



A4S FINANCE LEADERS' SUSTAINABILITY BAROMETER



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As businesses and governments respond to a deepening and interconnected set of climate, nature and socio-economic crises, finance professionals around the world, in all sectors, are having to address searching questions about the long-term resilience and impact of their organization in an increasingly uncertain and volatile world. Whether handling novel and ambiguous datasets or weighing investment decisions against evolving regulatory and risk frameworks, the modern finance professional is being tested as never before.

93%
agree it's very
important for their
business to transform
financial decision
making to reflect
ESG issues, with
70% saying it was
essential

What's more, the profession is having to learn, evolve and adapt at speed. Sustainability is no longer a distant destination sometime in the future. Whether it's new sustainability disclosure requirements, investors prepared to divest from companies that fail to address their environmental, social and governance (ESG) exposure¹ or consumers shying away from brands that treat employees, communities and the environment poorly², there are mounting regulatory, financial and commercial pressures that are reshaping how the modern enterprise operates and plans for the future.

It's a challenge that the profession recognizes and is willing to embrace: a study conducted by A4S, with the support of Black Sun and Deloitte, found more than nine out of ten (93%) of surveyed finance professionals said it was very important for their business to transform financial decision making to reflect the opportunities and risks posed by sustainability factors. Indeed, 70% described this transformation as essential.

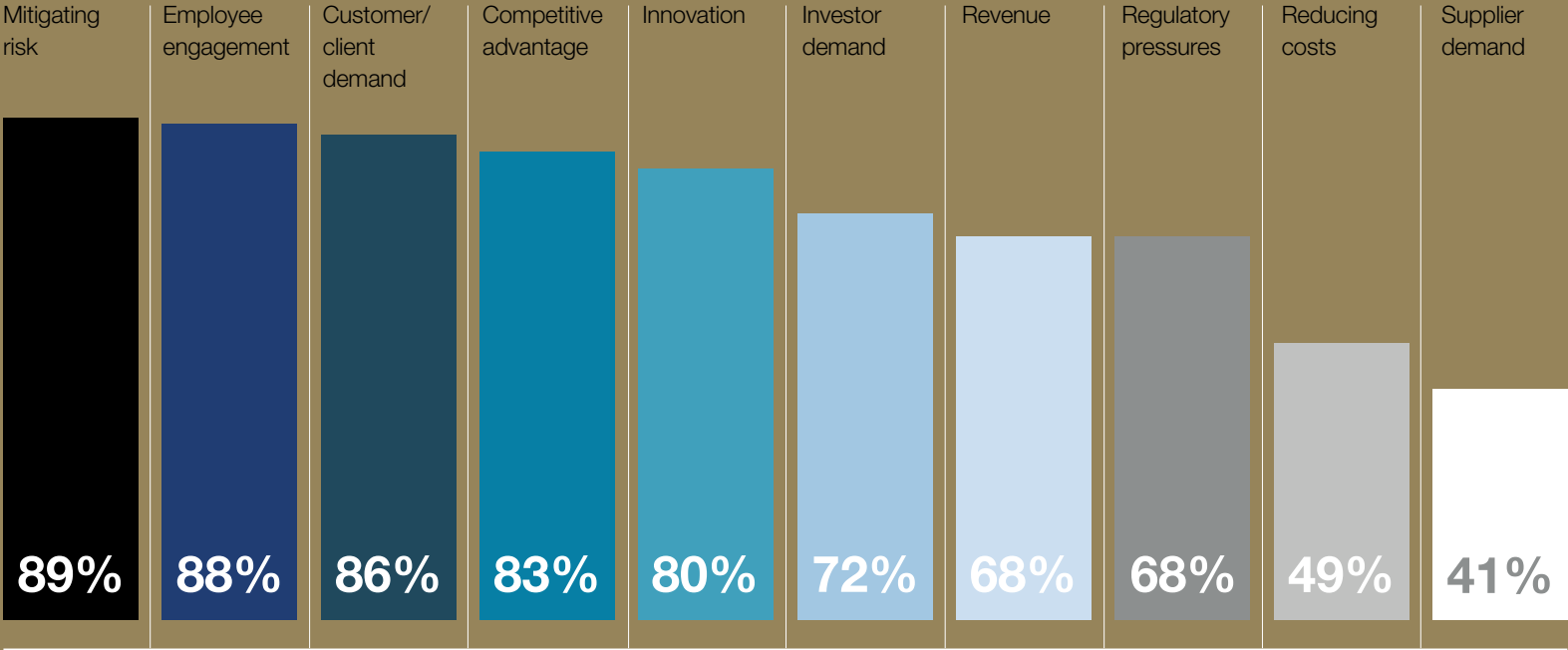
There are a wide range of factors driving companies to embed sustainability considerations into their strategic and operational practices, with our surveyed companies ranking risk mitigation as most important, followed by employee engagement and customer demand. Notably, a significant number of respondents also rated the more positive aspects of change, competitive advantage and innovation, as important drivers of adoption.

1. A CxO sustainability report by Deloitte in 2022 states that companies are feeling a moderate-to-large degree of pressure to act on climate change from many different stakeholder groups, with 71% of influence and pressure on these issues arising from investors/shareholders <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/2022-deloitte-global-cxo-sustainability-report.pdf>

2. The CxO sustainability report also details that a company's current environmental sustainability efforts are no longer a differentiator but an expectation from customers, with over 75% of executives identifying large scales of pressure from consumers/clients in the lead to customer satisfaction.

How important are the following drivers to your adoption of sustainable practices that embed ESG considerations into your business model, strategy and/or decision making?

Factors driving adoption of sustainability practices, rated very important or essential



Multiple reasons for action

Risk mitigation is the top ranked driver for action. This is perhaps no surprise given increasing awareness that climate change and other sustainability issues present a real and present danger to the longer term profitability and resilience of businesses. According to the World Economic Forum, six in ten of the top global risks faced by businesses are climate related and leading insurers warn that the global economy could lose 10% of its economic value by 2050 if no action is taken.³ Little wonder, then, that sustainability-related risk mitigation is now a board-level priority for businesses in all sectors.

Our cohort of surveyed professionals also recognize how important sustainability is to their own people, with 88% citing employee engagement as a key driver for action on sustainability. This will remain an important consideration as organizations get to grips with “The Great Resignation”⁴. With millions missing from the workforce since the pandemic began in 2020, whether the result of long term health issues or a rethink of priorities, many businesses are struggling to fill vacancies or retain and motivate existing staff.

Our findings suggest that finance professionals recognize that closing the talent deficit will require a “new normal” centred around a sense of purpose and belonging, and which is sensitive to employees’ needs and priorities outside the workplace. Research into employee attitudes by Gartner, conducted in October 2021, found that 65% said the pandemic had made them rethink the place that work should have in their life and 56% said it made them want to contribute more to society. Building a work culture where sustainable practices are “business as usual”, inclusion and diversity are celebrated and the working routine provides a better balance with other priorities are just some ways that embedding sustainability into corporate culture and operations can drive improved performance and solve business issues. Indeed, Gartner also found that so called “sustainable performers” were 17% more productive than other employees — and 1.7 times more likely to stay at their organization.⁵

88%
said employee
engagement is a
key driver for
action on
sustainability

3. <https://www.swissre.com/dam/jcr:e73ee7c3-7f83-4c17-a2b8-8ef23a8d3312/swiss-re-institute-expertise-publication-economics-of-climate-change.pdf>

4. <https://www.weforum.org/agenda/2021/11/what-is-the-great-resignation-and-what-can-we-learn-from-it/>

5. <https://www.gartner.com/en/articles/how-the-best-managers-improve-employee-performance-and-health>



Partners

It's not just employees who want to see businesses have more than profit as a purpose. Customers and clients are also increasingly alert to sustainability issues. Research by Nielsen found that almost three-quarters of global consumers would definitely or probably change their consumption behaviour to reduce their impact on the environment.⁶

When addressing this change in consumption patterns, companies can't afford to be too introspective. Consumers are aware of the complex supply chains that fuel our modern world and expect brands to police their partners and suppliers for sustainability failings: one study found that 82% of consumers would consider dropping a brand associated with a partner or supplier who handled a high-stakes issue in a way that is inconsistent with their values.⁷

On the other side of the value chain, suppliers are not driving change, with one in five of our respondents saying sustainability barely registers as a driver for change from these relationships. CFOs will need to be active partners by incentivizing action along their value chains.

6. Consumers Buy The Change They Wish To See in The World, 2019, NielsenIQ.com <https://nielseniq.com/global/en/insights/analysis/2019/a-natural-rise-in-sustainability-around-the-world/>

7. <https://www.weforum.org/agenda/2021/05/eco-wakening-consumers-driving-sustainability/>

Opportunities amid the uncertainty

Climate

More than three out of five of our survey respondents said providing solutions to tackle climate change was the biggest sustainability-related opportunity for their organization, and developing new technologies and innovations to shape sustainable outcomes was the second-rated opportunity.

Finance professionals understand that a backdrop of constant change and uncertainty presents as many opportunities as it does risks. Opportunities may take many forms, from product innovation to brand reputation or reduced supply chain costs or carving out entirely new product or market opportunities.

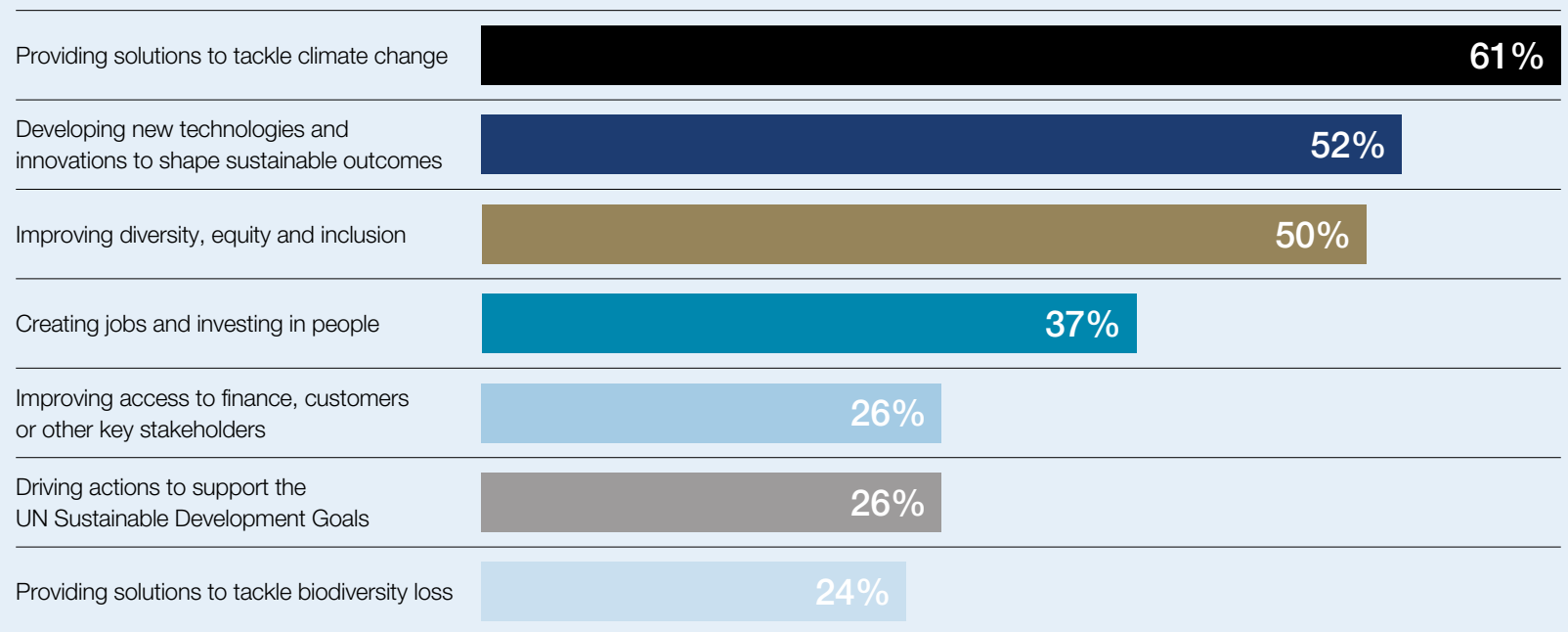
People

Improving diversity, equity and inclusion was the second biggest sustainability opportunity for our respondents, but was rated as number one by eight out of ten of our Chief Investment Officer and other investor respondents. It is clear, for many, sustainability also presents opportunities to redefine the modern enterprise so that it better reflects society, draws on a wider talent pool and better aligns with the values of a changing world.

Nature

When it comes to nature and biodiversity loss, however, our respondents are less sure of the opportunities ahead. Indeed, just one in four (24%) identified redressing biodiversity loss as among their top three biggest ESG-related opportunities nor was it seen as a factor influencing decision making. This is consistent with our work with the finance and accounting community more widely, many of whom find the complexity of impacts much more difficult to translate into business action. A lot of work is underway seeking to provide a pathway to help business respond including the Taskforce on Nature-related Financial Disclosure and, at the intergovernmental level, the UN's COP15 at which governments will set goals aimed at protecting nature and halting biodiversity loss around the world.

Which of the following issues present the biggest ESG-related opportunities for your organizations? (top three)



Multi-speed progress: fast lane, slow lane

While the potential opportunities posed by many sustainability factors are widely recognized by financial professionals, our survey finds progress in capturing those benefits remains slow. This is not surprising: the scale of the challenge may be overwhelming, the data needed to inform decision making may be difficult to collect or ambiguous and support along the value chain may be lacking.

When considering the opportunities to be found in providing solutions to reverse biodiversity loss, our survey finds little progress has been made, with almost half (45%) having either not started or in the early stages of progressing work in this area.

When it comes to realizing the benefits of improving diversity, equity and inclusion, our survey finds one third of surveyed organizations have made progress in some areas and a further 44% have made progress in most areas. Respondents also report solid progress in realizing the benefits of providing solutions to tackle climate change, with 72% making progress in some or most areas.

This is encouraging and shows that organizations are not only working to integrate sustainability into core business practices but that this work is already yielding benefits. Yet, as our findings make clear, there is still much work to be done, with few organizations fully maximizing the potential benefits and many still stuck at the very early stages.

To learn more about the role of finance on biodiversity read [A4S's Briefing for Finance](#)



What progress have you made in realizing the benefits of these ESG-related opportunities?

- Not yet started
- In early stages
- Progressed in some areas but not all
- Progressed in most areas
- Fully maximized

Providing solutions to tackle climate change (%)



Providing solutions to tackle biodiversity and nature loss (%)



Creating jobs and investing in people (%)



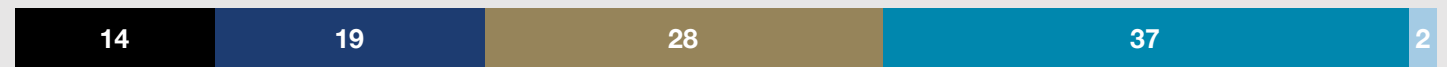
Improving diversity, equity and inclusion (%)



Improving access to finance, customers or other key stakeholders (%)



Developing new technologies and innovations to shape sustainable outcomes (%)



Driving actions to support the UN Sustainable Development Goals (%)



The sustainable business race is on

From climate extremes to social attitudes, our world is changing fast and organizations must adapt and evolve if they are not to be left behind. Late movers not only risk becoming irrelevant and losing market share to more agile rivals but they could also fall foul of new regulatory codes or find themselves less attractive to investors. These risks are already crystallizing as investors analyse company reporting to ensure their objectives are being met, even threatening divestment where action appears wanting, supply chains are disrupted by extreme weather events and staffing crises damage customer service and pile on costs.

Little wonder 68% of our respondents said failure to adapt quickly enough to customer, investor, employee or regulatory demands to adopt sustainable business practices was the biggest ESG-related risk facing their organization. This was followed by a failure to mitigate or adapt to climate change, cited by 67%, and an inability to attract and retain the right talent (54%).

Only 29% viewed the risks presented by the failure to halt biodiversity loss and depletion of natural resources as one of their top three risks. Given the collapse of ecosystems, and concerns about the pervasive impact that this could have on people and the economy, finding different ways to help finance make the link between nature and business will be key.

When considering progress to date, our survey also reveals a slow response in halting the depletion of the natural world, with half our respondents reporting they have made little if any progress on this issue. This suggests that organizations are underestimating the major risks posed to their business as biodiversity and ecosystem losses wreak havoc on food chains, exacerbate climate change, destabilize communities and impact human health. Perhaps even more surprisingly given half of respondents viewed it as a strong opportunity if overcome, a lack of diversity, equity and inclusion was even lower down the risk rankings with just 23%.

Despite the evidence of the risk of failing to respond to climate change, our survey finds a somewhat slow pace of change. Although one in five organizations reported significant progress in mitigating their climate change risk, that still leaves a third (34%) making just “a little progress” and a further 13% who have only just begun this mammoth task.

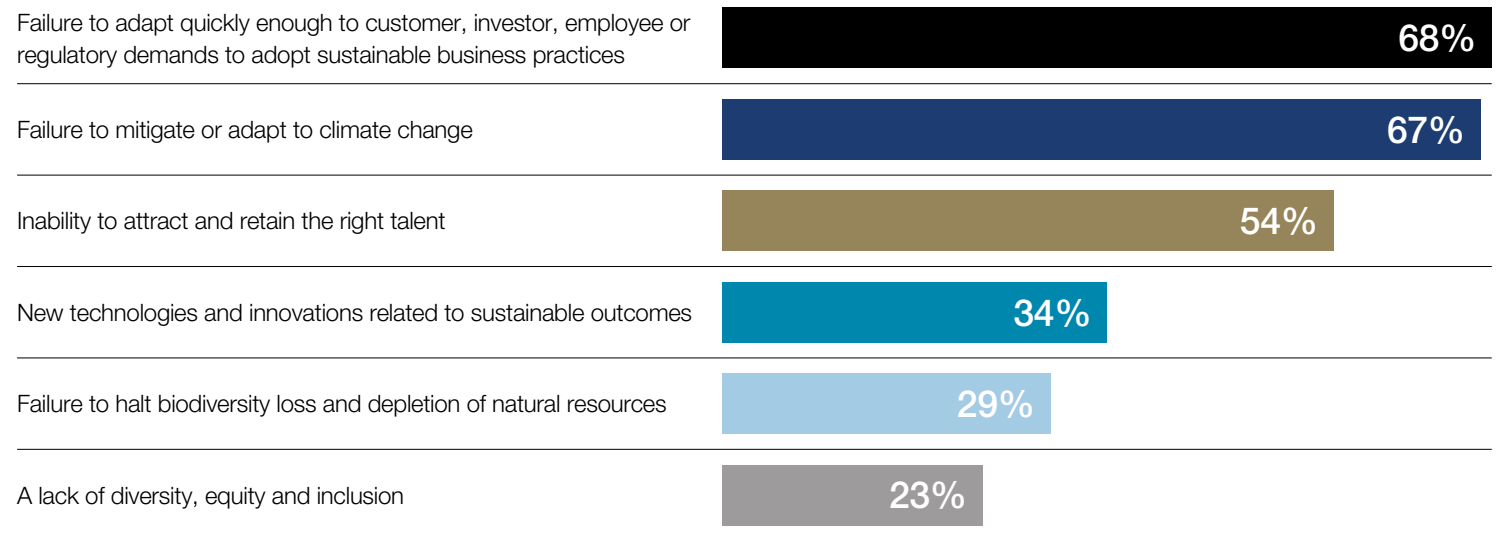
50%

believe their organization has made little or no progress in mitigating the risk of biodiversity loss and depletion of natural resources

68%

said failure to adapt quickly enough to customer, investor, employee or regulatory demands to adopt sustainable business practices was the biggest ESG-related risk facing their organization

Which of the following issues present the biggest ESG-related risks for your organization? (top three)



What progress have you made towards mitigating these ESG-related risks?

- Not yet started
- In early stages
- Progressed in some areas but not all
- Progressed in most areas
- Fully maximized

Providing solutions to tackle climate change (%)



Providing solutions to tackle biodiversity and nature loss (%)



Creating jobs and investing in people (%)



Improving diversity, equity and inclusion (%)



Improving access to finance, customers or other key stakeholders (%)



Developing new technologies and innovations to shape sustainable outcomes (%)



Driving actions to support the UN Sustainable Development Goals (%)



A status report: time to operationalize the board's ambitions

1 IN 5

**do not consider
any ESG information
when making
decisions**

Almost one in five (19%) of our surveyed organizations reported that they do not consider ESG information when making decisions, instead relying almost exclusively on traditional financial considerations. A

further 29% are making efforts to include broader ESG factors, but report that they do not have reliable tools and techniques to incorporate them into their decision making. These findings are consistent with practice in many companies: finance teams are used to collecting and analysing a wide array of financial information and other metrics; however, ESG data carries a degree of uncertainty and novelty that can prove challenging.

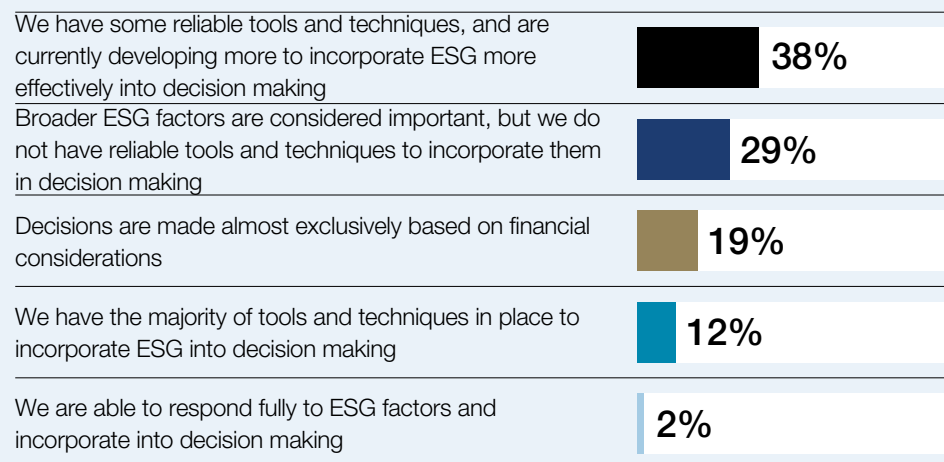
It's clear then, that there's both a data, competence and process gap that must be closed if companies are to have a holistic view of the risks and opportunities they face in order to make smarter, better decisions to build a more sustainable future. Indeed, while four out of five (81%) respondents said ESG information is considered important in their organizations' decision making, two-thirds (67%) said they lacked the full suite of reliable tools and techniques to make this happen.

To understand better the sustainability readiness of our surveyed companies, we asked our respondents to rate their progress to date against a series of attributes that signal a company is making progress towards a sustainable economy. On a positive note, a majority of companies are making progress on high-level strategic measures, such as board engagement and setting net zero targets. However, in too many companies, the urgency to act fades once it leaves the C-Suite, and board-level ambitions are not being effectively operationalized through clear science-based targets, incentivization schemes or budgeting.

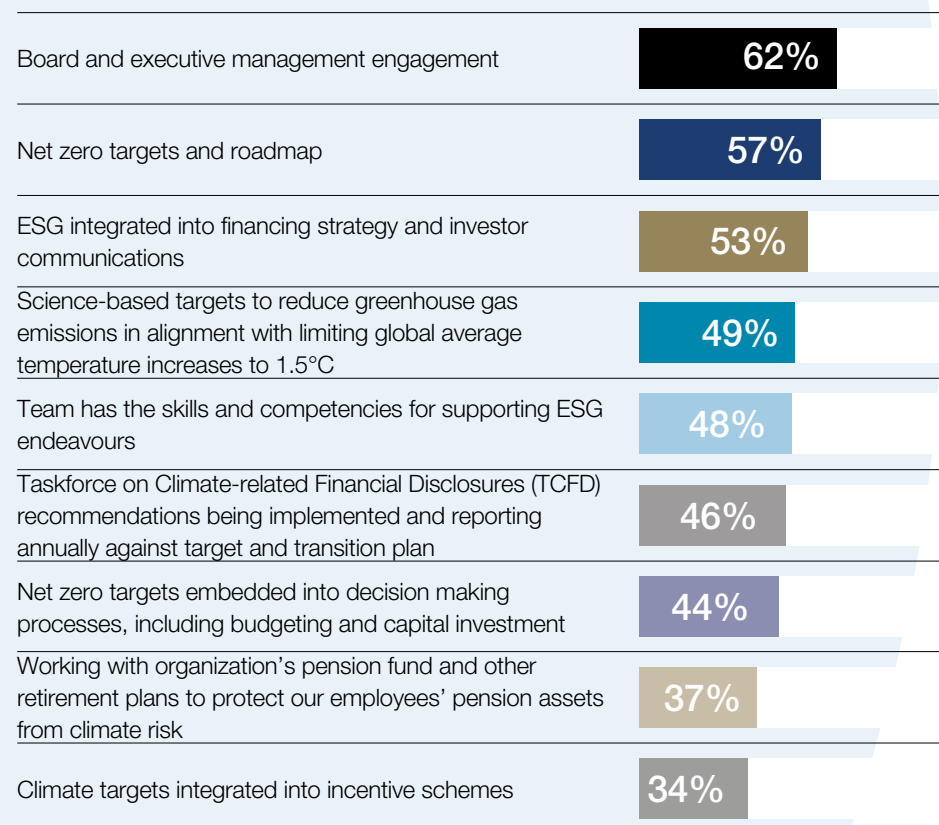
81%
**said ESG information
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organizations'
decision making,
but...**

67%
**believe their
organization lacks the
full suite of reliable
tools and techniques
to make this happen**

To what extent is ESG information considered alongside traditional financial information and analysis in your organization's decision making processes?



How complete is your organization's work in each of the following areas aimed at achieving a sustainable economy?



Barriers and obstacles

Even as scientists can point to ever firmer data sets about the environmental and social challenges that lie ahead, we find our cohort of finance professionals struggling to proceed at an organizational level because they feel there's insufficient clarity and consensus. A lack of reliable data and universal standards/frameworks were cited as significant or massive barriers by 53% and 47% of our respondents respectively. 45% reported they were being held back by a lack of evidence as to the financial impact of ESG issues.

Current regulatory frameworks were not seen as significant impediments to progress by two-thirds of respondents, which would appear to suggest there is significant progress that can be made in the absence of any regulatory changes. And when it comes to these barriers, it seems there's some consensus as to how to overcome them: in terms of a lack of universal standards/frameworks, for example, more than two-thirds of our respondents (68%) are keen to see the IFRS Foundation become the global sustainability reporting standard setter. Only 14% disagreed this would be the best outcome, with the remainder (18%) not yet ready to express an opinion either way.

The IFRS Foundation has launched the International Sustainability Standards Board (ISSB), which completed a consultation on proposed IFRS Sustainability Disclosure Standards earlier this year. In response to this consultation, A4S organized two statements, one from Chief Financial Officers and one from institutional investors, that called for global alignment on sustainability reporting and for the ISSB to strengthen its proposed standards in a number of key ways.⁸

8. 86 global Chief Financial Officers from around the world and institutional investors representing more than £620 billion in assets under management signed the statements. You can view them via this link: www.accountingforsustainability.org/response-ifrs-sustainability-disclosure-standards



Barriers and obstacles continued

How significant a barrier are the following to embedding ESG considerations into your business model, strategy and decision making?

- Not yet started
- In early stages
- Progressed in some areas but not all
- Progressed in most areas
- Fully maximized

Reliable data (%)



Universal standards/frameworks (%)



Evidence on financial impact of ESG issues (%)



Available investment opportunities (%)



Customer demand (%)



Regulatory framework (%)



Board's knowledge, experience or engagement (%)



Team's knowledge, experience or engagement (%)



Other organizational priorities (%)





CFOs: champions of change

Given the inertia that is faced by many organizations, major change programmes need champions to inspire, influence and drive change. When it comes to issues as urgent and complex as climate change or social inclusion, those champions need to have the full backing and leadership of the board, visibility of the entire organization and its value chain, and be comfortable collating, analysing and synthesizing complex data sets. This is where the CFO can play a critical role: they control the flows of money and investment, provide information that drives good decisions, and can use these levers to influence and incentivize others to act.

When it comes to capturing some of the opportunities related to ESG adoption, our respondents fully expect the CFO to step up to the plate: 77% said the CFO is mostly or completely responsible for realizing the opportunity of developing new technologies and innovations to share sustainable outcomes.

Sustainable business is not yet business as usual

82%
don't assess ESG competence during recruitment or promotions or do so only when recruiting for specialist roles

Our survey showed a disconnect between sustainability ambitions and the realities of day-to-day operations in the finance function. We found Group CFOs have a much more positive view of senior support for sustainability than their more junior counterparts. Two thirds of Group CFOs said their board was fully supportive of the mission to make “sustainable business our business as usual” compared to just 35% of Divisional or Regional CFOs. And while 76% of Group CFOs said they personally backed this ambition,

just one-third (33%) of their more junior counterparts perceived such commitment from their own Group CFO. This disconnect continued when asked about the support of the whole finance team, with 41% of Group CFOs perceiving their finance team as a whole to be fully supportive of making “sustainable business our business as usual”, a proportion that fell to 19% among Divisional and Regional CFOs.

To avert a climate catastrophe and build future-proofed businesses, thinking and acting sustainably must be the new normal. Yet, while today's corporations are certainly thinking and talking about sustainability factors, they have yet to meaningfully and completely action them at an operational level. It doesn't help that ESG competence is not viewed as a core skillset but rather as a specialism, operating in a sustainability silo, rather than part of daily business operations of the finance team. Indeed, 82% either don't assess ESG competence during recruitment or promotions (20%) or do so only when recruiting for specialist roles (62%).

Yet again, the takeaway is that sustainability matters have full board attention, but the urgency is failing to permeate down the organization, which means it is failing to be operationalized in a meaningful way. Companies must redress this imbalance, ensuring that they embed sustainable values into the DNA of their operations, from point of recruitment to supply chain partnerships to investment decisions. The CFO has a clear role to play here, championing change, incentivizing action and ensuring investment flows support sustainability goals. Maximizing this effort will require access to the right tools, techniques and common standards and frameworks to ensure this work is as effective as possible in order to accelerate the transition to a sustainable economy. There is no time to lose.

A4S created the A4S Academy to empower and equip finance teams with the skills needed for their businesses to succeed in the face of environmental and social risks and opportunities. Register your interest today.



How do you rate support from the following groups for the statement: 'My/our ambition is to make sustainable business our business as usual'?

Group CFO Responses

Your Board (%)



Your Executive team (%)



Your finance team as a whole (%)



You (%)



● Fully supportive

● Mostly supportive

● Somewhat supportive

● Not at all supportive

How do you rate support from the following groups for the statement: 'My/our ambition is to make sustainable business our business as usual'?

Divisional or Regional CFO Responses

Your Board (%)



Your Executive team (%)



Your CFO (%)



Your finance team as a whole (%)



You (%)



Methodology

This report is based on research conducted by A4S, supported by Black Sun and Deloitte, over the last 12 months. We surveyed senior finance professional from around the world, including Chief Financial Officers, Chief Investment Officers and accountancy leaders.

Accounting for Sustainability (A4S)

Our aim is to make sustainable business, business as usual.

His Majesty King Charles III, when he was The Prince of Wales, established A4S in 2004 with the aim of working with the finance and accounting community to:

- Inspire finance leaders to adopt sustainable and resilient business models
- Transform financial decision making to reflect the opportunities and risks posed by the climate crisis and other environmental, social and governance (ESG) issues
- Scale up action to transition to a sustainable economy

A4S has three global networks:

- Chief Financial Officers (CFO) Leadership Network - CFOs from leading organizations seeking to transform finance and accounting
- Accounting Bodies Network (ABN) - members comprise approximately two thirds of the world's accountants
- Asset Owners Network - Pension Fund Chairs who integrate sustainability into investment decision making



www.accountingforsustainability.org

Deloitte

Our WorldClimate strategy drives responsible climate choices, including our 2030 net-zero commitment. We are committed to taking measurable, decisive action on climate change, empowering Deloitte professionals and engaging the broader ecosystem to create solutions that facilitate the transition to a low carbon economy.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our more than 345,000 professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Our organization has grown tremendously in both scale and capabilities, yet our shared culture and mission—to make an impact that matters—remains unchanged.

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Black Sun

Black Sun is a stakeholder communications agency. Our Insight and Advisory Team provides strategic consultancy to clients on their communications challenges. As specialist reporting, sustainability, ESG and investor communications consultants, we have deep expertise in corporate communications, specialising across all reporting channels.

We believe that we can use our experience, research and creativity to help companies craft their unique communications story. We can help you differentiate your company, shape your reputation, and build confidence with investors, employees and society.



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