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2022 GLOBAL FINANCE TRENDS SURVEY REPORT

ESG: Nine Actions CFOs and Finance Leaders Can Take Today

Findings from our latest Global Finance Trends survey reveal that environmental, social and governance (ESG) strategy and reporting are taking center stage as a top priority of CFOs today. Case in point: In 75% of organizations, the finance team has taken on ESG risks and issues as part of its role.

With their unique blend of financial management fundamentals, risk intelligence and access to forward-looking, data-driven insights, CFOs continue to extend their value to the organization beyond the boundaries of traditional finance and accounting activities. They are increasingly devoting more time, attention and resources to enterprise ESG initiatives and are key contributors to the enterprise's ESG strategy and related dialogue in the C-suite and boardroom.

Not only are stakeholders, customers and investors placing increasing importance and expectations on corporations to drive social change, but a growing number of governments and regulatory authorities are putting forth requirements for ESG reporting. Europe has led the way in promulgating these requirements, but other jurisdictions are catching up quickly. For example, in the United States, the U.S. Securities and Exchange Commission has issued proposed rules that would require reporting companies to enhance and standardize climate-related disclosures contained in registration statements and periodic reports.

Given their experience in complying with various human capital disclosure requirements, CFOs should take a prominent role in tracking, reporting and improving performance against their company's ESG goals.

Providing a strong foundation for ESG initiatives

Today, nearly every strategy and planning session among board members and C-suite leaders addresses ESG. Yet many companies – 34% of publicly held organizations and 22% of privately held organizations, according to our research – feel they are not ready for potential new required ESG disclosures and need additional skills and resources, development of necessary internal data, and more time. CFOs' and finance leaders' strong foundational knowledge in financial reporting and data management positions them well to lead ESG-related reporting requirements and help their organizations with challenges such as the following:

- **Selecting the best option from the multitude of available frameworks for ESG reporting needs:** This includes monitoring consolidation among the standard-setters and tracking how competitors and other benchmark organizations are addressing the same challenge.
- **Collecting new ESG data while fine-tuning the data collection process:** Initial data-gathering activities for ESG reporting have leaned heavily on manual data gathering and use of spreadsheets as a summary tool. But CFOs are deeply involved in helping their organizations find better methods and enabling tools to locate, centralize and set up processes to optimize ESG data gathering and reporting while eliminating ambiguity and preserving data quality. These include leveraging cross-functional collaboration and automation techniques.
- **Utilizing existing historical data:** Finance teams can find plenty of environmental and human capital data in past financial statements that can be repurposed to produce formal ESG metrics in line with standard reporting frameworks. But for organizations to prove their ESG efforts are more than just talk, they need a governance program with appropriate metrics and data that can be trusted – and can be generated in a repeatable, timely, accurate and efficient manner. Unstructured data can be better defined and integrated through the use of data analytics and visualization tools.
- **Helping producers of climate data and other ESG measures embrace rigorous controls:** Data from colleagues, outside partners, suppliers and other third parties needs to be produced at the same cadence and with the same quality as financial data. But few of these partners, if any, are familiar with the exacting controls required by financial reporting. Organizations need full visibility into the quality and accuracy of data from other parties to ensure their ESG reporting is accurate and complete.

Nine key ESG actions to take

As organizations begin to implement formal ESG strategies and reporting in accordance with regulations and best practices, CFOs and financial leaders can take the following actions:

1. **Make a plan.** As with any other key initiative, there must be a strategy and a plan for ESG programs and activities. They cannot be approached as a side project. Consider where the organization is, where it wants to be, and what initiatives or actions are needed to bridge the gap.
2. **Be flexible.** Recognize that ESG operating and reporting rules and regulations are in flux, as are stakeholder demands, leading to likely shifts in expectations and needs in operations and reporting. Ongoing programs and lean managing can help an organization stay flexible and agile to respond to changing demands and inquiries.
3. **Know the landscape.** Understand ESG ratings, rankings and metrics so you can choose knowledgeably which framework and/or methodology the organization should follow.
4. **Prepare to be audited.** Establish management controls and ensure the organization's relevant ESG data is of high quality and is as reliable as the financial data that auditors are accustomed to reviewing. Engaging internal audit or working with independent auditors can be especially helpful to ensure data and reporting are accurate.
5. **Designate your ESG data resources.** Identify who (inside or outside the company) will be able to access and provide the necessary ESG data, some of which involves complicated calculations and the use of data from sources that are not familiar to the CFO, FP&A group and other financial reporting teams that will be responsible for the filings.

- 6. Anticipate scrutiny.** Expect all stakeholders – regulators, shareholders, investors, customers and employees – to intensify their reviews of corporate ESG reporting. The organization’s reporting should tell the company’s story clearly and be supported by data and metrics. But be diligent about avoiding greenwashing. Ensure that the organization’s efforts are effective and truly targeted toward sustainability and are not just words or activities intended to make the company look good.
- 7. Engage a broad group of stakeholders.** Involve the audit committee, internal audit and SEC counsel in the evolving climate reporting conversation during the planning phases so that resources and priorities can be aligned. Make sure ESG planning, strategy and reporting takes a multidisciplinary approach in your organization. Ensure all of the right people are at the table, including internal audit, finance, other functional leaders and the board, enabling the organization to adopt a holistic approach to its ESG reporting.
- 8. Assess gaps.** Evaluate the company’s existing ESG reporting capability and skills against ESG objectives and identify where the partners in your professional services ecosystem can be complementary and fill in the gaps. Consider the talent and bandwidth of your internal teams and whether it will be necessary to look at other resources, including managed business services partners.
- 9. Don’t forget the big picture.** Remember that ESG is not just about data and what you are reporting to the outside world – it’s about building an inclusive internal culture. Make ESG a critical part of your organization’s mission, purpose and strategy, and link your ESG initiatives with financial performance and KPIs. A strong ESG program will keep employees engaged and informed and help the organization attract new talent while reducing attrition.

Interested in learning more? Read our research report, *Reimagine: From automation and cloud to ESG and talent management, CFOs are reimagining their long-term roles*, available at www.protiviti.com/financesurvey.

For more information on ESG reporting and issues for organizations, here are additional resources from Protiviti:

[Protiviti’s ESG home page](#)

[Board Perspectives podcast series](#)

[ESG webcasts from Protiviti](#)

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