



CFO FORUM



Summary Report

May 19, 2021

CFO Forum – a peer-to-peer platform for CFOs from leading organizations across wide-ranging industries offers a platform to exchange ideas and take inspiration from each other's ideas and initiatives.

ESG and Sustainable Value Creation

The 2021 CFO Forum Annual Meeting was hosted in partnership with KPMG, Marsh, ING, Nationale-Nederlanden, Spencer Stuart, and Stibbe. The theme of the meeting was ESG and Sustainable Value Creation, and covered the following topics:

- Sustainable value creation for shareholders, employees, ecosystem partners, and society
- Sustainability as a driver of innovation and long-term value creation
- ESG: Readies the organization for increased scrutiny of ESG performance
- Challenges, opportunities, and the role of finance

The speakers were **Bob Eccles**, Visiting Professor of Management Practice at the Saïd Business School at Oxford University, **Frank Lemmink**, EVP of Finance Integrated Gas, Renewables & Energy Solutions at Shell, and **Maarten de Vries**, CFO at Akzo Nobel.

Maarten and Frank shared their vision, knowledge, and personal experiences of sustainable value creation at their companies. Other participants, live from the studio, included **Gavin van Boekel**, CFO Middle Europe Unilever, **Marc Broskij**, Head of Finance KPMG, **Laurence Debroux**, Former CFO Heineken, **Javier van Engelen**, CFO Signify, **Suzanne van der Erve**, Executive Search Consultant Spencer Stuart, **Tom van der Heijden**, Partner KPMG, **Adrie Heinsbroek**, CSO NNIP, **Suzanne Kröner-Rosmalen**, Senior Associate Stibbe, **Derk Lemstra**, Partner Stibbe, **Lodewijk Lockefeer**, CFO Royal Zeelandia Group, **Daniëlle van der Sluijs**, CFO Nedap and **Roeland Tjebbes**, CFO ForFarmers. The Annual Meeting of CFO Forum was moderated by **Bas van Werven**, news anchor at BNR Nieuwsradio.

Plenary discussion – key takeaways

Reporting is in the DNA of CFOs, and they are now starting to see ESG reporting as part of their agenda and a central part of their role of adding value for companies. In particular, ESG can be a means of driving performance management and target setting. From the investor perspective, the growth of ESG in value creation has been a learning process. It is seen as a means of taking control of risks and opportunities and balancing short-term returns with the long-term resilience of the company.

CFOs are the first point of contact for investors on ESG. It is refreshing to see how informed CFOs, on the whole, are of ESG issues and their role in value creation. However, while 85% of CFOs surveyed by the CFO Forum see ESG as a critical issue, only 30% bring it to the table in internal meetings. The common challenges cited include a lack of quality data for ESG performance. A further drawback is the current lack of common standards for measuring ESG performance and disclosing it in a uniform way so that investors can gauge performance and draw comparisons between companies.

The role of Finance in the ESG and sustainability journey

The Finance function has a key role to play in the corporate sustainability journey. CFOs and their teams can translate purpose and sustainability ambitions into tangible steps on the path to reaching net zero. They can enable tangible performance measurements: by reporting on long-term targets in a granular way, on a quarterly or monthly basis, they make ESG and sustainability more tangible and understandable – both for people within the organization as well as external stakeholders. They can break down into pieces to create transparent disclosures and bring people along for the journey.

By providing tangible and objective metrics around sustainability and ESG, CFOs can also generate alignment within organizations, so that all parts of the company speak the same language on terms like decarbonization, net-zero, and emissions reduction, etc. At the same time, it is important that Finance teams support collaboration and accept help from outside parties, whether NGOs or sustainability experts.

Equally, the CFO can help companies balance their short- and long-term objectives and manage the expectations of investors and stakeholders around sustainability. Renewable energy, for example, has a long payback period. It is important to take the organization by the hand and help them navigate the short-term financial challenges that can ensure in making large investments. Ultimately, however, profitability is necessary for companies to be sustainable and ensure business continuity. Listed companies are only seen as good as the last quarter in the eyes of shareholders, so they need to deliver consistent performance.

Keynote speech – Bob Eccles, Saïd Business School

How sustainability and ESG reporting are being shaped by the world we live in

We are at a tipping point where we are seeing the acceleration of sustainable business models across the corporate landscape. Much of this is being driven by the investment community which, in recent years, has moved ahead of the corporate community in terms of its focus on ESG. There has been a fusion between portfolio managers and ESG specialists, with portfolio managers expected to have a view on sustainability and ESG topics.

A more recent driver has been the increased recognition in the business world of system level issues such as climate change and inequality. COVID-19 has raised the importance of the social dimension; namely issues around inequality. It has also strengthened talk about corporate purpose. For example, in the USA in particular, many companies have faced a dilemma about their human capital – i.e. whether to cut headcounts or cut dividends. Investors have stressed the need for long-term view and resilience in companies and large organizations have generally reacted to this by resisting mass layoffs.

The next phase of the corporate sustainability transition will be driven by standards

Investors are calling out for a set of universal global standards for measuring and reporting on ESG that can enable clearer measurement of performance and better comparisons between companies. This should include a framework through which the material issues that are important in sustainable value creation are clearly defined and broken down by industry.

The proposed Sustainability Standards Board, which is due to launch in 2026, will be of interest to the CFO: it should provide common, quantifiable standards for ESG performance (as already exists for financial performance). However, the extent to which this goal is realized will depend largely on whether the EU and the USA choose to develop their own common standards for ESG reporting. If this transpires, it may dilute the ESG environment and create a need for convergence between three different reporting initiatives: EU, US, and global.

While there is strong investment pressure for the standards to be introduced, there is less support from the business community in some parts of the world. For the most part, European companies have become comfortable with talking about sustain and financial performance; however, the USA is behind the curve, partly because shareholder capitalism is more ingrained. Within these discussions, it is important to stress that standards are not a silver bullet in realizing net-zero emissions and combating climate change. They provide a foundation of comparable measures, but ultimately it is about companies delivering on their promises. That requires companies to have targets in place and to introduce the necessary innovations and initiatives needed to meet these.

Insights from the deep-dive discussions

The deep-dive discussions at the end of the CFO Forum Annual Meeting centered on three key topics. These related to the role of the CFO with regard to ESG and sustainable value creation.

Topic 1: What does ESG mean to companies and how should they approach it?

The key takeaway from this discussion was that companies should shape their ESG approach around their authentic DNA and what they are capable of. It is important not to get lost in a forest of standards, but rather to choose the specific areas that a company can influence. Every company needs to find the sweet spot in their industry or market segment where they can add value and make a difference to people and the planet.

Equally, it is important to recognize that sustainable value creation is about profitability as well as sustainability and is not a case of “either, or”. The CFO has an important role in embedding this dual focus in company strategy and culture, and in communicating this to the rest of the organization. Having a strong and aligned sustainability ethos at the heart of the organization will make employees feel connected and can help attract new talent.

Topic 2: Managing the data gap

Obtaining quality data around ESG and sustainability is a big challenge. Companies need data in order to substantiate claims and targets. The Finance function, in particular, must decide how to collect and manage data and it must identify and find ways to fill data gaps.

However, lack of data is not an excuse to stop moving toward sustainability strategy, and becoming too focused on data can be counterproductive. There can be an expectation that ESG data should be as comprehensive and reliable as financial data, but this is not realistic at the current time. Data is important, but there is more you can do to orchestrate change management. Sustainability in itself should always be the main motivating factor.

Topic 3: The importance of CFO leadership in driving the sustainability agenda

The CFO has a pivotal role in driving the sustainability agenda. They can help set 'the tone at the top' and set expectations for the wider organization. Furthermore, they can help embed ESG and sustainability within the company's purpose and strategy and provide evidence to support targets and goal setting. The CFO also carries weight with investors which is essential in enabling sustainable value creation.

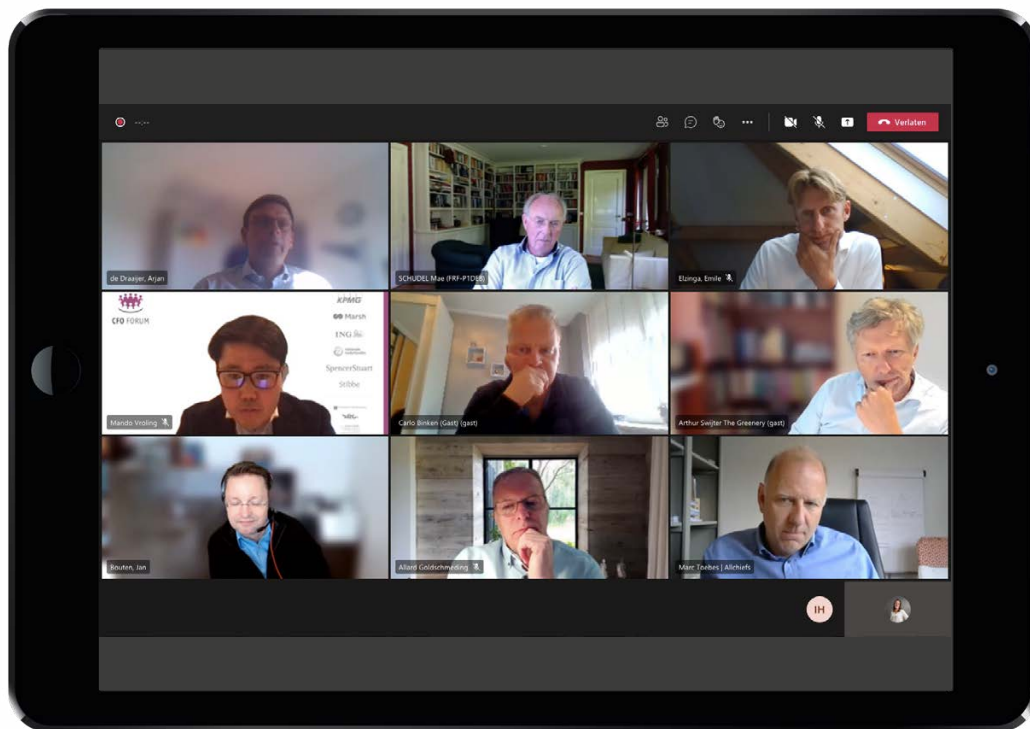
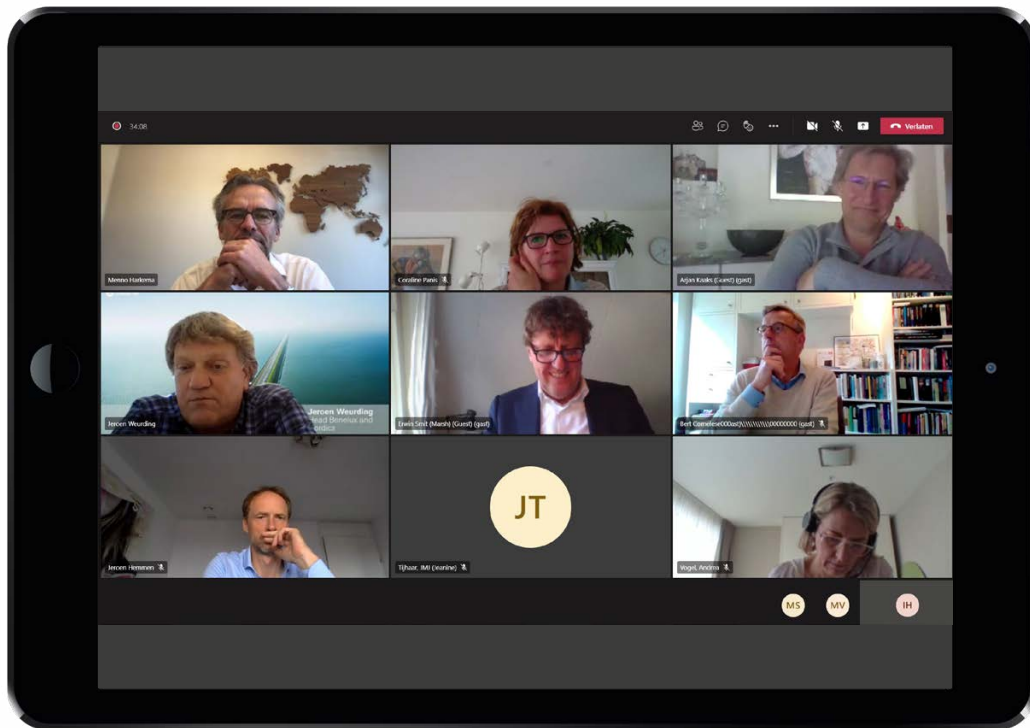
It is not up to the CFO alone to drive the sustainability agenda; it requires the full support of the board. That said, the CFO can play a role in pushing sustainability as part of the board agenda. If the CFO teams up with the CEO, it can be very powerful in achieving buy-in from other board members.

“An obstacle is that there is a swamp of standards in the field of sustainability reporting. Be proactive, keep in touch with leading authorities, provide input, and follow your own (integral) line by applying tangible KPIs.”

“Sustainability is top-of-mind for every CFO, but there is still a lot to be gained in the translation to sustainable business models.”

“Finance holds the key to putting ESG on the map from the perspective of data, decision-making, and reporting, but the real acceleration happens when finance helps to create value together with the business.”

Deep-dive discussions



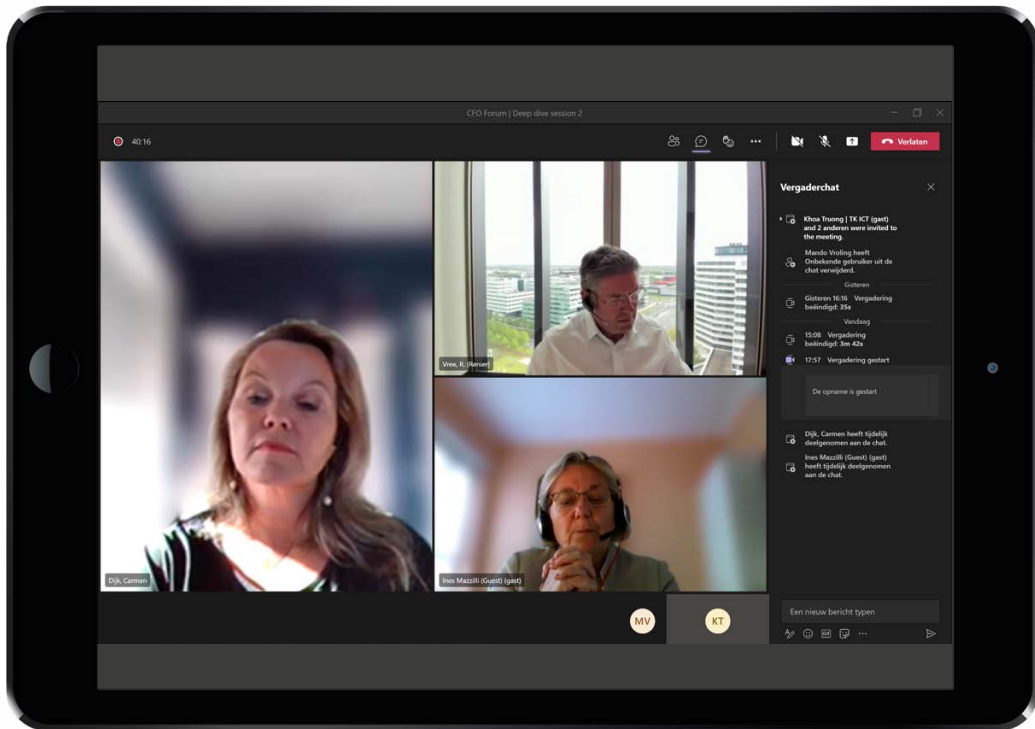
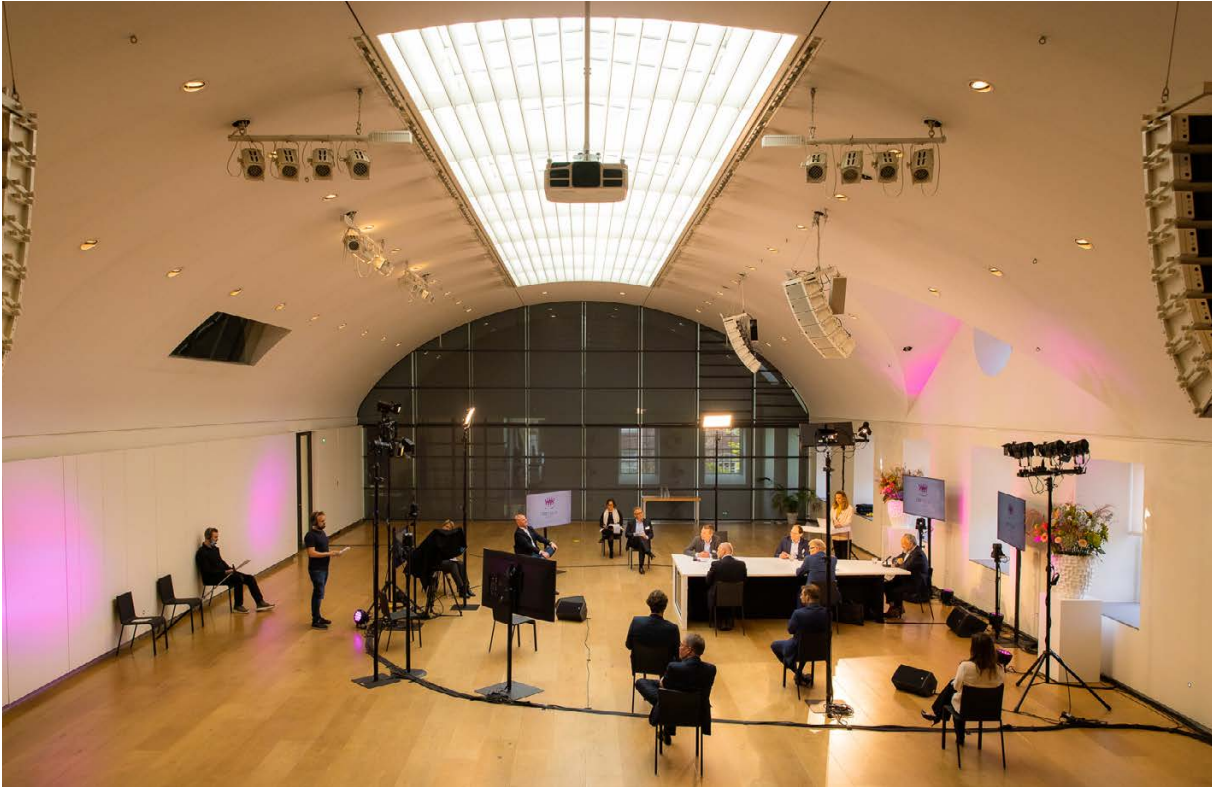


Photo Impression



















This post read is offered by the partners:

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Thanks to the studio guests and speakers:

Bob Eccles, Visiting Professor of Management Practice at the Saïd Business School at Oxford University

Frank Lemmink, EVP of Finance Integrated Gas, Renewables & Energy Solutions at Shell

Maarten de Vries, CFO at Akzo Nobel

Gavin van Boekel, CFO Middle Europe Unilever

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Roeland Tjebbes, CFO ForFarmers

Bas van Werven, news anchor at BNR Nieuwsradio

About CFO Forum

KPMG, Marsh, Nationale-Nederlanden, ING, Spencer Stuart, Stibbe and Transformation Forums are always keen on offering CFOs a peer to peer sharing platform to discuss, learn and inspire each other. Enabling people to be part of a meaningful community, this setting offers CFOs a reference on the speed of change, in order to gain actionable insights.

Organization:



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