

CFOs find benefits from ESG investing

Why CFOs should consider focusing on ESG for competitive advantage

Dean Hobbs, Oleg Valiev, Philippe Podhorecki, Bhavna Raycha, and Ritu Aggarwal

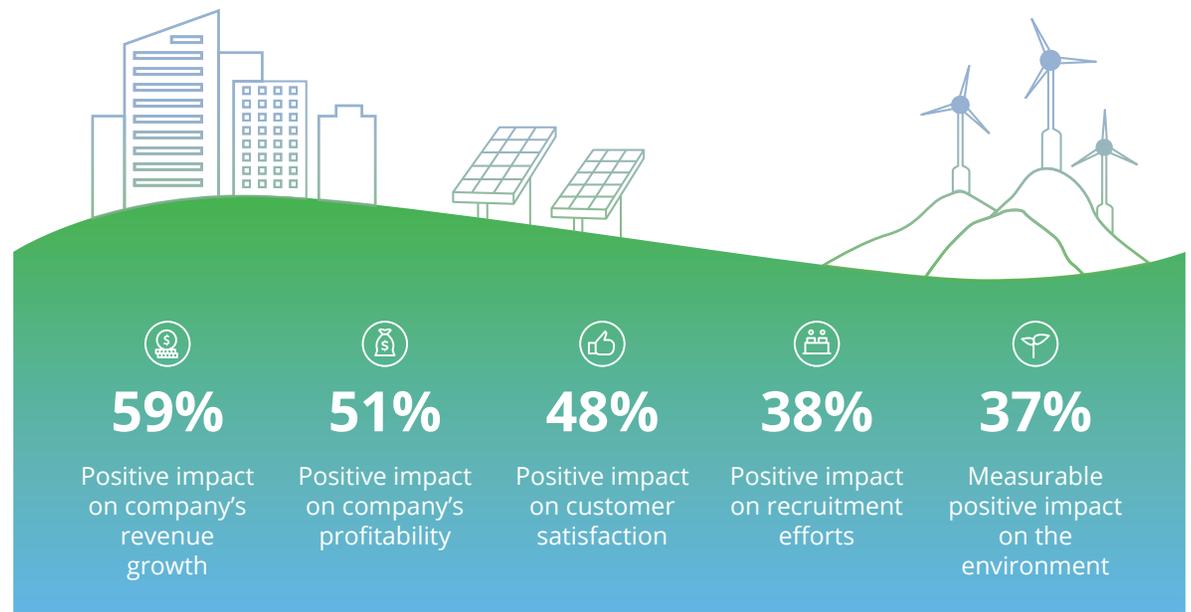
THE EVOLVING MARKET and regulatory trends are challenging businesses to demonstrate practices that are both more sustainable and more socially responsible.

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.

About the authors

Dean Hobbs | dhobbs@deloitte.com

Dean Hobbs is a principal in the Finance and Enterprise Performance practice of Deloitte Consulting LLP. He has more than 20 years of experience in retail, consumer products, and financial services, drawing on C-level executive and board roles in industry and consulting. He has helped build Deloitte’s practice helping CFOs drive margin and productivity improvements using digital core, advanced analytics, and operating model solutions. His experience spans corporate and finance strategy, board restructurings, financial modernization, enterprise performance management, finance business partnering, large-scale system implementations, and digital finance tools, including robotics/cognitive automation blockchain.

Oleg Valiev | avaliev@deloitte.com

Oleg Valiev is a senior manager in the Finance and Enterprise Performance practice of Deloitte Consulting LLP. He advises executives on enabling business strategy by building insight-driven capabilities. He has 15 years of experience in technology, media, telecom, financial services, consumer products, and health care, where he has led large-scale transformations. He specializes in finance strategy, planning and analytics, digital technology, and shared services.

Philippe Podhorecki | ppodhorecki@deloitte.com

Philippe Podhorecki is a leader in the Finance and Enterprise Performance practice of Deloitte Consulting LLP serving global retail and consumer products organizations. He has more than 10 years of consulting experience, working closely with CFOs and senior transformation leaders to define and execute their finance strategy. He works across the function, advising on operating model design, ERP implementations, business finance process design and tool implementation, reporting strategy, transformation strategy, and business partnering. He leads Deloitte’s Finance Lab portfolio and is a frequent facilitator who works with hundreds of executives across industries.

Bhavna Raycha | braycha@deloitte.com

Bhavna Raycha is a senior consultant in the Finance and Enterprise Performance practice of Deloitte Consulting LLP. She focuses on developing strategies for customers' technology-enabled finance transformations and driving initiatives that improve finance operations through innovative processes, tools, and service delivery models. She has seven years of extensive experience in new technology product development—from ideation to quality assurance and system integration to market launch.

Ritu Aggarwal | ritagarwal@deloitte.com

Ritu Aggarwal is a senior consultant in the Finance and Enterprise Performance practice of Deloitte Consulting LLP. She has seven years of experience in driving core industry finance functions and consulting clients on building finance capabilities. She specializes in leading complex finance transformation and operating model improvement projects to develop more accurate and insightful planning, forecasting, and analytics capabilities through driving FP&A, strategic planning, business analytics, process design, and process improvement initiatives.

Finance Transformation Services

CFOs know finance transformation can be difficult and time-consuming. But they also know it's an effective way to keep up with the changing needs of the business. Whether it's technology disruption, business model innovation, or a new industry ecosystem, Deloitte helps finance organizations look ahead to what's next while keeping the ship on a steady course. To learn more, visit [Deloitte.com](https://www.deloitte.com).

Deloitte.

Insights

Sign up for Deloitte Insights updates at www.deloitte.com/insights.



Follow @DeloitteInsight

Deloitte Insights contributors

Editorial: Aditi Rao, Sayanika Bordoloi, Dilip Poddar, and Nairita Gangopadhyay

Creative: Jagan Mohan and Govindh Raj

Promotion: Maria Martin Cirujano

About Deloitte Insights

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte Insights is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.