, legal/regulatory penalties, legal action • Adverse publicity • Negative perception of CPA Australia by key stakeholders and related public criticism • Positive perceptions and increase in reputation where trust and transparency is demonstrated (social and relationship capital).

Note: Key to strategic goals is on page 10.

Key responses

Cyclical strategic and business planning and closely monitoring the competitive landscape.

Board/executive management monitoring of financial performance and trends.

Engagement of external advisers as required.

Business continuity management policy and plan.

Support members, their clients and the profession globally, and in different jurisdictions, navigate economic and geopolitical changes.

Business continuity and emergency management plans that reflect the nature of the potential threats in the locations in which we operate.

An "SOS" style service for those travelling overseas and monitoring of alerts issued by relevant government authorities.

Our response to the COVID-19 pandemic can be found on page 27.

Environmental sustainability policy and practices.

Dedicated management committee covering environmental sustainability.

CPA Australia Integrated Report.

CPA Australia's commitment to the framework of the Accounting for Sustainability (A4S) forum with a dedicated focus on sustainability and transparency.

Supplier due diligence.

Education of members via the CPA Program and advocacy and thought leadership around broader sustainability and reporting topics.

The launch of CPA Australia's digital finance suite of products provides members with an understanding of the impact of new technologies and how to harness the capability of these mechanisms to further thrive in their careers (page 44).

Introducing CPA Member Connect, enabling members to build local and global networks in a closed, private and secure environment (page 56).

Investment in our website, member management and finance systems (page 56).

Maintain and improve understanding of regulatory and compliance expectations and enable members to better assist the organisations they support manage these technological and compliance changes.

Continuing research into issues facing the profession.

The updated My Firm. My Future. report provides public practitioners with an understanding of the technological landscape (page 44).

Furthering our work on the Value of Advice project (page 38).

CPA Australia's members have a responsibility to act in the public interest (page 38).

As an organisation we produce this integrated report as it provides a more complete picture as to how we create preserve and erode value.

Our business model

Our business model is on pages 18 and 19 and reflects the environment that both our members and the organisation operates in, and the strategy in place to 2022 and beyond. It includes consideration of the six capitals under the <IR> Framework; financial, manufactured, intellectual, human, natural and social and relationship.

In our 2019 report, we stated that the Board would review its current position and impact on natural capital, having regard to whether new targets should be established in this area. As such, we have now included natural capital in our business model. In light of the impact of COVID-19 and the impact this has had on our use of natural capital we will look to set targets in 2021, particularly around our scope three emissions; emissions as a result of activities from assets not owned or controlled by CPA Australia, but that we directly impact on through our value chain.

Our business model is set to deliver value to our members throughout their career journey as their needs from their professional body change over time. While our overall business model remains stable the impact on some capitals has changed as a result of COVID-19. With our people working from home and the need to shift the CPA Program exams and CPD sessions online, our use of manufactured capital, in particular our IT systems, has increased, while our use of natural capital has declined due to moving away from print publications and reduction in travel. The manner in which our human capital (our employees) was deployed and supported also changed substantially (page 57).

Through the consideration of our material issues and our business model we believe we have reviewed and disclosed the most material impacts we have on value creation, preservation and erosion across the capitals.

CPA Australia's competitive advantage comes from the integrity and quality of our members, the strength of our member network and strong brand awareness of the CPA designation. Through the CPA Program and a commitment to life-long learning, our members hold a soundness in depth, breadth and quality of accountancy knowledge and are widely regarded by employers and the communities in which they operate. Our 168,736 members operate in more than 100 countries across the globe and represent a diverse range of finance, accounting and business professionals. Our brand awareness is strongest in Australia and New Zealand and we continue to ensure our activities support this position and continue to engender trust and deliver a sense of pride as the industry undergoes significant change. We have a long-established presence in Hong Kong SAR, Malaysia and Singapore and a strong network of relationships with standard setters and other professional bodies in these regions. In emerging or less established markets we operate in a highly competitive environment and we continue to establish activities to grow our profile to support our members in these important regions.

In an increasingly competitive environment CPA Australia positions itself as an organisation whose members not only have technical accounting skills, but also broader business skills to cover the changing business landscape. We also look to adapt our services and approach to meet the challenging business landscapes that our members around the globe operate in.

In early 2021, the Board and executive team met to discuss how our strategy and business model need to adapt over the short, medium and long-term.

United Nations Sustainable Development Goals

In 2015, all 193 Member States of the United Nations (UN) agreed the 2030 Agenda for Sustainable Development, which resulted in 17 Sustainable Development Goals (SDGs) that reflect global sustainable development priorities. CPA Australia considers the SDGs in its business model and our reporting and the goals where we have an impact are quality education, gender equality, decent work and economic growth, climate action and partnerships for the goals.

The Board continues to review the organisation's operations against the SDGs and is committed to reporting on the goals where we have an impact.

5 GENDER EQUALITY



Achieve gender equality and empower all women and girls.

We do this through our diversity and inclusion policy which applies to:

- CPA Australia's Board
- Membership committees appointed by either the Board or management
- All CPA Australia employees and contractors of our organisation
- Persons seeking employment with our organisation.

4 QUALITY EDUCATION



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

We do this through our education and knowledge offer which spans the CPA Program, our CPD offer and the wide range of content we make available to members.

8 DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

We do this by supporting our members in the work they do that impacts their organisations and the economies they work in, and by providing a workplace that values inclusion and diversity.

We equip our members with resources that will assist their contributing to the reporting, and response by businesses to the risks of modern slavery in their operations and supply chains.

Additionally, our procurement process includes consideration of modern slavery risks.

13 CLIMATE ACTION



Take urgent action to combat climate change and its impact.

We do this by being a signatory to the A4S's call to action in response to climate change where we have committed to the following to support our members:

- Provide our members with the training, support and infrastructure they need to apply their skills to the challenge
- Support relevant market-based policy initiatives and incentives, consistent and well-considered regulation, and more useful disclosure
- Provide sound advice to help governments to create the policy and regulatory infrastructure necessary for a just transition to a net zero carbon economy.

17 PARTNERSHIPS FOR THE GOALS



Strengthen the means of implementation and revitalise the global partnership for sustainable development.

We do this through our partnerships with other professional bodies and our membership of organisations such as the International Federation of Accountants (IFAC), A4S, the Global Reporting Initiative and the IIRC.

Our business model

Strategic goals



Protect, promote and enhance the integrity of the designation



Lead the future of the accounting profession



Provide members with personalised and engaging experiences



Provide relevant learning and development content, resources and tools



Attract and develop the next generation of CPAs



Impact policy globally and be active in community advocacy

Supporting platform for achieving the strategic goals



Sustainable annual financial performance

Inputs

Financial capital

- Membership fees \$89.3m
- CPA Program fees \$54.8m
- Financial reserves \$113m

Manufactured capital

- 19 offices
- IT systems

Intellectual capital

- CPA Australia brand and designation
- CPA Program and public practice program
- CPD content
- Member input and expertise
- Thought leadership

Human capital

- 168,736 members
- >1600 volunteer members
- 567 employees

Natural capital

- Paper for publications
- Carbon through airline and other travel

Social and relationship capital

- Member relationships
- Supplier relationships
- Regulator relationships
- Relationships with industry

Activities

- Engaging with members, employers, academia and the community, so their future needs are understood to inform our activities and programs
- Developing strategies and plans that are based on the needs of current and future members
- Developing content, products and services based on understanding the current and future needs of the profession
- Maintaining the high standards and relevance of the CPA Program
- Delivering a member experience that meets members' needs and goals throughout each stage of their journey

Outputs

- Quality CPA Program
- Recognised brand in the accounting profession and market more broadly
- High-calibre accounting professionals
- CPD and publications that deliver valued knowledge
- Public practice program
- Professional standards program
- Personalised and engaging member experiences
- Policy and advocacy work
- Quality assurance program
- Waste through overprints of program materials and other publications
- Emissions through our use of electricity, flights and other travel
- Strong financial reserves

- Developing marketing plans and initiatives that ensure members, employers and prospective members are aware of and understand the benefits of being, or employing, a CPA
- Developing and delivering thought leadership, policy and advocacy work for the benefit of members and the public interest
- Attracting high-calibre ASAs through a compelling content offer and experience for prospective members
- Building a culture that is collaborative, constructive and has a learning focus
- Reviewing internal controls, procedures and decision-making processes and risk frameworks to ensure strong internal governance
- Managing and investing members' funds
- Providing input into standard setting

Outcomes

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Financial capital
 Productive financial systems supported by the work of those who hold the CPA designation (external impact over the long-term)
 Sustainable organisation (internal impact over the long-term)
- 
Manufactured capital
 Spaces for our members and people to work and connect (external and internal impact from short to medium-term)
- 
Intellectual capital
 Increasing the knowledge and skills of our members and employees (external and internal impact over the short to medium-term)
- 
Human capital
 Engaged and motivated workforce (internal impact from short to medium-term)
- 
Natural capital
 Reduction in natural capital through our publications and emissions (external impact in the short-term)
 Enhancement in natural capital through thought leadership, policy and advocacy work (external impact from short to long-term)
- 
Social and relationship capital
 Demand and opportunities for those who hold the CPA designation (external impact in the long-term)
 Trust in the business community (external impact across the long-term)
 Protection of the public interest (external impact from short to long-term)

Societal impact

