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CFOs find benefits from ESG investing

Why CFOs should consider focusing on ESG for competitive advantage

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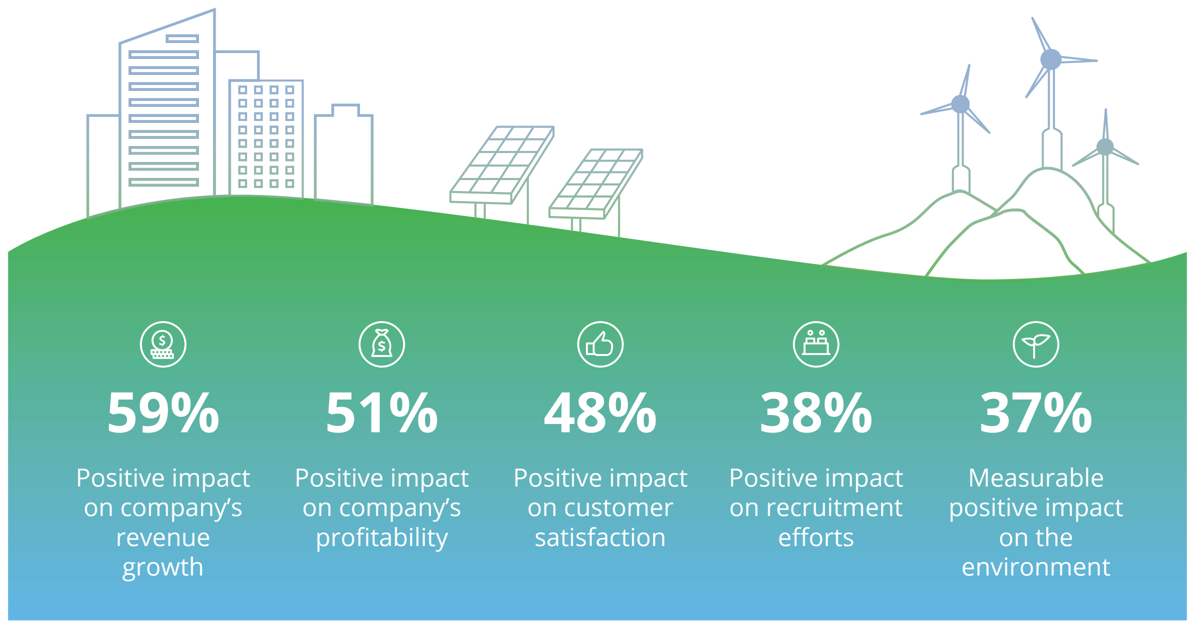
THE EVOLVING MARKET and regulatory trends are challenging businesses to demonstrate practices that are both more sustainable and more socially responsible. While business leaders, including CFOs, might wonder about the impact of investing in environmental, social, and governance (ESG) initiatives on their bottom line, recent findings show that these initiatives can drive growth and contribute to long-term competitive advantage.

In a recent survey conducted by Deloitte Global and Forbes Insights on the impact of sustainability efforts of 350 executives from the Americas, Asia, and Europe, more than half of respondents indicated a positive impact on revenue growth and overall company profitability.[1] Beyond positive financial implications, 48% of respondents indicated increased customer satisfaction, while 38% indicated that embracing strong ESG values enhanced their ability to attract and retain talent.

These results confirm that leading companies are capturing financial and operational benefits from their ESG investments. BlackRock shifted a portion of its investment portfolio toward ESG and launched sustainable financial products, which grew by 96% in 2020.[2] PepsiCo's sustainability programs resulted in more than $375 million in cost savings from reductions in water consumption and waste.[3] The Estée Lauder Companies' investments in responsible sourcing and social impact positioned the company to attract top talent and be recognized by Forbes as the "#1 employer for women."[4]

Businesses are starting to see some results from environment, social, and governance investments



Source: Deloitte Global, *Climate check: Business' views on environmental sustainability*, April 2020.

At the intersection of sustainability and financial performance, CFOs are in the best position to lay the foundation for lasting value creation through ESG. They can start by focusing on three key steps:

- **Make ESG a strategic priority**—Develop a clear vision for what ESG means for your company and define how the Finance organization will drive ESG strategy.
- **Connect performance metrics to ESG goals**—Create accountability by linking performance metrics to ESG impact, where Finance can help assess ESG initiatives that yield the most value for stakeholders.
- **Measure and share impact**—Develop a framework to measure the cumulative effect of ESG initiatives, assess their impact regularly, and commit to transparency in reporting results.

The move toward ESG integration is no longer a question of "when," but "how." Your organization may not have a tangible strategy today, but this can be a great opportunity for Finance to start shaping it.

Endnotes

1. Deloitte, *Climate check: Business' views on environmental sustainability*, April 2020.
2. BlackRock, "Larry Fink's 2021 letter to CEOs," 2021.
3. PepsiCo, "PepsiCo sustainability initiatives delivered more than $375 million in estimated cost savings since 2010," September 24, 2015.
4. Forbes, "America's 10 best employers for women 2019," July 2, 2019.

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