IBM Institute for Business Value | Research Insights

The sustainability imperative

The integral role of finance—quantified

How IBM can help

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Key takeaways

As sustainability becomes integrated within organizations' business strategies, CFOs must take a leading role.

Transformational finance leaders view organizational sustainability investments as a path to enterprise transformation.

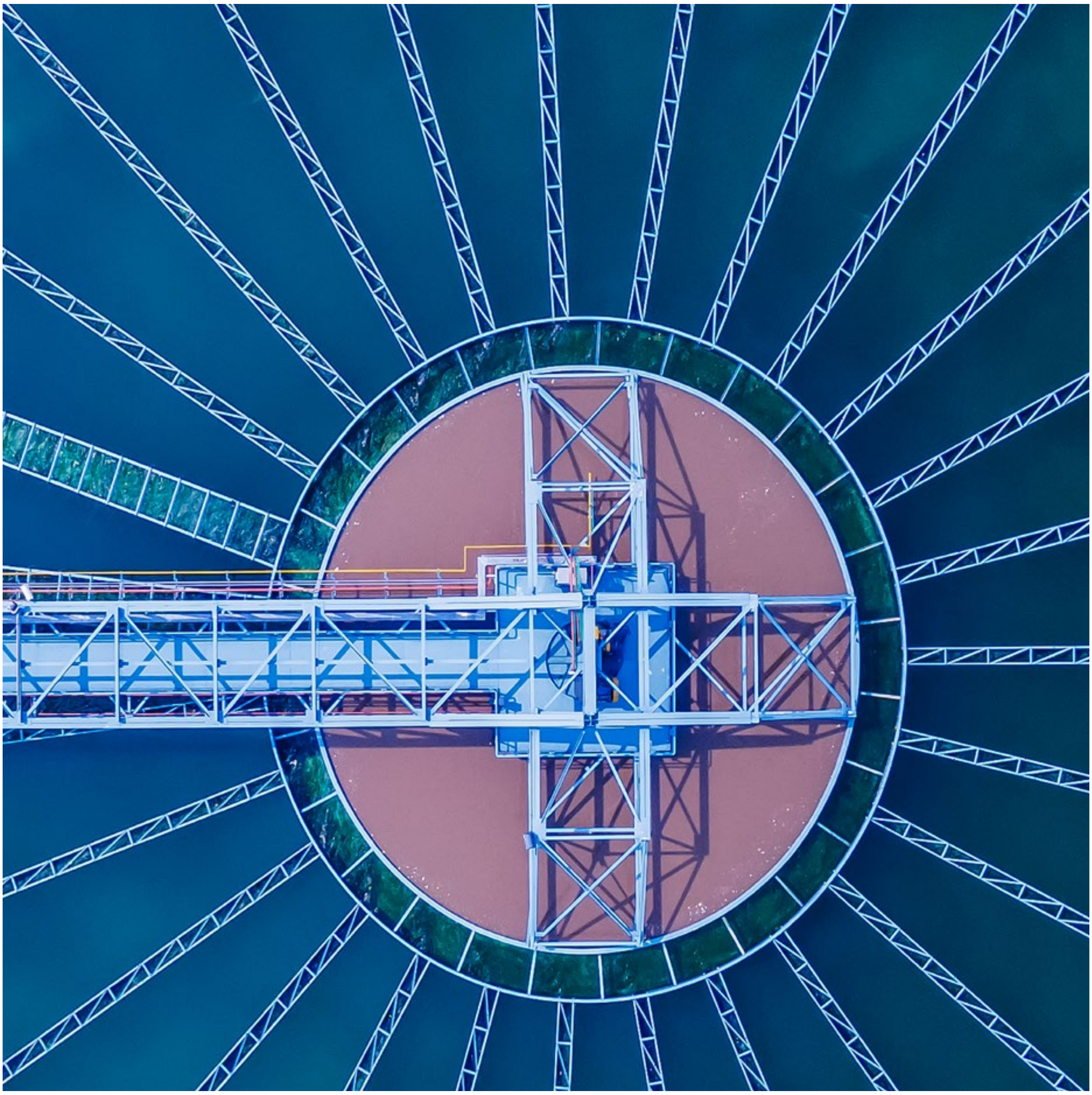
They are role models for sustainability activities in finance and are more involved in shaping their organization's sustainability agenda without spending substantially more on the finance function.

More than half (53%) of Transformational finance leaders contribute to business cases for initiatives—60% more than their peers.

They lead on sustainability quantification, with 42% measuring physical, operational, financial, and environmental risks, compared to about a quarter of their peers.

Nearly half (44%) of Transformational finance leaders align incentives for employees on the execution of sustainability strategy.

And 38% align incentives across ecosystem partners as they encourage a culture that can focus on sustainability.



CFO sustainability priorities are expected to change drastically as emerging and complex ESG reporting requirements call for greater transparency.

Introduction

Sustainability talk is turning into action. The 2022 IBM Institute for Business Value (IBV) CEO Study, with interviews from 3,000 CEOs worldwide, showcases the dramatic emergence of sustainability onto the mainstream corporate agenda.

Almost half of CEOs say increasing sustainability is one of their organization's highest priorities in the next two to three years—up from roughly one-third in 2021, an increase of 37% in just one year.[1] Sustainability is the fastest rising issue on the CEO agenda and ranks right below customer experience and innovation.

As sustainability becomes an integral part of an organization's business strategy, the CFO must take a leading role. The CFO's position is so important, in fact, that the United Nations has convened a CFO Coalition for the Sustainable Development Goals, recognizing that "as stewards of trillions of dollars in corporate investments, CFOs are uniquely positioned to reshape the future of corporate finance and investment as a catalyst for growth, value creation, and social impact."[2]

CFO priorities around sustainability are expected to change drastically as emerging and complex environmental, social, and governance (ESG) reporting requirements call for greater transparency (see Perspective: Evolving sustainability standards and disclosures). These, along with investor pressures and consumer demands, have massive implications for the finance function. CFOs are poised to participate in their organizations' sustainability efforts, adding their contributions to the "planet" aspect of the quadruple bottom line—profit, people, planet, and purpose.

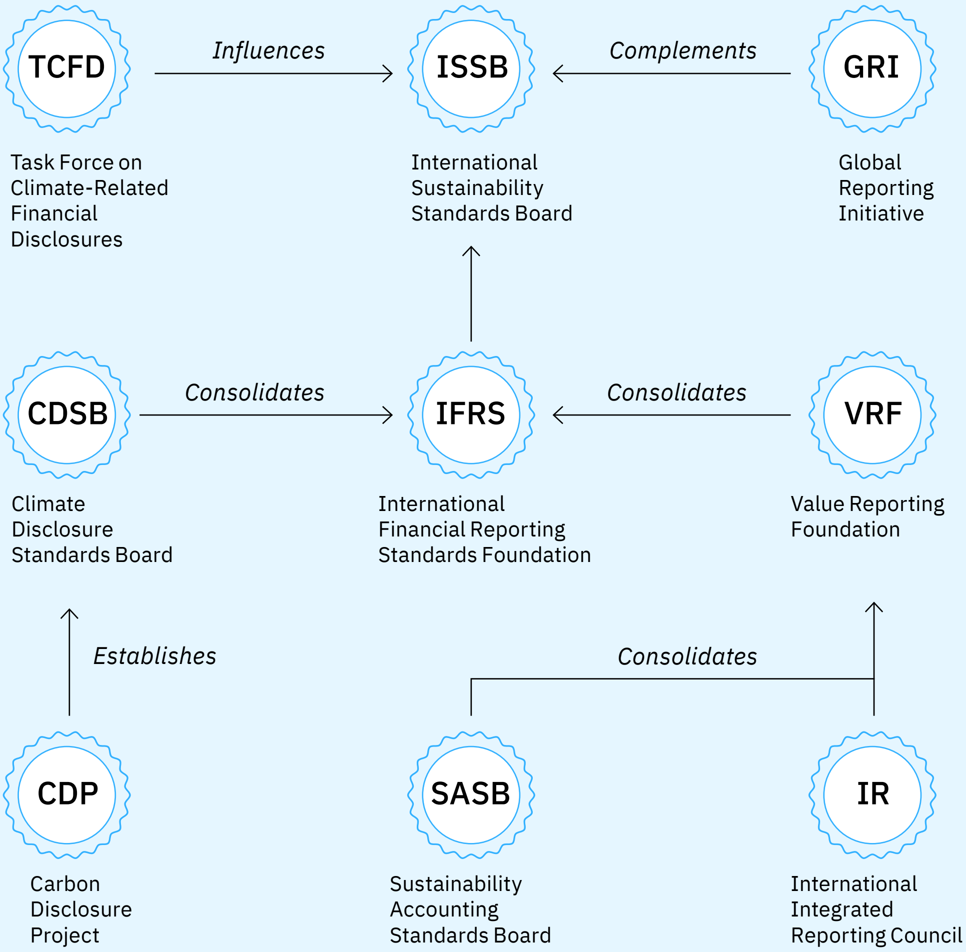
To explore the expanding sustainability scope for finance, the IBV partnered with the American Productivity and Quality Center (APQC) to survey 1,085 senior finance personnel, including CFOs, finance directors, comptrollers, and finance managers. This study explored the role of finance with respect to sustainability and the actions that are being taken. Respondents ("finance leaders") had overall responsibility for the finance organization's business processes and could answer questions related to strategies, budget, full-time equivalents (FTEs), and practices.

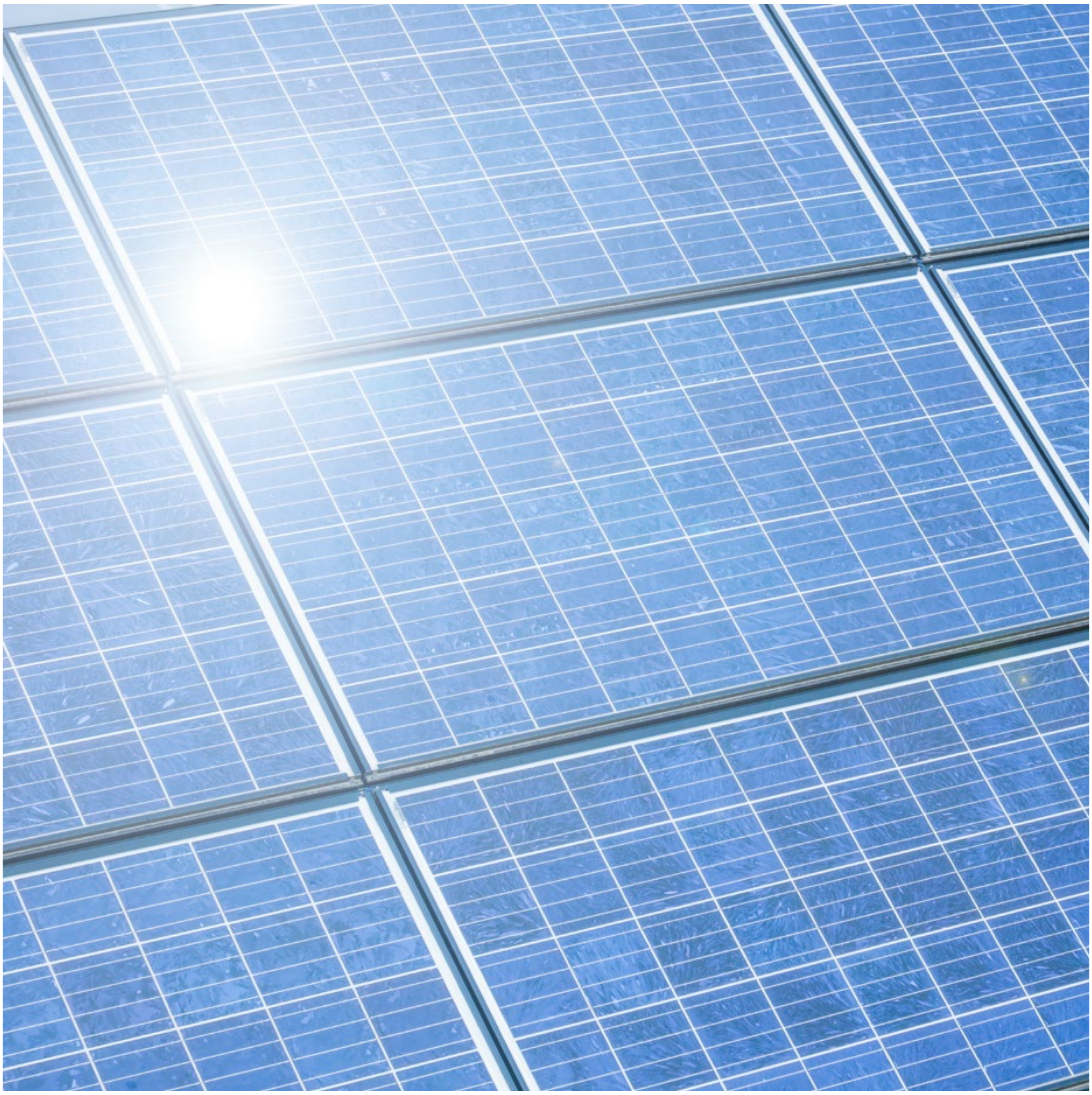
Perspective

Evolving sustainability standards and disclosures

- The International Financial Reporting Standards (IFRS) Foundation announced the creation of a new standards-setting board, the International Sustainability Standards Board (ISSB). ISSB's intent is to deliver a global baseline of sustainability-related disclosure standards that help investors make informed decisions by providing information about companies' sustainability-related risks and opportunities.[3]
- Global Reporting Initiative (GRI) Standards focus on the economic, environmental, and social impacts of a company in relation to sustainable development.[4] The IFRS Foundation and GRI have announced a collaboration agreement under which their respective standards-setting boards, the ISSB and the Global Sustainability Standards Board (GSSB), will coordinate their work programs and standards-setting activities.[5]
- Sustainability Accounting Standards Board (SASB) standards focus on sustainability issues most likely to be considered by investors in their assessments of enterprise value, such as those that might influence the financial performance of the company.[6] SASB and GRI standards are different approaches to materiality.
- The Value Reporting Foundation (VRF) was consolidated into the IFRS Foundation in August 2022. It follows the commitment made at COP26 to consolidate staff and resources of leading global sustainability disclosure initiatives to support the IFRS Foundation's ISSB work to develop a comprehensive global baseline of sustainability disclosures for the capital markets. The VRF's SASB Standards serve as a key starting point for the development of the IFRS Sustainability Disclosure Standards, while the Integrated Reporting Framework provides connectivity between financial statements and sustainability-related financial disclosures.[7]
- CDP (formerly the Carbon Disclosure Project) provides a global disclosure system for companies to manage environmental impacts.[8] In November 2022, US President Joe Biden's administration announced that major federal suppliers will be required to disclose their environmental impacts through CDP. This includes publicly disclosing greenhouse gas emissions (GHG) and climate-related financial risks, as well as setting science-based GHG reduction targets.[9] And at COP27, CDP announced that it will incorporate ISSB climate-related disclosures standards into its platform.[10]
- The Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) enhances reporting on climate-related financial information.[11]

Sustainability standards and disclosures



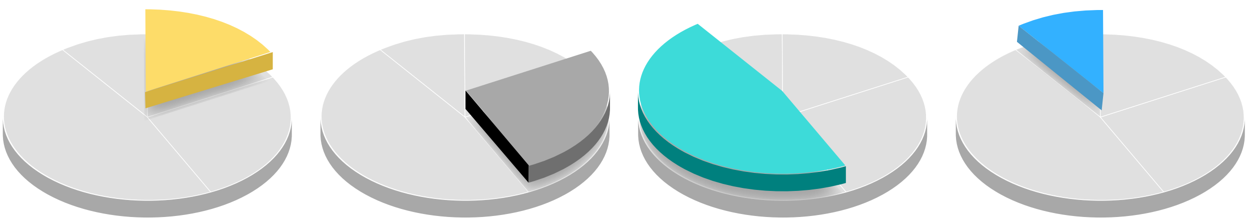


Alignment of finance and CEOs on sustainability investments

In our survey, we asked finance leaders to characterize their organizations' sustainability investments using the same archetypes from the IBV CEO Study to enable role-to-role comparisons (see "Study approach and methodology" on page 28).[12] Surveyed finance leaders generally align with CEOs at approximately the same rate on the intent of their organizations' environmental sustainability investments (see Figure 1). Some organizations are using their investments to fund opportunities while others view investments as a cost. Still others remain on the sidelines.

FIGURE 1

Finance leaders' views are consistent with CEOs on their organizations' sustainability investments.



17%
Assessing finance leaders
No sustainability investment to date

Assessing CEOs
15%

26%
Complying finance leaders
Investments to comply with regulations and mandates

Complying CEOs
29%

47%
Operational finance leaders
Investments in some core/noncore business areas

Operational CEOs
43%

10%
Transformational finance leaders
Investments reshape major aspects of the enterprise

Transformational CEOs
13%

Q: Which statement best characterizes your organization's investments in environmental sustainability to date?
2022 IBV CEO Study: Q6. Which of the following statements best characterizes your investments in sustainability to date?

Finance leader archetypes

Assessing finance leaders:

17% of finance leaders and 15% of CEOs state their organizations have not yet made any enterprise-wide investments in sustainability. While some are exploring options, others have no plans at all.

Complying finance leaders:

26% of finance leaders and 29% of CEOs say their organizations' sustainability investments are used solely to meet compliance and regulatory requirements.

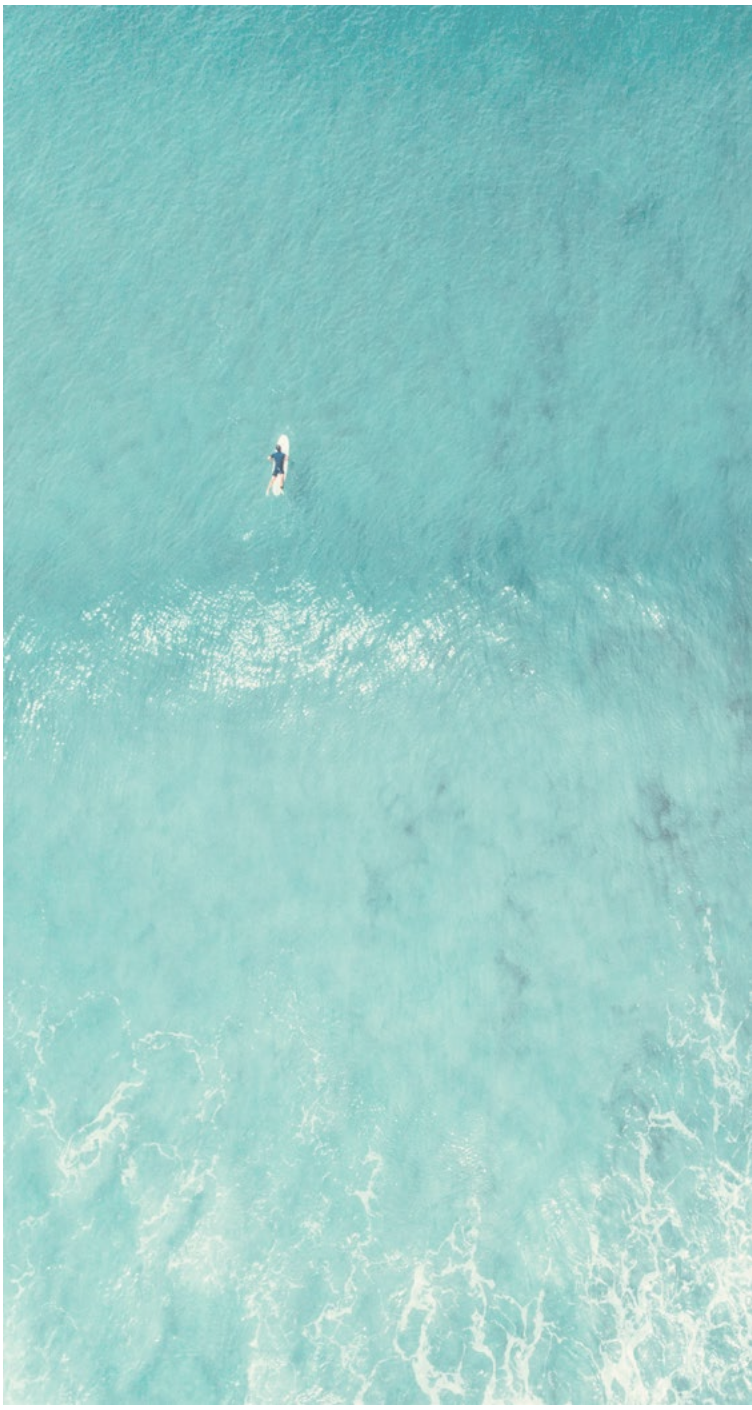
Operational finance leaders:

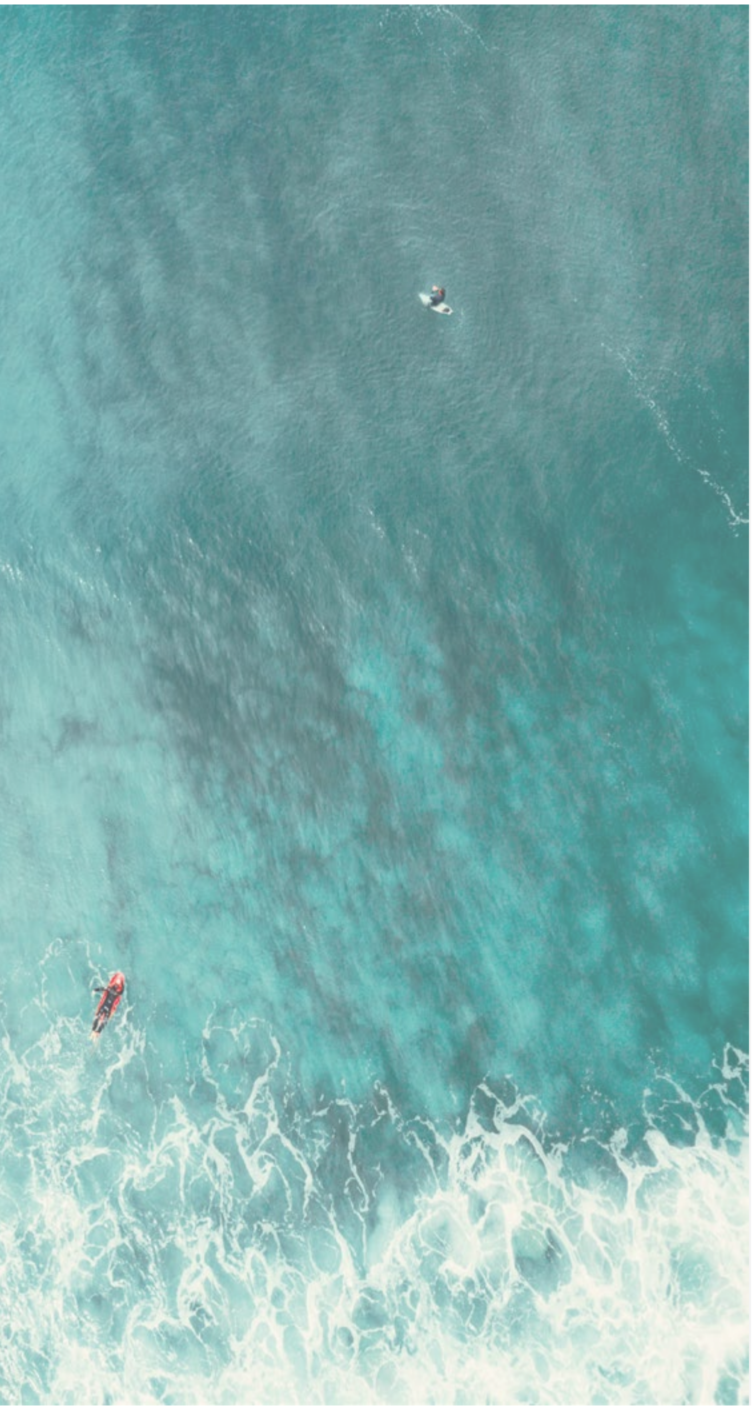
47% of finance leaders and 43% of CEOs view their organizations' sustainability investments as a business optimization opportunity. Focused on operational improvements and efficiencies, they make these investments in core and noncore business areas.

Transformational finance leaders:

10% of finance leaders and 13% of CEOs state their sustainability investments are an avenue for enterprise transformation.

These four archetypes are discrete and should not be considered a maturity model where there is a progression across archetypes.





The IBV CEO Study reported that both Transformational and Operational CEOs achieve better sustainability outcomes and better business performance, with higher average operating margins and EBITDA than Assessing and Complying CEOs.[13]

When looking at the finance function's performance across the four finance leader groups, there is no significant difference in the finance cost as a percentage of revenues. Comparing Transformational and Operational finance leaders, the Transformational finance leaders are better at business partnering, which is critical for sustainability. In fact, they spend over 10% more time on decision support (imagine four extra hours a week per person on analysis) and are able to generate a short-term cash flow forecast 17% more quickly—which is important for proofs of concept, rapid prototyping, and new sustainability initiatives.

Given that Transformational CEOs say their organizations have created and implemented sustainability strategies that permeate the enterprise, it is not surprising that their finance leaders are much more involved in shaping the sustainability agenda.
And they're doing so without spending substantially more on the function, with no statistically significant differences between the four finance leader groups for total cost to perform the finance function as a percentage of revenue.

Sustainability and the role of finance

Autodesk CFO Debbie Clifford summarized the necessary integration of sustainability and finance this way: “Sustainability work requires alignment with financial priorities such as ESG reporting, investor relations, capital management, carbon accounting, impact measurement, corporate development, and even product development.”[14]

Based on an analysis of survey results, we identified five responsibilities that finance leaders need to embrace to help their organizations make progress on sustainability:

1. Lead on quantification
2. Mobilize capital
3. Enable culture change
4. Operationalize sustainability reporting
5. Embed sustainability in finance operations.

Our survey findings explore progress in these areas among respondents. For comparison purposes, we only share the data for Transformational, Operational, and Complying finance leaders since Assessing organizations have not made any sustainability investments. Transformational finance leaders stand out across these five responsibilities, and there are very few differences between Operational and Complying finance leaders.

Lead on quantification

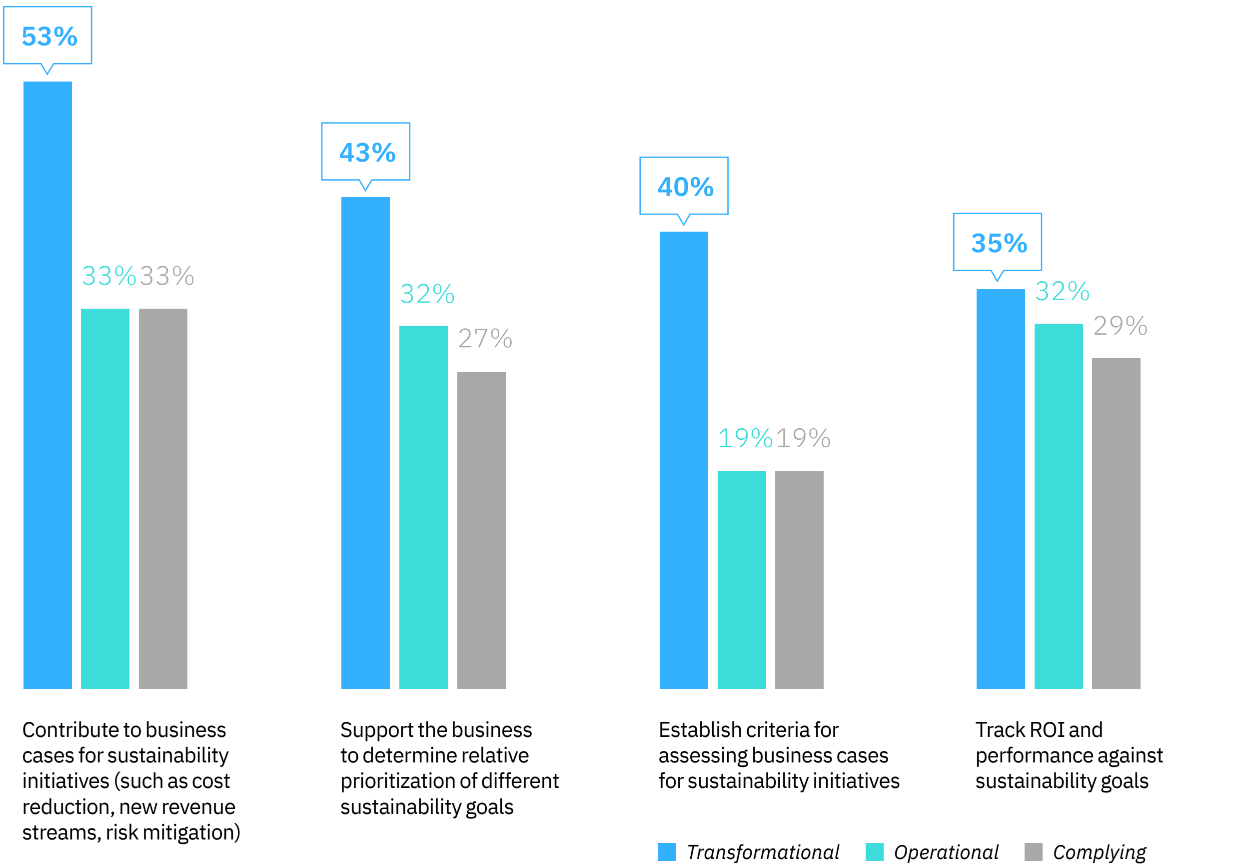
Quantification of sustainability initiatives lies at the heart of finance's skills. The ability to build business cases and track performance helps the organization prioritize and assess sustainability initiatives (see Figure 2). Performance management includes tracking energy, water consumption, materials, recyclables, waste, transportation, GHG emissions, compliance, certifications, and more.

It also covers the allocation of carbon budgets per business unit as part of the annual operational planning process. As a result, organizations can achieve a net-zero pathway with progress tracking against commitments as well as alignment to internal allocated carbon budgets to hold business units accountable and create urgency to act.

Transformational finance leaders stand out relative to their peers in establishing criteria for evaluating sustainability initiatives.

FIGURE 2

Finance leaders are taking several steps to quantify sustainability initiatives.

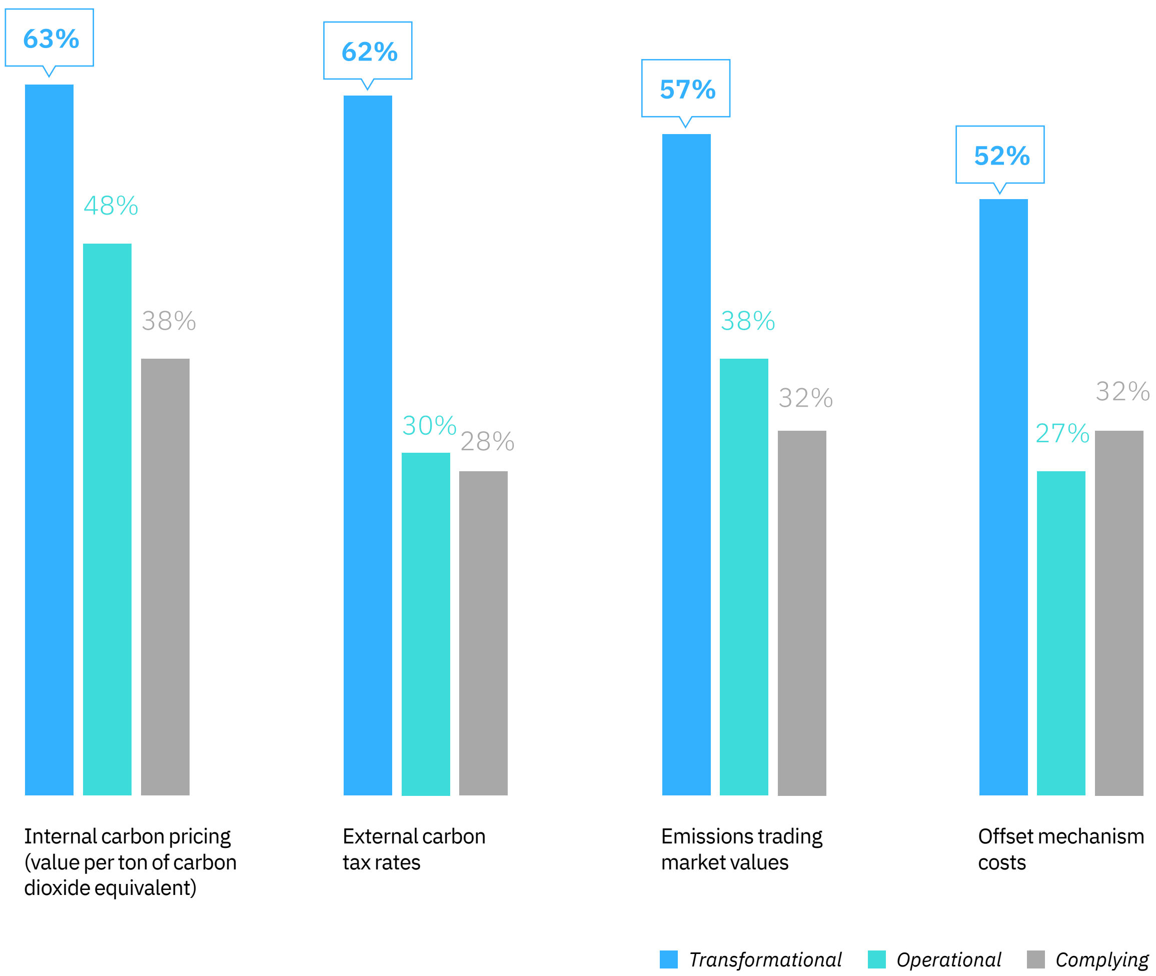


Q. What role does your finance function play in executing enterprise sustainability strategy?

Surprisingly, nearly 90% of Complying, Operational, and Transformation finance leaders have incorporated GHG emissions into financial value calculations for business cases and decision-making. More Transformational finance leaders tell us that they use a variety of methods in these assessments, compared with their peers (see Figure 3).

FIGURE 3

Organizations use several methods to incorporate GHG emissions into financial value calculations.



Q. Which methods does your organization use to incorporate greenhouse gas emissions into financial value calculations for business cases, decision-making, and similar?

Case study

Deutsche Post DHL Group

Measuring, tracking, and controlling GHG emissions through carbon accounting[15]

Deutsche Post DHL Group is the world's largest logistics company. It is working toward a science-based target and will invest significantly in climate-neutral logistics by 2030. Operational targets have been set for that year; for example, 60% of delivery vehicles being electrified, and more than 30% of fuel requirements in aviation and line haul being covered by sustainable fuels. To achieve its targets, the company measures, tracks, and controls its GHG emissions through carbon accounting. The idea is to treat carbon like a cost, optimizing it in the same way as the company would for financial costs, by breaking down and analyzing "spending" using finance methodologies.

The company's carbon accounting team arose directly from its finance department with the analytical mindset, the necessary skills, and the infrastructure to collect data across a global business. A carbon accounting model was developed to provide a clear footprint of the entire organization. The team tracks and monitors progress, prepares reporting, and discusses results with management. They are in close collaboration with the dedicated "clean operations" team within the corporate strategy department, which is responsible for developing the measures by which the company reduces emissions. This includes technological goals and day-to-day business decisions—for example, providing tools and information to dispatchers so they can optimize the delivery route or see at a glance which partners operate the most efficient aircraft.

Mobilize capital

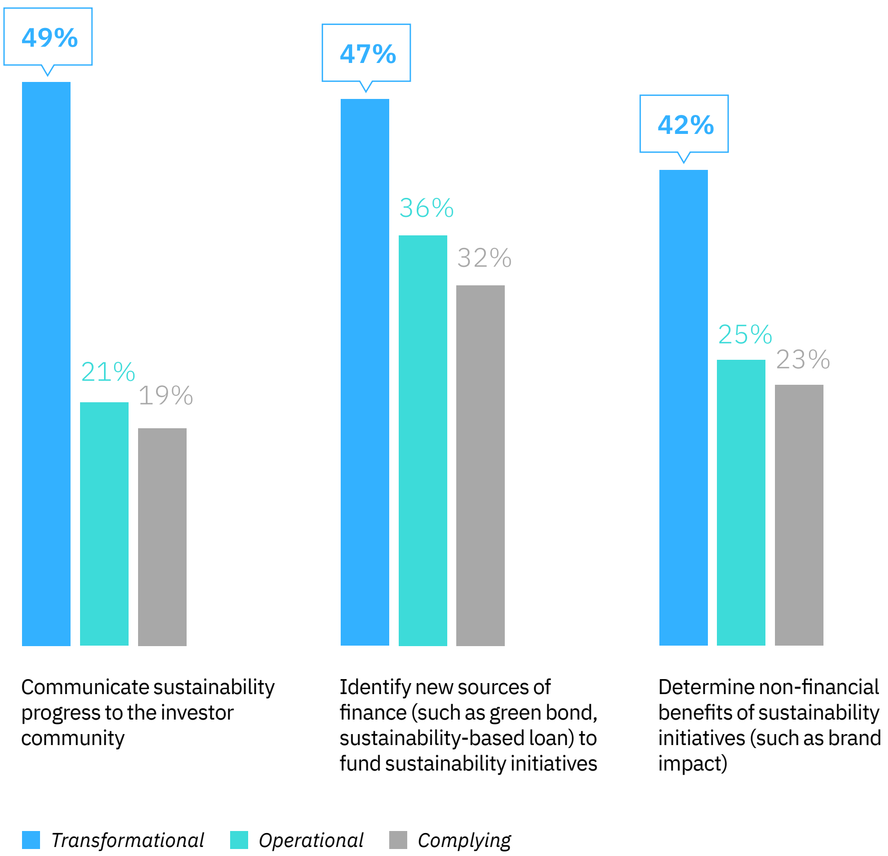
Finance is helping organizations obtain sustainable financing and allocate investments to their sustainability initiatives (see Figure 4). For example, finance professionals can provide the necessary understanding of green bonds and the impact of sustainability on credit and insurance. An organization's sustainability disclosures are important to investors to understand the impact of sustainability issues on the entity's performance, risks, and long-term growth prospects. In fact, recent IBV research found that nearly two in three personal investors see climate risk and sustainability as key factors that will influence the performance of their portfolios.[16]

Finance also needs to quantify the impact of sustainability initiatives on employee retention, the ability to raise capital to finance all business activity, and customer loyalty/retention. More Transformational finance leaders are communicating these types of value to investors.

Beyond financial impact, sustainability creates non-financial benefits for the organization's brand. These could include brand recall, brand sentiment, Net Promoter Score, and share of voice. Again, more Transformational finance leaders have identified these types of benefits to help their organizations.

FIGURE 4

Finance helps organizations mobilize capital for sustainability initiatives.



Q. What role does your finance function play in executing enterprise sustainability strategy?

Case study

Olam Agri

Driving impact with the sustainability finance team[17]

Olam Agri is a global leader in food, feed, and fiber. As one of the food industry's largest companies, it is focused on enabling the 17 United Nations Sustainable Development Goals and has established a clear purpose to enable sustainable development.

A dedicated sustainability finance team provides the information and decision-making tools to support Olam's vision and strategy. The team consists of finance, accountancy, and business-qualified employees, and collaborates extensively with other functions in Olam, including the sustainability and business teams.

The sustainability finance team leads on ESG reporting to meet the requirements of investors, regulators, and ratings agencies. It has brought finance and accounting's culture, mindset, and skill set to measuring, quantifying, and reporting intangible value that is not captured in financial reporting. A common data platform has been created to drive internal decisions and external reporting.

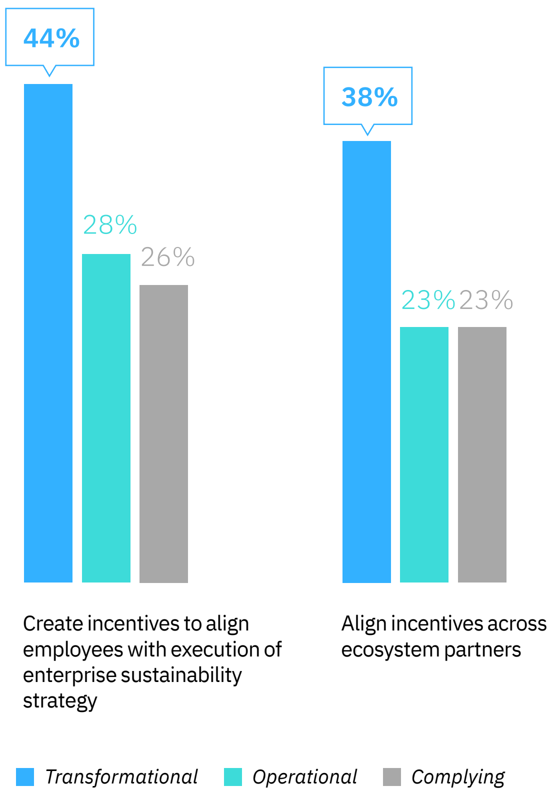
Olam uses multicapital accounting to identify more sustainable strategies for its highest-impact issues related to human, natural, and social capital. This approach informs business decisions to drive sustainable practices and financial outcomes. The sustainability finance team supports the development of its multicapital methodologies and is the center of excellence for capital accounting within the organization.

Enable culture change

Finance helps cultivate a culture focused on sustainability through aligned incentives (see Figure 5). These apply to both employees and partners and help drive execution of sustainability action items. Ecosystem partnerships are important to sustainability because solving social and environmental problems demands strategic collaboration. For example, finance can coordinate and align relevant data and metrics with partners to trace the carbon footprint of the organization's products from supplier to eventual consumer to account for scope 3 (indirect value chain) emissions.

FIGURE 5

Finance helps to align incentives to encourage a culture focused on sustainability.



Q. What role does your finance function play in executing enterprise sustainability strategy?

Case study

Unilever

Responding to the challenge of plastics[18]

Unilever is a multinational consumer goods company. The company committed to designing 100% of its plastic packaging to be fully reusable, recyclable, or compostable by 2025. Also by 2025, Unilever committed to increasing the recycled plastic content in its own packaging to at least 25%, to halving the amount of virgin plastic used in packaging, and to collecting and processing more plastic packaging than the company sells.

Finance plays a role in two key areas of Unilever's plastic agenda: reporting and embedding plastic considerations into decision-making.

In reporting, finance created a metrics working group responsible for communicating sustainability metrics, including those on plastic. This group consists of senior leaders from the finance team, the sustainability reporting team, and the data and analytics team. Other functional teams, such as the supply chain team, participate when needed. In addition, finance assesses the financial risk that plastic poses, shares the results across the business to support decision-making, and feeds it into annual report disclosures.

With respect to embedding plastic considerations in decision-making, the finance team is changing the business case and capital proposal processes for developing products. Specifically, finance is responsible for tasks such as sensitivity analysis for including postconsumer resin (lower-impact plastic) in products and costing product redesigns. Finance worked with IT, data and analytics, and divisional business teams to create a methodology and a tool—the "Eco-design tool"—that divisions can use to analyze the waste footprint of new products, new product designs, or product formulations.

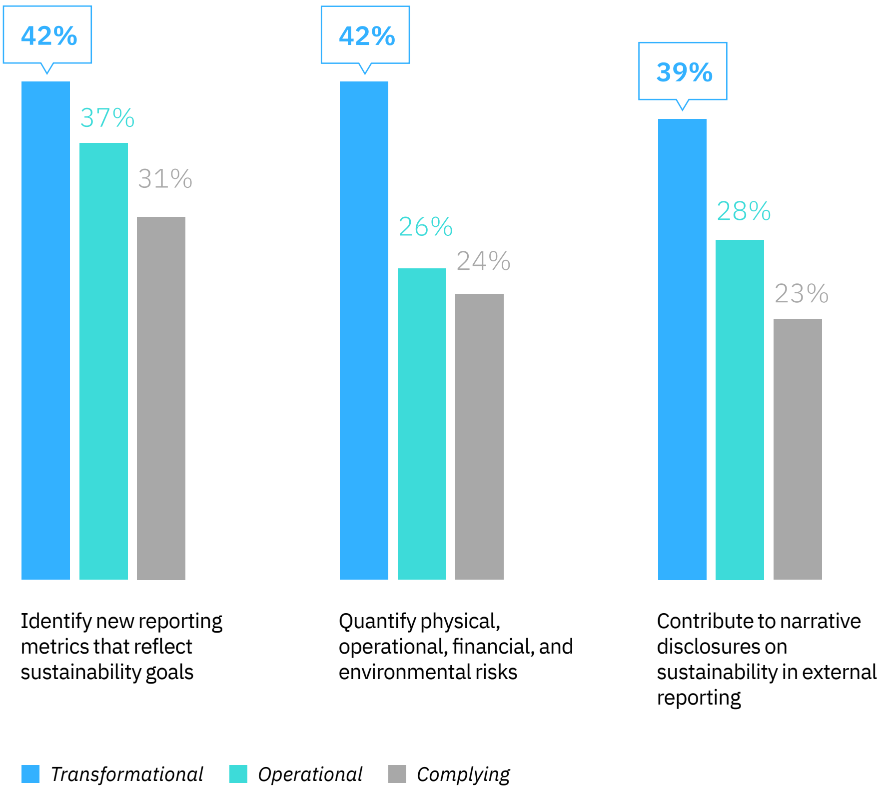
Operationalize sustainability reporting

Sustainability reporting helps provide transparency on the enterprise's performance in supporting its sustainability goals and commitments. The challenge, however, is the rapidly changing landscape of regulatory and market requirements related to sustainability reporting. With relatively little mandatory reporting currently, many organizations are trying to show alignment with more than one of the ever-evolving standards by way of voluntary reporting.

For finance, sustainability reporting requires teaming across the enterprise to select the right metrics, quantify risks, and inform both external and internal stakeholders. With these partnerships in place, finance can help manage the inherent uncertainty about sustainability and identify the risks of failing to act. More Transformational finance leaders take these actions compared to their peers (see Figure 6).

FIGURE 6

Finance leaders are helping operationalize sustainability reporting.



Q. What role does your finance function play in executing enterprise sustainability strategy?

Case study

Celestica

Transforming sustainability reporting[19]

Celestica is a leader in design, manufacturing, hardware platform, and supply chain solutions. For the global manufacturing industry, ESG reporting can be complicated and cumbersome given the extensive portfolio of international sites requiring monitoring and auditing. Global data for many of Celestica's facilities was gathered and captured in spreadsheets, where calculations had to be done manually.

Software has helped streamline the process. Celestica can now compile and transform data into usable outputs and help eliminate errors from manual data entry. Automation of complex calculations and reporting produces finance-grade, auditable data.

Case study

Royal DSM

Managing ESG-related risks and opportunities[20]

Royal DSM is a global health, nutrition, and bioscience company. Its leaders recognize the importance of embedding ESG risks into its risk management framework.

To support the reduction of GHG emissions, the finance function in 2016 adjusted the capital expenditure procedure and made it mandatory to include an internal carbon price in all business cases for large investment projects. Following the update of the strategy and targets in 2018, all large investment projects now need to be GHG neutral or better. The additional costs and/or investments needed to offset an emissions increase must be included in the business case. To integrate the aspect of GHG emissions in day-to-day decision-making, internal carbon pricing is now applicable for the managerial P&L statements that are used to steer the business.

Embed sustainability in finance operations

To different degrees, each of the three groups (Complying, Operational, and Transformational finance leaders) has taken action to reduce the GHG emissions of the finance function. By putting their own house in order, these groups generate credibility when collaborating on sustainability across the business. Specifically, respondents tell us they are changing how they operate to include sustainability in their decision-making associated with the function's office environment and technology choices (see Figure 7).

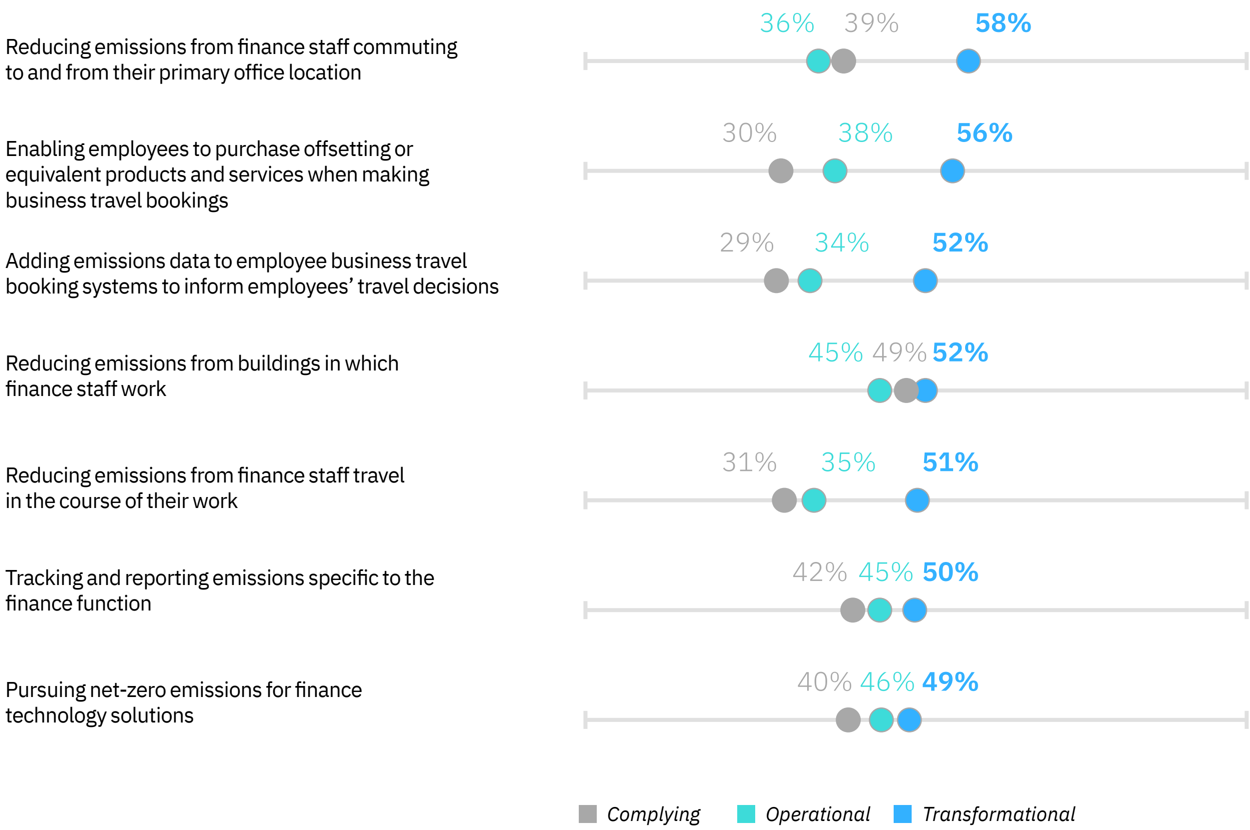
Across the three groups, the adoption of reducing emissions from buildings, tracking emissions specific to the finance function, and pursuing net-zero emissions from finance technology solutions are very similar. These actions are easier to take and perhaps less powerful in their contributions to reducing GHG emissions, but they are a good start for finance organizations that are just beginning to factor sustainability into decisions.

Transformational finance leaders excel with the more difficult initiatives related to travel management. They have higher adoption rates in reducing emissions from commuting, and they provide their staff with the ability to make sustainable choices on travel.

In addition, nearly two in five Transformational finance leaders say their organizations are changing core finance processes to reflect sustainability goals, compared to just a quarter of Complying and Operational finance leaders. For example, in procure-to-pay, finance can transform its sourcing practices toward low emissions, pollution, and waste. It can also mean changing suppliers based on their sustainability profile.

FIGURE 7

Finance leaders are working to reduce the impact of GHG emissions from the function's processes.



Q. What actions has your organization already taken to reduce the impact of greenhouse gas emissions from finance processes?

Perspective

Positioning finance organizations to lead in sustainability

To help their organizations with sustainability responsibilities, Transformational finance leaders facilitate success by developing agile capabilities, boosting data centricity, and redefining ways of working.

Applying agile techniques to reporting, planning, performance management, and capital management enables clarity and faster decision-making for sustainability initiatives, investments, reporting, and management. Among Transformational finance leaders, 92% have adopted agile practices, compared to 67% of Operational finance leaders and 59% of Complying finance leaders.

Data centricity makes it easier to access, integrate, and evaluate data. This is particularly important for sustainability reporting and for understanding the impact of sustainability measures on the company's material and financial life.

Reliable data collection, quality controls, and governance for financial data can be applied to nonfinancial data associated with GHG emissions, water usage, waste, biodiversity, and others. Data flows are mapped to sustainability goals to metrics to reporting standards to disclosure elements to ERP systems. Transformational finance leaders are better positioned to place data at the center of sustainability transformation, with 75% telling us that real-time internal and external data is readily accessible across the enterprise based on need. Only 30% of Operational respondents and 23% of Complying respondents said this was the case for their organizations.

Transformational finance leaders also use cloud technologies to provide the infrastructure, data storage, and platform for AI to interpret the data. Cloud ERP adds standardization and additional agility. Nearly two-thirds of Transformational finance leaders (62%) say their current ERP systems support sustainability financial requirements, compared to around one-third of their peers.

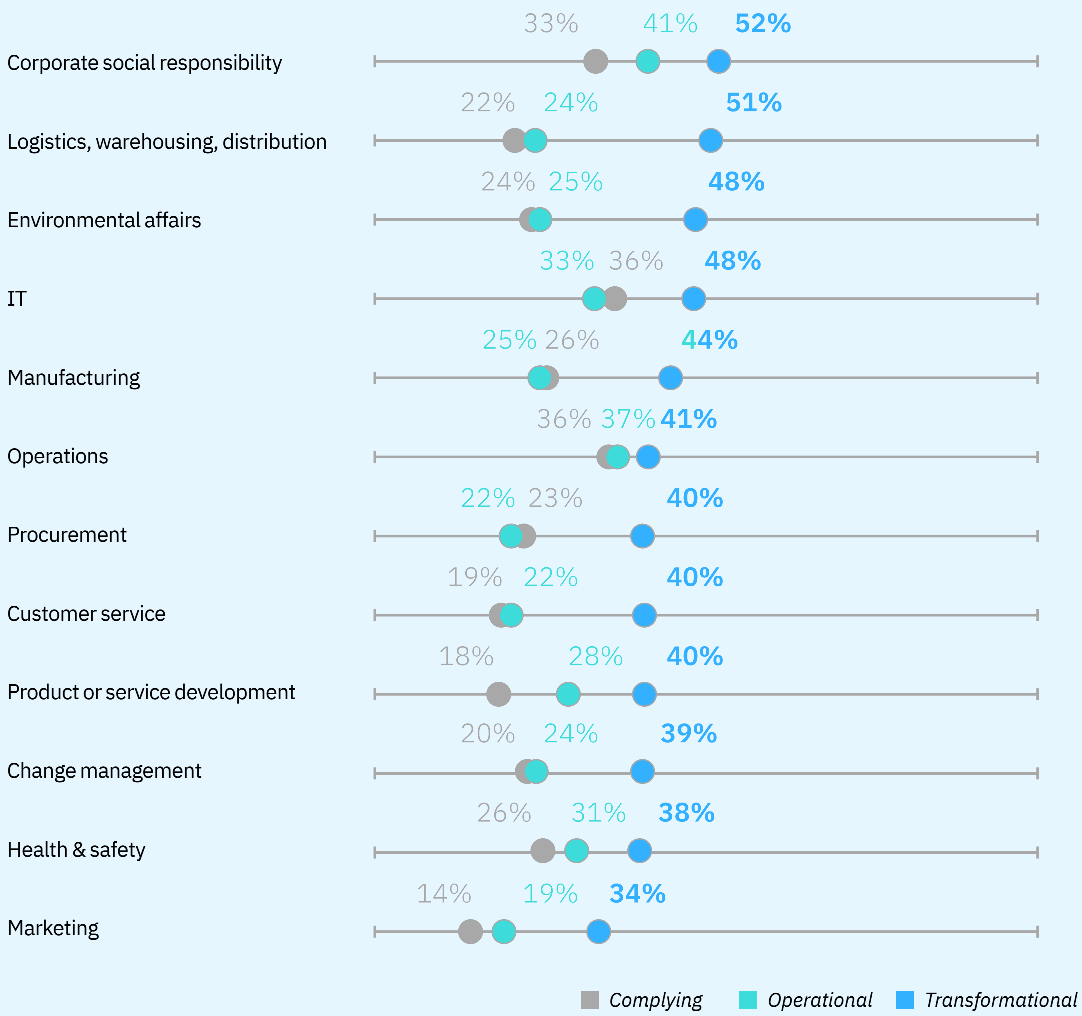
Because calculating costs and benefits for environmental sustainability initiatives is a complex challenge, finance must be nimbler. More than three-quarters of Transformational finance leaders (87%) foster a culture focused on speed of innovation, compared to less than half of their peers. Empowered teams can use experimental approaches and be allowed to fail with both short- and longer-term sustainability projects.

Because sustainability spans virtually all areas of the business, finance needs to team across functions to develop and execute its organization's sustainability strategy. This includes working with peers in corporate social responsibility, environmental affairs, and operations. ESG metrics need to be reported and business processes must be aligned to the organization's purpose. The three categories of finance leaders largely agree on the importance of collaboration across the enterprise.

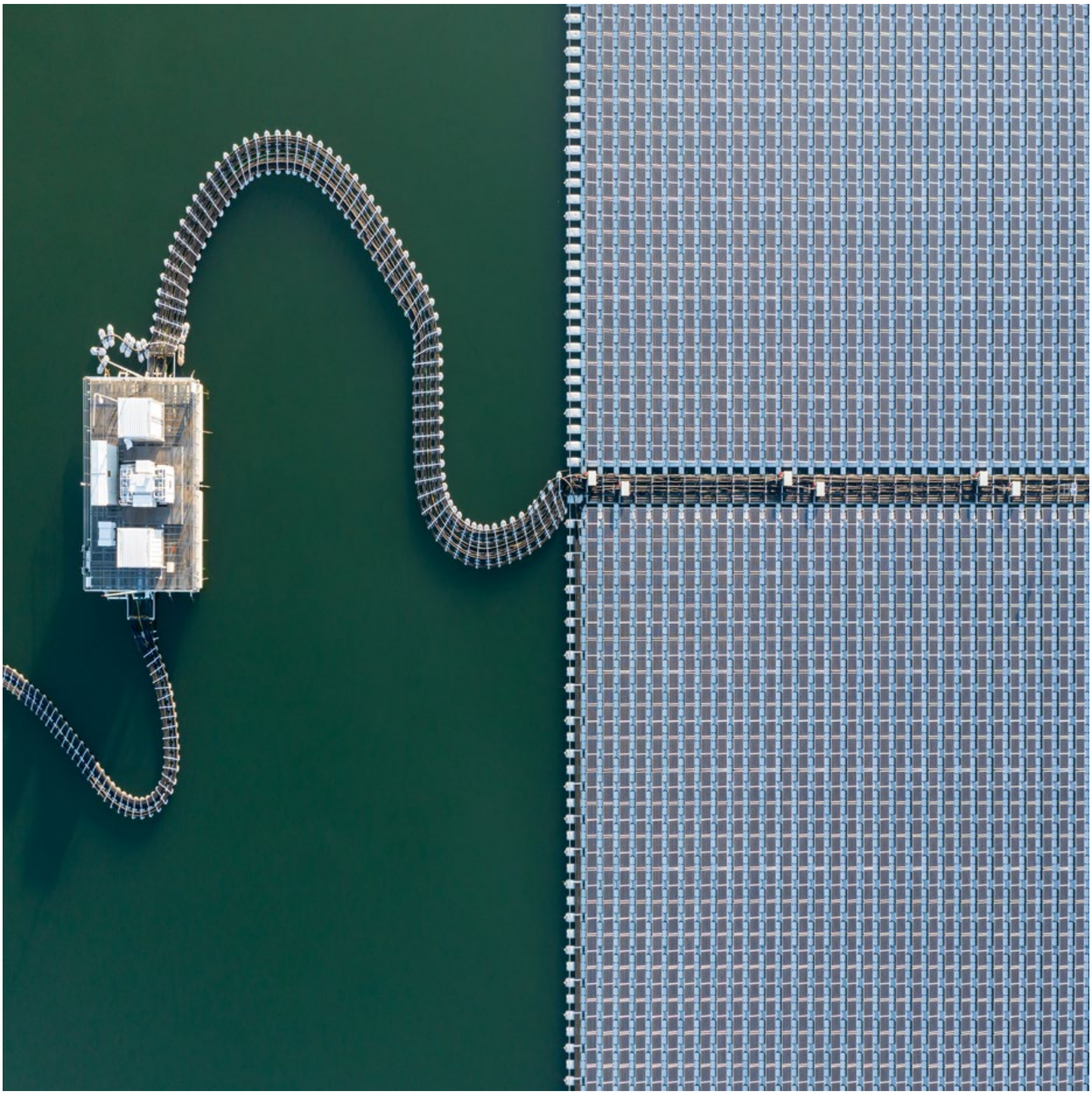
Transformational finance leaders stand out in how they work with IT, logistics, warehousing and distribution, and manufacturing. The involvement of IT shows that these organizations integrate sustainability and digital transformation operationally as well as in their corporate governance.

In logistics and in manufacturing, the lack of sufficient and accessible information makes it harder for decision-makers to implement sustainable practices. But through a stronger IT relationship, Transformational finance leaders can connect manufacturing data to reduce waste. They also activate sustainability capabilities across their supply chain and work with partners to help reduce the full impact of their enterprise business activity on the environment.

Finance works with functions across the organization to drive sustainability.



Q. With which of the following teams does your finance function collaborate on environmental sustainability strategy development and execution?



Case study

Global services company

Introducing carbon accounting for travel[21]

A global services company partnered with a service provider to create a new tool that empowers employees to understand their business-related travel emissions and manage carbon budgets while encouraging both individual and department emission reductions.

First, the tool provides visibility and control for employees to impact carbon emissions by selecting different routes and modes of transport. Second, it enables management teams to track and report on emissions against carbon budgets and targets. Finally, it leverages gamification and choice architecture to encourage travelers to reduce travel and select lower-emission transportation options.

The company was able to reduce scope 3 GHG emissions; capture, benchmark, and report on GHG emissions; and enable an organizational culture change that encourages sustainable travel.

Case study

Levi Strauss

Validating sustainability reporting through finance[22]

Levi Strauss & Co., one of the world's largest brand-name apparel companies and a global leader in jeanswear, has a guiding philosophy of "profits through principles" for its business. The company's 2020 sustainability report marked the first time it brought together all environmental and social reporting into one holistic summary. It is structured in line with the three pillars of its sustainability strategy: climate, consumption, and community. Putting together the report involved recording a large number of claims for all three pillars, each of which was broken down further into areas such as climate action, biodiversity, and sustainable fibers, as well as diversity, equity, and inclusion.

To enhance the quality and credibility of data and reporting, Levi Strauss put in place a data substantiation process. The finance team worked closely with the sustainability and legal teams to validate social and environmental claims, increasing the rigor of sustainability reporting and introducing efficiencies to streamline the process.

Finance took a leading role on data substantiation because of its expertise in processes and controls for financial reporting, the principles of which could be applied to environmental and social data. Finance led a group of teams—including the legal, audit, sustainability, and corporate affairs teams—in reviewing claims and establishing data validation principles. Developing the data substantiation principles provided a common vocabulary that would help the company in validating claims and metrics.

Action guide

This action guide offers more specific actions finance leaders can take to help their organizations realize the business potential of sustainability. It requires concerted action across the identified five responsibilities for finance. While the Transformational finance leaders have made the most progress today, they still have opportunities for improvement.

01

Lead on quantification

- Take the lead on incorporating sustainability factors into financial value calculations and thresholds. For example, systematize carbon pricing and similar methods into financial value calculations.
- Create the data foundation and governance for informed decision-making. Optimize data collection, data sourcing, data storage, and data usage across the enterprise and across ecosystems. Future-proof this ESG data and technology foundation to be adaptable and compliant as disclosure standards and requirements evolve.
- Build team skills in climate-related scenario analysis. The proposed new IFRS climate-related disclosures place particular emphasis on the importance of this capability and may even require entities to provide an explanation if a climate-related scenario analysis has not been conducted. For risk and audit committees, this is likely to be a strong focus.

02

Mobilize capital

- Optimize sources of sustainable financing and link funding to ESG impacts through corporate disclosures.
- Leverage sustainability performance to improve access to capital and/or reduce the cost of capital.
- Establish sustainability criteria to screen potential investments in impact areas. For example, environmental impact areas can include carbon emissions, climate change vulnerability, water use, water quality, air quality, biodiversity, and natural hazards.
- Evaluate the contribution of sustainable business initiatives by estimating financial effects on customer retention, new customers, partnerships, employee impact, brand, transparency with regulators, and access to funding.

03

Enable culture change

- Actively build and engage in ecosystems that advance shared sustainability objectives.
- Engage with leadership peers across key functions and lines of business in a coordinated effort with shared accountability.
- Link sustainability outcomes to compensation incentives.
- Employ change management principles to guide, engage, and support people throughout transformation.

04

Operationalize sustainability reporting

- Keep pace with emerging ESG disclosure requirements and best practices.
- Define and track visible, actionable, and quantifiable metrics emphasizing transparency, long-term objectives, and new sources of value. This will need to be managed with the emerging frameworks and requirements.
- Address the data requirements needed to calculate performance metrics. This involves the sourcing, integration, and analysis of relevant data from different parts of the core operations as well as from ecosystem partners. Capturing and managing an organization's data in a single system of record can enable reporting with greater confidence, knowing that the data is auditable and finance-grade—with automated data capture and performance tracking over time.
- Embrace broader definitions of value and new time horizons for returns (for example, sustainable manufacturing assets). For instance, ConocoPhillips uses three time horizons (near-term of one to five years, medium-term of six to 10 years, and long-term of 11+ years) for climate-related issues. These perspectives are based on the time required for risks to manifest themselves, the company's planning time horizons, and the time required to realize the majority of the net present value of projects.[23]
- Work with external auditors to improve the visible level of independent assurance provided with your organization's sustainability disclosures.

05

Embed sustainability in finance operations

- Integrate finance sustainability initiatives with overall finance transformation strategy.
- Actively engage employees in the development and execution of the sustainability initiatives in the core finance processes—order-to-cash (logistics), procure-to-pay (planning and responsible sourcing), and record-to-report (investment decisions that account for the ESG factors of business).
- Attract, retain, and reskill staff with the skills and expertise to execute and evolve with changing roles.

Study approach and methodology

In partnership with APQC, we surveyed 1,085 senior finance personnel across a variety of industries on their finance organization's strategies, budgets, FTEs, and practices. Roles included CFOs, finance directors, comptrollers, and finance managers. Respondents had overall responsibility for the finance organization business processes.

The global scope of this 2022 Finance Study included 33 countries across the Americas, Europe, India, China, Asia/Pacific, the Middle East, and Africa. The surveyed enterprises represented 18 industries and included a range of enterprise sizes (see Figure 8). Data cited in this study is self-reported by study respondents.

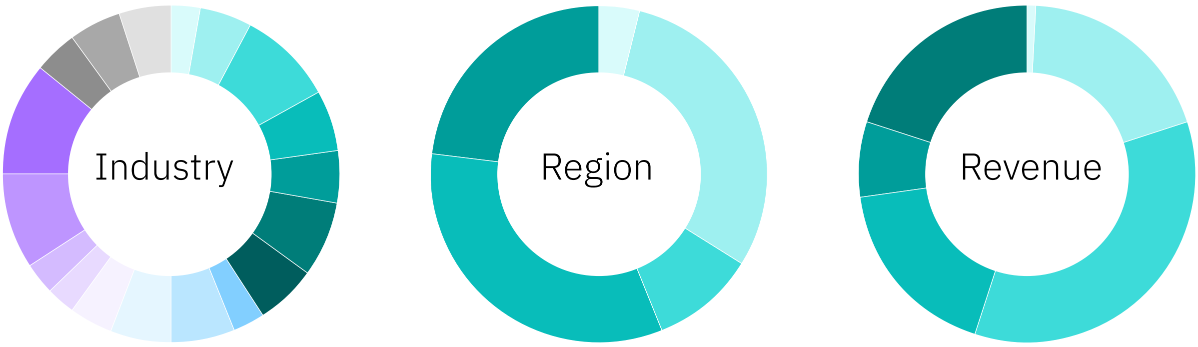
The IBV implemented a straightforward segmentation logic that sorted respondents into four groups. These groups have been defined as Assessing, Complying, Operational, and Transformational finance leaders.

The groupings, aligned with the IBV CEO Study, were based on respondents' characterizations of their organization's investments in sustainability and enable comparison between finance leaders' and CEOs' perspectives:

– Assessing finance leaders report that their organizations have made no sustainability investments to date. Some indicate no plans to make any investments around sustainability, while others indicate that they are exploring options but have not yet made any investments.
– Complying finance leaders report that their organizations' investments in sustainability are primarily focused on aligning with industry mandates and/or regulations.
– Operational finance leaders report their organizations' investments in sustainability are in one or more core business areas or fall outside these core business areas.
– Transformational finance leaders report making transformational investments in sustainability that reshape major aspects of their enterprise.

FIGURE 8

Survey demographics



3%	Aerospace manufacturing
5%	Automotive manufacturing
9%	Banking and financial markets
6%	Chemicals and petroleum refining
5%	Electronics and software
7%	Fast-moving consumer goods
6%	Government
3%	Healthcare providers
6%	Insurance
6%	Life sciences
4%	Media and entertainment
3%	Mining
3%	Other manufacturing
9%	Retail and wholesale
11%	Services
4%	Telecommunications carriers
5%	Transportation
5%	Utilities

4%	Africa and Middle East
30%	Asia Pacific
10%	Central and South America
33%	Europe
23%	US and Canada

1%	Less than $100 million
19%	$100 million to $500 million
35%	$500 million to $1 billion
18%	$1 billion to $5 billion
7%	$5 billion to $10 billion
20%	More than $10 billion

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"Sustainability as a transformation catalyst: Trailblazers turn aspiration into action."
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The CFO Global C-suite Study: Strategic Intelligence

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