

**CFOs and Sustainability**  
*Shaping their roles in an  
evolving environment*

The Australian perspective



# Key findings

**83%**

CFOs indicated their involvement in setting sustainability strategy

**64%**

CFOs stated long payback period as a key barrier to capital investment in sustainability initiatives

**73%**

CFOs see a strong link between sustainability and financial performance

**61%**

CFOs ranked energy efficiency as key area where they plan to make investment

# CFOs and sustainability

## The global context

Sustainability is fast evolving into a standard business practice. Non financial factors are being incorporated into investment analysis and key stakeholders including investors, customers, regulators, employees, media and NGOs are increasingly demanding more information on a company's social and environmental performance in the context of its financial performance and overall strategy.

In late 2013, on behalf of Deloitte, Verdantix interviewed 250 Chief Financial Officers (CFOs) in 15 industries across 15 countries including Australia. This is the third year we have interviewed CFOs and there has been a definite shift in attitudes and involvement in the sustainability agenda.

On the back of increased stakeholder interest, the CFO role around the world is shifting to encompass a broader mandate through increased involvement in sustainability strategies and investments. Leading CFOs are recognising that the core skills of Finance from financial analysis, resource allocation and reporting systems can help to embed sustainability strategies into the business to create value.

This trend will only accelerate as corporate reporting (one of the traditional domains of the CFOs) evolves through the emergence of Integrated Reporting and the increase in sustainability disclosures in major jurisdictions including in the US through the Sustainability Accounting Standards Board and in the EU via the directive on non-financial reporting.

In Australia sustainability risks are also being given more prominence as a result of the changes to the ASX Corporate Governance Principles and Recommendations to include sustainability risks.

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### Key findings of the Global Survey

- 83% of CFOs indicated that they are involved in setting sustainability strategy
- 73% of CFOs see a strong link between sustainability and financial performance
- 64% of CFOs stated long payback period as a key barrier to capital investment in sustainability initiatives
- 61% of CFOs ranked energy efficiency as key area where they plan to make investment.

Most CFOs opined that sustainability increasingly affects decisions regarding mergers and acquisitions (M&A) and capital acquisition and allocation. CFOs were more likely to be involved in sustainability decision-making.

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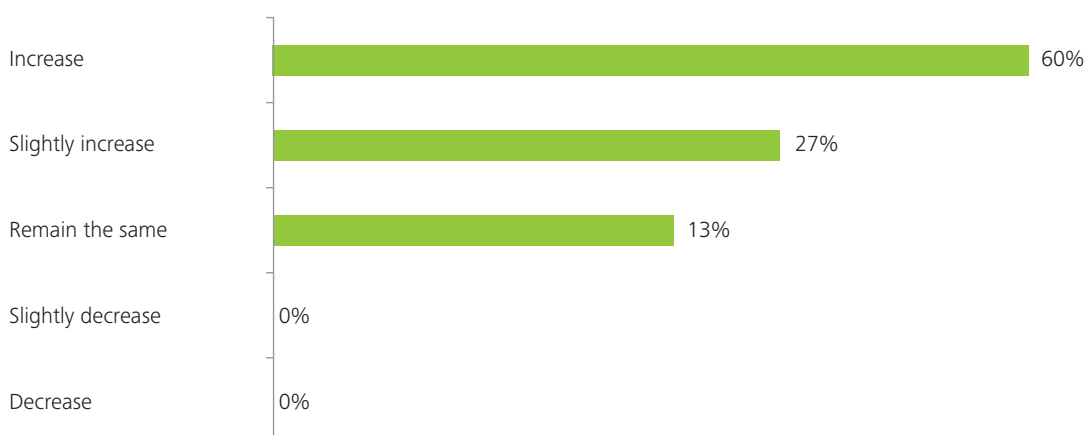
In this report we present the key findings of our 2013 CFO Sustainability survey. We present both a local and global context to provide you with insight into local CFO attitudes as well as the broader global perspective.

# CFOs and sustainability

## Key findings in Australia

The 2013 global survey found that Australian CFOs are becoming more involved in sustainability strategy with a total of 60% of respondents stating that they are always involved in setting sustainability strategy. An equal number expect their involvement will increase going forward.

Figure 1 – How do you expect your role in sustainability strategy to change in the next 2 years?



Australian CFOs also see a strong link between sustainability and financial performance, and about 47% respondents integrate sustainability data into financial reports, which is consistent with the global trends. 93% of Australian CFOs said that sustainability issues impacted the investor relationships, while 87% referred to risk management and financial reporting. About 93% of respondents said that they have management information systems in place to measure sustainability information and respond to challenges.

It is interesting to note that about 80% of CFOs foresee that the sustainability issues may influence audit and capital raising processes going forward.

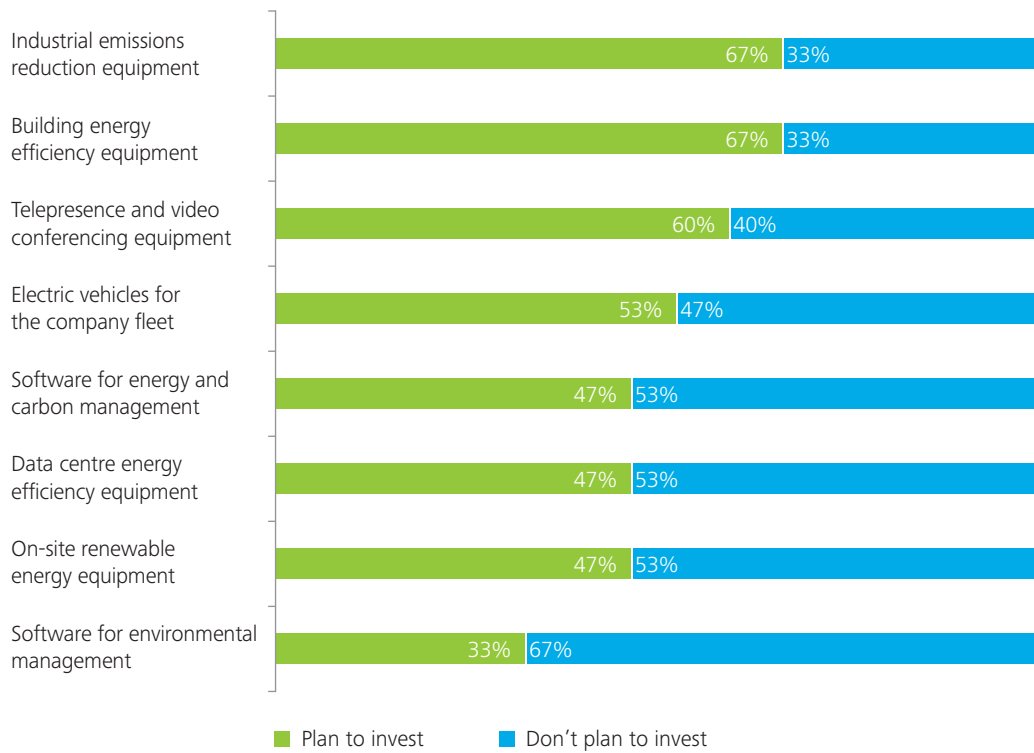
About 93% of the CFOs noted key barrier for sustainability investment is the failure to pay back within two years and about 73% could not see a clear business case. This highlights the fact that many sustainability initiatives take more time to recover the initial investment and yield attractive returns. These findings underscores the need to translate benefits into monetary terms thereby establishing a clear business case for sustainability initiatives. Consistent with worldwide trends, emissions reductions and energy efficiency top the CFO's sustainability investment list.

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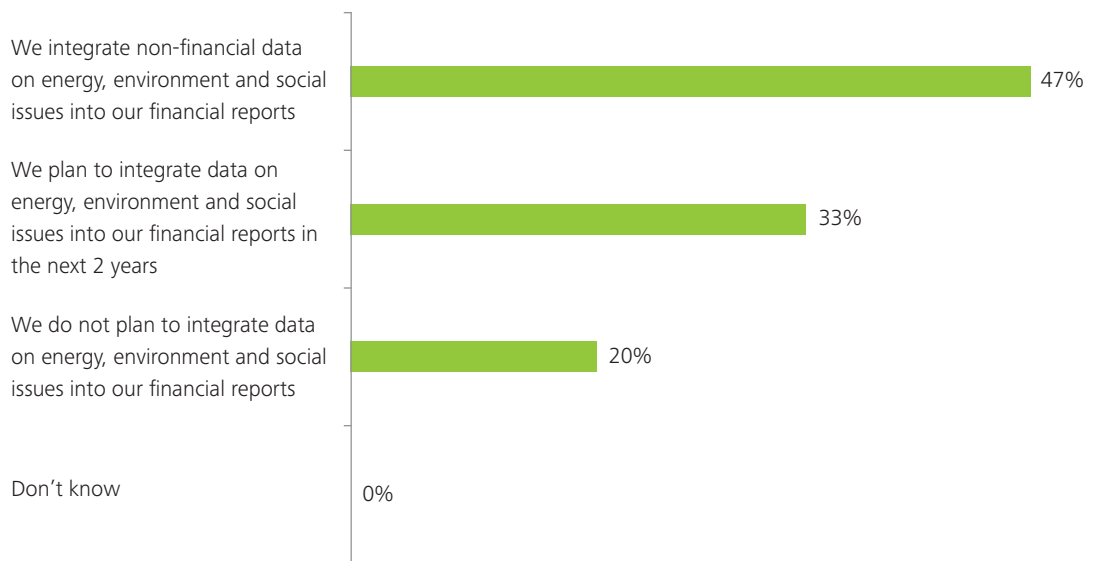
Talking about the overall performance of the company, sustainability approaches are proving to be fruitful, promising good returns. This is precisely why the finance function should embrace sustainable practices.

– Australian Construction and Materials Company

**Figure 2 – In which of the following areas does your firm plan to make capital investments in the next 2 years?**



**Figure 3 – Which statement best describes your approach to integrate non-financial data into financial reports**



Although the CFOs noted various barriers for sustainability investment, 100% of Australian CFOs see a strong link between sustainability and financial performance as against the global average of 73%.

It appears that CFOs are recognizing the need to integrate nonfinancial sustainability data into financial reports with 47% respondents indicating the integration sustainability data into financial reports, and about 33% of respondents considering to integrate this information in next 2 years.

With regard to sustainability disclosures, 100% of the respondents noted the importance of communicating Sustainability report to shareholders, policy makers and equity analysts.

External assurance is voluntary in Australia. Despite this fact, about 73% companies seek assurance on their sustainability reports, and remaining 27% plan to do so in the coming 2 years. This is consistent with the global trend where about 55% of companies have obtained assurance.

Third party assurance enhances credibility with external stakeholders, as well as, meeting the requirement of various indices and helps to improve quality and reliability of reported data and information.

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**Bringing transparency into reports is proving to be one of the primary duties of the Finance function. This is where I will have to take part to make sure it is reflected in the reports.**

# CFOs and sustainability

## The bottom-line



As a key financial and strategic decision maker, CFOs drive the long-term strategic direction of their organisation with their CEO. As demonstrated in our survey, CFOs in Australia and globally are increasingly involved in driving sustainability strategies within their organisations.

Stakeholders continue to demand more information on the impacts of financial and non-financial risks and opportunities, and therefore CFOs need to be taking a leading role in setting and driving sustainability strategies consistent with the business strategy to deliver a sustainable financial outcomes and create value over the long term.

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### Australian CFOs can help achieve this through:

- Recognise that sustainability initiatives and investments have the potential to drive innovation and generate opportunities while assisting in managing costs and risks
- Bring the full weight, rigour and expertise of the Finance function to supporting and challenging sustainability initiatives and investments to deliver value
- Leverage expertise in reporting and disclosure into the evolving non-financial and integrated reporting frameworks and ASX guidelines
- Provide insights into key stakeholder groups such as investors and regulators to support sustainability strategy and communications.

Sustainability is here to stay and now is the time for CFOs to define and fulfil their role in an increasingly complex world.

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