



# A4S

## CFO LEADERSHIP NETWORK

### ESSENTIAL GUIDE TO FINANCE CULTURE

Developing a finance culture that is fit for the future

PRACTICAL EXAMPLES



THE PRINCE OF WALES'S  
CHARITABLE FUND



# PRACTICAL EXAMPLES – INTRODUCTION

## HOW TO USE THIS DOCUMENT

In 2018, the A4S CFO Leadership Network developed an **Essential Guide to Finance Culture**, which aimed to help organizations develop a finance culture that is fit for the future. To support this Essential Guide, we have collated practical examples that demonstrate the steps that have been taken by organizations to develop their culture and show what they have been able to achieve as a result of a culture that embraces sustainability.

## THE CHANGE PROCESS

The practical examples in this booklet have been tagged to show the relevant areas. 'Assessing the culture' and 'developing the culture' practical examples are mapped against the change process discussed in the Essential Guide to Finance Culture. Culture-enabled outcomes show what is possible when sustainability is at the heart of the culture of the finance team.

ORGANIZATION	ASSESSING THE CULTURE	DEVELOPING THE CULTURE						CULTURE-ENABLED OUTCOMES
		ALIGN LEADERSHIP	RAISE AWARENESS	WHAT IT MEANS FOR ME	EMBED THE CHANGE	SUSTAIN AND IMPROVE	TOP TIPS	
FIRST STATE INVESTMENT 	✓							
ANGLIAN WATER 		✓	✓	✓	✓	✓	✓	✓
HEATHROW 		✓	✓	✓	✓	✓	✓	
PENNON/ SOUTH WEST WATER 		✓	✓	✓	✓	✓	✓	✓
ROYAL DSM 		✓			✓		✓	
SIEMENS 		✓	✓					
TESCO 		✓	✓					



# FINANCE CULTURE PRACTICAL EXAMPLE

## First State Investments: Using a beliefs survey to encourage discussion and align the culture between teams

### WHAT?

A decade of experience in responsible investment has taught us that individuals' and the wider industry's views on environmental, social and governance (ESG) issues are constantly evolving. In response to this challenge, in 2017, we commenced a project with the support of Willis Towers Watson's Thinking Ahead Institute to establish the investment beliefs, across our entire business, relating to ESG integration, climate change and sustainability.

The analysis revealed how beliefs vary among different groups within the business, from the leadership team to individual investment and operational teams, as well as across our different regions. This rich source of information has provided the basis for building a draft set of investment beliefs for the business. This will require internal consultations and workshops to establish and then define an agreed set of statements that will both integrate sustainability into our corporate culture and align within the organization

### WHY?

The main benefit is that we now understand the different views of our colleagues and can incorporate these into our strategies and change programmes in the future. The research has helped us to investigate whether there are any regional biases across the organization by, for example, comparing views of our colleagues in Europe or Asia with those in Australia and the USA.

The survey is also now used in our recruitment processes to help us understand whether new people will share the beliefs of the teams they are joining.

### HOW?

In its first phase, this project involved a business-wide survey testing the extent of individual beliefs on issues such as:

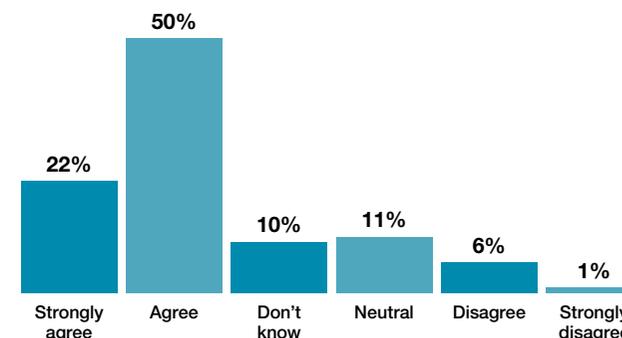
- The materiality of ESG factors
- The extent to which ESG factors are mispriced and can therefore contribute to long-term investment performance, and
- The wider social purpose of sustainability, ESG and stewardship in investment management.

Helpfully, we were able to assess and benchmark our own beliefs against those of a peer group of managers and asset owners within the Willis Towers Watson client base who have completed a similar exercise.

## ASSESSING THE CULTURE

### STATEMENT

**"I believe that companies can gain significant competitive advantages through their strategic response to climate change and/or natural resource scarcity/environmental degradation."**



↓ FIRST STATE INVESTMENTS' RESPONSIBLE INVESTMENT AND STEWARDSHIP REPORT





# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

The whole journey

### Anglian Water: Putting sustainability at the heart of our culture through our Love Every Drop strategy

#### WHAT?

At Anglian Water we provide water and water recycling services to around six million people in the east of England. We are a long-term business and so, over the next 25 years, our ability to maintain the balance between supply and demand is critical.

In an ever-changing environment, we realized that a radically different approach was needed to respond to the challenges we faced, so, in 2010, we established our Love Every Drop strategy. For it to succeed, it was crucial for our finance team, along with every team in the business, to embrace Love Every Drop and the sustainable business model upon which it depends. Our culture was an important enabler, ensuring that team members were receptive and responded proactively.

#### WHY?

We recognize that water is vital to the success and long-term future of our planet, our region and our company. This will be challenged by macro-sustainability trends such as population growth, climate change, and growing environmental need.

Our business culture has always reinforced the values that make integrating sustainability possible. When we introduced Love Every Drop in 2010 it built upon these firm foundations and allowed our finance team, along with the rest of the business, to align behind a common goal, while also engaging our customers, value chain and investors.

#### HOW?

The Love Every Drop strategy meant fundamentally changing how we operate, replacing traditional, inward looking, incremental ways of managing our business with a set of bold, far-reaching goals. As these were not separate sustainability goals, but sustainable business goals embedded throughout our operations, it meant we needed the buy-in of the finance team. It was not enough just to change processes: we needed to ensure that sustainability considerations were part of everyday thinking.

Facing the challenges of population growth, climate change and environmental protection means that every decision we take must have a focus on securing our long-term future. Responsibility does not sit solely with the sustainability team but with every employee throughout the organization. We have ensured that this message has been clear and consistent, embedding it throughout our communications, including developing specific collateral in the form of films, workshops and induction materials. We have also ensured that the messaging from the management board, including the CFO, has emphasized the importance of the change and helped our people understand how their individual roles support the aims. More detail on our activities can be found on the following page, mapping them to the relevant sections of the [A4S Essential Guide to Finance Culture](#).





# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

Top tips

### Anglian Water: Putting sustainability at the heart of our culture through our Love Every Drop strategy

We have implemented a range of activities along our journey to help embed sustainability at the heart of our culture. The following are practical and tangible examples of these activities that we found helpful, and they have been mapped against the sections of the [A4S Essential Guide to Finance Culture](#).





# FINANCE CULTURE PRACTICAL EXAMPLE

## CULTURE-ENABLED OUTCOMES

### Anglian Water: Demonstrating what is possible when sustainability is at the heart of the business

#### WHAT?

In 2017, enabled by a strong sustainability culture, we issued the first-ever public utility sector sterling (GBP) green bond. The £250 million green bond is financing a range of activities that support our Love Every Drop strategy.

This was made possible by the passion and perseverance of our treasury team, leading the fundraising with support from our corporate communications, sustainability, asset management and finance functions.

The bond of £250 million will mature in August 2025 with a return to investors of 1.625%. The order book peaked at £800m at one point, with nearly 80 investors participating. Since the successful launch of that debt transaction, we have issued a further £580m of green bonds to UK and US investors.

We are now looking to raise the majority of our debt in accordance with the Green Bond Principles.

#### HOW?

We didn't have to change any day-to-day processes to qualify for issuing green bonds. Having a culture with sustainability at its core was key. We have been able to issue green bonds because of our culture and strong governance, which ensure that we continuously drive to generate value for customers and society while delivering environmental benefits, all of which is made possible by investor confidence in our strong financial structure, governance and reporting. It underlines both the sustainable nature of our business and the fact that sustainability makes good business sense.

Having sustainability at the heart of the business also means that all Anglian Water's capital expenditure meets the requirements of the underlying Green Bond Principles, although for reporting and monitoring purposes we selected some of our largest and most outstanding schemes to be financed through the bonds.

**Recognition and celebrating success:** Successfully issuing the bonds enabled us to elevate our communications on sustainability and green finance with the UK government, financiers and key stakeholders.

The success gave us the opportunity internally to celebrate and highlight the work of our treasury function, alongside the work that goes into reducing our carbon footprint and achieving broader sustainability. The treasury team's success was also recognized externally when they received the Green Finance award from the Association of Corporate Treasurers and had the opportunity to open the London Stock Exchange.

**Reporting impact:** Measurement and reporting have been vital, and finding out what investors want and being clear about delivery has been key. More information can be found in our [Green Bond impact report](#).

#### What are Green Bonds?

Green bonds allow investors to lend businesses money to fund work with positive environmental benefits. Increasingly environmental and social risk management is influencing the debt markets and investors are attracted to companies that take a sustainable approach to managing their businesses. Before a business can offer this type of investment, it must first meet strict criteria to make sure that its processes are sustainable.



"Sustainability is simply how we do business, all day, every day. Issuing the very first public utility sector green bond amplifies our commitment to sustainability, and demonstrates how we operate as a leading business."

JANE PILCHER, GROUP TREASURER



# FINANCE CULTURE PRACTICAL EXAMPLE

## Heathrow Airport: Heathrow 2.0

### WHAT

Building on Heathrow's sustainability journey that started more than three decades ago, our Heathrow 2.0 strategy was launched in 2017 to help inspire and enable a positive future for the aviation sector. The strategy sets a bold direction towards a future of sustainable aviation. It's a journey that we are well placed to lead on and comes at a time when many in our industry are seeking solutions.

Heathrow 2.0 sets detailed objectives and targets, to be achieved across the business. Our Finance department is a key enabler of the success of the strategy; therefore, it is important to ensure that sustainability is embedded into the culture of the team.

### WHY?

As our global population grows and more people are lifted out of poverty, demand for flights will grow rapidly. About four billion people can currently afford to fly; in a generation's time that will rise to at least seven billion. The aviation industry adds trillions of dollars to the global economy and employs millions of people. Nonetheless, we know that our industry also produces environmental consequences that we have to manage – most pressing, we must take bold and urgent action on climate change. As an industry, we need to decouple aviation growth from carbon emissions and need global, coordinated action to achieve this.

### DEVELOPING THE CULTURE

The whole journey

### HOW?

We view our purpose as a finance team to be enabling Heathrow to reach its value potential. This includes providing clarity and insight to support better decisions and building sustainable foundations to secure our future.

Our commitment to embedding Heathrow 2.0 into our ways of working can be demonstrated by:

- Making our supply chain into one that reflects our Heathrow 2.0 principles, particularly with regards to the London Living Wage
- Taking action on the Task Force on Climate-related Financial Disclosures (TCFD)
- Developing our Sustainability Investment Appraisal Tool to support decision making

To achieve our ambitions we look to structure ourselves into three core areas: a Centre of Excellence, where information is collated and analysed; Strategy & Solutions, where insight is gained and used to advise the business; and finally, our Value Leaders, using that insight to create a positive impact.

To meet one of our strategic principles, it is important that we create an operating environment in which our teams can work that is safe, agile, diverse and inclusive, where individuals can fulfil their potential. This supports a sustainable finance team fit for the future.



Heathrow



# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

The whole journey

### Heathrow Airport: Heathrow 2.0

#### HOW? (CONTINUED)

There is a clear interdependency between the Heathrow 2.0 strategy and the culture of the finance team: the strategy helps to influence the development of the culture and the finance team's culture helps to achieve our objectives and targets. We have used three key initiatives to help embed sustainability into our culture.

#### Building leadership capability: the leading Sustainable Growth programme

As part of a company-wide sustainability leadership development programme that has been rolled out to over 800 managers so far, we have run sustainability masterclasses for finance colleagues and provided two-day sustainability workshops. Senior executives have also attended The Prince of Wales's Business and Sustainability Programme at the Cambridge Institute for Sustainability Leadership.

#### Launching a programme of activity to embed sustainability

We have launched a sustainability ambassadors' network to share best practice between business functions, including how we are using role models and positive reinforcement to stimulate behaviour change. This has been backed up by a review with behavioural psychology experts, enabling us to prioritize actions and identify appropriate measures.

#### Developing tools to support decision making

Working with total value consultants, we have developed a Sustainability Investment Appraisal Tool which articulates the impact of our investments on the six capitals. We have embedded the tool into our processes and this, with training and engagement, has reinforced our wider cultural development efforts.

# Heathrow



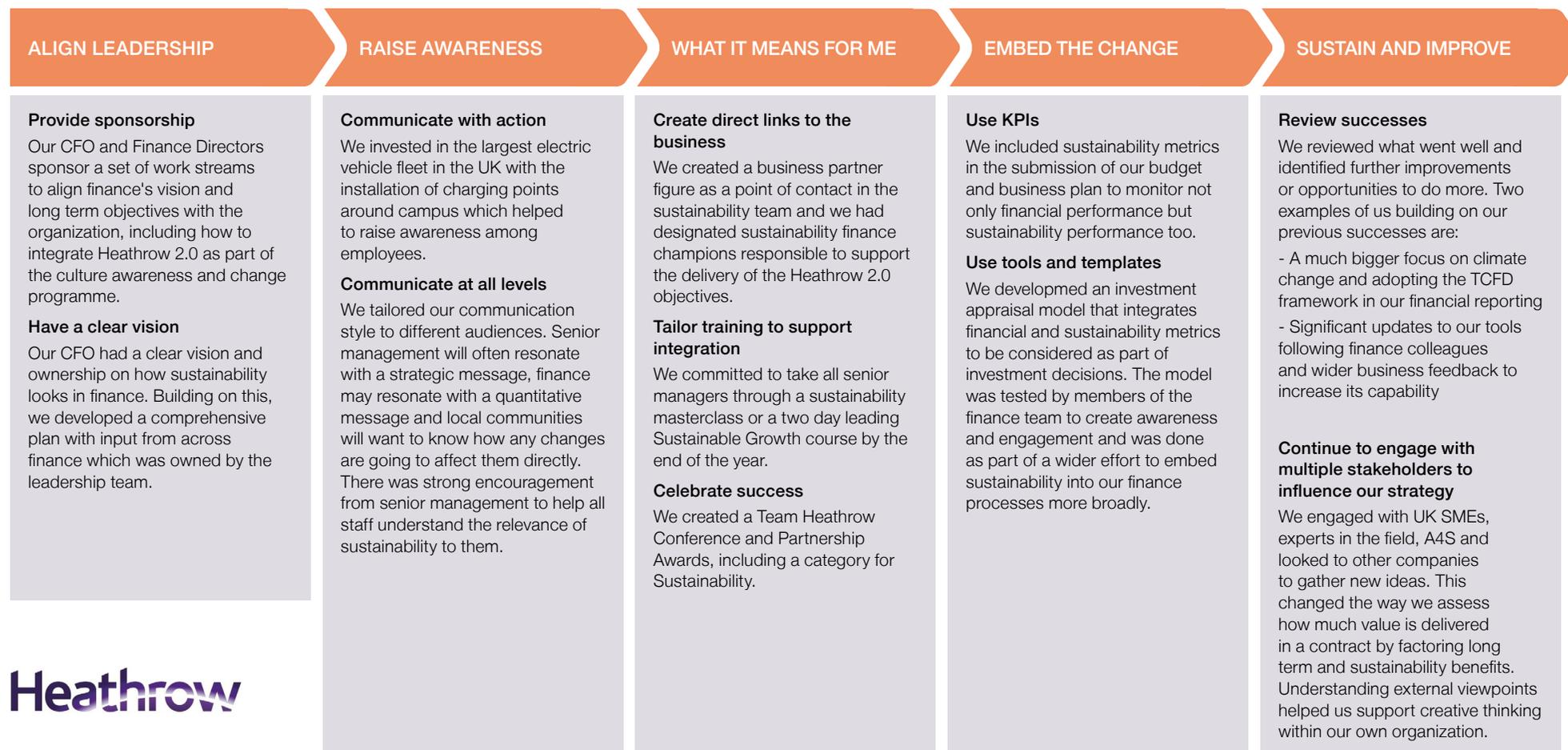
# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

Top tips

### Heathrow Airport: Heathrow 2.0

We implemented a range of activities along our journey to help move our culture forward. The following are practical and tangible examples of the activities that we found helpful, mapped against the sections of the A4S Essential Guide to Finance Culture.





# FINANCE CULTURE PRACTICAL EXAMPLE

## South West Water: Implementing our long term strategy

### DEVELOPING THE CULTURE

The whole journey

#### WHAT?

In December 2012 we published our 25-year vision Water Future – What’s in the Pipeline for 2015–2040?. It outlined our long-term objectives and was informed by extensive research to determine customer and stakeholder priorities for the future of water and wastewater in our region. In our latest strategy, this approach has been extended to 2050.

We have worked to develop South West Water’s culture into one that puts sustainability at the centre of the organization’s activities and decisions.

The finance team were responsible for planning and meeting budgets and targets and so it was crucial to get their buy-in.

The 25-year plan was led by finance and driven by the finance director.

#### WHY?

We recognized the need to respond to the challenges of a changing business environment, such as climate change, population growth and new legislation. We needed to minimize the impact of our activities on the environment, to be able to meet or exceed the high quality standards set by our regulators, safeguard our existing investments (e.g. networks, treatment works, operational assets and systems) and keep our customers’ bills affordable. In order to achieve this, we needed those making financial and operational decisions to engage with sustainability and to embed it into their day-to-day thinking and behaviour.

#### HOW?

We moved away from ‘outputs’ and instead developed eight ‘outcomes’ as part of our 25-year vision. This helped to drive a mindset of change, as the finance team now needed to consider the ‘so what?’ rather than just the ‘what?’ when making financial decisions. It also gave them the mandate for reassessing their activities and decisions to ensure that they were achieving our priorities, and helped to contribute to the shift in their behaviour. In addition, the following actions played a role in transforming the finance team’s culture by demonstrating consistent messaging, focus and alignment by management:

- Embedding sustainability in our long-term plans so it is a commitment at board level and remains a key priority
- Including key sustainability outcomes linked to specific KPIs as part of our five-year business plan
- Linking delivery of sustainability objectives into the governance and drive of overall business performance
- Reporting performance against performance-level commitments – through internal management reporting as well as external statutory and regulatory reporting
- Identifying and capitalizing on cost savings through working with the supply chain
- Bringing what customers value into the centre of everything we do





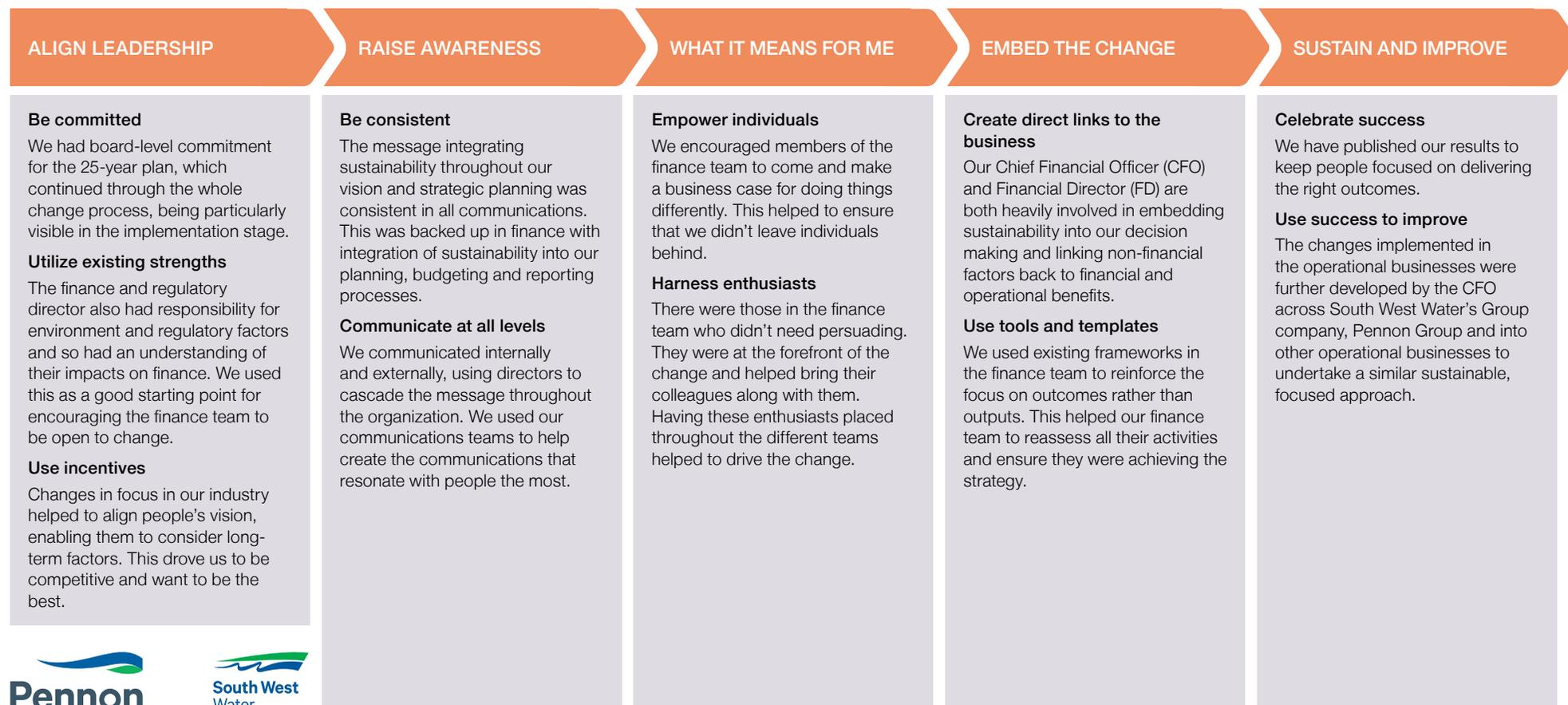
# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

### Top tips

## South West Water: Implementing our long term strategy

These top tips aim to be practical and tangible examples of activities that we found helped to move our culture forward. These have been mapped against the sections of the **A4S Essential Guide to Finance Culture**.





# FINANCE CULTURE PRACTICAL EXAMPLE

CULTURE-ENABLED OUTCOMES

## Pennon Group: How our finance culture enabled our sustainable financing framework

### WHAT?

As part of our commitment to sustainable finance, Pennon Group was the first business in the UK to pioneer a sustainable financing framework.

The framework directly links finance with sustainability performance, enabling the Group to issue securities as well as enter into financing relationships that support sustainable investment, in line with ESG performance metrics.

Driven from within the finance team, the framework aligns with the Green Bond Principles (GBP), Social Bond Principles (SBP) and the Green Loan Principles (GLP).

### WHY?

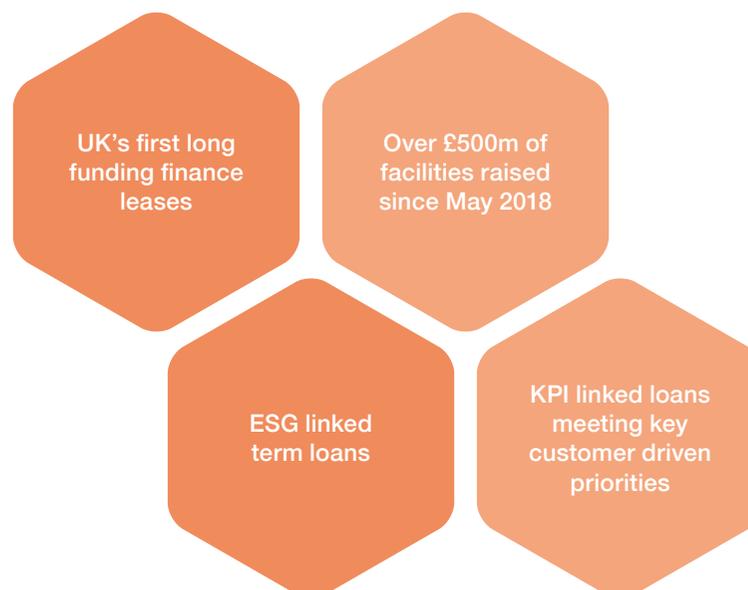
As one of the UK's largest environmental infrastructure businesses, providing water, recycling and energy services, sustainability is an integral part of our strategy. In order to create shareholder value, the Group endeavours to maximize the efficiency of its use of resources, reduce waste, increase levels of recycling, fully exploit opportunities for low-carbon energy generation, and divert waste streams away from landfill. It is crucial that the way in which we raise finance aligns with our strategy.

### HOW?

The cultural shift across the Pennon Group, through South West Water's focus on customer and environmental outcomes and Viridor's transformational approach to waste management, has supported the implementation of a sustainable financing framework. Having seen a successful culture shift in finance teams across the group and having our colleagues understand the business case for a sustainable strategy helped us realize our ambition across the Pennon Group. We recognize that in the past we were not in a position to be able to deliver a project such as the sustainable financing framework, but the incremental changes in our culture, caused by our shift in perceptions to a customer and environmental focus, have made this project highly successful.

This internal culture shift – driven by the CFO – coincided with changes in investor priorities, which often assess eligibility for funding through the sustainable metrics.

Suitable projects that meet the criteria of the Pennon Sustainable Financing Framework are reviewed and approved by the Pennon Sustainability Executive Committee for inclusion within the Use of Proceeds statement. For more information on our sustainable financing framework, see [here](#).





# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

Align leadership, embed the change and top tips

### Royal DSM: An internal carbon price that changes mindset and investment decisions

#### WHAT?

In June 2016 we initiated a comprehensive internal carbon pricing programme, applying a fixed carbon price to all future growth projects. The objective was to ensure greater visibility of, and accountability for, our use of fossil fuels, which helped shift the culture of the finance team to one that supports our sustainable strategy. The programme was supported by the CEO, CFO and other senior leaders and has driven a shift in DSM's investment processes, ensuring an embedded sustainability approach with better, cleaner decision making.

#### WHY?

Amid growing concern about the impact of carbon emissions, we were determined to play an active part in the drive to keep global temperature rises below the 1.5 to 2 degree Celsius ceiling. The challenge involved finding ways of accelerating the use of renewable energy across the company by providing clear, tangible metrics for measuring CO2 impact. The solution needed to be robust enough to bring about a cultural change across the company, so that carbon reduction and sustainability are accepted as critical factors in investment decision making.

#### HOW?

Our solution was to introduce a €50/tonne carbon price for all investment decisions supporting the company's growth strategy, with a view to investments being redirected and scaled up towards low carbon technologies. A cross-functional review team comprising senior executives was established and tasked with ensuring that all future investment decisions would be based on financials that included carbon pricing. Our CEO and CFO acted as forceful advocates for the carbon pricing strategy, helping to drive understanding and support from the top down.

Having the carbon price included in the day-to-day activities of the finance team helped them to understand the business case for sustainability. This meant that the culture of the finance team was more accepting of more ambitious goals set by the leadership team later on.

#### TOP TIPS

##### Gain support from the top

The CEO and CFO are strong advocates of this approach, and both the business leaders and finance leadership team are involved.

##### Integrate into existing processes

We integrated carbon pricing into regular decision processes, rather than implementing a completely new process: this project is not about developing new conceptual models, it is about embedding sustainability in the organization and in the mindset of the people.

##### Keep things simple

We limited the additional work needed to implement the internal carbon price, which meant it wasn't difficult for the teams to integrate it into their everyday work. This helped us to gain the support of the finance team.





# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

Align leadership and raise awareness

### Siemens: Challenging mindsets to change the culture

#### WHAT?

The term 'sustainability' is increasingly used within Siemens Rail Automation business, but its meaning is understood differently across the organization. Greater internal awareness was needed of the impact of sustainability action and its relevance to our business, including those in the executive team (who have representation across all functional departments).

#### WHY?

We needed a clearer and better understanding of the business's position on sustainability, and needed to initiate a conversation to help identify and challenge current mindsets in order to change the culture.

#### HOW?

Following a period of data collection and consultation, a draft sustainability infographic was prepared. The executive members were involved in its development, which helped promote support for a sustainability agenda at a leadership level. The final data sets included were discussed and agreed with the executive team.

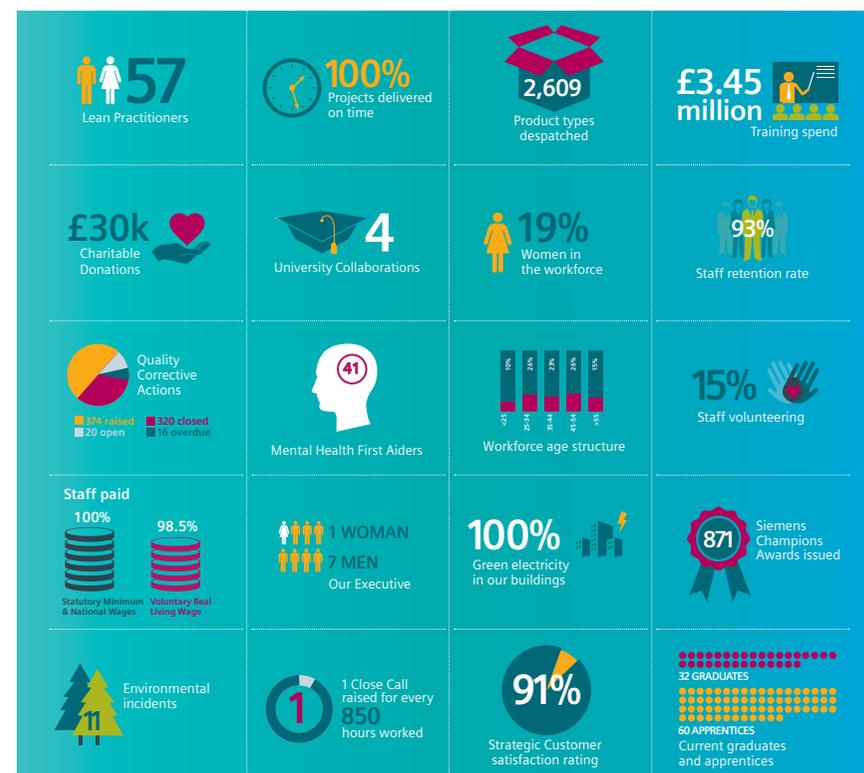
The infographic was designed to be accessible to all, to ensure that it generated discussion across the business.

The impact this had on the finance team was tangible, as it created a positive debate among colleagues about which achievements the business should be proud of but it also highlighted areas for improvement. The finance team had the opportunity to reflect and subsequently challenge the wider business on data presented in the infographic.

The infographic has been adapted by other Siemens' businesses as an example of good practice. In addition to baseline reporting, in the next iteration of the infographic we hope to maintain momentum by including specific targets.

The infographic helped raise awareness internally that we are a business seeking to respond to ever-evolving challenges.

#### WHAT SUSTAINABILITY MEANS TO US





# FINANCE CULTURE PRACTICAL EXAMPLE

## DEVELOPING THE CULTURE

Align leadership and raise awareness

### Tesco: The right people in the right places

#### WHAT?

We recognize the importance of having the right people in the right places to support any culture change. This is more important than ever for finance culture and sustainability. We have a committed, visible CFO who speaks internally and externally on the importance of a sustainable business strategy. To support him we have a champion, strategically placed in the finance team, who not only understands the workings of the finance team, but also reinforces the CFO's vision in the day-to-day activities of finance.

#### WHY?

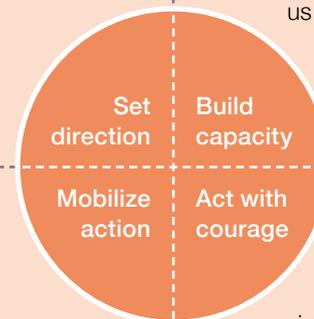
At Tesco, we recognize that we are on a journey towards embedding sustainability throughout our organization. The finance team is crucial to supporting this change by providing an understanding of our value drivers, having control over budgets and forecasts, and preparing and validating information for decision making for the business. The CFO is key to leading the development of the finance team culture and the support of a champion will help embed this.

#### HOW?

The roles of the CFO and champion are outlined below, along with some of the benefits of having them involved:

The CFO has sent out a clear message of his belief that a sustainable business is a successful one. This message has been consistent in internal and external communications and has helped the team to understand the business case for integrating sustainability into what we do.

Having a champion dedicated to integrating our sustainable strategy into the finance team has meant we have had the resource to dedicate to specific challenges, such as implementing the recommendations of the TCFD. This then enabled us to mobilize others in the business to be part of the TCFD project and to appoint external consultants to obtain the right expertise.



The CFO has encouraged innovation in our work, for example by incorporating our non-financial Little Helps Plan KPIs into our financial processes. Having a champion who has an understanding of sustainability considerations has helped the finance teams know where to go for support.

The CFO spoke publicly about our sustainable strategy – our Little Helps Plan – and the business has set ambitious goals, making them public too. The retail industry is usually associated with tight margins and short-term visions, but we believe Tesco's long-term success lies in doing the right thing for our business, customers, colleagues, suppliers and shareholders, from food waste to climate change.



**"The important thing is to make sustainability – whether it's environmental, people, or any other aspect of the long term health of the business – a core part of what you do."**

**ALAN STEWART, CHIEF FINANCIAL OFFICER, TESCO**



# THE A4S CFO ESSENTIAL GUIDE SERIES

## LEAD THE WAY

Developing a strategic response to macro sustainability trends

- Managing Future Uncertainty
- Engaging the Board and Executive Management\*
- Finance Culture
- Incentivizing Action\*

## TRANSFORM YOUR DECISIONS

Integrating material sustainability factors into decision making

- Strategic Planning, Budgeting and Forecasting
- Management Information and Reporting\*
- Capex

## MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting

## ACCESS FINANCE

Engaging with finance providers on the drivers of sustainable value

- Enhancing Investor Engagement
- Debt Finance
- Implementing the TCFD recommendations

\*coming soon



# ACCOUNTING FOR SUSTAINABILITY

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