Introduction

A transition to a net zero-carbon economy is urgently needed – and CFOs and their finance teams have a vital part to play. By transforming their strategies and carefully navigating environmental and social risks and opportunities, organizations can contribute to building a resilient global economy and a more sustainable future.
CFOs and their finance teams are in a prime position to lead the net zero transition – embedding sustainability into organizations’ strategy, operations and reporting. Achieving it, though, requires a change in the role of the finance team. How much of this change has already been achieved? What is underway? What still feels out of reach?

The A4S Finance Leaders’ Sustainability Barometer offers some answers to those questions. We surveyed over 100 people – Group Chief Financial Officers and other senior finance professionals – to understand how they are thinking about sustainability within their organizations. We supplemented the survey responses with qualitative research from Board Intelligence who interviewed 100 CFOs for their insights. The results of the 2023 barometer give us insight into the perceived drivers and challenges of integrating sustainability into financial decision making, how this has changed since the previous year, and what this means for finance teams today.

We found that the finance profession is rising to the challenge, but faster progress is still needed. While 88% of respondents agreed that it was very important or essential to transform financial decision making to address the opportunities and risks posed by environmental and social issues, just 9% said their organizations are currently able to respond fully to sustainability factors and incorporate them into decisions.

Finance leaders need to act as a matter of urgency to translate their ambitions for change into concrete action by finance teams.
1. Adopting sustainability strategies and processes: drivers, risks and opportunities

Sustainable business practices are being driven by a range of factors, with employee and customer demand and the need to mitigate risks topping the list.

Drivers of sustainable action

How important are the following drivers to your adoption of a sustainable strategy and processes?

Rated essential and very important

- Employee engagement: 77%
- Mitigating risk: 75%
- Customer/client demand: 74%
- Revenue opportunities: 65%
- Competitive advantage: 65%
- Driving innovation: 65%
- Regulatory pressures: 64%
- Investor demand: 64%
- Supplier demand: 37%
- Reducing costs: 36%
The top three factors driving CFOs and other finance professionals to adopt sustainable strategies and processes are employee engagement, mitigating risks and demand from customers and clients. Around three-quarters of barometer respondents ranked these factors as essential or very important, while just under two-thirds saw regulatory pressure or investor demand as very important or essential – slightly less than in 2022.

Employee engagement being rated as the top driver of sustainable action perhaps reflects employees’ growing awareness of and interest in sustainable practices. In a study of employees across 15 industries, 70% said acting on climate change at work was important to their wellbeing and motivation, and 15% had considered changing jobs to work more on climate-related issues.¹

Customers are also expecting more from companies. A 2023 survey² found that consumers “want to switch to products that align with ... values, priorities, and lifestyles and some will pay extra for that if necessary”. In the survey, 44% said they will choose a more sustainable alternative if they can, and the percentage of consumers willing to pay a premium for sustainable products and services has steadily increased, from 24% in 2022 to 32% in 2023. Research from Deloitte suggests that this willingness is turning into behaviour change.³

These findings are reflected in research by Board Intelligence, which found that CFOs consider pressure from customers and employees among the most compelling reasons for addressing social and environmental issues. As customers and employees demand sustainable action, organizations must respond to maintain their client base and retain staff.

The barometer also indicates a shift away from seeing sustainability as a way to reduce costs, towards a recognition of the value-creation opportunities presented by integrating sustainability into business processes and strategy. Two-thirds of respondents rated innovation, competitive advantage and revenue generation as very important or essential drivers for adopting sustainable practices.

Suppliers, on the other hand, are not pushing for change. Just 37% (down from 41% in 2022) felt supplier demand was an important or essential driver. This may be because organizations are more likely to push their suppliers for action on sustainability rather than the other way round. This is particularly true for large organizations with significant buying power, as is the case in this barometer, where nearly half of respondents are from organizations with US$5 billion or more in annual revenue.

¹ Kite Insights, A survey of 7,134 employees across 10 countries and 15 industries
² EY, Future Consumer Index
³ Deloitte, Sustainable Consumer 2023

“We ask our customers what they care about and that data and feedback is embedded within our strategic plan. Our approach to environment and sustainability is put in place in large part because it’s what our members tell us is important to them.”

Louise Britnell,
Chief Finance Officer,
The Co-operative Bank
### Risks and opportunities

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

<table>
<thead>
<tr>
<th>Risk</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to adapt quickly enough to customer, investor, employee or regulatory demands to adopt sustainable business practices</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td>Inability to attract and retain the right talent</td>
<td>60%</td>
<td>54%</td>
</tr>
<tr>
<td>Failure to mitigate or adapt to climate change</td>
<td>60%</td>
<td>67%</td>
</tr>
<tr>
<td>New technologies and innovations related to sustainable outcomes</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>A lack of diversity, equity and inclusion</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>Failure to halt biodiversity loss and depletion of natural resources</td>
<td>19%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Top three risks

Rapidly changing attitudes mean that organizations must take decisive action on sustainability. With investors threatening divestment, customers voting with their feet and employees making their voices heard, it’s no surprise that 69% of survey respondents felt the largest sustainability-related risk was not adapting quickly enough to customer, investor, employee or regulatory demand.

The inability to attract and retain the right talent, and failure to mitigate or adapt to climate change were also seen as substantial risks, both identified by 60% of respondents.
### Risks and opportunities

#### Which of the following issues present the biggest sustainability-related opportunities for your organization? (top three)

<table>
<thead>
<tr>
<th>Issue</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing solutions to tackle climate change</td>
<td>71%</td>
<td>61%</td>
</tr>
<tr>
<td>Developing new technologies and innovations</td>
<td>63%</td>
<td>52%</td>
</tr>
<tr>
<td>Improving diversity, equity and inclusion</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td>Creating jobs and investing in people</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>Improving access to finance, customers or other key stakeholders</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Driving actions to support the UN Sustainable Development Goals</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>Providing solutions to tackle biodiversity and nature loss</td>
<td>14%</td>
<td>24%</td>
</tr>
</tbody>
</table>

[Finance Leaders’ Sustainability Barometer]
The opportunities for developing sustainable solutions

Although environmental and social issues present clear – and growing – risks, the barometer shows a focus on opportunities too. Creating solutions to tackle climate change was seen by 71% of respondents as their most significant sustainability-related opportunity, an increase of 10 percentage points since 2022. Developing new technologies and innovations was rated as the second biggest opportunity, cited by 63% of respondents – up 11 percentage points from 2022.

Though improving equality, diversity, and inclusion (EDI) showed a slight decrease in ranking in the 2023 barometer, it was still considered the third-biggest sustainability opportunity. Research by Board Intelligence supports this – more than half of the CFOs they interviewed were personally worried about EDI or social inequality. Many were leading EDI initiatives within their organizations.

“I feel really strongly that finance functions have the right skills, working closely with the rest of the business, to lead on the development of climate transition plans… it’s too important to delay.”

Katie Murray, Group Chief Financial Officer, NatWest Group

“A company’s success absolutely depends on its people. This makes inclusion and diversity an important success factor that no company can ignore... Our financial performance is driven by people, and these people work best, I believe, in diverse and inclusive teams.”

Maria Ferraro, Member of the Executive Board and Chief Financial Officer, Siemens Energy
Underestimating the importance of nature

Providing solutions to tackle biodiversity loss was considered less important as an opportunity. Just 14% of respondents selected biodiversity loss as one of their top three sustainability-related opportunities – down by 10 percentage points since 2022. The number of respondents who felt biodiversity loss and depletion of natural resources were major risks for their organizations also fell by 10 percentage points.

Studies show that companies systematically underestimate their nature-related risk. A 2023 CDP report found that only 20% of financial institutions measure exposure to nature-related risk – significantly fewer than the 85% that calculate vulnerability to climate impacts.4

The World Economic Forum lists biodiversity loss and ecosystem collapse as the third most severe risk facing the world over the next ten years.5 In spite of the risks that the loss of nature presents to the economy, the barometer underlines the challenge that businesses face translating those economy-wide impacts into risks or opportunities for their organization.

What is the business case for action on nature?

Our briefing on biodiversity outlines the risks and opportunities for business, and makes recommendations on how to reduce negative impacts and to identify mitigation and adaptation opportunities.

Read the briefing

4. CDP, Nature in Green Finance: Bridging the Gap in Environmental Reporting
5. World Economic Forum, Global Risks Report
6. Business & Sustainable Development Commission, BETTER BUSINESS BETTER WORLD

“Nature is everyone’s business. Most business are impacted by nature and we all have a role to play… As CFOs and finance professionals, the link to costs, investment and the impact that it creates is immense, as we have demonstrated many times over.”

Rishi Kalra,
Executive Director and Group Chief Financial Officer, ofi

380M

new jobs could be created by 2030 if businesses align their strategies6
2. Transforming financial decision making

The vast majority of respondents acknowledged the importance of transforming financial decision making to address sustainability issues. However, although more organizations are considering sustainability alongside financial information, a lack of tools and techniques is proving a sticking point.

The need for change
Without transforming the way decisions are made, change will be less likely to happen, and our respondents seem to agree. Integrating environmental and social considerations into financial decision-making processes – from management information to capital allocation to investor relations – is increasingly recognized as critical for achieving organizational sustainability goals.

The barometer results support this, with 88% of respondents agreeing that it is essential or very important to transform financial decision making to address the opportunities and risks posed by environmental and social issues. Only 2% said that it was of little importance or not important at all.

How important do you feel it is for business to transform financial decision making to address the opportunities and risks posed by environmental and social issues?

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential</td>
<td>41%</td>
</tr>
<tr>
<td>Very important</td>
<td>47%</td>
</tr>
<tr>
<td>Of average importance</td>
<td>10%</td>
</tr>
<tr>
<td>Of little importance</td>
<td>1%</td>
</tr>
<tr>
<td>Not important at all</td>
<td>1%</td>
</tr>
</tbody>
</table>
**Tools and techniques for embedding sustainability**

**To what extent is sustainability (social and environmental) information considered alongside traditional financial information and analysis in your organization’s decision-making processes?**

<table>
<thead>
<tr>
<th>Description</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are able to respond fully to sustainability factors and incorporate into decision making</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>We have the majority of tools and techniques in place to incorporate sustainability into decision making</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>We have some reliable tools and techniques, and are currently developing more to incorporate sustainability more effectively into decision making</td>
<td>46%</td>
<td>38%</td>
</tr>
<tr>
<td>Broader sustainability factors are considered important, but we do not have reliable tools and techniques to incorporate them in decision making</td>
<td>26%</td>
<td>29%</td>
</tr>
<tr>
<td>Decisions are made almost exclusively based on financial considerations</td>
<td>5%</td>
<td>19%</td>
</tr>
</tbody>
</table>
Organizations are making substantial progress in considering sustainability factors alongside traditional financial information. Seven in ten respondents said they had at least some reliable tools and techniques in place to achieve this, compared with just over half in 2022. While only 9% said their organizations could respond fully to sustainability factors and incorporate them into decision making, this was an increase from 2% in 2022. Just one in twenty businesses are now basing decisions almost exclusively on financial considerations. In 2022, this figure was nearly one in five.

However, there is still plenty of room for progress. Over a quarter of barometer respondents said their organizations still don’t have reliable tools and techniques for incorporating sustainability factors into decision making, despite believing that they are important. For those who have the tools and techniques, embedding sustainability into decision making remains a challenge.

46% of respondents, compared with 38% in 2022, have at least some reliable tools and techniques in place to incorporate sustainability more effectively into decision making.

“If you integrate non-financial metrics into everything you do, it means sustainability forms a natural part of your decision making, not raised separately. In practice, it means if we’re discussing whether we’re on track to deliver our strategy, the first question will be around our customers and our environmental impact. Setting up your reporting system in a way that encourages this is crucial, and the CFO has a critical role to play in this.”

Stephen Oxley,
Chief Financial Officer, Johnson Matthey
## Transforming financial decision making

### Actions by the finance team

To what extent has your finance team taken the following actions to integrate sustainability-related opportunities and risks into decision making and reporting?

<table>
<thead>
<tr>
<th>Action</th>
<th>Fully</th>
<th>To a significant extent</th>
<th>To a moderate extent</th>
<th>To a minimal extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare sustainability related disclosures and reporting</td>
<td>24%</td>
<td>37%</td>
<td>23%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Engage with the audit committee on the organization’s sustainability strategy and performance</td>
<td>21%</td>
<td>32%</td>
<td>30%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Engage with investors regarding the organization’s sustainability performance</td>
<td>21%</td>
<td>33%</td>
<td>31%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Help the organization to set and track science-based net zero GHG emissions targets</td>
<td>20%</td>
<td>31%</td>
<td>21%</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Advocate for sustainability considerations within strategic planning and management decision making processes</td>
<td>14%</td>
<td>33%</td>
<td>36%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Incorporate sustainability factors in financing arrangements</td>
<td>11%</td>
<td>33%</td>
<td>39%</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Help the organization to set and track people and society-related impacts (eg diversity, equality and inclusion)</td>
<td>11%</td>
<td>33%</td>
<td>31%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Oversee the collection and use of sustainability-related information as part of management information and reporting</td>
<td>10%</td>
<td>37%</td>
<td>30%</td>
<td>16%</td>
<td>7%</td>
</tr>
<tr>
<td>Incorporate sustainability information in capital allocation decisions</td>
<td>7%</td>
<td>36%</td>
<td>31%</td>
<td>17%</td>
<td>9%</td>
</tr>
<tr>
<td>Support activities across the supply chain to improve sustainability performance</td>
<td>6%</td>
<td>30%</td>
<td>39%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Measure and value social, human and natural capital</td>
<td>4%</td>
<td>21%</td>
<td>24%</td>
<td>29%</td>
<td>22%</td>
</tr>
<tr>
<td>Help the organization to set and track science-based nature targets</td>
<td>3%</td>
<td>21%</td>
<td>23%</td>
<td>17%</td>
<td>36%</td>
</tr>
</tbody>
</table>
Although finance teams are increasingly aware of the benefits – financial and otherwise – of embedding sustainability in decision making, this does not always translate into action. The barometer highlighted a number of key areas where more progress is needed from capitals accounting to capital allocation. Our Essential Guide series can help finance professionals to close these gaps. Two important areas of focus – management information and reporting, and setting targets for nature – are explored below.

Management information and reporting

Despite the central role of finance teams in preparing management information, less than half (47%) of respondents said their finance team had been fully or significantly involved in overseeing the collection and use of sustainability-related information as part of management information and reporting.

Finance professionals have expertise in gathering and analysing financial data, supported by strong processes and controls. By applying these skills to environmental and social data, finance teams can help ensure that management information contains sustainability-related data that is robust enough to support decision making.

Sourcing accurate, complete and comparable sustainability data can present a challenge. The first steps towards integrating sustainability into systems and decisions can be as simple, though, as updating existing tools and templates to include questions on sustainability. Rather than wait for perfect tools or complete data, finance teams can start to drive change now.

Responses to the barometer also show that more finance teams are engaged with preparing sustainability-related disclosures than incorporating sustainability into management information. With an increase in mandatory reporting requirements, there has been a step up of finance teams’ involvement in sustainability-related external reporting. A similar expansion in how finance teams structure and prepare management information creates more opportunities for finance to help drive strategic decision-making and create value within the organization. Yet, our barometer results suggest that this opportunity is being lost.

“We’re having to report on broader things now, and so the CFO is naturally involved in those – everything from gender pay gap to sustainability reporting. A lot of CFOs aren’t just reporting those numbers but they’re recognizing more and more that it’s their remit – not just to make sure the numbers are accurate, or help decide what the target should be, but also in asking: how are we going to achieve those targets and to help the company get there.”

Jeff Davies,
Chief Financial Officer, Legal and General
The barometer results indicate that finance teams currently have very little involvement in actions relating to nature. Less than a quarter had either fully or significantly helped their organization to set and track science-based nature targets, and more than one-third had not engaged in this area at all. This reflects the challenge in recognizing the risks and opportunities of nature and biodiversity loss (see Underestimating the importance of nature, above) and the challenge of translating the complexity of such impacts into business action.

In addition, a lack of standard reporting tools has meant biodiversity loss is often hidden or incorrectly priced in supply chains. However, recent developments, such as the Taskforce on Nature-related Financial Disclosures reporting recommendations and science-based targets for nature, mean finance teams can more effectively report and act on evolving nature-related dependencies, impacts, risks and opportunities.

The European Sustainability Reporting Standards (ESRS) will also increase momentum. Where organizations set and track science-based net zero targets, finance teams are involved, but far fewer are involved in similar nature-related work. ESRS is now mandating this, so we expect to see a significant change.

Nature targets

“Protecting nature makes our business more resilient and helps us deliver for patients by ensuring the supply of raw materials needed to manufacture vital medicines and vaccines. That’s why we’re proud to be a member of the Taskforce on Nature-related Financial Disclosures. We have started to implement the TNFD methodology to better understand our nature-related risks and opportunities and are committed to publish our first TNFD disclosures from 2026, based on 2025 data.”

Julie Brown,
Chief Financial Officer, GSK

Nature: what is the role of finance?

A4S’s work in this space includes guidance, thought-pieces and updates to help equip finance professionals with the appropriate skills, tools and knowledge to help their organization move towards nature positive actions.

Find out more
3. Overcoming the skills and capacity gap in the finance team

Businesses still have some way to go to develop skills in finance teams and to overcome the barriers to embedding sustainability in strategy and decision making.

Knowledge and skills in the finance team

How do you rate the capability of the following group when it comes to environmental and social considerations? (factoring in awareness, knowledge, skills and attitudes)

You

<table>
<thead>
<tr>
<th>Fully capable</th>
<th>Mostly capable</th>
<th>Somewhat capable</th>
<th>Not at all capable</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>53%</td>
<td>17%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Your CFO

<table>
<thead>
<tr>
<th>Fully capable</th>
<th>Mostly capable</th>
<th>Somewhat capable</th>
<th>Not at all capable</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>54%</td>
<td>17%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Your executive team

<table>
<thead>
<tr>
<th>Fully capable</th>
<th>Mostly capable</th>
<th>Somewhat capable</th>
<th>Not at all capable</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>47%</td>
<td>29%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Your board

<table>
<thead>
<tr>
<th>Fully capable</th>
<th>Mostly capable</th>
<th>Somewhat capable</th>
<th>Not at all capable</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>56%</td>
<td>22%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Your finance team as a whole

<table>
<thead>
<tr>
<th>Fully capable</th>
<th>Mostly capable</th>
<th>Somewhat capable</th>
<th>Not at all capable</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>47%</td>
<td>36%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Barometer respondents felt that their board and executive teams, especially the CFO, were well-versed in sustainability. Four out of five said that their CFO was either fully or mostly capable when it comes to social and environmental considerations.

However, this capability has yet to filter down to the wider finance team. Although almost half of respondents considered their finance teams ‘mostly capable’, only 10% thought their teams were fully capable in this area. Crucially, nearly one in five saw their finance team’s knowledge, experience or engagement as a barrier to embedding sustainability in decisions and strategies (see Barriers to embedding sustainability, below).

Organizations must use the strong capability and commitment at leadership level to set the tone for the finance team as a whole. By championing change, incentivizing action and developing skills, CFOs can build a finance team with sustainability at its heart.

“The world today requires more accountants understanding and appreciating sustainability and there aren’t too many of them now.”

Rishi Kalra, Executive Director and Group Chief Financial Officer, OFI

Building capacity

How do you plan to build further capacity within your finance team in order to integrate sustainability into your business? (select all that apply)

- Training for current staff: 75%
- The creation of new roles: 16%
- No plans: 7%
- Hiring more staff for existing functions: 3%

“With the evolution of disclosure to more exacting standards, sustainability is clearly an area where CFOs need to develop capabilities.”

George Davis, A4S Foundation US, and former CFO, Intel
Organizations are aware of gaps in sustainability skills and appear motivated to address them by building capability and capacity in their finance teams. Three-quarters of barometer respondents are planning to train current staff, and one in six are looking to create new finance roles to help integrate sustainability into their organizations.

In qualitative research supporting the barometer, Board Intelligence found many examples of CFOs navigating this skills gap by working alongside sustainability teams. These CFOs are looking for ways for finance teams to support sustainability professionals and apply the rigour of finance to nonfinancial and sustainability data and metrics. Working with sustainability teams can be an opportunity for each to learn from and empower the other.

To build finance teams that are better equipped to integrate sustainability into financial decision making, competence in sustainability needs to be a key recruitment criteria when hiring – for all finance roles.

The increase in organizations making ambitious sustainability commitments is creating a growing business need for accountants who understand sustainability and have the skills to integrate it into decision making. This has led to the creation of new roles, such as carbon accountants and sustainability controllers. Meanwhile, social and environmental considerations are an increasingly important part of core finance functions such as management accounting, reporting and treasury.

Sustainability is already being introduced into accountancy qualifications and continuing professional development, but our barometer results indicate that we need to accelerate this shift. More needs to be done to empower finance professionals to embed sustainability into all aspects of their work across all sectors.

“Within their finance function, the CFO oversees the organization’s people who are the most data driven and can bring dispassionate rigour to the data they collect. I think this creates the opportunity to embed that level of rigour right into sustainability… In doing so, you underline the business’ commitment to its sustainability goals.”

Jeff Davies,
Chief Financial Officer, Legal and General plc
The A4S Academy

The A4S Academy is an online learning and implementation programme for senior finance leaders to embed sustainability. The programme empowers and equips finance teams with the skills needed for their businesses to succeed in the face of environmental and social risks and opportunities.

Find out more
### Barriers to embedding sustainability

How significant a barrier are the following to embedding social and environmental considerations into your strategy and decision making? (rated massive or significant)

<table>
<thead>
<tr>
<th>Barrier</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliable data</td>
<td>45%</td>
</tr>
<tr>
<td>Universal standards and frameworks</td>
<td>43%</td>
</tr>
<tr>
<td>Other organizational priorities</td>
<td>39%</td>
</tr>
<tr>
<td>Evidence on financial impact of sustainability factors</td>
<td>37%</td>
</tr>
<tr>
<td>Regulatory framework</td>
<td>26%</td>
</tr>
<tr>
<td>Team’s knowledge, experience or engagement</td>
<td>23%</td>
</tr>
<tr>
<td>Available investment opportunities</td>
<td>19%</td>
</tr>
<tr>
<td>Board’s knowledge, experience or engagement</td>
<td>9%</td>
</tr>
<tr>
<td>Customer demand</td>
<td>9%</td>
</tr>
</tbody>
</table>
The challenge of reliable data
As organizations themselves and their stakeholders, including investors, increasingly base their decisions on sustainability performance and plans it is vital to collect reliable data. However, despite advancements, data challenges continue to hinder progress when it comes to embedding social and environmental considerations into strategy and decision making. Almost half of barometer respondents saw reliable data as a massive or significant barrier (46%, similar to last year’s response of 47%).

There are many challenges in obtaining meaningful, timely, complete and accurate sustainability data. This should not delay action, though. Organizations can help to ensure data is as robust as possible by developing clear roles, setting up internal assurance and aligning the control environment for sustainability reporting with that used for financial reporting. The A4S insight brief on sustainability data collection provides more solutions and inspiration.

“Collecting non-financial data is a challenge for lots of businesses. Getting the systems and processes in place to allow you to collect the data is time consuming and sometimes costly. Once you factor in the level of change, it adds to the challenge.”

Sally Johnson, Chief Financial Officer, Pearson

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Key elements to ensure robust sustainability data collection

- Clear roles and responsibilities, as well as definitions, collection procedures and guidelines around data, are documented and understood by all parties involved.
- Internal assurance programmes support data quality for both management decision making and external reporting.
- Integrated information technology systems, automation and digital platforms are used for environmental and social data collection, measurement and monitoring.
- Timely data is collected, enabling concurrent reporting of sustainability metrics with financial information.
- The control environment is aligned as closely as possible to the financial reporting one, in order to obtain independent external assurance over sustainability metrics.

Find out more

The challenge of reliable data

The lack of reliable data can also make it more challenging to articulate a compelling business case for sustainable practices. Not having evidence on the financial impact of considering sustainability factors in decision making and strategy was cited as a massive or significant barrier by 37% of barometer respondents.

A lack of universal standards and frameworks

Another critical barrier is the lack of universal standards or frameworks. 43% respondents saw this as a significant or massive barrier to considering social and environmental factors in strategy and decision making. This was down from 53% in 2022, which shows some progress, however there is still insufficient harmonization and agreement.9

“Access to perfect data is a challenge for any business. In financial performance, even if they aren’t easy to achieve it’s easy to define Key Performance Indicators (KPIs) that represent success. Sustainability can be a challenge because if you ask ten people what’s most important in sustainability, you’ll probably get 25 different answers.”

Sarah Pollard,
Chief Financial Officer, PZ Cussons

9. KPMG analysis of 5,800 companies in 2022, showed that GRI, TCFD and SDGs were the most used standards to inform sustainability reporting, though SASB and country stock exchange guidelines were also used. Never static, sustainability reporting is moving towards standards framed by stakeholder materiality assessments. Big Shifts, Small Steps: Survey of Sustainability Reporting
In June 2023, the International Sustainability Standards Board (ISSB), a standard-setting body within the International Financial Reporting Standards (IFRS) Foundation, introduced new standards for sustainability-related disclosures. The IFRS Sustainability Disclosure Standards were developed in response to calls for harmonization from the G20 and business leaders. They aim to provide a global baseline for sustainability disclosures, helping to improve trust and confidence by users of reports. However, whether this aim is successful will depend on the extent to which the standards are adopted globally. Currently, different authorities are considering adopting the standards, but in other jurisdictions, country or region-specific standards are being developed or adopted, risking fragmentation. Further, the IFRS Sustainability Disclosure Standards are focused on investor needs. For most organizations, also addressing the needs of a broader stakeholder group will remain critical, thinking in terms of impact and dependency, as well as risk and opportunity. At present, the GRI Standards are the most widely adopted standards in this area.

**Competing priorities**

Other priorities within their organizations were cited as a key barrier by 39% of respondents – indicating that finance teams are being pulled in many directions at once. Finance teams need the time to build their skills and bandwidth to embed sustainability into their work. In this regard, the culture of the finance team can play a significant role in how organizations operate.

**Navigating the reporting landscape**

Read A4S’s Navigating the Reporting Landscape Guide, which provides an overview of the changing corporate reporting landscape. It summarizes key developments in sustainability reporting and how these impact the role of the accountant.

Read the guide

**The A4S Essential Guide to Finance Culture**

We often hear that the culture of the finance function can be a barrier for organizations attempting to move to more a sustainable business model. To address this, we created this guide to provide practical tools and guidance for finance teams seeking to eliminate this barrier, to develop a culture that embraces sustainable decision making and support the business in creating sustainable value.

Read the guide

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9. IFRS, Sustainability Standards Navigator
Finance professionals told us that they have a strong desire to transform financial decision making to address sustainability risks and opportunities. However, further work is needed to translate this ambition into action. Companies are making definite progress in considering sustainability factors alongside traditional financial information, but finance teams are still lacking knowledge and skills, and sustainability is not fully embedded in their work. To overcome the skills gaps, CFOs must share insights with their teams and fully upskill them as a priority.

A lack of reliable data and conflicting standards and frameworks continue to be sticking points for some finance teams, but this must not be a reason for delay. It is imperative to act now, making the best use of the data and tools that are currently available. The ISSB standards represent a step in the right direction when it comes to harmonizing standards and establishing a global baseline.

Our survey revealed a worrying gap in understanding around the impact of biodiversity loss, which is ranked by the World Economic Forum as the third most severe global risk over the next ten years. While many organizations are getting to grips with the impact of climate change, far fewer are aware of nature-related dependencies, impacts and risks. Organizations need to improve quickly in this pivotal area, making use of available tools – such as guidance from the Taskforce on Nature-related Financial Disclosures – to help them measure and track key nature-related metrics and embed nature-related issues into decision making.

The scale and speed of the changes needed to address sustainability challenges are unprecedented, requiring rapid action across all sectors. Finance teams have a key role to play in delivering this transition. With greater skills and capacity, along with thoughtful use of tools and data, they can champion change and become a vital asset in protecting the future of the planet, supporting prosperity and enabling their organization to respond effectively to risks and opportunities faced.

This report is based on research conducted by Accounting for Sustainability (A4S) over the last 12 months, supported by research from Board Intelligence. We surveyed finance professionals from around the world. Respondents were finance professionals – half at CFO or board level. Respondents were from a range of industries. Almost half (46%) of the organizations represented had an annual revenue of more than US$5 billion.
Accounting for Sustainability (A4S)

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

A4S was established by HM King Charles III, when he was The Prince of Wales, in 2004 to make sustainable business, business as usual. We are part of the King Charles III Charitable Fund Group of Charities.

We work with the global finance and accounting community to:

- Inspire finance leaders to adopt sustainable and resilient business models
- Transform financial decision making to respond to the opportunities and risks posed by the climate crisis and other environment and social issues
- Scale up action to transition to a sustainable economy

A4S leverages its global networks, including the CFO Leadership Network, Circles of Practice, Accounting Bodies Network and Asset Owners Network, to enable the finance and accounting community to take a leadership role on sustainability. Through our outreach activities and Academy learning and implementation programme, we empower and equip finance and accounting teams to embed sustainability in their organizations.

Board intelligence

Board Intelligence is trusted by over 40,000 leaders and 3,000 organisations to drive business performance and high-impact governance through board and management reporting. Our revolutionary management reporting platform, Lucia, helps you to write brilliantly clever and beautiful reports that surface breakthrough insights and spur your business to action – in the boardroom and at every level of your business. Our market-leading board portal enables directors to access and collaborate on mission-critical information securely and in real-time, helping you deliver more value from your board.

The Board Intelligence think tank brings together a community of business leaders who are driven to create a fairer future. Through events, research and insights we help to inspire and enable business leaders to be a force for good in society.

www.accountingforsustainability.org

www.boardintelligence.com