



## Broadening the horizon

How CFOs and Finance Functions can help drive corporate sustainability

## The University of Cambridge Institute for Sustainability Leadership

CISL is an impact-led institute within the University of Cambridge that activates leadership globally to transform economies for people, nature and climate. Through its global network and hubs in Cambridge, Cape Town and Brussels, CISL works with leaders and innovators across business, finance and government to accelerate action for a sustainable future. Trusted since 1988 for its rigour and pioneering commitment to learning and collaboration, the Institute creates safe spaces to challenge and support those with the power to act.

### Authors and acknowledgements

The lead author of this briefing is Richard Marshall (CFO of Great Yellow Ltd and a Fellow of the Chartered Institute of Management Accountants), with editorial support and input from Bianca Drotleff and Katie Parker. The author and CISL would also like to thank colleagues at Accounting for Sustainability for their invaluable contribution that helped highlight existing resources and case studies for corporate finance.

The author would like to thank Rebecca Doggwiler, Ben Kellard, Gillian Secrett, Dr Nina Seega and Thomas Vergunst at CISL and Fabrizio Palmucci at Impactivise for their feedback and valuable input.

### Disclaimer

The opinions expressed here are those of the authors and do not represent an official position of CISL, the University of Cambridge, or any of its individual business partners or clients.

### Citing this report

University of Cambridge Institute for Sustainability Leadership (CISL) & Accounting for Sustainability (A4S). (2024). *Broadening the horizon: How CFOs and Finance Functions can help drive corporate sustainability*. Cambridge, UK: Cambridge Institute for Sustainability Leadership.

## Copyright

Copyright © 2024 University of Cambridge Institute for Sustainability Leadership (CISL). Some rights reserved. The material featured in this publication is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Licence (CC BY-NC-SA 4.0).

# Contents

Executive summary.....	6
Introduction .....	8
Growing demands and responsibilities for companies.....	9
Implications for companies .....	11
Implications for CFOs and Finance Functions.....	13
Change areas for Finance Functions .....	29
Key enablers for transformation .....	30
The road ahead .....	32
References .....	33

# Foreword from CISL

There are unrelenting forces requiring businesses to transform. Citizens, and young generations in particular, expect products and services that align with their shifting needs and values, creating opportunities for businesses that can meet them. Meanwhile, regulators like the EU are seeking to transform the economy to become circular and climate neutral while non-financial reporting is rapidly maturing and consolidating across many regions of the world.

However, businesses can often feel there is little guidance to help them to transform. The University of Cambridge Institute for Sustainability Leadership has contributed to understanding what business leadership looks like and how businesses can develop transformation journeys.

Mark Carney, the former Governor of the Bank of England, has shown that what we value lies at the heart of previous crises and is central to the climate, nature and inequality crises we face today.<sup>1</sup> Our economy's focus on financial value has blinded us to its dependence on stocks and flows of natural and social value, on which it is dependent.

The business as usual logic (BAU) that has governed business mindset over the last few decades has arguably contributed to the polycrisis that we see around us, through its externalisation of costs and contribution to inequality. At best, BAU can create blind spots to systemic impacts and liabilities, such as climate risks. It can also constrain the ability to see new opportunities for sustainable value creation, like the move to a circular economy. Through our working paper series 'Unleashing the sustainable business',<sup>2</sup> we set out purpose-driven organisations as an alternative approach to BAU, enabling businesses to rethink their role in society and contribute to a sustainable future.

Navigating such a task is not easy. However, the academically rigorous 'Business Transformation Framework'<sup>3</sup> that we developed together with leading organisations allows businesses across sectors to assess, inform and inspire their transformation journey.

As the ultimate corporate measurer and adviser on value, Finance Functions are essential to enabling this transformation. They can help identify the company's dependence on natural and social capital to both highlight value at risk as well as opportunities for greater value creation.

This report provides a unique and timely overview of the changes required and the forces driving the transformation of Finance Functions, and the critical role they can play in the process of unleashing sustainable businesses.



**Ben Kellard**, Director of Business Strategy, University of Cambridge Institute for Sustainability Leadership (CISL)

# Foreword from A4S

We are living in turbulent times. Climate and nature crises are taking an environmental, human and financial toll. Societies and markets worldwide are dealing with societal polarisation, the aftermath of the COVID-19 pandemic and the impact of ongoing international conflict. Worse is to come if we fail to rise to these urgent challenges. Decisive action today can make all the difference.

Change is happening. In November 2023, Net Zero Tracker reported that US\$27 trillion of aggregate annual company revenue is now covered by net zero targets.<sup>4</sup> In January 2024, the Taskforce on Nature-related Financial Disclosures (TNFD) published a list of 320 organisations that have signed up to be early adopters of the TNFD recommendations.<sup>5</sup>

This is welcome progress – but it is not enough. Greenhouse gas emissions have not yet peaked. Half of respondents to the A4S Finance Leaders' Sustainability Barometer said they were “just at the beginning” or had only made “a little progress” when it came to biodiversity loss and the depletion of natural resources.<sup>6</sup>

We urgently need to build a more sustainable economy, and businesses have a vital part to play. They are core to the fabric of our international markets, our communities and our ecosystem. And at the heart of each business is its finance team.

At A4S, we believe in the transformative power of the Finance Function. CFOs and their teams are well positioned to embed social and environmental considerations into strategy, risk management and decision-making in their organisations. To fulfil these new responsibilities, they will need to develop their skills and embrace an expanded understanding of value creation.

Finance professionals have long been key players in strategic planning, budgeting and forecasting, developing and interrogating management information, investment decision-making and reporting. This means that they can leverage existing skills and experience in data analysis, resource allocation, risk, reporting and controls.

Soon it will be standard practice for sustainability to be integrated into the work of CFOs and finance teams. We are today creating the structures for what will tomorrow be business as usual.

This report will be a useful resource for CFOs and their teams as they look to understand how the role of finance is changing. After reading the report, finance professionals will be better equipped to understand the challenges ahead – and to take practical steps to help their own organisations become more sustainable and resilient.



**Helen Slinger**, Executive Director,  
Accounting for Sustainability  
(A4S)

# Executive summary

Consensus is growing that businesses must become more sustainable and move away from short-term profit maximisation as their ultimate goal, in order to secure their long-term financial survival and to meet societal expectations of contributing to wellbeing for all people and planet. Alongside this, the body of financing and reporting requirements and regulations for corporate sustainability are rapidly emerging. To meet these requirements, companies need a suite of new sustainability skillsets, as well as evolved processes and reporting.

This report focuses on the implications for **corporate Finance Functions**, exploring the changes, capabilities and tools required for Chief Financial Officers (CFOs) and their teams to support the transformation and alignment of their organisations to purpose and sustainability that boards of directors will need to lead. They will play a critical role in this process alongside other business functions. The report also presents some brief best-practice examples from leading companies, and outlines the vital importance of prompt action by CFOs to drive organisational change towards sustainability.

Over time, the role of the CFO and the finance team has expanded beyond money and accounting, to encompass a broad range of activities. As a key player in corporate strategy, resource allocation and reporting, including for governance and stakeholder management, the CFO is of central importance in the transition to more sustainable business models. The Finance Function will hold many relevant skills, but a **mindset shift** will be required, moving beyond traditional accounting to balancing social, environmental and financial value, engaging a diverse set of stakeholders beyond shareholders, developing increased operational understanding and planning for complex, unpredictable future scenarios.

Alongside this mindset shift, new capabilities will be needed. Greater board responsibility for sustainability will require new types of information to be incorporated into **governance**, with new terms of reference and culture. The inclusion of sustainability objectives in **strategy** will have implications for the planning process and its inputs, typically overseen by the Finance Function, with knock-on effects for the identification of key measures and related data, changes to planning systems and timeframes, and updating of analysis and commentary.

Finance teams will need to understand new types of sustainability risks (eg climate, nature, social) and review the **risk management** processes accordingly, since sustainability risks may have varied timelines and be very localised, with multiple dimensions and drivers, requiring scenario planning.

For **investment decision-making**, CFOs will need to compare initiatives which deliver non-comparable financial, environmental and social outcomes, and advise boards on how to do so. Environmental and social considerations are impacting financing and liquidity management and the move towards sustainable finance will drive change for finance teams. The same issue will also change the way **corporate valuations** are calculated, and can be expected to impact **technical accounting areas**, such as product costing and transfer pricing. All of these changes will require new knowledge and capability within the Finance Function, as well as revised **targets and metrics**, often needing a larger data set that may lack precision and certainty. For **audit** purposes, these broader data sets will need quality assurance, in line with the EU Corporate Sustainability Reporting Directive and the UK's Climate-related Financial Disclosure Regulations 2022, among others.

Finally, CFOs will need to become **expert in communicating** their company's sustainability actions and performance to stakeholders, while they and their teams will increasingly need their accountancy training on applying **ethical rigour** to decision-making in the service of steering away from actions that might cause reputational damage in the form of accusations of 'greenwashing'.

This brief identifies a number of key **enablers** that are needed to help Finance Functions adapt to this changing environment, including:



**sustainability knowledge and professional skills** development supported by educational establishment and relevant professional bodies



**access to relevant data**, particularly on Scope 3 emissions and social and ecosystem impacts



**systems and software** to enable the integration of sustainability and financial information



**conceptual and technical developments** to define methodologies and standards in specific accounting areas



**coherence of standards**, regulations and frameworks globally to avoid Finance Functions spending all their resources keeping up to date with changing frameworks at the expense of driving sustainability improvements, and



**collaboration and sharing** from leading companies of their learnings among each other and with those who follow, rather than each company having to start from scratch.

CFOs and finance teams already have significant skills that can help support corporate transitions towards sustainability, but these must be evolved and added to in order to enable greater sustainability understanding and knowledge, so that the function can create simple and easy-to-use metrics, processes and reporting, to contribute to new types of value creation. These requirements and enablers are set out in this briefing.



# Introduction

Sustainability is an all-encompassing imperative. Faced with increasingly unsustainable human pressures on planetary resources and populations, people and organisations must find new ways of operating, which allow humanity and our planet to thrive over the long term.

Within corporations this is principally considered in terms of environmental, social and economic dimensions. While these are critically important, they are also elements of a broader landscape of human factors – such as evolving geopolitical tensions and power dynamics, technological advances and cultural factors. This multifaceted landscape is leading to increasing global complexity and uncertainty. Sustainability can provide a lens through which to view and respond to this complexity. It represents both the need and the ability to adapt to a rapidly changing world in ways that protect our collective future.

People can only consume that which is made available to them, and expectations are increasing for companies to create a sustainable flow of financial profits, rather than a short-term-oriented one, enabling the organisation to make a strategic contribution to long-term wellbeing for all people and planet.<sup>7</sup> Key drivers for change include increasing societal expectations, new regulatory and legal requirements<sup>8</sup> and the developing sustainability priorities of banks,<sup>9</sup> institutional investors and (increasingly) insurance organisations.<sup>10,11</sup>

Businesses already have tools available, such as CISL's Business Transformation Framework,<sup>12</sup> to help them get to grips with *how* to assess their current alignment to purpose and sustainability, and inform their transformation journey. In this context, CFOs and their finance teams have critical roles to play, alongside other business functions, in enabling boards of directors to lead this fundamental transformation required of their organisations in the coming years.<sup>13</sup>

The role of the CFO brings together much of the corporate responsibility for financing, governance, strategy and risk management. Typically they will be leaders in the definition of business models, and of the efficient allocation of corporate resources to achieve their organisation's stated purpose and objectives.

Their teams are expert in managing and analysing complex data to derive insightful and relevant information. Finance Functions typically have wide-ranging relationships across their businesses and can support and challenge other business functions to use the information and insight they provide to change behaviours and drive strategic decisions. Many of these traditional finance tools and skills are directly applicable to sustainability matters.

CFOs are ideally positioned to be hugely influential in driving positive change and steering organisations away from a focus on short-term financial gain to a sustainable purpose resulting in long-term financial success. However, the change of focus towards environmental and social risks and opportunities brings with it a lot of new language, concepts and information which CFOs and their teams need to understand and absorb in order to be able to translate and inform board oversight.

This brief considers the changes required to help finance teams rise to the challenge and to ensure that their skills and capabilities can be effectively deployed in a rapidly changing world.

# Growing demands and responsibilities for companies

Against a background of increasingly dire projections, governments, regulators and civil society are waking up to the twin imperatives of environmental and social crises.

These are multi-faceted issues, but at their heart, there is a significant role for companies and their commercial activities to help create a sustainable future for all.<sup>14</sup> Population growth and economic development have driven ever-increasing levels of consumption. Companies have sought to satisfy this increasing demand, but have also played a key role in fuelling it, through ongoing innovation and effective marketing.<sup>15</sup>

There has been a historic lack of consideration of the true environmental and social costs of production and consumption. On the downside, because of their traditional focus on financial performance, rather than true, long-term sustainability, companies bear heavy – but not sole – responsibility for the current situation. On the upside, they can be instrumental in changing the current trajectory.

There are some signs that societal expectations of corporate activity, behaviour and responsibility are changing.<sup>16</sup> The traditional accountability of companies, principally to shareholders and for financial performance, is now beginning to be scrutinised more closely by a range of stakeholders.<sup>17</sup> An emerging expectation is that companies should be accountable to a far larger group of stakeholders, for a commensurately wider range of responsibilities.<sup>18</sup> There is also a growing understanding that long-term financial survival depends on business alignment with sustainability and a move away from short-term profit maximisation as the ultimate business goal.<sup>19</sup> Recent crises, such as the Coronavirus pandemic and geopolitical tensions in Europe and the Middle East, have showed how the disruption of global supply chains has immediate and lasting effects on business operations and their financial resources. The physical effects of climate change (eg extreme heat and intense flooding) are expected to have similar impacts on businesses.<sup>20</sup>

To retain a public licence to operate – generally evidenced through favourable reputation, brand strength and ultimately, financial success – companies must align their purpose and strategy to delivering long-term wellbeing for all people and the planet.<sup>21</sup>

Shareholders have traditionally demanded visibility of the activities and performance of their investments, and the extended stakeholder group is no different. There is an expectation that companies will provide accurate, transparent and timely information on the sustainability of their performance and impact.

A range of voluntary reporting frameworks aimed at corporates has been developed over the last couple of decades. The most adopted ones have accumulated thousands of users; however, while these may represent a significant proportion of stock exchange value, they only represent a tiny proportion of the total number of companies operating worldwide, the vast majority of which are privately owned and/or small/medium-sized enterprises.

It would appear that governments and regulators have increasingly realised that the relatively small and accessible group of banks and major institutional investors can provide a useful lever to influence activities in the significantly larger body of ‘operating’ companies (Figure 1). Consequently, reporting obligations for

the sustainability impact of financial investment portfolios have been developed, in the hope that reporting and transparency will support the drive towards greater accountability and action.

Since 2017, we have seen a general coalescence of requirements around the structure proposed by the Task Force on Climate-related Financial Disclosures (TCFD).<sup>22</sup> This proposed that companies' actions, and the reporting thereof, should encompass the four dimensions of:

- governance
- strategy
- risk management
- targets and metrics.

Inspired by and using the same pillars as the TCFD, in 2021 the Taskforce on Nature-related Financial Disclosures (TNFD)<sup>23</sup> was launched. Further, a new Taskforce on Inequality and Social-related Financial Disclosures (TISFD) is due to be announced in 2024.<sup>24</sup>

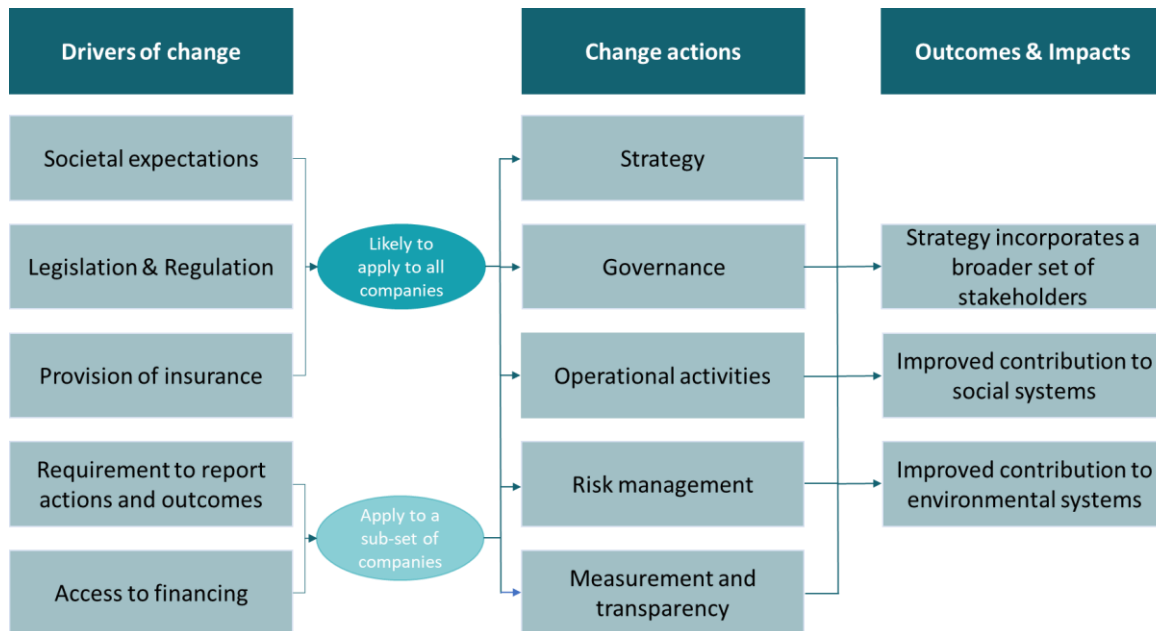


Figure 1. Drivers of change for corporate activities and the outcomes they seek to achieve

The most recent developments in reporting frameworks (Figure 2 below) have seen moves towards more mandatory reporting and assurance,<sup>25</sup> including:

- The consolidation of a number of frameworks under the International Financial Reporting Standards (IFRS) Foundation through the creation of the International Sustainability Standards Board (ISSB).<sup>26,27,28</sup>
- The issue by the ISSB of their first two new sustainability reporting standards. These will apply for the first companies from the 2024 reporting period.
- The publication of the EU's Corporate Sustainability Reporting Directive (CSRD).<sup>29</sup>
- The creation by the European Financial Reporting Advisory Group (EFRAG) of 12 European Sustainability Reporting Standards (ESRS)<sup>30</sup> which have been endorsed by the European Parliament.<sup>31,32</sup> These will also apply for the first companies from the 2024 reporting period.
- The adoption by the European Commission of the proposal for a Directive on Corporate Sustainability Due Diligence (CSDDD).<sup>33</sup>

- The proposal, by the US Securities and Exchange Commission (SEC) of rules relating to the disclosure of climate-related information.<sup>34,35</sup>
- The proposal for the International Standard on Sustainability Assurance (ISSA) 5000.<sup>36</sup>



Figure 2. A selection of sustainability frameworks, reporting standards and their consolidation

## Implications for companies

The growing pressure on companies to respond to social and environmental issues has significant strategic, tactical and operational implications. In the context of finance leadership, key elements that need to be considered include:

### Increasing complexity and uncertainty

Introducing a wider range of stakeholders and more holistic decision-making complicates the definition and communication of strategy and associated decision-making processes. Increasing the number of dimensions incorporated into decision-making (for example, including impact on biodiversity, or the societal impact of value chains) increases the uncertainty that decisions taken will prove to be the ‘right’ ones.

### Pressure to redefine corporate objectives and strategies

Expectations are changing, for companies to incorporate sustainability more explicitly into their statements on, and governance of, corporate purpose and associated objectives. These inevitably cascade down into strategy, planning, measurement and reporting. Examples are the development, by the International Organization for Standardization, of ISO 37000 guidance on the governance of

organisations<sup>37</sup> and the British Standards Institution (BSI) standard (PAS 808) on purpose-driven organisations: worldviews, principles and behaviours.<sup>38</sup>

## **Requirements to develop governance to ensure that new strategies will be delivered within the new risk landscape**

Climate change, biodiversity loss and social inequality all create business risks which will play out over decades. However, where there are risks, there will also be opportunities, and an increasing number of companies are capitalising on the new imperatives to create new sources of value.

TCFD<sup>39</sup> and TNFD<sup>40</sup> recommendations specify that companies should be explicit about board and executive ownership of and responsibility for the oversight and mitigation/delivery of climate-related (TCFD) and nature-related (TNFD) risks and opportunities.

## **New strategies will require different decisions to be made, which in turn will require new information and changes to decision-making processes**

Traditionally, companies have (largely) invested money to drive the creation of new financial value – principally for their shareholders. This has the advantage of comparing financial investment with financial return – simplifying the decision-making process by optimising for a single parameter. This is complicated considerably by the requirement to achieve permutations of positive financial, environmental and social outcomes.

Executives are therefore presented with choices between different combinations of outcomes which may have different end results, and which require different information and worldviews to evaluate,<sup>41</sup> understand and decide upon. Business decision-making processes will need information and analysis on a wider range of outcomes, balancing different types of value (eg natural, social, human, financial) and their distribution, as opposed to solely maximising financial value.<sup>42</sup>

## **New activities will require new control processes, management information, insight, support and challenge**

Delivering different activities and objectives inevitably requires business managers to have access to different information and insight. This in turn affects the data and processes required to support their decision-making and has a knock-on effect into information, transactional and control systems, all of which need to be adapted to the new demands.

# Implications for CFOs and Finance Functions

Some of the external pressures will directly affect the responsibilities and the way in which CFOs and their teams have traditionally operated. Aspects to be considered include:

## A broader remit

The remit of the CFO encompasses a broad range of functions. In fulfilling these, their teams have become progressively more expert in managing, processing and analysing data, and developing the systems and processes to do this efficiently and reliably. They have considerable experience in dealing with issues around data completeness, correctness, relevance and validity. They partner with business managers and leaders to provide insightful information in support of business objectives while also bringing a degree of independent challenge.

In short, they are well placed to absorb additional data/information responsibilities and are a logical channel for sustainability-related reporting, analysis and business partnering support.

The role of the CFO has expanded over time beyond accounting matters and into, for example, playing a key role in strategic leadership, risk management, value creation, procurement, technology and communications. It seems reasonable to imagine the role expanding to include a greater involvement in and sponsorship of sustainability strategy and performance.

## Change of mindset

Actors within the financial system are steadily shifting from a 'passive' to an 'active mindset' that seeks to finance low carbon assets and business models aligned with a sustainable economy.<sup>43</sup> Influenced by such external pressure, an extended remit for the Finance Function and the CFO will also require changes of mindset, including a shift towards a culture that puts sustainability at the core of strategic and operational priorities and decisions.<sup>44</sup> These are summarised in Figure 3.

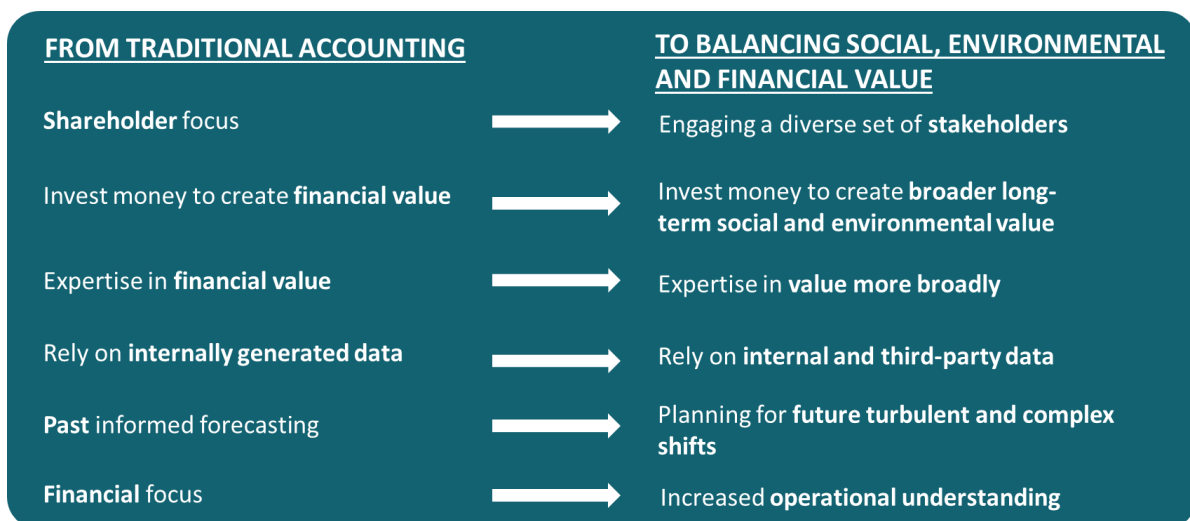


Figure 3. From traditional accounting to balancing social, environmental and financial value

## **FROM a shareholder focus TO engaging a diverse set of stakeholders**

Many companies are still of the view that their responsibility is primarily to serve the short-term financial interest of shareholders. However, in a world of responsibilities to achieve long-term impact for people and the planet, the group of stakeholders (that impact the company and those that the company impacts) is far wider and the requirements are more varied and more complex.<sup>45</sup> The nature of the fiduciary duty to shareholders is also changing to reflect this broader and longer-term perspective, as described, for example, in former Bank of England Chairman Mark Carney's 2021 book *Value(s)*.<sup>46</sup>

## **FROM investing money to create financial value, TO investing money to create broader long-term financial, social and environmental value**

The shareholder model simplifies investment decision-making – beyond regulatory requirements, you invest money if this will earn more money. The sustainability model is more complex. Climate, nature and social damage will have direct adverse financial consequences (eg fines or remediation costs) but can also damage reputation and brand, thereby impacting enterprise financial value.

CFOs and their finance teams need a good understanding and assessment of the deep interconnections between future company performance and sustainability risks, such as climate change, nature loss and social inequality. Otherwise, their businesses risk suffering unintended consequences from focusing on short-term profits or managing risks in silos (eg supporting afforestation through monoculture plantations as a climate change solution, thereby damaging biodiversity and ecosystem robustness, or compounding societal/political issues through inequitable supply chain contracting).<sup>47</sup>

Long-term value creation (be that in the form of financial value or beyond<sup>48</sup>) will ultimately be dependent on the ongoing environmental and social state of the world. Financial resources will need to be invested to achieve financial returns and/or environmental and/or social impact, but this is against a context of considerable long-term uncertainty.

This will challenge how investment decisions are made: how to quantify environmental/social impact; whether to attempt to describe those impacts in financial terms to make them numerically comparable with the investment; and if not, how to compare investment opportunities which may deliver different and non-comparable results.

## **FROM expertise in financial value TO expertise in value more broadly**

Adapting to this new field of endeavour will inevitably require finance teams and CFOs to develop new knowledge and understanding.

C-suites/boards will need sufficient information and understanding to set strategic direction, allocate capital(s), oversee the management of corporate reputation, and exercise their risk management accountabilities within a sustainability framework. This will need to be supported by a combination of broader and more expert internal corporate knowledge, along with supporting external expertise/challenge.

Finance teams working on the more operational activities, such as planning and reporting, will need sufficient knowledge to be active participants in this change. In practice, this will mean a clear understanding of the overall strategy (as context) coupled with knowledge and understanding of the

practical activities of the business and the key environmental/social drivers (positive and negative) of value.

Such operational knowledge is also essential to the ability to both support and challenge operational managers. Developing it will require new networks and collaborations, for example, with the business's sustainability experts and practitioners.

### **FROM internal data TO internal and third-party data**

Finance activities generally rely on internally controlled data. In many cases this will be historic and grounded in verifiable transactional detail. Even prospective data will often be internally validated.

Much of the environmental and social impact of a company will happen across its extended value chain, and information will therefore be more difficult to access and verify. In many cases it will not be possible to assess impact accurately and data will be estimated (eg nature impacts across a supply chain). This will introduce a very different dynamic to reporting and the provision of information and insight from that to which many finance teams are generally accustomed. CFOs and their teams will need to be able to work with, and base decisions on, less accurate and more uncertain data (eg nature impacts across the supply chain). However, even in such cases, the data assumptions made to inform decision-making will need to be communicated clearly and transparently to relevant stakeholders.

### **FROM forecasting informed by past performance TO planning for a turbulent and complex future**

Social, environmental and technological factors are changing rapidly and the future will be very different from the past. Finance teams need to become more expert in scenario planning and future-orientated assessments rather than basing future decisions on projections based on historic data and trends.<sup>49</sup> For example, IKEA has moved from budget forecasting to scenario planning, recognising the need for greater flexibility in the context of recent geopolitical shocks, fluctuating energy prices and the pandemic.<sup>50</sup>

### **FROM financial focus TO increased operational understanding**

Environmental and social impact information is principally operational before financial. To play a meaningful role in its interpretation and use, finance teams will inevitably need to have a good understanding of those operations across the whole value chain and good relationships with the people working in them. This will be new for some teams and an extension of current practice for others.

## **Governance\***

The CFO will often be a main board director, but even when not, they will usually be influential in the management of the board's processes and those of its relevant governance committees (eg Risk, Audit, Finance, Remuneration) through the provision of relevant, transparent, easily accessible and appropriate data and may also have responsibility for company secretarial activities. However, co-ordination and collaboration with other functions will be key as relevant sustainability data might reach the board through other parts of the organisation (eg sustainability, operations, procurement, legal functions).<sup>51</sup> They may also need to play an important role in engaging the board on sustainability.

---

\* core elements of TCFD and TNFD



### Case study 1. British Land

This [case study](#) produced by A4S shows how **British Land**'s finance team has engaged their Board and executive management on sustainability. It shows how this engagement has enabled the integration of sustainability considerations into business planning and strategy, reporting and decision-making, including their target to be net zero carbon by 2030.

Any strategic move towards greater board responsibility for sustainability will be of relevance to the CFO in terms of the business model and the information, analysis and advice required by directors and executives, the decisions to be made and the oversight exercised by them.<sup>52</sup> These will have direct impact on the activities undertaken by, and the knowledge required of, the finance and company secretarial functions, eg:

- Executive and board accountabilities for decision-making and oversight will need to be formalised and appropriate training provided to the relevant individuals.
- Sub-committee responsibilities should be structured to provide focus on sustainability, potentially with a senior sustainability body being a committee of the board.
- Sustainability should therefore be incorporated into terms of reference and scheduled agendas.
- Executive and board reporting will need to be updated to incorporate relevant forward-looking and historic sustainability information.
- The board and executive should decide how the culture of the organisation should be developed to encompass sustainability.

### Strategy\*

Whether in the form of the periodic reappraisal of fundamental organisational strategy, or the annual reforecasting of key financial and operational metrics over the planned time period, strategic planning processes often sit in the ambit of the CFO. The incorporation of sustainability objectives into strategy will be significant for the planning process, the data required to feed it and the knowledge of the teams supporting it.<sup>53</sup> Collaboration and alignment with key external and internal stakeholders, including the Chief Sustainability Officer (CSO), will play a critical role in the development of an integrated strategy.

### Case study 2. SSE

SSE is an energy company in the UK and Ireland that has set four 2030 goals that put sustainability at the heart of business strategy. These goals will be measured quantitatively and qualitatively and are supported by business targets. SSE has also tied executive remuneration to progress against these 2030 goals. Integrating social and environmental goals into its strategy supports SSE's vision of being a leading energy provider in a low carbon world. More details can be found in the A4S case study: [SSE: Redefining the role of sustainability and strategy](#).

---

\* core elements of TCFD and TNFD

Consequently, driving sustainability through strategy, for example through becoming a purpose-led organisation,<sup>54</sup> will directly impact finance teams, eg:

- The CFO needs to have a full understanding of the strategic, tactical and operational implications of the change in order to fully engage in strategic debates with the executive team and the board.
- The strategic planning process must incorporate the new direction. The planning team (likely to report to the CFO) will need to:
  - consider how and whether sustainability factors are reflected in the organisation's vision and mission statement
  - engage with internal and external stakeholders to understand the sustainability landscape faced by the organisation
  - assess the extent to which the leadership team understands the imperative and urgent nature of a sustainable business model and engage accordingly
  - identify the key input, output and outcome/impact measures to incorporate into the planning process and define and source relevant data
  - make appropriate changes to planning systems/models to incorporate the new dimension and in particular, consider the planning timeframe over which sustainability matters (including risks and opportunities) will crystallise
  - cascade sustainability thinking down through the various layers of the strategic planning process
  - identify the key sustainability change agents within the organisation, and understand their roles, responsibilities and performance objectives
  - link the impact of the new sustainability element of strategy with the projections for other existing performance measures
  - update analysis and commentary to provide a new, rounded picture and explanation of the company's strategic impact.
- The strategic plan itself will need to be updated to reflect the organisation's expectations for climate change transition and adaptation.<sup>†</sup> This will also need to include expectations concerning nature recovery and just transition.

## Risk management\*

The Finance Function is often involved in defining risk management processes, and collating, analysing and reporting risks, opportunities and the resulting actions to the executive management and board.

---

<sup>†</sup> This will be complicated significantly by the requirement to factor in the risks and response actions associated with the breaching of global environmental tipping points, when the timing and scale of these impacts are very uncertain.

\* core elements of TCFD and TNFD

Sustainability risks and opportunities may operate over varied timelines (eg flooding might involve immediate risks,<sup>55</sup> while changes to seasonal weather patterns can raise longer-term implications<sup>56</sup>) and will frequently sit outside the control boundary of the organisation (eg physical environmental risks, regulatory transition risks).<sup>57</sup> Finance Functions will need to become increasingly equipped to understand and assess climate, nature and/or social risks and their interplay and mitigations.<sup>58,59</sup> Adopting an integrated approach to assessing risks arising within a single area (eg transition or physical climate risks<sup>60</sup>) or spanning multiple ones (eg climate stability influencing nature and the ecosystem services it provides<sup>61</sup>) will provide a comprehensive view of the potential business exposure to such risks.

### Case study 3. Sainsbury's

Intense flooding has become more frequent owing to climate change. With many business locations across the UK, Sainsbury's needed to become more vigilant to deal with the challenges posed. Therefore, the finance team worked collaboratively with a cross-functional team to develop a comprehensive flood-risk assessment tool, conduct financial appraisals for long-term flood mitigation options and arrange the required capital allocations. The tool allows rapid identification and continual assessment of flood risks at their sites. More details can be found on pages 10–11 of the A4S case study: [A Collection of Sainsbury's Practical Examples](#).

Managing all these risks will require new and often external data, new knowledge and a wider range of working relationships within and outside the business, as well as a deeper appreciation and understanding of an organisation's core purpose:

- The board and senior leadership may need to assess their risk appetite and tolerance in the face of new types of risk associated with sustainability, as well as considering new ways to manage that risk. For example, setting up arms-length organisations to experiment with innovative solutions or business models.
- A longer-term risk lens is needed, with strategic, tactical and operational risks and opportunities identified for inclusion in the risk and operational management processes and reporting.
- Planning for multiple possible outcomes and scenarios will be needed to accommodate the uncertainty associated with a more volatile and complex risk landscape.<sup>62</sup>
- The central team leading the risk management process and reporting will need to be up to speed with the language of sustainability risks and opportunities and to extend relationships to encompass the new relevant managers.

### Targets and metrics\*

Decision-makers need to look beyond the traditional financial metrics, to also consider social and environmental information.<sup>63</sup> The inclusion of sustainability targets and metrics into reporting, planning and forecasting has impacts on data sets and data systems and processes, as well as on decision-making, analysis and reporting, eg:

---

\* core elements of TCFD and TNFD

- As strategy is cascaded down into medium-term planning, budgeting and forecasting, measures need to be defined and implemented, supported by relevant data and system and process changes, to fully incorporate sustainability objectives into regular decision-making, target setting and measurement processes and information.
- Management reporting data and commentary has to be updated to reflect the new dimension.
- Information about the collective effort must be incorporated into the company's external reporting – eg the annual report, the sustainability report, other periodic announcements of performance, presentations to stakeholders, wider communication and marketing material.
- Internal and external auditors need to be brought up to speed with the changes so that they can provide appropriate assurance.

#### Case study 4. SSE

“Targets are only action in theory, they are not yet action in practice. That’s why a Net Zero Transition Plan is so important. A good plan not only outlines targets, it also explains how we intend to achieve them.” – Alistair Phillips-Davies, Chief Executive, SSE

An [A4S case study](#) on setting, tracking and reporting targets shows how SSE set targets, developed their action plan and then planned to track and report on progress. This practical example also includes top tips from the SSE finance teams and information on their next steps.

Despite being a relatively new field, there is already an extensive literature on sustainability metrics, with contributions relating to general and sector-specific measures and mandatory and voluntary reporting frameworks.

From the perspective of external reporting, the TNFD reviewed c.3,000 metrics to arrive at a consolidated set of <20 core and a wider set of additional disclosure metrics applicable globally and across industries.<sup>64</sup> Similarly, standards published by the Global Reporting Initiative (GRI), and by the various standard-setting bodies now absorbed into the IFRS Foundation (see Figure 2) contain recommended universal and sector-specific metrics, while the International Business Council of the World Economic Forum also proposed a set of 21 core and 34 expanded metrics and disclosures.<sup>65</sup> The work of the TNFD goes some way to consolidate and simplify this complexity.

The extension of sustainability considerations into decision-making metrics is less well developed and currently (and perhaps unsurprisingly) appears to be largely dependent on evaluating impact in financial terms (see also below). Return on Investment (ROI) has sustainability adjusted versions in Sustainable-ROI (S-ROI)<sup>66</sup> and Return on Sustainability Investment (ROSI)<sup>67</sup> both of which incorporate the financial impact of environmental and social risks and opportunities. However, there is not yet any clearly agreed suite of sustainability-focused metrics, for example, in the style of the traditional DuPont Analysis pyramid of interrelated financial ratios.

As for more organisationally specific decision-relevant performance and planning metrics, currently it is up to individual companies to determine how to incorporate the sustainability dimension in such a way as to

drive the desired behaviours and outcomes. This is clearly an area which requires more research and development effort.

## Investment decision-making processes

The change to investing money to create a broader long-term sustainable impact is significant for a company's investment decision-making. Traditional investment appraisal assumptions include:

- Investments and returns are expressed in common units (currency) and are therefore directly comparable.
- Comparison can therefore be made between projects in order to allocate capital effectively across a portfolio of potential investment opportunities.
- Future money is worth less than present-day money and should be discounted, with the discount rate frequently based on a cost of capital value adjusted for project-specific risk. Consequently, benefits are seen to become less valuable as they get more distant in time, suggesting that early consumption is preferable, to the detriment of future generations.<sup>‡</sup>

In the world of sustainability, decision-makers are faced with comparing competing uses of financial resources which deliver a range of non-directly comparable financial, environmental and social outcomes. This will significantly complicate decision-making, and CFOs and their teams, as de facto owners of the investment appraisal process, will need to be able to guide and support their businesses to arrive at new ways of making the decisions.<sup>68</sup>

### Case study 5. Stora Enso

In an [A4S case study on capex](#), Stora Enso provides a practical example which explores their Energy Efficiency Fund. First introduced in 2008, the fund has not only become their most successful in terms of Net Present Value/capex but has also generated annual energy savings in their operations.

Taking the two key elements:

**Valuation:** a key question to answering the decision-making conundrum is whether to apply financial values to social and environmental outcomes. The (multi-)capitals approach<sup>69</sup> is now well founded and some companies are beginning to adopt approaches which convert social and/or environmental impact into financial values, to simplify decision-making.<sup>70</sup> Environmental accounting principles, for example as described by the UN System of Environmental Economic Accounting, are starting to be applied by companies and new standards are being developed to direct this.<sup>71,72,73,74</sup>

### Case study 6. Brookfield Asset Management

Brookfield Asset Management wanted to measure the value of their human capital in order to increase the effectiveness in how they organise and develop their employee base. In order to do so, they built on the guidance and techniques set out in the [A4S Essential Guide to Social and Human Capital Accounting](#).

---

<sup>‡</sup> A 1.5 per cent discount rate ascribes 22 per cent of current value to a point 100 years hence. A more commercially common rate of 7 per cent discounts the 100-year future value to virtually zero. The latter would suggest the earlier consumption of all the items under consideration, leaving none for future generations.

As a result of the project, they found that 60 per cent of their market capitalisation was in their human capital. Further to this, the company found that the value of their 80,000 members of staff was approximately twice the value of the cost of replacing them. Further details can be found [here](#).

A significant body of work exists describing methods for ascribing financial value to non-financial assets. Although beyond the scope of the present brief, this is exemplified below in Figures 4 (framework) and 5 (valuation methods). Value is derived from all of the current use, the non-use, and the option to use an asset, with a range of economic valuation methodologies applicable to each case.<sup>75</sup>

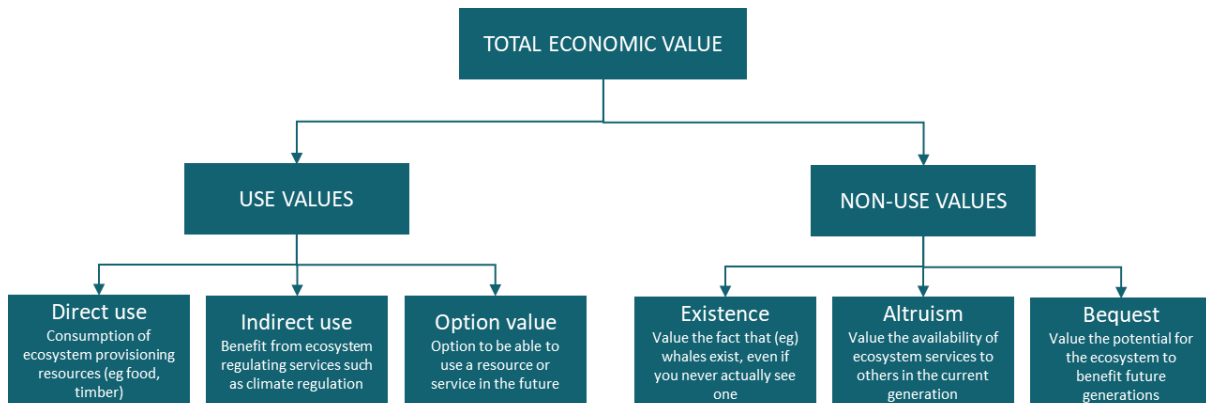


Figure 4. Economic valuation framework

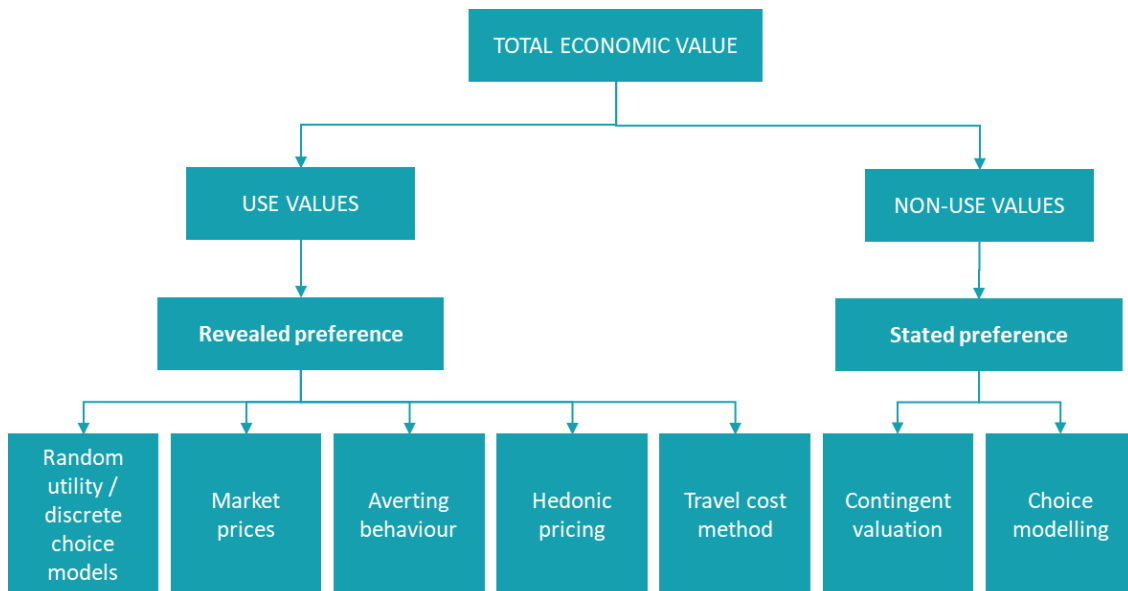


Figure 5. Economic valuation methodologies

**Discounting:** in the world of sustainability investment, the needs of current and future generations must both be considered, with a consequent impact on chosen discount rates. There is also a considerable body of work discussing social and environmental discount rates not covered by this brief.<sup>76,77,78</sup>

However, these important questions of valuation and discounting have yet to be expressed in the simple, practical terms that would make them widely usable for corporate decision-making. For the time being, a

more common (and much simpler) approach would appear to be that taken, for example by Grosvenor Group, where investment decision-making combines projections of financial performance against financial targets and the assessment of non-financial environmental/social benefits, against the relevant non-financial targets. In either situation, material changes are required to decision-making processes and the information and understanding that underpin them.

## Sustainable finance

Estimates for the investment required to address climate change, nature recovery and societal inequality run into trillions of dollars – beyond the scope of public finance.<sup>79</sup> Private finance is therefore key. Sustainable finance encompasses all dimensions of sustainable development – environmental, social, economic and governance<sup>80</sup> – and is an increasingly important part of the corporate financing agenda for CFOs and treasurers to drive.<sup>81</sup>

There is already a significant literature describing the different dimensions of and routes to access sustainable finance and hundreds of billions of dollars have already been raised. For finance and treasury teams, market structure is important and the need to understand how their organisation fits into the sustainable finance ecosystem of legislation, financial instruments, governance and reporting.

Taking the EU as an example, the overarching legislative framework (the Green Deal) is supported by the common classification structure provided by the EU Taxonomy, which defines those activities deemed to contribute substantially to sustainable objectives. This then underpins a range of financing tools (eg green and sustainable bonds, loans and mortgages, sustainable and ethical funds etc) and regulations (eg the Standard for European green bonds), supported by associated reporting requirements such as the Sustainable Finance Disclosures Regulation (SFDR).<sup>82</sup>

Beyond specific market regulations and requirements, providers of sustainable finance also fall under a number of voluntary, but global codes. For example, the UN Principles for Responsible Investment (PRI), United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking, UNEP FI Principles for Sustainable Insurance. This is all important context for those seeking to raise sustainable finance.

From the company perspective, important considerations include:<sup>83,84,85</sup>

**Use of financing proceeds** – sustainable finance sources come with specific requirements for the use of monies and companies need to be able to demonstrate that their operational plans and performance align with these.

**Performance metrics** – form a key part of sustainable finance agreements to demonstrate compliance with the contractual obligations. As with the metrics discussed elsewhere in this brief, financing-related metrics are likely to reflect a blend of financial and operational sustainability measures, and encounter the same issues around the availability and robustness of data and the capability of finance/treasury teams to work with them.

**Reporting requirements** – in addition to the company's own reporting requirements (eg TCFD/TNFD) finance providers require data to support their own sustainability reporting obligations, and finance/treasury teams need the ability and capacity to develop and deliver this in a robust, reliable and timely manner.

**Metrics bridging into operational corporate performance** – whereas traditional financing facilities generally rely on commitments related to financial performance (eg gearing, interest cover), sustainable finance metrics also encompass operational performance. This introduces the need for non-finance managers to appreciate that their operational delivery is directly linked to the achievement of facility covenants and therefore the management of corporate financing and liquidity risk. Therefore, leading to new implications for them of failing to achieve operational targets (ie potential financing default). CFOs and their teams need to ensure this interdependency is well understood and factored into relevant management and governance processes.

**Link to sustainability reporting** – where responsibility for sustainability reporting sits outside the CFO's direct purview (eg with the CSO), finance teams need to ensure that sustainability reporting to providers of finance is consistent with both the company's external financial and sustainability disclosures. This increases the complexity of the control and communication processes and requires additional knowledge in and collaboration between finance and sustainability teams.

**Climate, nature-related and social financial risks** – the risk of external influences (such as climate change and geopolitics) affecting a company's achievement of its environmental and social outcomes, and reliance on partial and unverifiable third-party data bring new dimensions of risk to corporate financing, which need to be understood by boards and management teams and factored into governance and risk management processes.

**Corporate communication** – the risk of accusations of greenwashing applies particularly to the use of sustainability-focused finances, and the remit of the CFO in relation to the accuracy and completeness of external communication is of particular importance.

**Practical application** – the conditions attached to sustainable finance instruments need to align with a company's strategy and operations. Sustainability metrics require robustly measured baselines and it should be recognised that performance against those metrics may be on a different timeline to financial reporting. There is a risk that annual reporting introduces noise due to short-term variation in the metric results and that performance needs to be assessed using longer-term milestones and trend data.

The [A4S Essential Guide to Debt Finance](#) has been created to understand how environmental, social and corporate governance (ESG) is currently considered in debt finance decisions, and how the market is expected to shift in the future. This guide looks at why considering sustainability is important for treasurers, and includes case studies and practical examples from the A4S CFO Leadership Network.

Sustainable finance frameworks support organisations by offering potential avenues for new investment, as well as strengthening both their resilience and that of wider society against risks. A4S has seen clear benefits to the companies as a result of developing and implementing a sustainable finance framework, including better risk management and mitigation, greater access to capital, enhanced sustainability credentials and improved information for sustainability reporting. Further details and a wide selection of examples can be found in the [A4S Guide On Developing and Implementing a Sustainable Finance Framework: Top Tips for Treasury Teams](#).



## Corporate valuations

Corporate valuations are a specific, but important sub-set of financial decision-making. The long-term sustainability of organisations is becoming increasingly important in areas such as Mergers and Acquisitions (M&A), where the environmental and social performance and risks of acquisitions become increasingly relevant.<sup>86</sup> In particular, climate change and business valuations are increasingly linked but quantifying the value of the impact can be challenging. Again, this is an area where the CFO and their specialist M&A teams will need to become increasingly knowledgeable in order to steer decision-making to successful conclusions.

“Until recently, the general approach to considering climate change in valuations has been primarily qualitative in nature. [The A4S Essential Guide to Valuations and Climate Change](#), on the other hand, enables valuers to quantify the impact of climate change on business valuations, providing a more robust, accurate and holistic indication of the true impact of climate change risks and opportunities.”  
– Charles-Antoine St-Jean, former President and CEO, Chartered Professional Accountants of Canada (CPA Canada).

## Technical accounting matters

Several, more technical accounting areas will be impacted by sustainability-related changes. These include:

**Product costing and pricing** – the inclusion (or otherwise) of costs for climate, nature and/or social impact into product costing methodologies and the process by which such costs are defined. This will be driven by a strategic view of desired corporate behaviours as well as risks taken by the company in relation to product development, manufacture and stewardship, pricing and profitability management and the consequential impact on product portfolio development to achieve sustainability outcomes.

**Transfer pricing** – appropriate handling of product costs for intercompany transactions when shadow carbon/biodiversity pricing is in place. This will bring in the question of whether local fiscal authorities are willing to accept shadow costing elements in tax calculations, where these might reduce the locally taxable profits of those subsidiaries receiving inter-company transfers. If not, parallel costing processes will need to be developed, one to drive internal company decision-making and behaviour and another to satisfy local fiscal requirements.

**Circular economy thinking** – a practical implication of implementing a circular economy approach will be that (current) waste materials will become valuable input products.<sup>87</sup> From a technical perspective, this changes product costing calculations and introduces a new source of variability into the costing and profitability of the primary products as the value of the by-/co-products changes with market dynamics. See Figure 6 for further information.

This can be a common issue in accounting for heavily integrated manufacturing processes, such as in the chemicals sector, but would apply to a far wider range of industries in a circular economy. Again, the CFO and finance team will need to lead the way in devising appropriate costing methods and supporting their businesses to adapt the management of pricing and profitability to the new approaches.

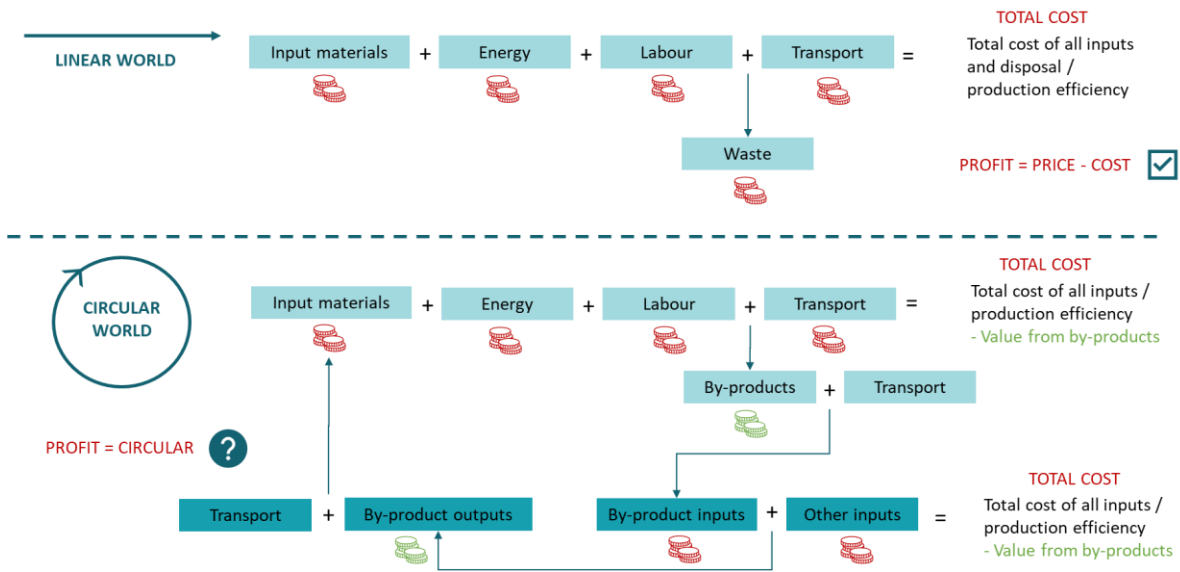


Figure 6. Waste becomes a valuable by-product – in a truly circular example, cost calculations also become circular

## Materiality

The move towards sustainability and corporate purpose is driving changes in the perception of materiality. The traditional assessment of those matters which need to be reflected in a company's financial accounts is now being defined as (single) 'financial materiality' and is being supplemented by the concept of 'impact materiality'. This takes a view of the significance of an organisation's environmental and social impact on the world and combines with the financial view to form a 'double materiality' approach.

Clearly the two are ultimately related, bringing the concept of 'dynamic materiality', with aspects of organisational performance assessed through both lenses and the relative importance of each varying over time.<sup>88</sup>

For the CFO, there are new choices to be made, as different standard-setting bodies are taking different approaches to these concepts. The extension of the materiality concept for reporting however also requires boards and leadership teams to consider incorporating it more broadly into business decision-making and governance processes.

From a functional perspective, it is inevitable that management information/reporting data sets will have to extend further up and down the value chain. This will magnify the issues around data accessibility, accuracy, quality control and verifiability, and particularly with the advent of regulations such as the EU Corporate Sustainability Due Diligence Directive.<sup>89</sup>

This will significantly complicate the process of sourcing and managing these data and will require the finance teams involved in this to be more informed about and heavily involved in these processes. If finance teams are to produce meaningful outputs, they will need a good understanding, and preferably good control, of data inputs.

## Complexity

The concept of human impact on the atmosphere, represented by carbon emissions in the form of greenhouse gases (GHG) is relatively straightforward to understand, with two main drivers (carbon dioxide and methane) and one global atmosphere to consider.

Extending the focus to encompass ecosystems in nature (as is the goal of the TNFD) and social impact, complicates matters of data and reporting significantly. Nature and social impacts are location specific and have many more dimensions and drivers. Tracking locally specific impacts and effects will require considerably larger data sets covering a much wider range of issues than many finance teams may be required to consider today.

Depending on the industry, as with greenhouse gas emissions, an important amount of nature and social impact will reside in the value chain (cf. Scope 3 under the GHG Protocol<sup>90</sup>) further complicating the collection, management and validation of data, and forecasting and reporting processes.

## Scenario planning

The TCFD recommendations on strategy include the use of scenario analysis. They define scenarios<sup>91</sup> as:

- paths of development leading to particular outcomes
- not intended to represent a full description of the future, but rather to highlight central elements of possible futures and to draw attention to the key factors that will drive future developments (their quoted characteristics are to be plausible, distinctive, consistent, relevant and challenging)
- hypothetical constructs, not forecasts, predictions or sensitivity analyses.

The use of these scenarios is intended to:

- enhance critical strategic thinking
- challenge conventional wisdom about the future
- explore alternatives in a world of uncertainty that may significantly alter the basis for 'business-as-usual' assumptions.

In other words, the process is not about second-guessing what the future will be, but rather considering various versions of what the future might be and using these to drive strategic thinking.<sup>92</sup>

### Case study 7. Nestlé and National Grid

In these [A4S case studies](#), Nestlé and National Grid have provided practical insights into how scenario analysis feeds into understanding the resilience of their strategy against a range of scenarios. Read how Nestlé built a cross-functional team to provide the best insight possible for their analysis as well as National Grid's step-by-step approach to scenario analysis, and how they use the results to support their business decisions.

This will represent another new learning area, skill and responsibility for some finance teams, which may also require external support and training development.

## Extension of the control environment

The Finance Function frequently plays a key role in defining transactional and data controls, not least because a breakdown of control will invariably work its way through to financial results and/or cash. Sustainability data is no different – control needs to be exercised over the processes by which the data are created and collected. This requires system, process and data controls to be developed and implemented to a level which meets the assurance requirements of audited external reporting.

Many data will come from outside the organisation and CFOs will need to be clear how control over third-party data is being exercised and evidenced, particularly where this may be coming up from a large number of organisations in a range of different locations, through several links of the value chain. Finance teams will need appropriate knowledge, training and development to manage the new process complexity.

## Audit and assurance

The EU Corporate Sustainability Reporting Directive makes explicit reference to external assurance of sustainability information, while the UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022<sup>93</sup> mandate TCFD-based reporting as part of the Non-Financial and Sustainability Information Statement, which also comes under the purview of external audit and it is reasonable to assume that the TNFD will follow.

As leaders through the audit process, the CFO and finance team will need to be fully conversant in the content and quality of reported sustainability information and knowledgeable about the way it relates to the financial statements.

There have been numerous recent examples where firms – including global audit firms – have been criticised for failing to include climate reporting and risks in their company audits.<sup>94,95,96</sup>

## Stakeholder communication

As sustainability information becomes an increasingly important part of companies' external reporting and visible in the annual report and other communications, so CFOs, under their responsibilities for communicating company performance to stakeholders, will need to become expert in describing their company's sustainability actions and performance, particularly in relation to the four pillars highlighted by both the TCFD and the TNFD (governance, strategy, risk management, metrics and targets).<sup>97,98</sup>

## Financing communication

A sub-set of stakeholder communication, but worth highlighting separately. Banks and institutional investors are under increasing pressure and regulation to understand, manage and report on the sustainability impact of their investment portfolios.<sup>99</sup> This is a logical approach for regulators to take, partly in relation to the sector, but also as a route to exert indirect pressure on investee companies to move forward with the sustainability agenda.

However, it also means that the CFO, as a lead communicator with these institutions, will need to be more fully versed in company developments and outcomes than may be the case for other stakeholders. CFOs need to know how to engage with investors on environmental and social factors as drivers of value.<sup>100</sup>

### Case study 8. Burberry

In an [A4S case study on Enhancing Investor Engagement](#), Burberry demonstrates how reporting, particularly disclosing climate-related risks and opportunities in line with the TCFD, has helped meet investor needs. They also found new ways to engage investors, such as use of the sustainable bond market. By linking their sustainability strategy to both financial incentive and funding requirements, they have been able to embed ESG principles into their business.

### Ethics, conceptual rigour and the avoidance of ‘greenwashing’

As the range, complexity and profile of published sustainability data increases, so will the need for organisations to ensure that they have robust conceptual bases for their strategies, operational plans and reporting. The risk of being held accountable for ‘greenwashing’ is already material and this will only increase over time as stakeholder groups become more wide-ranging, with higher levels of expectations, and their focus on company activities increases. Examples are increasing numbers of companies being held to account for misleading claims, regardless of intention, by regulators, consumers and others. Some are branding greenwashing as a type of fraud.<sup>101</sup>

In addition to their financial and business knowledge and understanding, qualified accountants are also trained in applying ethical consideration to complex conceptual issues and the resulting actions.<sup>102</sup> This will likely be increasingly important to steer companies clear of damaging controversy.

### Value chain management

Many of the social and environmental impacts of a company’s activities lie in its upstream and downstream value chains. This has already introduced significant complexity into the management of climate impact. Witness the much greater complexity of quantifying and controlling Scope 3 carbon emissions (per the Greenhouse Gas Protocol) compared with Scopes 1 and 2. Also, the fact that much current reporting of social impact is limited to companies’ direct employees and contacts.

Consider therefore the much greater complexity of extending the understanding and control of both environmental and social impact along the entire value chain – understanding the impact of a company’s procurement and sales activities (through the actions of its suppliers and customers) on potentially far removed communities and ecosystems. Yet this will be the challenge for many companies to solve.

The solution will depend on the clear definition of strategy and objectives, supported by the collection, analysis and reporting of necessary data. This in turn brings in issues such as purchasing contract terms – both in terms of suppliers’ operational obligations and warranties, and also requirements to provide data. The downstream value chain and behaviour of customers and consumers is equally, if not more, complex. There are also significant opportunities to influence change within the value chain, using financial levers and incentives to drive action. CFOs and their teams will be core to navigating this.<sup>103</sup>

### Case study 9. City of Vancouver

Through their Social Value Procurement Framework, the City of Vancouver set out with a target for 50 per cent of their procurement contracts to be awarded to social or diverse businesses within three years. Research indicated that social procurement could have a multiplier effect, generating CA\$3 for every CA\$1 spent. This [case study](#) developed by A4S shows how they are putting their framework into practice. The City of Vancouver is a member of the A4S CFO Leadership Network.

The cascade of requirements from larger to smaller companies is also worth noting. Irrespective of whether an individual company chooses to pursue an understanding of its value chain impact, it may well be required to do so by major customers, in addition to financiers and regulators.

## Change areas for Finance Functions

Based on the implications identified for Finance Functions in the previous section, a number of changes will need to happen that are summarised below.

**Finance functional brief** – for many organisations, it will be logical for the brief of the CFO and the Finance Function to be expanded to include aspects of sustainability leadership, strategy, planning, reporting, decision support and oversight.

**New mindset** – it is likely that a move towards a more sustainability-led approach, for example, a move towards being a purpose-led organisation, will require a fundamental transformation of mindsets, values and ethics by the CFO and the finance team.

**New knowledge, information and insight** – this new brief will in turn require finance teams to be equipped with new functional knowledge, as well as new capabilities in analysing data which will yield information and insight different from that of financial data.

**New data** – sustainability data will differ from traditional finance data. Sources will be different and frequently external to the organisation. Quality control requirements will therefore differ. In many cases, data characteristics (eg units of measure, degrees of certainty) will differ. Collectively these imply differences in how financial and sustainability data will need to be handled.

**Changes to operational systems** – differences in data, calculations and outputs will result in changes being required to the supporting IT systems.

**New, and changes to existing, processes** – likewise, finance functional processes will need to change to handle the new information, including: transactional control, data quality management, internal and external reporting and assurance, strategic planning, forecasting, budgeting, financing and liquidity management, product costing and pricing, capital allocation, investment appraisal.

**Exposure to new areas of the business** – modern Finance Functions have many interactions across their businesses. These are critical to their ability to exercise adequate control, to produce relevant information and valuable insight and to feed this back into the business to provide support and challenge. The inclusion of sustainability information in the finance brief will expand the range of these interactions, particularly across their company's value chain.

**Functional transformation programmes** – significant changes such as these will inevitably require some degree of transformation, which in turn implies that many companies will need to define and implement change projects/programmes to effect the desired end goals in a controlled, co-ordinated and timely manner.

**Accounting developments** – similar to the process list, there are a number of areas where accounting procedures will need to be adapted to take account of sustainability ambitions, including:

- capital allocation methodologies
- net present value calculations

- costs of capitals / discount rates
- budgeting and forecasting
- transfer pricing / cross-border tax issues
- product costing, pricing and profitability in a circular economy
- valuation of non-financial capitals

## Key enablers for transformation

Key enablers for Finance Functions to adapt to this changing environment will also need to develop, all of which will pose significant challenges, but also provide significant opportunities for those able to grasp them.

### Knowledge and professional skills

As the sustainability agenda has developed, so the provision of relevant knowledge and skill training by the education sector, commercial and professional institutions has built around it. Current learning opportunities cover a number of the issues covered in this brief, including, climate reporting, scenario planning, valuation approaches, sustainable finance and increasingly nature-related disclosures.

However, it will be important for this support to continue to broaden in scope, to reflect the rapid development of the field in general and to become embedded in underpinning education, such as undergraduate courses and relevant professional qualifications, with the allocation of required resources.

Ongoing research will also be required to continue to drive forward the development and consolidation of new and existing tools, methodologies and frameworks.

### Access to relevant data

The availability of relevant data will be critical to companies' ability to plan, decide, act and report. This will require work on definitional standards, but also on data delivery systems, data process and quality control, data ownership and commercial models for its availability.

There is considerable work and effort to get reliable, robust, consistent data to the right people at the right time and for an affordable price. This will involve regulators and standard-setters, the providers of business software and of data management and aggregation facilities.

The greatest challenge still remains the lack of access to and reliability of data on the environmental and social impact of value chains, given that this remains outside the direct control of a company.<sup>104</sup> However, there is a growing urgency for companies to tackle these impacts, driven, in part, by investor pressure.<sup>105</sup>

The existing skillset and capabilities of CFOs and their teams will play a critical role in supporting the sourcing and management of new, complex and uncertain forms of data to enable a company's transition to a sustainable economy.

### Systems and software

For sustainability information to be more integrated with financial information, there will ultimately need to be greater integration of the underpinning software systems. This may be through (for example) the development of relevant modules for multi-functional business platform systems, or through designing greater interoperability into standalone finance and sustainability-focused systems.

In 2022, a survey of finance leaders found that 12 per cent of respondents had partly incorporated sustainability information into organisational decision-making while only 2 per cent had fully done so, despite an overwhelming 81 per cent of them considering such information important for their organisations. The main reason is a lack of reliable tools and processes to make that happen.<sup>106</sup>

The demand for clients of software providers to be able to efficiently and seamlessly marry up financial and sustainability information will grow hugely and provide great opportunities for early movers.

## Conceptual/technical developments

The more specifically technical accounting areas referenced in this report will require research and development effort to define methodologies and operational standards that company finance teams can apply in support of their efforts.

Some leading organisations in the space have already started developing guidance for finance and accounting practitioners to help them integrate sustainability within day-to-day operational and decision-making processes<sup>107</sup> and research is being undertaken. However, we are a long way from having a set of simple resources for accountants, explaining the accounting issues of sustainability, describing appropriate techniques to address these and providing guidance on how to implement them.

Ongoing and future research will need to be closely co-ordinated with the demands of practical business issues and the views of regulators and fiscal authorities. This implies a significant and complex body of work to be developed and undertaken in a relatively short period of time.

## Coherence of standards

Notwithstanding the consolidation that has already happened, there are still a large number of organisations creating standards, regulations and frameworks. With the creation of even more national (rather than regional or global) taxonomies and legislative requirements, the complexity of the standards / regulatory framework is ever-growing.

To the extent that the new Finance Function activities will be dictated by these standards and regulations, it will be vital that this complexity is reduced, otherwise companies will spend all their resources trying to keep up to date with the changing frameworks, rather than driving improvements in sustainability decision-making and performance.

This will call for even greater collaboration and co-ordination between international bodies, national governments, professional and academic institutions, standard-setters and the commercial sector, and will need to cut a swathe through the current plethora of 'local' agendas. This is a global issue which will require global thinking in its response.

## Sharing and collaboration

Leading companies will learn and develop much of value for those that follow them, and it will be important that information is shared in a collaborative manner, rather than each company having to start at the beginning. For this reason, conferences, webinars, workshops and detailed case studies will all be important for sharing and supporting learning.

Some organisations are already doing this, but there is huge scope for more, and particularly with programmes which address the issues and needs of finance professionals.



# The road ahead

The common threads running through this report are those of CFOs and Finance Function teams developing the capability to lead and support their organisations on the path to more sustainable futures by developing new knowledge, understanding, data, systems, processes and thereby, greater influence and impact. These form the platform from which finance professionals can apply their broad functional skills to capitalise on new value creation in the landscape of sustainability risks and opportunities. With appropriate direction and support, many of the traditional finance skills can be equally valid in a changing world driving towards sustainable corporate purpose, as they have been for the primarily financial focus of the past.

However, adapting and developing these fundamentals to drive the rapid changes the world needs to see will require help – for example from educators and researchers, professional bodies, regulators and legislators, providers of systems and technology platforms and of assurance support – and the list goes on.

CFOs will be looking for solutions which are simple to understand and easy (or at least manageable) to implement. Material changes must be convincing to the board, executive team colleagues and company employees. They must withstand the testing of assurance and be convincing to stakeholders, particularly to the financing community and relevant regulatory bodies, and stand up to public scrutiny (eg accusations of greenwashing).

Measures and processes need to be simple and to make business sense. The more complex a process or measure, the more time must be spent running and managing it and the more effort must be spent explaining it to non-financial executives and managers. In the realms of information, insight, support and challenge, whatever is provided to end users must be easily understood, otherwise it will not be used and will have no impact.

The field is rapidly developing and there will be many opportunities to create value by contributing to the building blocks such as theoretical models, data sources, systems and software, and providing support services such as consultancy, training, education and opportunities for finance practitioners to meet.

The time to act is now.

# References

- <sup>1</sup> Mark Carney, *Value(s): Building a better world for all* (Signal, 2021).
- <sup>2</sup> Victoria Hurth and Aris Vrettos, *Unleashing the sustainable business: How purpose transforms an organisation* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2021).
- <sup>3</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *CISL's Business Transformation Framework: Preliminary Diagnostic* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2023).
- <sup>4</sup> "Net Zero Tracker assesses the 1,000th company with a net zero target from the world's largest 2,000 publicly-listed companies," Net Zero Tracker, November 6, 2023, <https://zerotracker.net/analysis/new-analysis-half-of-worlds-largest-companies-are-committed-to-net-zero>.
- <sup>5</sup> "TNFD Early Adopters," Taskforce on Nature-related Financial Disclosures, January 16, 2024, <https://tnfd.global/engage/inaugural-tnfd-early-adopters/>.
- <sup>6</sup> "A4S Finance Leaders' Sustainability Barometer," Accounting for Sustainability, October 27, 2022, <https://www.accountingforsustainability.org/en/knowledge-hub/reports/finance-leaders-sustainability-barometer-survey.html>.
- <sup>7</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Leading with a sustainable purpose: Leaders' insights for the development, alignment and integration of a sustainable corporate purpose* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2020).
- <sup>8</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Future of Boards Final Report: Summary and Synthesis (Phase 1, Part 4)* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2023).
- <sup>9</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Bank 2030: Accelerating the transition to a low carbon economy* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2020).
- <sup>10</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Insurers in Paris-aligned climate transition: Practical actions towards net zero underwriting* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2021).
- <sup>11</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Risk sharing in the Climate Emergency: Financial regulation for a resilient, net zero, just transition* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2021).
- <sup>12</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *CISL's Business Transformation Framework: Preliminary Diagnostic* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2023).
- <sup>13</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Future of Boards Final Report*.
- <sup>14</sup> Wayne Visser, "The Business Case for Sustainability," *University of Cambridge Institute for Sustainability Leadership Blog*, August 21, 2023, <https://www.cisl.cam.ac.uk/news/blog/business-case-sustainability>.
- <sup>15</sup> Beth Knight, "How is business responsible for (re-)defining consumer values in a rapidly changing world?" *University of Cambridge Institute for Sustainability Leadership Blog*, September 15, 2023, <https://www.cisl.cam.ac.uk/news/blog/how-business-responsible-re-defining-consumer-values-rapidly-changing-world>.
- <sup>16</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Future of Boards Final Report*.
- <sup>17</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Future of Boards Final Report*.  
University of Cambridge Institute for Sustainability Leadership (CISL), *Leading with a sustainable purpose*.
- <sup>19</sup> Victoria Hurth and Aris Vrettos, *Unleashing the sustainable business: how purposeful organisations can break free of business-as-usual* (Cambridge, UK: University of Cambridge Institute for Sustainability Leadership, 2021).
- <sup>20</sup> Angus Bauer, Stephanie Williams, Jason Judd and Sarosh Kuruvilla, *Higher Ground? Report 2: Climate resilience and fashion's Costs of adaptation* (Cornell ILR Global Labor Institute and Schroders, 2023), <https://mybrand.schroders.com/m/67c3a9c24c781cb9/original/GLI-Schroders-Higher-Ground-Report-2.pdf>.
- <sup>21</sup> Hurth and Vrettos, *Unleashing the sustainable business*.
- <sup>22</sup> "TCFD Recommendations," Task Force on Climate-related Financial Disclosures, accessed December 11, 2023, <https://www.fsb-tcf.org/recommendations/>.
- <sup>23</sup> Taskforce on Nature-related Financial Disclosures (TNFD), accessed December 11, 2023, <https://tnfd.global/>.
- <sup>24</sup> *Taskforce on Inequality and Social-related Financial Disclosures (TISFD): Draft Purpose, Approach, Governance Proposition, and Next Steps*, accessed December 11, 2023, <https://static1.squarespace.com/static/5eac34e7e4a3db64662f3134/t/64edf5c45536666c3d3a7fbb/1693316548549/TISFD+Pr+ovisional+Name+&+Purpose+Statement+-+August+2023.pdf>.
- <sup>25</sup> Accounting for Sustainability (A4s), *Navigating the Reporting Landscape* (A4S, 2023), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/navigating-the-reporting-landscape.html>.
- <sup>26</sup> "About the International Sustainability Standards Board," International Sustainability Standards Board, accessed December 11, 2023, <https://www.ifrs.org/groups/international-sustainability-standards-board/>.

- <sup>27</sup> “General Sustainability-related Disclosures,” IFRS, accessed December 11, 2023, <https://www.ifrs.org/projects/work-plan/general-sustainability-related-disclosures/#published-documents>.
- <sup>28</sup> “Climate-related Disclosures,” IFRS, accessed December 11, 2023, <https://www.ifrs.org/projects/work-plan/climate-related-disclosures/#published-documents>.
- <sup>29</sup> “Corporate sustainability reporting,” European Commission, accessed December 11, 2023, [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en).
- <sup>30</sup> “The first set of ESRS - the journey from PTF to delegated act (adopted on 31 July 2023),” EFRAG, accessed December 11, 2023, <https://www.efrag.org/lab6>.
- <sup>31</sup> “Final adoption of ESRS a ‘game changer’ for mandatory reporting,” GRI, October 18, 2023, <https://www.globalreporting.org/news/news-center/final-adoption-of-esrs-a-game-changer-for-mandatory-reporting/>.
- <sup>32</sup> “Questions and Answers on the Adoption of European Sustainability Reporting Standards,” European Commission, July 31, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_23\\_4043](https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_4043).
- <sup>33</sup> “Corporate sustainability due diligence,” European Commission, accessed December 11, 2023, [https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence\\_en](https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en).
- <sup>34</sup> U.S. Securities and Exchange Commission, “SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors,” press release, March 21, 2022, <https://www.sec.gov/news/press-release/2022-46>.
- <sup>35</sup> U.S. Securities and Exchange Commission, [Release Nos. 33-11042; 34-94478; File No. S7-10-22] RIN 3235-AM87, The Enhancement and Standardization of Climate-Related Disclosures for Investors, <https://www.sec.gov/rules/proposed/2022/33-11042.pdf>.
- <sup>36</sup> “Understanding International Standard on Sustainability Assurance 5000,” IAASB, accessed December 11, 2023, <https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>.
- <sup>37</sup> ISO, *Governance of organizations — Guidance*, ISO 37000:2021 (Geneva, Switzerland: International Organization for Standardization, 2021).
- <sup>38</sup> The British Standards Institution (BSI), *PAS 808:2022: Purpose-driven organizations – Worldviews, principles and behaviours for delivering sustainability – Guide* (London, UK: The British Standards Institution, 2022), <https://knowledge.bsigroup.com/products/purpose-driven-organizations-worldviews-principles-and-behaviours-for-delivering-sustainability-guide/standard>.
- <sup>39</sup> Task Force on Climate-related Financial Disclosures, accessed December 11, 2023, <https://www.fsb-tcfd.org/>.
- <sup>40</sup> “Recommendations of the TNFD,” Taskforce on Nature-related Financial Disclosures, accessed December 11, 2023, <https://tnfd.global/recommendations-of-the-tnfd/>.
- <sup>41</sup> Victoria Hurth, *Unleashing culture for a sustainable business* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2023).
- <sup>42</sup> Hurth and Vrettos, *How purpose transforms an organisation*.
- <sup>43</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Bank 2030*.
- <sup>44</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to finance culture* (A4S, 2018), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/finance-culture.html>.
- <sup>45</sup> Hurth and Vrettos, *How purpose transforms an organisation*.
- <sup>46</sup> Mark Carney, *Value(s): Building a better world for all* (Signal, 2021).
- <sup>47</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Integrating climate and nature: the rationale for financial institutions* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2022).
- <sup>48</sup> Miying Yang, Doroteya Vladimirova and Steve Evans, *Creating and Capturing Value through Sustainability: The Sustainable Value Analysis Tool* (Open Research Exeter, 2017).
- <sup>49</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *The Coming Deluge: Scenario analysis for underwriting in a changing climate* (Cambridge, UK: University of Cambridge Institute for Sustainability Leadership, 2022).
- <sup>50</sup> Anne-Sylvaine Chassany, “CEOs forced to ditch decades of forecasting habits,” *Financial Times*, February 16, 2023, <https://www.ft.com/content/456baa69-83df-4c7f-af7b-49e6451a1183>.
- <sup>51</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Future of Boards Trends in board practice: Insights from our Initial Exploratory Research (Phase 1, Part 3)* (Cambridge Institute for Sustainability Leadership, 2023).
- <sup>52</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to engaging the board and executive management* (A4S, 2021), <https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/A4S%20Essential%20Guide%20to%20Engaging%20the%20Board%20and%20Executive%20Management.pdf.downloadasset.pdf>.
- <sup>53</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to strategic planning, budgeting and forecasting* (A4S, 2018), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/strategic-planning.html>.
- <sup>54</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *CISL’s Business Transformation Framework*.

- <sup>55</sup> Jason Judd, Angus Bauer, Sarosh Kuruville and Stephanie Williams, *Higher Ground? Executive summary* (Cornell ILR Global Labor Institute and Schroders, 2023) <https://www.ilr.cornell.edu/sites/default/files-d8/2023-09/Higher%20Ground%20Executive%20Summary%20REV%20%28v1%29%20%281%29.pdf>.
- <sup>56</sup> Paola Tamma, “The great grape migration: Climate change pushes winemakers north,” *Politico*, August 16, 2021, <https://www.politico.eu/article/netherlands-winemakers-wijntuin-ronja-vineyard-grapes-climate-change-fungi-droughts-floods/>.
- <sup>57</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to managing future uncertainty* (A4S, 2016), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/managing-future-uncertainty.html>.
- <sup>58</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Integrating Nature: The case for action on nature-related financial risks* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2022).
- <sup>59</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Integrating climate and nature*.
- <sup>60</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Climate Tango: Principles for integrating physical and transition climate-risk assessment with sectoral examples* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2022).
- <sup>61</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Let’s Discuss Nature with Climate: Engagement Guide* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2023).
- <sup>62</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *The Coming Deluge: Scenario analysis for underwriting in a changing climate* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2022).
- <sup>63</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to management information* (A4S, 2020), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/management-information.html>.
- <sup>64</sup> Taskforce on Nature-related Financial Disclosures (TNFD), *Recommendations of the Taskforce on Nature-related Financial Disclosures* (TNFD, 2023) [https://tnfd.global/wp-content/uploads/2023/08/Recommendations\\_of\\_the\\_Taskforce\\_on\\_Nature-related\\_Financial\\_Disclosures\\_September\\_2023.pdf?v=1695118661](https://tnfd.global/wp-content/uploads/2023/08/Recommendations_of_the_Taskforce_on_Nature-related_Financial_Disclosures_September_2023.pdf?v=1695118661).
- <sup>65</sup> World Economic Forum, *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation* (World Economic Forum, 2020), [https://www3.weforum.org/docs/WEF\\_IBC\\_Measuring\\_Stakeholder\\_Capitalism\\_Report\\_2020.pdf](https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf).
- <sup>66</sup> “Sustainable-Return On Investment (S-ROI),” EarthShift Global, accessed December 11, 2023, <https://earthshiftglobal.com/sustainable-return-on-investment-s-roi>.
- <sup>67</sup> “ROSI™ Resources and Tools,” NYU Stern Center for Sustainable Business, accessed December 11, 2023, <https://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/centers-of-research/center-sustainable-business/research/return-sustainability-investment-rosi/rosi-resources-and-tools>.
- <sup>68</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to CAPEX* (A4S, 2016), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/capex.html>.
- <sup>69</sup> “The Capitals Approach,” Capitals Coalition, accessed December 11, 2023, <https://capitalscoalition.org/capitals-approach/>.
- <sup>70</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to social and human capital accounting* (A4S, 2017), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/social-and-human-capital.html>.
- <sup>71</sup> “ISO 14054 Natural Capital Accounting for Organizations,” ISO, accessed December 11, 2023, <https://committee.iso.org/sites/tc207sc1/home/projects/ongoing/iso-14054-natural-capital.html>.
- <sup>72</sup> “ISO 14007 – Environmental management: Determining environmental costs and benefits – Guidance,” ISO, accessed December 11, 2023, <https://committee.iso.org/sites/tc207sc1/home/projects/published/iso-14007.html>.
- <sup>73</sup> “ISO 14008 – Monetary valuation of environmental impacts and related environmental aspects,” ISO, accessed December 11, 2023, <https://committee.iso.org/sites/tc207sc1/home/projects/published/iso-14008.html>.
- <sup>74</sup> “Sustainability,” BSI, accessed December 11, 2023, <https://www.bsigroup.com/en-GB/topics/sustainable-resilience/net-zero/natural-capital-accounting/>.
- <sup>75</sup> Defra, *An introductory guide to valuing ecosystem services* (Defra, 2007), <https://assets.publishing.service.gov.uk/media/5a79b99340f0b642860da43d/pb12852-eco-valuing-071205.pdf>.
- <sup>76</sup> Ben Groom, Moritz A. Drupp, Mark C. Freeman and Frikk Nesje, “The future, now: A review of social discounting,” *Annual Review of Resource Economics* 14 (2022): 467–491, [https://eprints.whiterose.ac.uk/184957/1/ARRE\\_Discounting\\_Review\\_1\\_.pdf](https://eprints.whiterose.ac.uk/184957/1/ARRE_Discounting_Review_1_.pdf).
- <sup>77</sup> Partha Dasgupta, *The Economics of Biodiversity: The Dasgupta Review* (London: HM Treasury, 2021), [https://assets.publishing.service.gov.uk/media/602e92b2e90e07660f807b47/The\\_Economics\\_of\\_Biodiversity\\_The\\_Dasgupta\\_Review\\_Full\\_Report.pdf](https://assets.publishing.service.gov.uk/media/602e92b2e90e07660f807b47/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf).
- <sup>78</sup> Clive L. Spash and Frédéric Hache, “The Dasgupta Review deconstructed: an exposé of biodiversity,” *Globalizations* 19, 5 (2022): 653–676, <https://www.tandfonline.com/doi/full/10.1080/14747731.2021.1929007>.
- <sup>79</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Everything, everywhere, all at once: How can private finance be unlocked for nature and climate in the international financial architecture?* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2023), [https://www.cisl.cam.ac.uk/files/everything\\_everywhere\\_all\\_at\\_once.pdf](https://www.cisl.cam.ac.uk/files/everything_everywhere_all_at_once.pdf).
- <sup>80</sup> European Parliament, *Green and sustainable finance* (European Union, 2021), [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/679081/EPRS\\_BRI\(2021\)679081\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/679081/EPRS_BRI(2021)679081_EN.pdf).

- <sup>81</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to debt finance* (A4S, 2019), <https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/A4S%20Essential%20Guide%20to%20Debt%20Finance1.pdf.downloadasset.pdf>.
- <sup>82</sup> European Commission, “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Strategy for Financing the Transition to a Sustainable Economy” (Strasbourg, 2021), COM/2021/390 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021DC0390>.
- <sup>83</sup> Accounting for Sustainability (A4S), *Developing and implementing a sustainable finance framework: Top tips for treasury teams* (A4S, 2023), <https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/Developing%20and%20Implementing%20a%20sustainable%20finance%20framework%20top%20tips%20for%20treasury%20teams.pdf.downloadasset.pdf>.
- <sup>84</sup> Deloitte, *The CFO as the Driver of Sustainability* (Deloitte, 2021), <https://www2.deloitte.com/content/dam/Deloitte/de/Documents/finance-transformation/CFO-as-the-Driver-of-Sustainability.pdf>.
- <sup>85</sup> “Sustainable Finance,” PwC, accessed December 11, 2023, <https://www.pwc.com/ng/en/services/environmental-social-governance/sustainable-finance.html>.
- <sup>86</sup> WBCSD, *Guiding the integration of sustainability in valuation: A framework for integration, research examples and reflections* (WBCSD, 2023), <https://www.wbcsd.org/Overview/CFO-Network/Resources/Guiding-the-integration-of-sustainability-in-valuation#:~:text=In%20today's%20financial%20landscape%2C%20sustainability,into%20intrinsic%20valuation%20and%20pricing>.
- <sup>87</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Green Circularity: Advancing the EU's climate goals through a Circular Economy* (Cambridge, UK: CLG Europe, 2022).
- <sup>88</sup> “Unlocking materiality as a source of value creation,” *Accounting for Sustainability Blog*, November 28, 2023, <https://www.accountingforsustainability.org/en/knowledge-hub/blogs/unlocking-materiality-source-value-creation.html>.
- <sup>89</sup> “Corporate sustainability due diligence,” European Commission.
- <sup>90</sup> “Corporate Value Chain (Scope 3) Standard,” Greenhouse Gas Protocol, accessed December 11, 2023, <https://ghgprotocol.org/corporate-value-chain-scope-3-standard>.
- <sup>91</sup> “The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities,” TCFD, accessed December 11, 2023, <https://www.tcfidhub.org/scenario-analysis/>.
- <sup>92</sup> Accounting for Sustainability (A4S), *TCFD climate scenario analysis* (A4S, 2021), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/tcfid-climate-scenario-analysis.html>.
- <sup>93</sup> “The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022,” legislation.gov.uk, 2022, <https://www.legislation.gov.uk/uksi/2022/31/contents/made>.
- <sup>94</sup> ClientEarth, “Big Six leadership missing in action on climate reporting and audit,” press release, July 20, 2023, <https://www.clientearth.org/latest/press-office/press/big-six-senior-leadership-missing-in-action-on-climate-reporting-and-audit/>.
- <sup>95</sup> Camilla Hodgson, “Accounting firms accused of missing climate risks in company audits,” *Financial Times*, July 18, 2023, <https://www.ft.com/content/befa329f-43bb-42fb-baeb-e0ae22d68acf?shareType=nongift>.
- <sup>96</sup> Camilla Hodgson, “Widespread lapses in climate risk reporting found in company accounts,” *Financial Times*, September 14, 2021, <https://www.ft.com/content/b3d12f4f-5d23-4378-93b7-06d1e891e547>.
- <sup>97</sup> “TCFD Recommendations,” TCFD, accessed December 11, 2023, <https://www.fsb-tcfid.org/recommendations/#:~:text=The%20recommendations%20are%20structured%20around,management%2C%20and%20metrics%20and%20targets>.
- <sup>98</sup> “Risk and impact management,” TNFD, accessed December 11, 2023, <https://tnfd.global/recommendations-of-the-tnfd/#risk-impact-management>.
- <sup>99</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Integrating climate and nature*.
- <sup>100</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to enhancing investor engagement* (A4S, 2021), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/enhancing-investor-engagement.html>.
- <sup>101</sup> “What dirty laundry? The problem with greenwashing,” *Accounting for Sustainability Blog*, May 25, 2023, <https://www.accountingforsustainability.org/en/knowledge-hub/blogs/what-dirty-laundry-the-problem-with-greenwashing.html>.
- <sup>102</sup> Institute of Financial Accountants, *Code of Ethics for Professional Accountants* (IFS, 2015), [www.ifa.org.uk/media/625477/CODE-OF-ETHICS-FOR-PROFESSIONAL-ACCOUNTANTS-amended-for-change-of-address-May-2015.pdf](http://www.ifa.org.uk/media/625477/CODE-OF-ETHICS-FOR-PROFESSIONAL-ACCOUNTANTS-amended-for-change-of-address-May-2015.pdf)
- <sup>103</sup> Accounting for Sustainability (A4S) CFO Leadership Network, *Essential guide to incentivizing action along the value chain* (A4S, 2022), <https://www.accountingforsustainability.org/en/knowledge-hub/guides/incentivizing-action.html>.
- <sup>104</sup> University of Cambridge Institute for Sustainability Leadership (CISL), *Net Zero Business Transformation: A framework for accelerating change in an era of turbulence and complexity* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2022).

---

<sup>105</sup> Fabrizio Palmucci, Rachel Hemingway and Sabine Laurent, *The role of the Chief Financial Officer in driving low-carbon transition* (Climate Bonds Initiative, 2023), <https://www.climatebonds.net/files/reports/cfo-coalition-driving-low-carbon-transition-ungc-cbi-230927.pdf>.

<sup>106</sup> Accounting for Sustainability (A4S), *Finance leaders' sustainability barometer* (A4S, 2022) p. 13–15.

<sup>107</sup> "The A4S Essential Guide Series," Accounting for Sustainability (A4S), accessed December 11, 2023, <https://www.accountingforsustainability.org/en/knowledge-hub/guides/About-A4S-Essential-Guide-Series.html>.