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Why CFOs should care about ESG

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Introduction

CFOs key to championing ESG in their organisations

55% of CFOs now oversee strategic ESG initiatives

Chief Financial Officers (CFOs) can no longer afford to ignore environmental, social, and governance (ESG) factors and focus solely on financial measures and impacts. As sustainability becomes a key competitive differentiator, CFOs must take a leading role in driving their organisation's ESG strategy and performance. The time for CFOs to embrace the ESG agenda is now.

According to Forbes magazine, a 2024 study by management consulting and executive search firm Egon Zehnder, 55% of CFOs now handle ESG initiatives in their organisation. This responsibility makes perfect sense considering the comprehensive oversight CFOs have across the entire organisational landscape. Their remit includes financial management and performance tracking across key areas such as supplier relationships, distribution, operations, talent acquisition, and customer service. The CFO is also often a key player in strategy development for the organisation.

CFOs are crucial in ESG strategy because a significant component of ESG revolves around the allocation of capital. Important questions need to be addressed: Will the organization invest in recycling programs? Should they install solar panels at their manufacturing facilities? What about investing in alternative sources for water and power? These are critical investment decisions that fall under the ESG framework, and need to align seamlessly with the CFO's budget and strategy.

Additionally, as more stakeholders, including investors and customers, prioritise sustainability, the role of the CFO in shaping and guiding ESG strategies becomes even more pivotal. By integrating ESG into their financial planning and decision-making processes, CFOs can help their organisations achieve both financial success and positive social and environmental impacts.

Top reasons CFOs need to lead the ESG agenda

COMPLIANCE AND REPORTING

ESG reporting is no longer optional - it is a legal requirement in many jurisdictions. CFOs must ensure their organisations meet these new compliance standards, such as the **Corporate Sustainability Reporting Directive (CSRD)***. This means investing in the right data, systems, and expertise to accurately measure and disclose ESG metrics. Failure to do so can result in **hefty penalties and reputational damage**.

*A recent EFRAG study (July 2024) found that, for companies already reporting against the CSRD, ~65% adopt a single-function ownership approach led by either the CFO or CSO, and ~35% employ a joint leadership model, e.g. CFO in charge of reporting, CSO in charge of DMA.

RISK MANAGEMENT

ESG issues pose **significant risks** to business operations and financial performance. From climate-related physical risks to supply chain disruptions, CFOs - alongside their risk and compliance functions - must incorporate ESG factors into their enterprise risk management frameworks. By quantifying these risks, CFOs make more **informed decisions** to build organisational **resilience**.

FINANCING AND INVESTOR RELATIONS

Investors are increasingly factoring ESG performance into their **capital allocation** decisions. Companies with strong ESG credentials can benefit from better financing terms, access to ESG-focused funds, and **higher valuations**. CFOs must be able to effectively communicate their ESG strategy and performance to investors to maintain **access to capital**.

OPERATIONAL EFFICIENCY

Many ESG initiatives, such as energy efficiency, waste reduction in packaging, and sustainable sourcing, can also drive **cost savings** and **operational improvements**. CFOs should work closely with other business functions to identify and implement these **value-enhancing ESG opportunities**.

ENTERPRISE SUSTAINABILTY MANAGEMENT

Choosing your enterprise sustainability platform

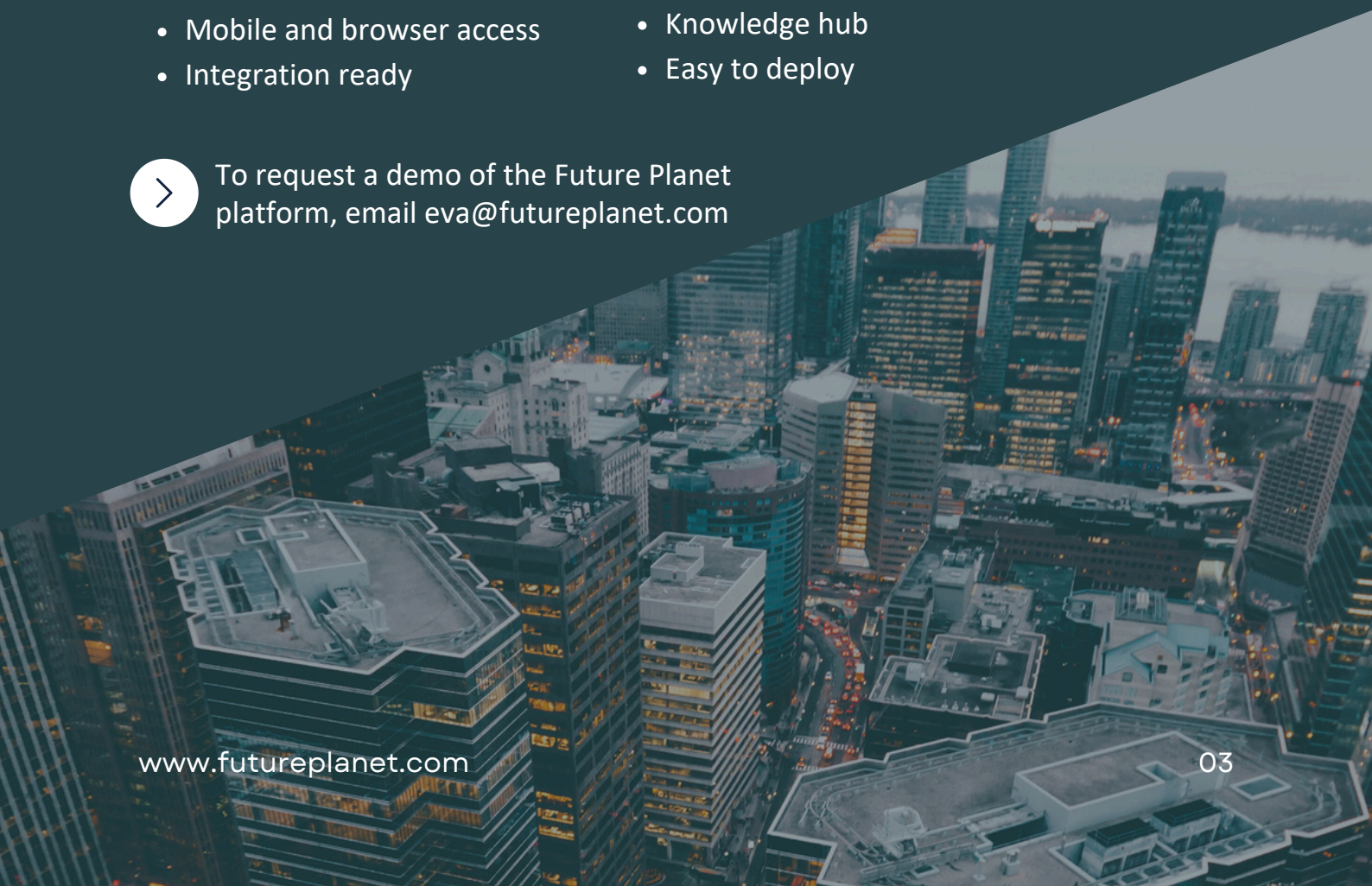
A CFO's view on sustainability is critical to their company's success. Companies that step up and use **technology** - such as an Enterprise Sustainability Management (ESM) platform - to make sustainability part of their business operations gain a **competitive advantage** and create positive impact for customers, suppliers, and employees. They can also leverage operational efficiencies in cost and resources saves through the automation of ESG processes.

In addition, an ESM should help **CFOs integrate sustainability** into the daily operations of their organisation. This ensures the company can meet ESG standards while focusing on the triple bottom line: **people, profit, and planet**.

Key ESM platform capabilities CFOs need

- Cloud-based software platform
- Secure infrastructure
- Mobile and browser access
- Integration ready
- Easy to use
- Collaborative environment
- Knowledge hub
- Easy to deploy

To request a demo of the Future Planet platform, email eva@futureplanet.com



Contact Us

Contact us to learn how Future Planet can transform your business, making it more sustainable, efficient, and compliant with ever evolving regulations.

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