



Finance for a sustainable future:
A new dynamic opportunity

Finance for a sustainable future

Sustainability, climate, and equity: Many organizations are considering what these concepts for a better future mean for their businesses now. The steps leaders take in the near term can have an impact for years to come, but it's hard to know where to start. But good things can happen when an organization tackles all three at once: for our planet and people, and for an organization's future sustainability and prosperity.

To become a truly sustainable organization, it will take changes in perspective, behavior, and systems across the enterprise—and that's just the beginning. Every unit of an organization has a role to play, from human resources to the factory floor.

So where can Finance help? *Everywhere.*



Finance for a sustainable future

Climate

The long-term pattern of weather in a particular area.²



Elements of a sustainable future.

Sustainability

Meeting the needs of the present without compromising the ability of future generations to meet their own needs.¹



Equity

The outcome of diversity, inclusion, and anti-bias actions wherein all people have fair access, opportunity, resources, and power to thrive, with consideration for, and/or elimination of, historical and systemic barriers that have existed in society.³

Sustainability is an opportunity for Finance. What's your organization doing?

Sustainability, climate, and equity

are on many people's minds, and they've become bywords in how we think about our economic practices and many of our day-to-day activities. For an individual, it's complicated enough. But for businesses, figuring out what sustainable practices are—and what that means for their strategy and operations—is an evolving tangle of priorities, external and internal forces, and challenges and opportunities for the future.



Sustainability is an opportunity for Finance. What's your organization doing?

But leaders should understand that sustainability can mean opportunity, for now and for the long term. And finance leaders especially can play a critical role in determining the most complex sustainability decisions.

These days, many organizations are figuring out what sustainability actually means—because it's not only about the environment. A truly sustainable organization may consider what is good for people and planet at the core of its business decisions—and by doing so, it can inspire and cultivate a prosperous and sustainable future, for itself, its people, and its community.

Sustainability can be complex, but organizations can tackle it now, and not just because it's the right thing to do. Some of the largest companies in the world are making pledges and commitments to get to net zero in the near term. Organizations across industries are working to build truly equitable hiring and retention practices into their talent plans. And as companies are bringing workers back to offices, many are looking at ways to leverage sustainability practices in their real estate strategies. What does all that mean for Finance? A lot.

This is an extraordinary opportunity for finance leaders and organizations. With its deep knowledge of how the business truly works, a dynamically empowered finance capability can be both a catalyst and an enabler for an organization's sustainability efforts—navigating complex decisions

around investment and spend, disclosures, strategic and operational planning, customer and supplier interactions, and more. Finance can become the convener of data and insights, regulatory considerations, and operational impacts to inform the enterprise's strategic direction—and help execute those decisions with an agile finance capability that is prepared to evolve to meet the needs of the business.

There are challenges with any major transformation but also significant opportunities for Finance to lead the way in the most impactful decisions any organization will likely make over the coming years. Leading through this disruption can mean changing an organization—and the world—for good.

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Trending now— and the opportunities for Finance

Nearly every facet of an organization's practices has a sustainability angle—a challenge, an opportunity, or both. For Finance, the considerations are as myriad as the tasks they're charged with undertaking.

What's trending

What's trending



Net Zero

Fifty-nine countries have set net-zero targets, with plans to reach that benchmark by 2050⁴ and some companies are taking it one step further to become climate positive.

58%

58% of surveyed Fortune 500 CEOs said they plan to achieve net zero for their organizations by 2050.⁵

The opportunity for Finance

Getting to net zero will require a series of decisions that Finance can support with its deep understanding of the business value drivers, including potential cost savings from renewable energy sourcing to growth opportunities through new products.

What's trending



Regulation

From the Paris climate target to other measures, regulatory pressures are increasing and growing more complex. Assurance and reporting frameworks are fragmented and vary by country.

>1,800

There are more than 1,800 climate laws and policies worldwide; the Paris Agreement has 197 signatories.⁶

The opportunity for Finance

Finance can play a key role in helping organizations navigate the complexities, no matter the organization's geographic footprint—from avoiding potential costly compliance penalties to understanding incentives that can help fuel sustainability initiatives.

What's trending



Demands for transparency

Pressure for, and access to, information is everywhere. Customers are demanding answers from corporations on net-zero initiatives, equity plans, and purpose perspectives, among other things. What's more, social platforms make it easier to know just who isn't taking these considerations seriously.

78%

78% of surveyed consumers were more likely to remember companies that exhibit a strong purpose.⁷

The opportunity for Finance

Finance can demonstrate the facts and the futures behind an organization's sustainability plan to avoid perception of a greenwashed narrative—arming the organization with the data and insights to engage with their current and future customers.

What's trending



Ethical investing

Investors aren't immune to societal pressures, and they want to know how their investments are being used in a truly sustainable way. Increasingly, many investors are allocating funds based on sustainability considerations and the evolving regulatory landscape, lending them an increasingly complex—and sophisticated—perspective on sustainability.

71%

71% of surveyed executives are feeling pressure from shareholders and investors to act on climate change.⁸

The opportunity for Finance

Information—from financial statements to public disclosures—can have major impact on investors and external stakeholders. Finance plays a central role in providing the data and analysis that demonstrates that an organization is putting their capital to truly good use and builds market confidence in their sustainability journey.

What's trending



Employee expectations

Sustainability considerations are already driving some talent challenges, and many new entrants to the job market are highly focused on an organization's demonstrable commitment to its goals. With sustainability plans comes another question: How sustainable are human workers in our current systems? Organizations should consider how equity concerns may affect burnout; performance management; and talent access, engagement, and retention.

50%

50% of surveyed workers and 75% of surveyed millennial workers would take a pay cut to work at an environmentally responsible company.⁹

The opportunity for Finance

By partnering with the business to manage the performance of sustainability initiatives and investments, Finance can stay on top of results and outcomes, and help demonstrate that progress is being made and that the organization is investing in the right ideas, creating confidence.

What's trending



Climate disruption

Disruptive climate events are not slowing down; if anything, they're driving unprecedented amounts of disruption. Organizations should not ignore rising temperatures, drought, and threats to coastlines from rising sea levels, as well as the more subtle challenges of climate change.

80%

80% of the world's largest companies are reporting exposure to physical or market transition risks associated with climate change.¹⁰

The opportunity for Finance

Finance can support complex decision-making across the organization and its suppliers, modeling financial and sustainability impacts at strategic and operational levels to demonstrate potential impacts of climate change and identify opportunities to mitigate that impact.

What's trending



Innovation

Sustainability isn't a trendy drain that creates costs and operational burdens. It's a vision for the future that can open doors to new opportunities for value. Think about all the organizations meeting a sustainable need that did not exist even a few years ago—from electric vehicles and edible cutlery to new tech startups modeling climate risk to consumer product companies creating circular packaging by design.

53%

53% of CxOs reported new revenue streams from socially conscious offerings.¹¹

The opportunity for Finance

Finance understands the business and operational levers available to help meet business strategy—starting with growth, profitability, and now sustainability—and can help the enterprise evaluate new business models, new products, and new consumers and the investment required to capture those opportunities.

If we can agree that the world as we know it currently is at risk, we should all care—and every day, another global organization makes a commitment to think and act differently. Finance has a role to play in the moves an organization makes toward a sustainable future, including holding it accountable for enterprise performance, data analysis, cost savings, market guidance, strategic planning, talent considerations, and more.

Yes, but *how*?

Finance can help an organization transform its processes and postures to bring sustainability considerations into its daily business life, and for the future. Many systems need changing—so let's change the systems and bring our people, processes, and technologies along.



Survive

First, Finance can assist the organization in bringing it into alignment with existing compliance and regulatory measures and provide transparency in financial and sustainability data through reliable and efficient processes and controls. A transformation mindset, with a strong, flexible foundation of technology, processes, data, and talent, means Finance can be dynamic no matter how complex the regulatory measures may be.



Strategy

An understanding, fluency, and prioritization of the regulatory landscape and business sustainability strategy to act as the organization's sustainability steward



Process & Technology

Ability to meet internal and external reporting needs—including external disclosures—whether through automated or manual processes



Talent & Delivery Model

Alignment of leaders and activities around strategy, and communicating progress toward sustainability goals and metrics



Governance, Risk & Compliance

Compliance with reporting and disclosures across regulatory and external frameworks, including key controls over related new processes and data



Data & Analytics

Understanding, assessing, and using data and analytics to support internal and external reporting and disclosures

Drive

Finance can help drive a sustainable operating model shift and operational efficiency with Lights Out Finance™ and a capacity to sense, weigh, and mitigate risks—and prepare the organization for what's next. With deep insights on the value drivers to the business, Finance understands the risks and opportunity for its decisions—especially ones based on sustainability, with such deep implications. It can also partner with the business to manage the performance of sustainability initiatives and investments, demonstrating impact and results that can build confidence internally and externally that the organization is investing in the appropriate outcomes, and unlock access to investors and capital to continue to fund the sustainability journey.



Strategy

A sustainability ambition and strategy for Finance that are linked and deliver on the organization's purpose and business strategy

A structured business case to reflect costs and benefits of investment that includes sustainability factors (CO2 emissions, equitable hiring practices, etc.)

An understanding of the business value drivers and how sustainability goals contribute



Process & Technology

Ability to design and implement decisions along finance processes to enable sustainability outcomes

Ability to embed sustainability in performance management culture, linked to accountabilities, decisions, and business cycles, such as target setting, annual planning, forecasting, and performance reviews



Talent & Delivery Model

A reimaged Finance Operating Model with formalized organization and roles and responsibilities to support the organization's sustainability vision

A human-centered sustainability strategy for finance that reflects the business's goals

Increased understanding of sustainability across Finance to identify new risks and new opportunities



Governance, Risk & Compliance

Internal audit and risk management processes that incorporate sustainability considerations

An organization that proactively identifies key sustainability risk areas, where stakeholders have concern, or where risk appetite is low



Data & Analytics

Aligned KPIs, hierarchies, and definitions with accountabilities and defined reporting views at each level of the organization to tell an organization's sustainability story.

Data initiatives that bridge gaps in availability and quality

Thrive

New markets, new products, new consumers, new value—all of it can be on the table when an organization successfully incorporates sustainability practices. Finance can evolve new avenues of business partnering to drive the sustainability strategy, enabled by an empowered workforce, advanced data governance, and an overall dynamic finance capability. Being able to balance revenue growth and sustainability impacts can be a common trait of leading organizations in a sustainable future.



Strategy

Translation of ambitions into targets and performance metrics, including KPIs and OKRs that correspond to value drivers

Ability to evaluate M&A strategies to capture sustainability opportunities

Ability to access financing to fund sustainability-related action



Process & Technology

Integration of financial and sustainability planning, forecasting, and controlling processes using leading practices and automated technologies

Identification of process decision points and use of dynamic policies and procedures

Updates to process outsourcing agreements and expectations



Talent & Delivery Model

A model for finance workforce to support sustainability efforts, with alignment to talent attraction and retention strategies

Enhanced finance talent pipeline that targets critical skill sets and sustainability skills or experience

High finance employee engagement with sustainability goals, especially around improvements to processes or ways of working



Governance, Risk & Compliance

Use of risk-sensing models to assess third-party risks, engage with supplier base, map supply chain, and find opportunities in a product's life cycle

Ability to look across sustainability issues to identify whether they are linked to any thematic risks and/ or trends



Data & Analytics

Aligned sustainability data processes and pipeline with business views, that is treated as a strategic asset

Deep insight into profitability versus sustainability along the organization's value chain

Ability to provide insights to support engagements with customers and suppliers

Proactive/ predictive analysis to support business decisions at every level

It's time to **get moving.**

As a CFO or Finance executive you may be looking to build your vision and strategy to incorporate sustainability practices and to help understand the opportunity they hold for your organization—and the risks to the organization if it doesn't take advantage of them. There is opportunity in an organization's data, technology, reporting, operating models, and people. Over the coming months, we'll examine how Finance can partner across all facets of the organization to help drive improved reporting and sustainability decision-making, considerations for talent and operating models, modeling and decision support for climate risk, and more. Survive, drive, and thrive: A dynamic and future-forward finance function can find the opportunity in each of these stages and help empower its organization to stay relevant, keep stakeholders and customers engaged, and do good for the planet and its community. The destination—a better world and a sustainable organization—is well worth the journey ahead. **Let's get moving.**

Acknowledgements

Susan Hogan

Principal, Finance Transformation Practice Leader

Deloitte Consulting LLP

Tel: +1 404 631 2166

Email: shogan@deloitte.com

Chris Ruggeri

Principal, Sustainability & Climate Leader, Risk & Financial Advisory

Deloitte Transactions and Business Analytics LLP

Tel: +1 212 436 4626

Email: cruggeri@deloitte.com

Sheba Ehteshami

Senior Manager, Risk & Financial Advisory

Deloitte & Touche LLP

Tel: +1 404 631 3079

Email: sehteshami@deloitte.com

Sean Torr

Managing Director, Risk & Financial Advisory

Deloitte & Touche LLP

Tel: +1 615 259 1888

Email: storr@deloitte.com

Dina Trainor

Managing Director, Risk & Financial Advisory

Deloitte & Touche LLP

Tel: +1 617 437 2147

Email: dtrainor@deloitte.com

Karen Cunningham

Managing Director, Consulting

Deloitte Consulting LLP

Tel: +1 312 486 5897

Email: kcunningham@deloitte.com

Jonathan Pearce

Principal, Consulting

Deloitte Consulting LLP

Tel: +1 212 436 3268

Email: jrpearce@deloitte.com

Mateus Begossi

Director, Consulting

Deloitte MCS Limited

Tel: +44 20 7007 0912

Email: mbegossi@deloitte.com

Jonathan Englert

Principal, Consulting

Deloitte Consulting LLP

Tel: +1 215 405 7765

Email: jenglert@deloitte.com

Amiya Kagalwala

Director, Consulting

Deloitte MCS Limited

Tel: +44 20 7007 7329

Email: amkagalwala@deloitte.com

Alec Kasuya

Principal, Consulting

Deloitte Consulting LLP

Tel: +1 312 486 0186

Email: akasuya@deloitte.com

Abby Levine

Principal, Consulting

Deloitte Consulting LLP

Tel: +1 213 553 1929

Email: ablevine@deloitte.com

Vishnu Narins

Managing Director, Consulting

Deloitte Consulting LLP

Tel: +1 212 313 5005

Email: vnarins@deloitte.com

Liz Percy

Partner, Consulting

Deloitte MCS Limited

Tel: +44 20 7007 4776

Email: lpercy@deloitte.com

Priya Ehrbar

Managing Director, Finance Transformation

Deloitte Services LP

Tel: +1 312 486 1451

Email: pehrbar@deloitte.com

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