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CFO EXCHANGE

Executive Summary — October 14, 2021

Chief financial officers (CFOs) of high-growth software companies meet virtually in a small-group setting using the Chatham House Rule to exchange learnings and discuss business challenges and industry trends. Participants of this exclusive CFO peer group create the agenda through a series of pre-interviews. Protiviti is proud to support and host members of this community.

The agenda topics for the October 14, 2021, meeting included ESG reporting methods and ratings standards, and concerns around employee culture and compensation.

Key Takeaways

ESG REPORTING DEMANDS	
01	In a recent financial trends survey, CFOs of both public and private companies listed environmental, social and governance (ESG) reporting as one of the most important issues they are facing. Vendors and customers are demanding the data, as are some employees. Participants on the call discussed different approaches, whether in the public or private sector, to meet the growing expectations for ESG information as well as how to collect and maintain it efficiently.
02	Diversity, a component of ESG, is of particular interest to stakeholders. At one organization, venture capitalists have sent out questionnaires asking about diversity statistics for the overviews of their portfolio companies, which they provide to investors. One CFO is taking a proactive stance on diversity, equity and inclusion (DEI) data simply because it's the right thing to do, not because his organization has to do external reporting on it. Another member felt that investing in developing DEI metrics and data can make sense depending on who is asking for it: If employees request it and the organization is in a fight for talent, it makes business sense to focus on it.
03	A participant expressed skepticism around the environmental side of ESG, adding that many of the standards and certifications feel like rubber-stamp exercises or greenwashing. This CFO's organization got certified and received a ranking, but the exercise overall hasn't yet reduced the cost of financing or brought in new investors. Certification ultimately only makes the organization look good for now. In addition, whereas the governance side of ESG is good for and affordable to everybody, meeting

expectations on the environmental part of the ESG equation is costly, and that money is probably better spent creating value for organizations that can actually have a bigger environmental impact.

ESG RATINGS

01	ESG concerns often extend beyond an organization to adjacent areas of the business. CFOs pointed out that specialty firms exist that can evaluate the environmental costs and do calculations around ancillary industry areas and rate a company. While certain companies can certify an organization, there's no consistent standard or benchmark. As such, one CFO is seeking companies that are respected by investors or that matter to the organization and can help issue a public rating.
02	There is a sense that more frameworks and standardizations will emerge as the U.S. Securities and Exchange Commission gets more involved in ESG and mandates reporting for public companies. As of now, there's no common standard (and several options), so businesses will have to contend with methods and standards that vary by geography or other differentiators.

POLITICAL SENSITIVITIES

01	The sensitivity inherent around DEI reporting means that such measurements tend to meet more controversy than other facets of ESG. One CFO noted that some international companies are asking for DEI reporting not just for employees but also for all vendors. They've pushed back both on principle and practicality, stating that such information is confidential.
02	When responding to DEI surveys, CFOs have also reported getting pushback from their employees. One CFO had just produced a first ESG report when questions came up around a living wage. After making certain changes based on the reporting, the team decided against making an announcement, in fear of it becoming a political or PR issue.
03	Several CFOs discussed how their organizations deal with heated political discourse in the workplace. For instance, one company has taken the position that while it will welcome differing political viewpoints, the company will not make statements or take stances on political issues. Instead, it will advocate for its employees and customer base rather than making vocal stands that will politicize the work environment. While there have been some objections, this approach seems to be working well.

COMPENSATION

01	After a recent acquisition, one CFO has struggled with lackluster benefits at the new company, causing candidates to change their minds about employment between offer acceptance and their first day on the job. The company's CEO has decided not to approve unbudgeted items during the year, so new benefits, raises, bonuses and other costs have been postponed to next year. One critical area for the organization is healthcare. According to the CFO, it's very hard to hire new people or retain employees without having at least a decent benefits package.
02	Another CFO noted that it's currently a very competitive market for certain types of employees, and that the larger technology companies can offer talent much-higher salaries. As a result, companies need to present themselves as, and be, employee-friendly. Another CFO pointed out that the cost of hiring new talent and training new employees is higher than the cost of providing additional employee benefits to increase retention.

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