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Implementing Sustainable CSR Management Solutions



Key Note 2

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„The Road to Sustainability Finance: Sustainability and the Role of the CFO“

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Sustainability: CFOs are
coming to the table
Global survey findings



Preface

This presentation documents the findings of Deloitte Touche Tohmatsu Limited's 2012 global survey of CFOs, conducted by independent analyst firm Verdantix.

The survey follows up on the 2011 edition and explores new areas of activity and focus for chief financial officers.

Details on the survey methodology are as follows:

- Survey data are taken from 250 completed interviews
- Interviewees represent 14 countries or regions (Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Mexico, Middle East, Russia, South Africa, UK, and US)
- Interviewees represent 15 industries, with at least nine interviews per industry
- Firms represented by interviewees all have annual revenues of more than US\$1bn, and average revenues of US\$12bn. Total revenues are US\$3bn
- Respondents were CFOs, Finance Directors or equivalents in non-English speaking countries

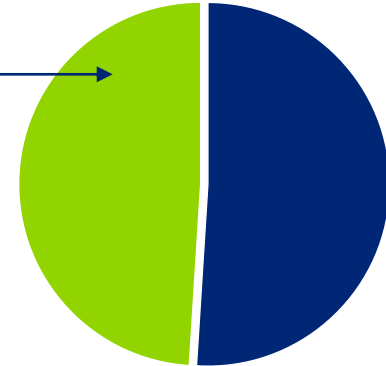
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The big picture

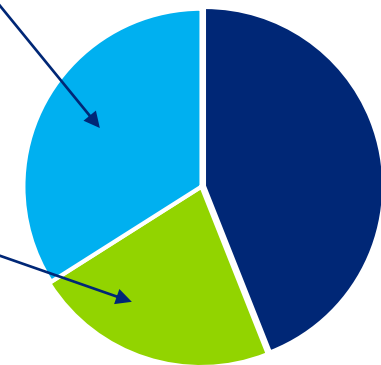
1. Sustainability is seen as a key driver of financial performance

- Nearly half of CFOs (49%) saw a “significant” link between sustainability performance and financial performance



2. Organizations are transforming themselves in response to the sustainability imperative

- More than one-third of CFOs (34%) are implementing an organizational transformation relating to energy, environment, and sustainability
- Nearly one-fifth (22%) plan to do so in the next two years

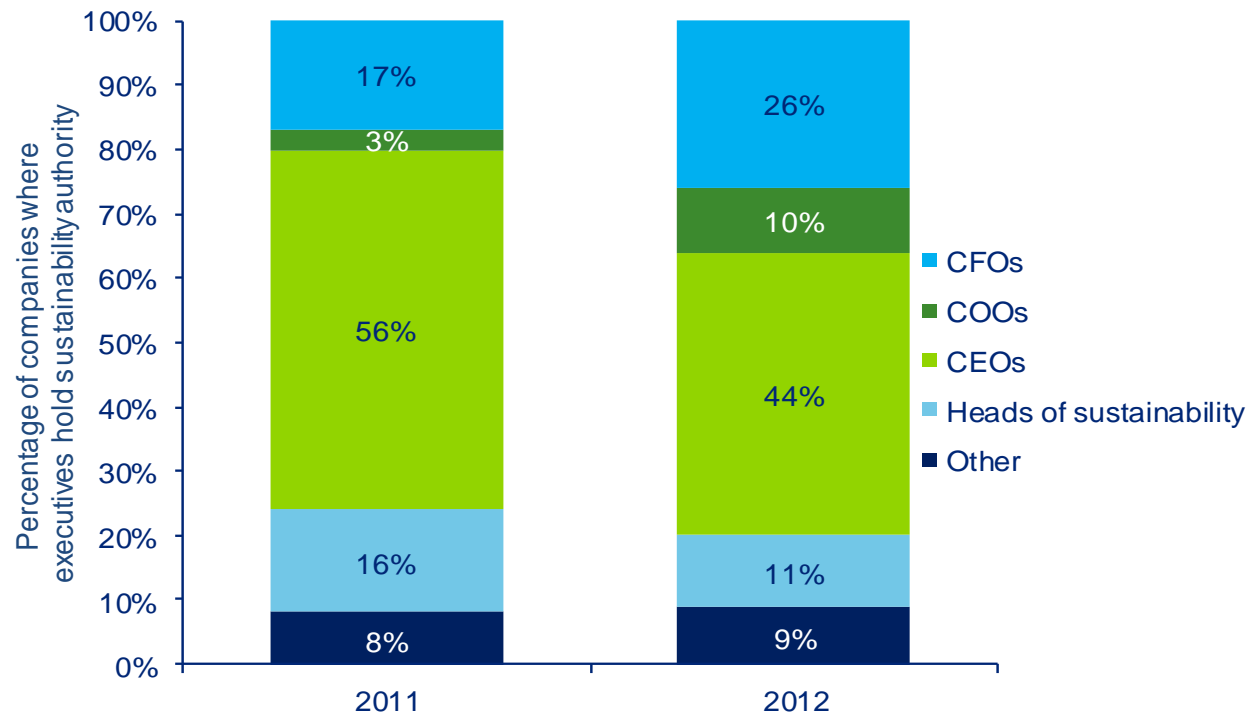


The big picture

3. Sustainability is becoming operationalized

Authority for sustainability appears to be moving from sustainability managers and “face of the brand” CEOs, to executives with operating authority and substantial budgets.

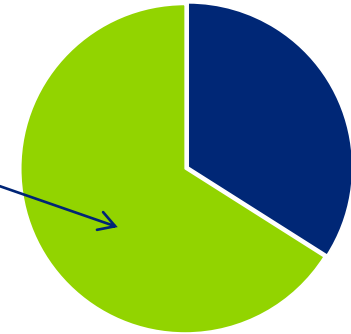
- More CFOs and COOs hold authority for sustainability efforts than in 2011
- Fewer CEOs and heads of sustainability hold this authority than in 2011



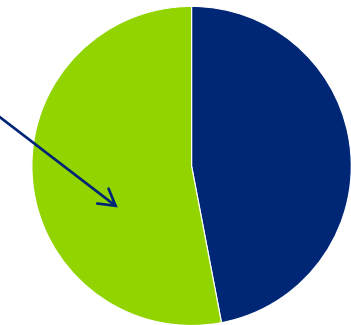
The big picture

4. CFO involvement with sustainability is deepening.

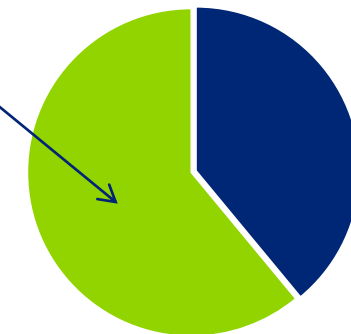
- Two-thirds (66%) said they were “always” or “frequently” involved in driving execution of sustainability strategy in their organizations



- More than half (53%) said their involvement had increased over the last year



- More than three-fifths (61%) said they expect their involvement to increase over the next two years



The big picture

In the words of the survey respondents:

South Africa: As sustainability plays an ever increasing role in the future of the business. It is receiving more attention from the board so as a consequence of that [our] involvement will increase.

Middle East: With sustainability requirements' increasing many aspects of financial reporting [have changed]...I have to get involved deeply.

China: Sustainability provides virtual savings at an early stage and can only be made real when well integrated with finance.

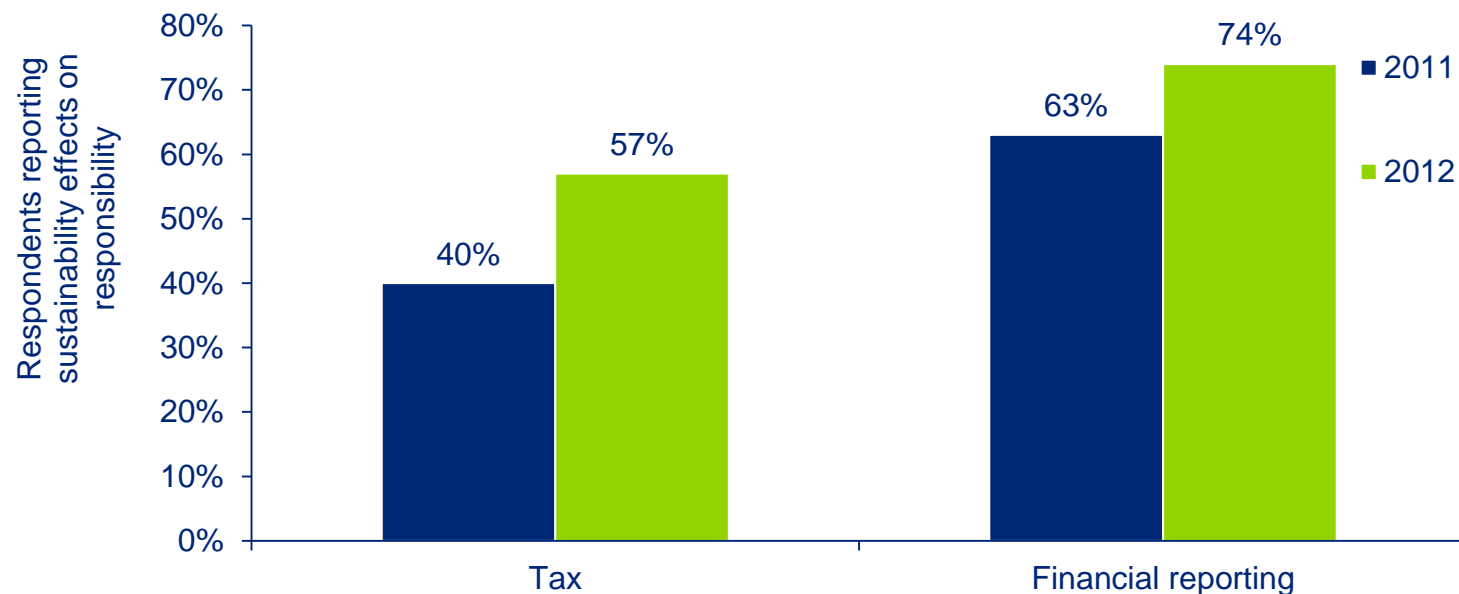
France: There is [a] close link between [the] Finance and Sustainability department[s]. Procuring new sustainable technology, deploying environment friendly policies, transformations, etc., have definitely added an extra layer of responsibility in my job function and [this responsibility] will keep on increasing.

Topics of interest to CFOs

5. Sustainability aspects of tax and financial reporting have gained significant mindshare among CFOs

The shift to integrated reporting is gaining momentum, and green tax credits and incentives are changing continuously – with implications for finance.

- 57% of respondents said sustainability is affecting tax (40% in 2011)
- 74% said sustainability is affecting financial reporting (63% in 2011)

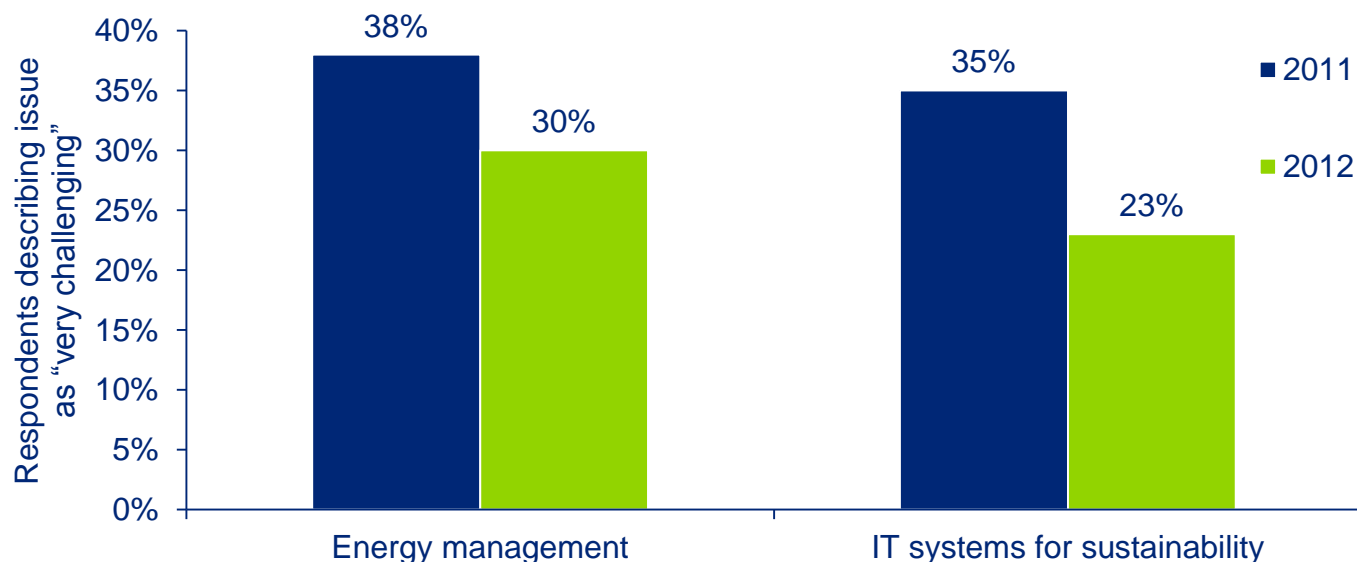


Topics of interest to CFOs

6. Energy management and IT systems for sustainability pose less of a challenge to CFOs than they once did

The shift to integrated reporting is gaining momentum, and green tax credits and incentives are changing continuously – with implications for finance.

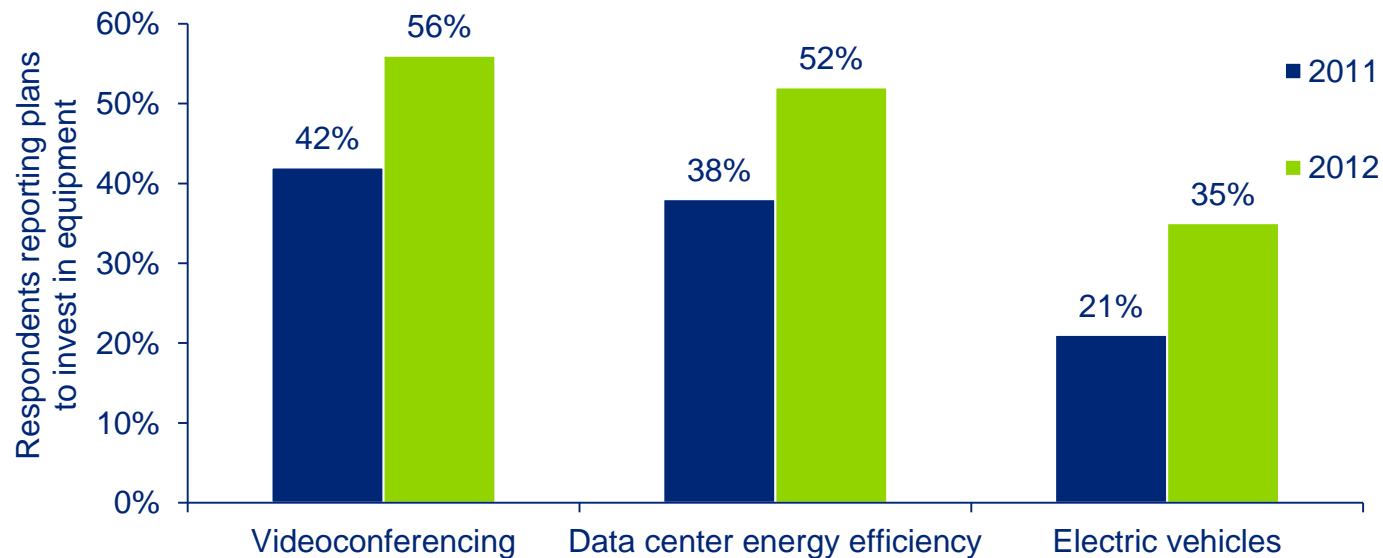
- Energy management topped the list of issues considered “very challenging” (30% of respondents) but was cited by fewer respondents than in 2011 (38%)
- IT systems for sustainability were considered “very challenging” by 23% of respondents in 2012, down from 35% in 2011



Topics of interest to CFOs

7. New areas of investment come to the fore

- Videoconferencing, data centers, and electric vehicles registered the biggest year-on-year increases in the percentages of respondents planning investments in these areas
- All three have been subjects of public dialogue about the sustainability impacts of business travel and data storage



Topics of interest to CFOs

In the words of the survey respondents:

India: *Sustainability is the primary concern for any business. From the environment's perspective, and the profitability perspective, we need to strike a balance between [these two goals].*

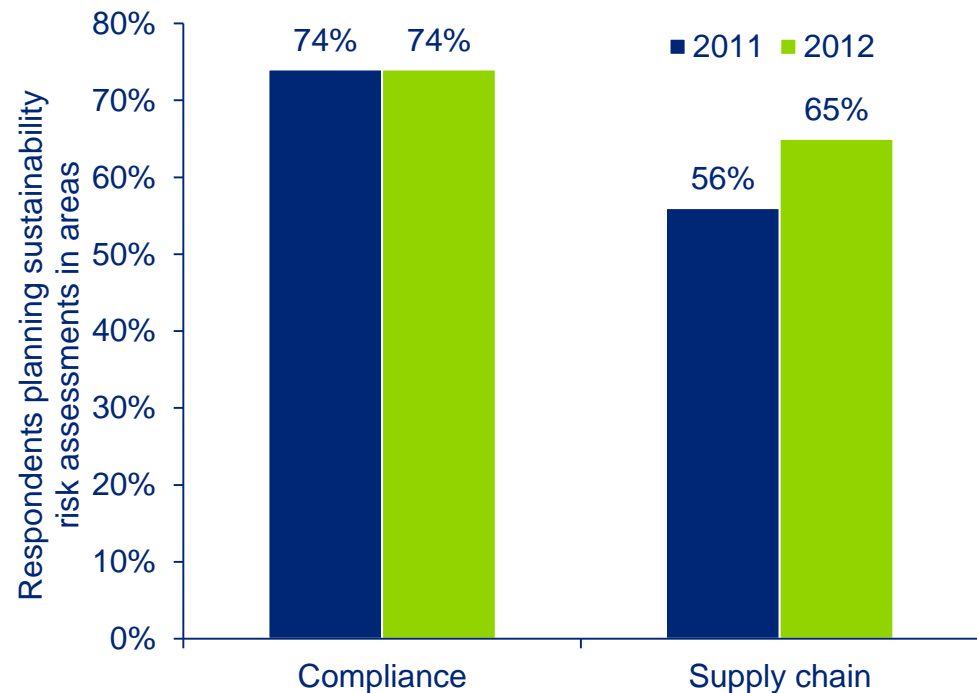
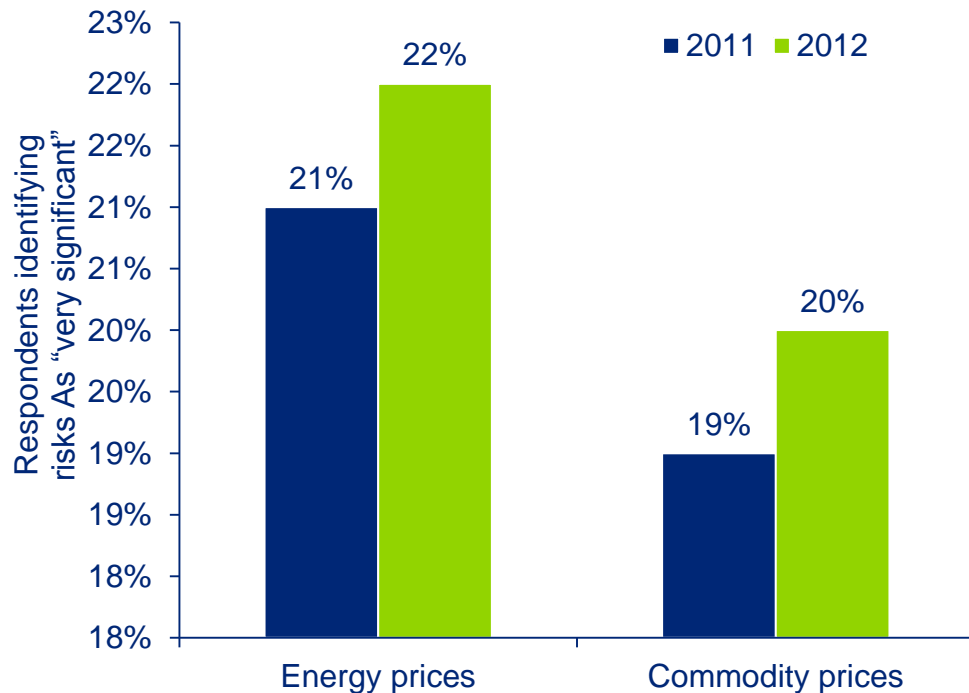
Canada: *To speculate and evaluate future investments it is important to integrate both the finance and the sustainability departments.*

UK: *All the organizations are dependent upon financial performance; financial performance depends on various factors such as sustainability. In the short run we can manage but in the long run it is definitely not going to work out.*

Areas to watch

8. Familiar sustainability risks continue to command attention as supply chain risks move up CFOs' lists of priorities

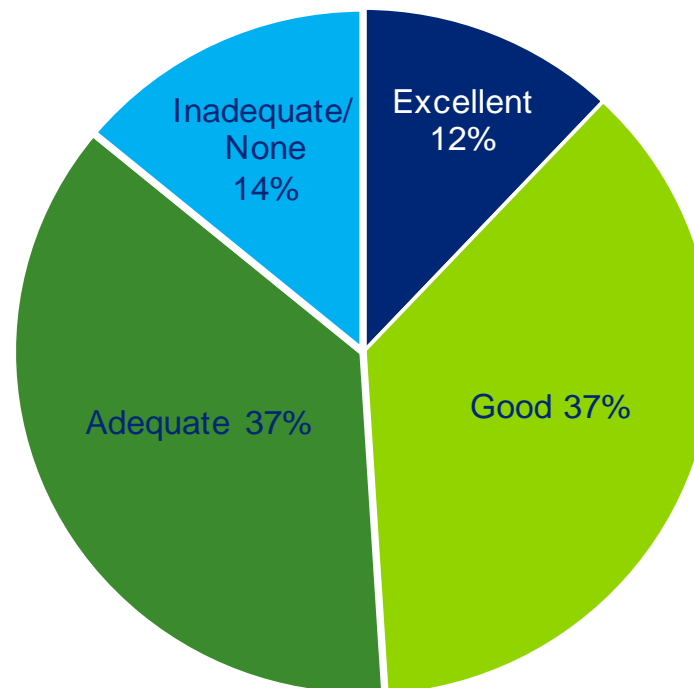
- Energy and commodity prices remain top-of-mind risks for CFOs
- More CFOs report plans to assess sustainability risks in their companies' supply chains; compliance risk assessments remain high priority



Areas to watch

9. Superior sustainability information is still somewhat elusive for CFOs

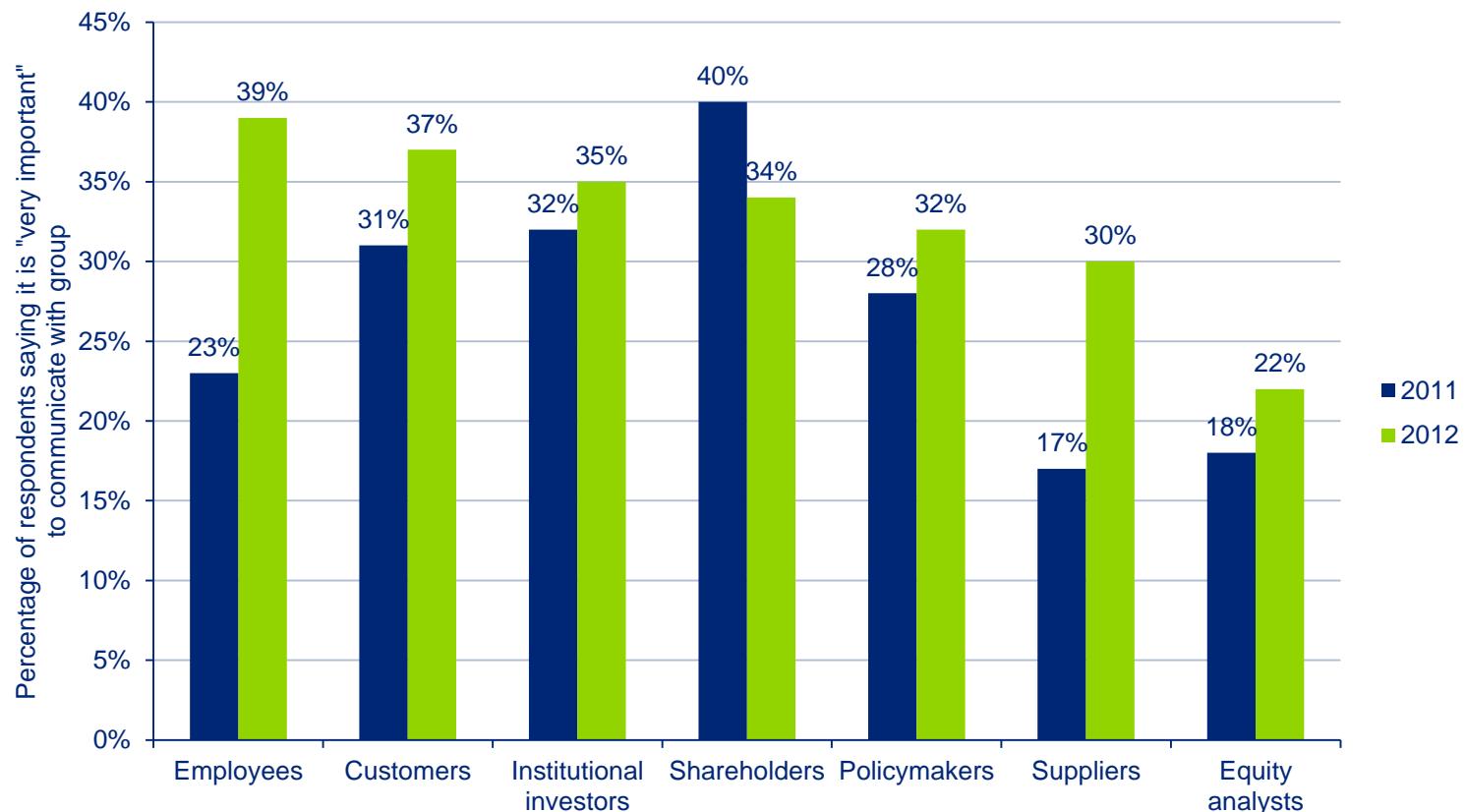
- Only 12% of CFOs reported receiving “excellent” sustainability information
- 37% rated their information “good,” with an equal percentage calling it only “adequate”
- 14% said they had either inadequate sustainability information or none at all



Areas to watch

10. More CFOs have become concerned about communicating with employees about sustainability

- 39% of respondents said it is “very important” to communicate about sustainability with employees – up from 23% of respondents in 2011



Key takeaways for CFOs

High-quality sustainability data and analytics are lacking, yet CFOs recognize the need for data to enable informed decisions about sustainability management

- CFOs should get involved in selecting relevant performance metrics, in order to ensure that sustainability data is relevant to the business
- CFOs must examine data sources, information systems, and reporting processes, and confirm that proper analysis is explained to stakeholders

Resource management is key to performance and risk minimization

- Energy management and other disciplines are becoming routine many CFOs
- Analyzing less well-understood issues such as water, materials, and land management can reveal opportunities and help diminish risk
- Cleantech solutions can be game-changing

Don't be afraid to transform: your employees are ready.

- CFOs are surrounded by people who appreciate the impacts that business has on the wider world
- This presents an opportunity to strategically remake the finance function into one that helps position the company for success in a sustainable economy



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