Staying the course: chief financial officers and the green transition

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Photo by Kalra Kearney, Gurugram

With a slowing global economy, rising geopolitical tensions, and increasing extreme weather events, are CFOs still investing in sustainability?

The World Economic Forum has forecast a "bleak outlook" for the decade ahead, highlighting that environmental risks have become the greatest source of long-term concern and are projected to intensify over the next decade. While much of the conversation has been dominated by CEOs and chief sustainability officers (CSOs), one crucial voice has been missing: the chief financial officer (CFO).

Although COP29 in Baku was labeled "the finance COP," few chief financial officers and finance ministers attended, impeding meaningful discussion. While there is no lack of conversations about the challenges and opportunities related to climate change and the green transition, we rarely hear from those who control the financial levers of their organization.

This article delves into the findings of research conducted in December 2024 by Kearney and We Don't Have Time, surveying more than 500 CFOs across several geographies, including the United Kingdom, the United States, the United Arab Emirates, and India, to understand if and how CFOs are embedding sustainability into their strategies. Given the geopolitical uncertainties, the United States' then-expected withdrawal from the Paris Agreement, and slowing economic growth, we wanted to know: is sustainability still a priority for investments in the business community?

Ninety-two percent of CFOs say they will invest more in sustainability, with more than half saying they will significantly increase their investments.

Key findings: investment trends and priorities

Sustained momentum in sustainability investments

Throughout 2024, there was a growing concern that investments in the green economy would face a slowdown. However, our study clearly indicates this is not the case. Quite the opposite in fact. Out of the more than 500 CFOs who responded to our survey, 92 percent say they will increase their current investments in sustainability, with more than half saying they will significantly increase their investments (see figure).

These findings underscore that businesses are amplifying their focus on sustainability—indicating that sustainability has once and for all moved from a "nice to have" to a foundational element of the business landscape. However, follow-up questions in our survey also indicate that businesses are becoming more specific about where to allocate resources, showing a preference for short-term actions rather than a long-term transformation.

Immediate emissions reductions as a strategic focus

When asked about the focus areas of their sustainability investments, CFOs prioritize initiatives with tangible, near-term impacts on emissions reduction:

1. Increase the use of sustainable materials.
2. Drive sustainable innovation and partnerships.
3. Manage energy.
4. Reduce waste.
5. Focus on ESG regulations and ratings.

Figure
Nearly two-thirds of CFOs plan to allocate more than 2.1 percent of their revenue to sustainability in 2025

0–0.5%	**0.80%**
0.51–1%	**3.00%**
1.1–1.5%	**13.00%**
1.51–2%	**20.80%**
2.1–2.5%	**37.80%**
More than 2.51%	**23.00%**
Not sure	**1.60%**

Source: 2024 CFO study by Kearney and We Don't Have Time

Other priorities include decarbonizing supply chains, educating the workforce, reducing travel, and offsetting emissions. These priorities align with broader global trends, emphasizing the need for urgent action to reduce greenhouse gas emissions before 2030 rather than aiming for faraway 2050 net zero commitments. The priorities also reflect areas where financial targets and emission reduction targets align: reduced energy consumption, reused material, and waste reduction all offer lower costs and lower emissions. Our study also confirms that we are still seeing a significant cost connected to regulations, reflecting the "regulation paralysis" we have seen over the past couple of years, especially with the Corporate Sustainability Reporting Directive being rolled out in the EU.

The business case for sustainability and evolving financial models

A remarkable 93 percent of the CFOs in our study say they see a clear business case for investing in sustainability, a sentiment that is consistent across geographies. Yet, a nuanced perspective emerges with 69 percent expecting a higher return on investment (ROI) from sustainability initiatives compared with conventional investments. At the same time, 61 percent view sustainability investments primarily as a cost decision rather than as something that creates value. This apparent contradiction suggests that although CFOs recognize the potential for long-term gains, immediate financial pressures or uncertainties may lead to framing sustainability efforts as cost centric.

Simultaneously, businesses are recognizing that there is a cost of inaction to consider as well. Given the changes in customer perception, emerging technologies, and regulations, there simply is no status quo, and any company looking at significant investments must also understand the implications of not investing. In short, many evaluation models are becoming insufficient as they do not account for risks connected to business as usual, be it relevance of offerings, supply chain disruption, or inefficiencies. CFOs are taking this into account, with 84 percent reporting that they have changed their business case evaluation models to incorporate these sustainability considerations. In fact, 65 percent say they already measure the cost of inaction, acknowledging the financial risks associated with a failure to transition to sustainable business practices.

Measuring the cost of inaction is particularly prevalent in the United States, where 75 percent of CFOs have established such metrics. This practice is also significant in the United Arab Emirates (67 percent) and somewhat less so in the United Kingdom and India (58 percent each).

Nearly two-thirds of CFOs say they already measure the cost of sustainability inaction.

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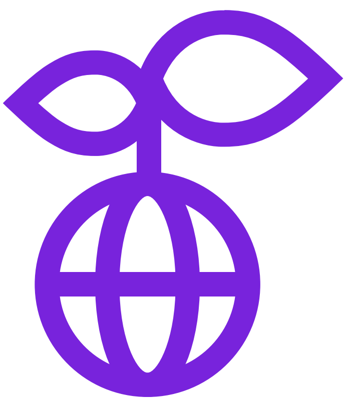

Sustainability in broader financial decision-making

Looking beyond operations, CFOs are also integrating sustainability into their broader investment strategies and employee-focused initiatives, capitalizing on the opportunity to steer large funds toward more sustainable investments to make sure all financial resources are being put to better use.

— **71 percent** consider sustainability when choosing employee retirement funds, signaling a commitment to aligning organizational and employee values.

— **94 percent** incorporate sustainability considerations into their overall investment decisions, demonstrating that sustainability is indeed embedded in their financial strategies.

This creates an even bigger impact, giving businesses an opportunity to not only influence stakeholders closest to their own operations, but also shape other industries.

Implications for the business community

The CFO as a catalyst for change

CFOs have a unique role in bridging financial acumen with business strategy. Aligning investment priorities with corporate sustainability goals can create a wealth of benefits:

— **Create value.** Ensure that sustainability investments deliver measurable financial and environmental returns.

— **Foster collaboration.** Work closely with CSOs and other stakeholders to balance short-term costs with long-term benefits.

— **Enhance transparency.** Provide clearer reporting on the financial impacts of sustainability initiatives to stakeholders and investors.

— **Future-proof the business.** Building resilient operations that can withstand the increased risks related to social and environmental risks.

How can we accelerate the pace of the transition?

Although our study reveals that businesses are making progress on the green transition, more remains to be done. CFOs are in a unique position to accelerate the pace of the transition and enable the business community to truly lead the way to sustainable growth.

Reframe sustainability as a strategic value driver. Focus on communicating the ROI and the competitive advantages of sustainability investments to stakeholders. Several companies have already disconnected emissions from growth, showing that being a greener business is in fact good business.

Capitalize on financial innovations. Explore green bonds, sustainability-linked loans, and other financial instruments that incentivize sustainable practices.

Invest in data and metrics. Strengthen the ability to measure and report on both the cost of inaction and the ROI of sustainability initiatives. Clear data-driven insights can shift the narrative from cost to opportunity and serve as a fact base for directing funds to areas where they have the biggest impact to get the biggest bang for the buck.

Embed sustainability across the organization. Ensure alignment between financial and sustainability teams to create cohesive strategies that address immediate and long-term goals. Unless sustainability is embedded in all business functions, companies will be stuck doing individual projects rather than changing at scale.

Engage in global initiatives and industry alliances. Change cannot happen in isolation, and companies must participate in collaborative efforts to build scale. Individual businesses cannot change faster than the ecosystem allows them to, with many industries relying on other sectors, such as the energy sector, to build the infrastructure needed to truly transform. There is also a need for more collaboration between the private and public sectors.

Photo by Onur Okutur
Kearney, Istanbul

A call to action

The world desperately needs to move toward a more sustainable future, and CFOs hold a pivotal role in driving the financial transformation required to meet these challenges. Our study highlights the optimism, challenges, and opportunities that define the CFO perspective on sustainability. By leveraging their financial expertise and strategic influence, these leaders can turn sustainability from a cost consideration into a core driver of business success—accelerating the pace of the transition.

The business community must embrace this perspective, recognizing the vital role of CFOs in shaping a sustainable and prosperous future. Together, we can ensure that the investments made today pave the way for a resilient tomorrow.

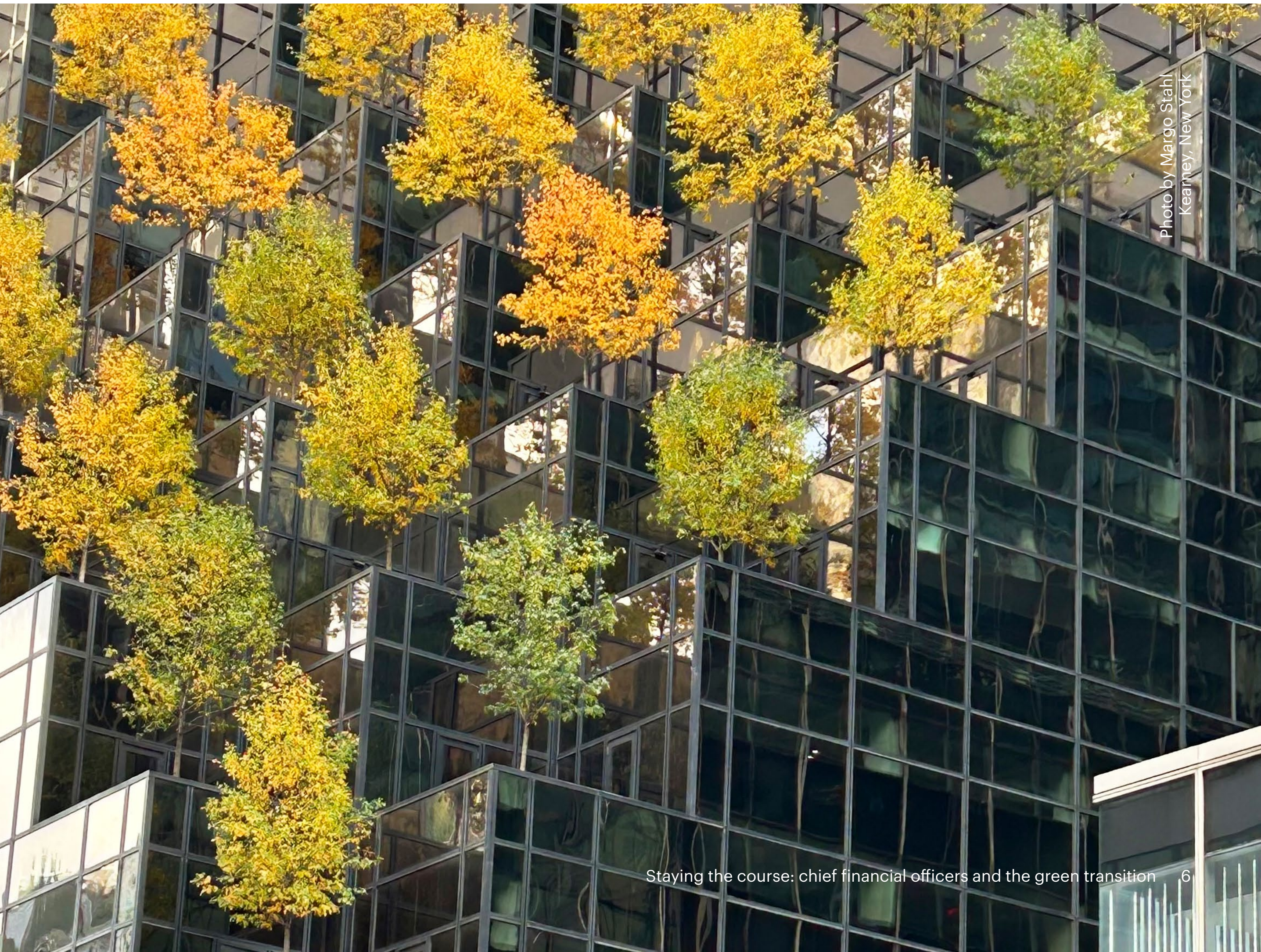

Photo by Margo Stahl
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About We Don’t Have Time

We Don’t Have Time is the world’s largest media platform for climate action—with a mission to democratize knowledge about climate solutions and inspire and mobilize global action toward a prosperous, fossil-free future. Boasting a community of 100,000+ climate professionals and influencers in 180 countries, and partnerships with 350+ companies, governments, and civil society organizations, We Don’t Have Time reaches 200 million people each month on social media. Headquartered in Stockholm, Sweden, with offices in Washington, D.C., and Nairobi, Kenya.

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Kearney is a leading global management consulting firm. For nearly 100 years, we have been a trusted advisor to C-suites, government bodies, and nonprofit organizations. Our people make us who we are. Driven to be the difference between a big idea and making it happen, we work alongside our clients to regenerate their businesses to create a future that works for everyone.

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