From Sustainability to Business Value

Finance as a catalyst
Sustainability, in some shape or form, is by now a well-established feature on the US corporate agenda. Yet there is significant variance among US companies in terms of the importance and attention given to sustainability issues versus other business priorities. And there remains a broad spectrum of opinion as to the value of sustainability, ranging from a perception that it is a low priority “nice to have”, to those few that embrace sustainability as a core driver of their future business strategy.

While companies have long-recognized the business risks created by issues such as raw-materials scarcity, air and water pollution, and climate change, and the importance of minimizing those risks, firms are only now beginning to understand that sustainability is about much more than mitigating risks.

Done well, sustainability-driven initiatives — improving energy efficiency, rethinking supply chains and even transforming business models — have the potential to drive competitive advantage, innovation and revenue growth. But few firms are realizing the full extent of these gains today: the majority of US companies will need a better understanding of how sustainability can be translated into different types of business value, and how they can effectively measure the return on sustainability-driven investments before they can fulfill this potential. Only then will US firms have the business case they need to accelerate and deepen the integration of sustainability into business strategy and operations.

New research from ING finds that US firms with integrated, organization-wide sustainability frameworks achieve better borrowing and revenue outcomes than their peers. These businesses also view revenue growth as the main driver of their investment in sustainability. Meanwhile, other industry research has also established advantages linked to attracting and retaining talent1.

The time has come for businesses to translate sustainability initiatives into business value, but they will need support from finance and treasury leaders. Our research reveals that many companies are struggling to turn sustainability initiatives into business value. Why is this?

• Limited integration between sustainability teams and other parts of the business, including finance
• Difficulty quantifying the impact of sustainability initiatives on growth and developing forward-looking performance models
• Challenges identifying sustainability-led investment opportunities that can help drive growth
• Lack of understanding about how to access green financing instruments.

These are often company-wide problems, but finance and treasury teams are key to taking sustainability and growth strategy to the next level: they can make the business case for investing in sustainability initiatives and help ensure that the investments provide tangible business value.

We interviewed 210 US-based finance executives from sectors including financial services (20%), manufacturing (19%), technology (17%), consumer goods (9%), healthcare (9%), energy and natural resources (5%), real estate (5%), industrial engineering (4%), telecommunications (3%), media (3%), agriculture (2%), infrastructure (2%), chemical (1%), and transport and logistics (1%).

30% of the companies have revenues of $500m–$1bn, 32% have revenues of $1bn–$5bn, 22% have revenues of $5bn–$10bn, 9% have revenues of $10bn–$20bn, and 7% have revenues of $20bn or more.

CFOs comprised 29% of those questioned, financial controllers 26%, finance directors 35%, and senior treasury professionals 10%.
Executive summary

Sustainability strategies are a must-have in today’s environment, and half of firms are embedding sustainable thinking into their business growth plans

Four in five US firms (81%) surveyed now have formalized sustainability strategies in place, and 48% say that sustainability concerns actively influence their growth strategies.

Firms that have gone furthest to embrace sustainability are more likely to view it as a potential driver of revenue growth

Among the “most mature” firms in the research (that is, those firms with an enterprise-wide sustainability framework in place), 43% say revenue growth is a key driver for their action on sustainability, while just 37% of other firms say the same. The less mature firms are more likely to see cutting costs and efficiency gains as the major benefits of sustainability.

Those firms with the most comprehensive sustainability frameworks tend to have experienced better revenue, borrowing and credit-rating outcomes

While 87% of the most mature firms have experienced some level of revenue increase over the past 12 months, only 67% of those with less integrated sustainability strategies say the same. In addition, 65% of the most mature firms have improved their credit ratings over the past two years, compared with just 51% of the less mature firms.

The biggest challenge for US firms is identifying sustainability-led business opportunities

For US firms, difficulty identifying sustainability-led business opportunities is cited as the biggest barrier to greater investment in sustainability initiatives (52%). They also want to see more evidence that sustainability-led initiatives deliver real business value before they increase their investment levels.

Appetite for green bonds has been strongest among the largest firms, but it is now growing among smaller firms

Larger firms in the US have issued the lion’s share of green bonds over the past two years: 48% of those with >$10bn revenue have done so, compared with only 32% of those with <$10bn revenue. However, 37% of smaller firms plan to issue green bonds in the two years ahead. For the larger firms, 36% plan to issue green bonds over the next two years, but 45% plan to undertake green loans, up from 33% that used them in the last two years.

Figure 1. Sustainability concerns are being factored into growth strategy

What level of influence do sustainability or environmental concerns have on your company’s future growth strategy?

<table>
<thead>
<tr>
<th>None at all</th>
<th>Minimal influence</th>
<th>Some influence</th>
<th>Strong influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>33%</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>

None at all: 33%  
Minimal influence: 19%  
Some influence: 19%  
Strong influence: 29%
1. Sustainability today: A maturing issue

Four in five of the US firms that we surveyed now ensure that they have a dedicated sustainability strategy in place, so the majority of our respondents are clearly taking sustainability more seriously today.

The case is difficult to ignore. Examples of sustainability issues affecting company performance are easy to find in any sector of the economy. The multi-year drought in California has had a severe impact on the agriculture, food processing and energy sectors, for example. More broadly, global water scarcity threatens businesses across industries: agriculture already accounts for roughly 70% of total freshwater withdrawals globally, and is expected to increase by about 20% by 2050; and overall industry uses about 19% of the world’s total water withdrawal today, but manufacturing alone is predicted to increase its use by 400% by 2050.

As new technologies disrupt industries, there is increasing demand for finite raw materials that will need to be responsibly managed. In the automotive industry, for instance, the move toward electric cars and ultimately driverless cars will create huge demands for elements such as lithium and cobalt, which are in limited supply.

In addition, it is becoming increasingly common for large global companies to adopt sustainable procurement policies and explore ways to build more sustainable supply chains. This practice is producing a ripple effect across industries, as companies along the value chain are held to account on their sustainability practices and encouraged to improve their sustainability practices and reporting efforts.

Despite this, only a third (34%) of firms in our survey say they apply their sustainability strategies throughout their operations, which suggests that many companies are still in the relatively early stages of their sustainability journeys and are taking a fragmented approach to implementation. This is unsurprising: just 11% of respondents say they have been pursuing sustainability objectives for a decade or more.

In establishing their sustainability strategies, companies say that tangible business outcomes, such as revenue growth and reduced operating costs, are at the heart of their thinking (see Figure 2). As we will see in Section 2, however, most of today’s firms are finding it challenging to link their sustainability investments to these tangible business returns in practice.

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Several small steps

In reality, companies do not tend to take one great leap toward sustainable practices. Dawn Rittenhouse, DuPont’s Director of Sustainable Development, says the firm’s sustainability strategy has undergone a clear evolution during her nearly two decades there. “We’ve gone on a journey from sustainability being about cutting our environmental footprint to being about ‘how we are helping our customers and society be more sustainable,’” she says. “It’s really now focused on our products and our innovation pipeline.”

There are several different stages on the road to sustainability:\(^3\)
1. Companies look to make improvements to comply with stricter laws and regulations because it is a business norm that is part of corporations’ license to operate.
2. They realize that taking action can improve business performance by bringing efficiency gains and lower costs.
3. They start to become more engaged, asking customers and suppliers how they can help them to meet their sustainability goals.
4. Finally, the most engaged companies seek to use sustainability as a framework for the future by developing products and business models that meet the needs of 21st century consumers, and therefore helping to ensure their survival and to drive growth.

This process is reflected by the results of our survey (see Figure 3). The companies that are more mature, with enterprise-wide sustainability strategies, are more likely to be seeking to use sustainability to drive revenue growth by developing new products, services and ways of doing business. Firms with no formal strategy are more focused on brand reputation and efficiency savings as drivers.

\(^3\) Where does your business sit on the sustainability maturity curve?, 2degrees, November 2014 [https://www.2degreesnetwork.com/groups/2degrees-community/resources/where-does-your-business-sit-sustainability-maturity-curve/]
The circular economy — A new way of operating

The circular economy, which focuses on cutting waste, reusing materials and the sharing economy, can be a compelling driver for sustainability. According to a study by McKinsey for the Ellen MacArthur Foundation, a circular economy campaign group, switching to circular economy models could create annual cost savings of $1tn a year for the global economy.4 However, many circular economy initiatives, such as product-as-a-service and moving from purchase to leasing models, involve new business models that make it difficult for businesses and their finance teams to price products and finance supply chains. The main challenges are the changing nature of firms’ cash flow, the increase in capital that is needed to pre-finance clients, and legal issues surrounding collateral and its value.5

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5 Rethinking finance in a circular economy, ING, 2015

[https://www.ing.nl/media/ING_E2B_Financing-the-Circular-Economy_tcm162-84762.pdf]
Our survey suggests that US firms would put more investment into sustainability initiatives if the benefits were clearer to them.

Over half of the US businesses we surveyed say they struggle to identify sustainability-led business opportunities, predict the impact that sustainability investments will have on future performance, and measure the impact of sustainability initiatives.

“In the US, I think we will really need to find ways of evidencing the value of sustainable behaviour in a more substantive way before we start to see a real scaling up of investment across sectors,” says Pieter Puijpe, Co-Head of Americas Structured Finance at ING. “I think there is a willingness to put more focus on monitoring and reporting on sustainability in the US, but only if it’s not too invasive and not too time and resource consuming. If it’s really adding value then they will be willing to report on more metrics to evidence that they’re sustainable.”

Finance plays a key role in firms’ understanding of the potential economic impact of sustainability schemes.

Our survey respondents consider access to finance, the level of boardroom commitment to sustainability, and the availability of expertise to implement sustainability measures to be lesser obstacles. This suggests that if firms can gain access to the necessary data to identify sustainability benefits — and develop better methods for analyzing that data — they should be able to bring initiatives online.

**Figure 4. Barriers to greater investment in sustainability initiatives**

Which of the following are the biggest barriers to your organization investing more in sustainability initiatives?

- Difficulty identifying sustainability-led business opportunities: 52%
- Difficulty predicting future performance: 50%
- Difficulty measuring performance / quantifying benefits: 50%
- Government regulation: 40%
- Access to finance: 30%
- Lack of board-level commitment to sustainability: 29%
- Lack of expertise: 24%
- Lack of an enterprise-wide sustainability framework: 19%

Source: ING Sustainability and Finance Study 2018
Almost all of the US companies that we surveyed say that their finance departments are already playing a role in sustainability on some level: more than half (53%) say that finance is a lead partner in sustainability initiatives, and 46% say that the department contributes to sustainability initiatives. This is perhaps unsurprising, given the role of the finance team in assessing costs and authorizing funding.

However, our respondents recognize that the finance team could play a greater role in overcoming some of the existing barriers to sustainability. Three in five say that the finance function will seek in future to improve its ability to model returns from sustainability investment — a step that would give greater visibility to decision-makers when they consider new initiatives.

“Today, financial modelling usually looks backwards rather than forwards. Looking forward is essential for sustainability discussions, but it's less tangible,” says Leonie Schreve, Global Head of Sustainable Finance at ING. “If you look at the development of new markets for more sustainable goods and services, for instance, it is often difficult to assess exactly how big the market is going to be, and how quickly it will develop, so determining a quantitative approach on such developments is more difficult, and often not common practice within the finance function.”

### Figure 5. Sustainability-related objectives for the finance function
Which of the following are your finance function’s most important sustainability-related objectives for the next 2 years?

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve ability to model future returns from sustainability initiatives</td>
<td>60%</td>
</tr>
<tr>
<td>Develop suitable metrics for sustainability initiatives</td>
<td>49%</td>
</tr>
<tr>
<td>Enhance knowledge of green financing instruments</td>
<td>47%</td>
</tr>
<tr>
<td>Adjust our traditional balance sheet approaches to valuing assets</td>
<td>41%</td>
</tr>
<tr>
<td>We do not have any sustainability-related objectives</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: ING Sustainability and Finance Study 2018
As we saw in Section 2, a major barrier to increased investment in sustainability is the challenge of measuring and attributing tangible business outcomes to such initiatives. Overcoming this requires firms to assess both financial and non-financial metrics. It may not make sense in future for finance to actively track many of these metrics, but the function should analyze which sources of information they are missing and include them in reporting.

For instance, more than half of the finance leaders in our survey are not currently reporting on non-financial metrics that could be linked to sustainability performance, such as energy efficiency, water use and CO₂, (see Figure 6).

Figure 6. Non-financial metrics monitored by finance team
Which, if any, of the following non-financial metrics is your finance function monitoring as part of its reporting today?

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in your company’s energy efficiency</td>
<td>46%</td>
</tr>
<tr>
<td>Return on investment linked to sustainability-related activities</td>
<td>43%</td>
</tr>
<tr>
<td>Your company’s overall water use</td>
<td>42%</td>
</tr>
<tr>
<td>Sustainability rating of your company’s suppliers</td>
<td>40%</td>
</tr>
<tr>
<td>Your firm’s performance against an industry-specific sustainability standard</td>
<td>40%</td>
</tr>
<tr>
<td>Change in your company’s greenhouse gas emissions</td>
<td>36%</td>
</tr>
<tr>
<td>We are not reporting any of these metrics</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: ING Sustainability and Finance Study 2018
New reporting demands

The Taskforce on Climate-Related Financial Disclosures (TCFD) has developed a set of voluntary guidelines for climate-related risk disclosures, and finance teams can expect reporting requirements to investors, lenders, insurers, and other stakeholders to increase over the next few years.\(^6\)

Finance teams will need to upskill in this area to meet such demands, as there is currently a knowledge gap in relation to sustainability: 52% of respondents say that their finance departments currently lack the expertise that they need to advise the business on sustainability strategy.

With several international and domestic bodies seeking to develop and promulgate their own reporting standards for sustainability, and investors demanding new types of information, reporting is only set to grow in complexity. Finance teams will therefore need to develop a broad understanding of how the sustainability landscape is changing, to respond to shifting reporting requirements.

How UPS ensures that its finance function plays a key role in sustainability

Logistics company UPS integrates sustainability throughout its business. It does this with a strong governance framework that includes a sustainability leadership council with representatives from every function, including finance, and a steering committee led by four members of the management committee, including the Chief Financial Officer.

“Governance is very important,” says Tamara Barker, the firm’s Chief Sustainability Officer. “Because we need to know that from the top down we have buy-in, we have support, and we’ve got finance involved in our sustainability initiatives.”

Not only is sustainability now something that customers expect and employees want to be involved in, it can also help to cut costs, improve efficiency, and increase revenues. “Many UPS customers have set goals to make their value chains more sustainable, and, as an important part of the supply chain, UPS is well positioned to help them realize their goals.”

“For our own operations, we’ve conducted a global materiality assessment that identifies which issues are most important for the business and which issues are most important for our stakeholders,” explains Barker. “Where those priorities overlap is where we focus our strategy.”

“UPS’s On Road Integrated Optimization and Navigation (ORION) program is an example of how a sustainability-driven investment can give rise to multiple sources of business value. ORION is a proprietary software tool that combines data from delivery packages with telematics data from vehicles. It enhances customer service and reduces miles driven by determining the most efficient delivery route each day. Since deployment in 2013, ORION has helped UPS avoid driving 210 million miles, reduce CO₂ emissions by 210,000 metric tonnes, and save $400 million annually. Now that ORION is fully deployed, the company expects to see annual reductions of 100 million miles and 100,000 metric tonnes in CO₂ emissions.”

The support of the finance team is crucial, because it enables UPS to identify the return on its investment. And finance needs a strong understanding of the broader objectives of sustainability strategy: for some projects, the firm needs to use a longer-term target than it would for more traditional capital expenditures.

Accessing finance

Finance and treasury teams are also central to their firms’ ability to access suitable financing for their sustainability initiatives. While the green financing market globally continues to expand, issuance in the US fell back in the first three quarters of 2017, following a 55% increase during 2016. The US is now the third-largest issuer, after China and France.

While there have been some notable corporate issues, such as Apple’s $1bn offering in June 2017, the corporate market is not as well developed as it could be. The municipal bond market is the main driver for US demand. Nearly half (46%) of the finance leaders in our survey recognize that their teams lack strong knowledge of green financing instruments. It is worth noting, however, that at companies where the finance teams are more integrated with sustainability strategy, 70% say they have strong knowledge of green finance instruments. In our survey, those firms where knowledge is strongest are also the most likely to have issued green finance instruments within the last two years.

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\(^6\) Recommendations of the Task Force on Climate-related Financial Disclosures, TCFD, June 2017 [https://www.fsb-tcfd.org/publications/final-recommendations-report/]
In an example of how public bodies are using the green finance market, the San Francisco Bay Area Rapid Transit District (BART), raised $300m with its first green bond issue as part of a $3.5bn plan to improve the network’s infrastructure. One key benefit of the green bond was that it helped to garner investor interest.

“Given the overwhelming response of both retail and institutional investors, We’ve succeeded in broadening our investor base,” says Rose Poblete, BART’s Controller-Treasurer. And while Poblete says her team had to spend some additional time getting up to speed with certification criteria (as compared with undertaking traditional financing), it is now likely that they will use them again in future. “I think it’s kind of a no-brainer,” she adds. “Now that we know how to do it, and with our long-term sustainability goals, we’d definitely do it in future.”

Our survey results also suggest that the green loan market is set to grow faster than the green bond market over the next two years. This switch in emphasis may be because green loans are quicker and easier to arrange, and provide greater flexibility than bond issues. “Pricing can often be more beneficial on the green bond side, because there’s not enough supply in the market relative to the growing demand of the green investor community. Though with green loans, and particularly innovations such as sustainability-rating linked loans, it is possible to get more bespoke financing terms,” says ING’s Schreve.

7 US investors drawn to environmentally friendly green bonds, Financial Times, March 2017 [https://www.ft.com/content/02125b52-e322-11e6-9645-c9357a75844a]  
9 US investors drawn to environmentally friendly green bonds, Financial Times, March 2017 [https://www.ft.com/content/02125b52-e322-11e6-9645-c9357a75844a]  
4. Sustainability and business value

In line with our finding that companies struggle to turn sustainability issues into commercial opportunities, only a minority of firms in our survey say they have launched substantial new business initiatives — such as creating new products, buying another company, and launching operations outside their core market — as a direct result of sustainability concerns.

Instances of sustainability driving strategic business decisions seem to be more prevalent among larger organizations. Some of the world’s biggest companies have embraced sustainability as a way to boost growth. For example, the industrial conglomerates GE and Siemens, two of the largest producers of turbines for coal- and gas-fired power plants, have invested heavily in wind turbines in recent years.

This has proved to be a good strategy: global demand for large gas turbines fell to 110 this year, well below the market’s capacity to build around 400 annually,11 and wind-generating capacity is forecast to hit 800GW by 2021, according to the Global Wind Energy Council.12 This will help to decarbonize national energy systems and meet the growing demand from companies for clean energy — in the US alone, more than 3GW of corporate power purchase agreements were signed in 2017.13

Such bold strategic steps are more open to large multinationals with substantial capital reserves than to smaller businesses. But more broadly, the principle of factoring sustainable thinking into all types of strategic decision-making is becoming more important. Our research identifies a link between the companies that already do this well and improved business value.

For instance, among our survey respondents, those companies with enterprise-wide sustainability frameworks in place are more likely than those without such frameworks to have seen their credit rating improve significantly over the past two years (see Figure 8).

11 Siemens to shed nearly 7,000 jobs in power and gas units, Financial Times, November 2017 [https://www.ft.com/content/db504ee4-caf1-11e7-ab18-7a9fb7d6163e]
12 http://gwec.net/global-wind-capacity-forecast-to-hit-800gw-by-2021/
13 Business Renewables Center Deal Tracker, Rocky Mountain Institute Business Renewables Center, January 2018 [http://businessrenewables.org/corporate-transactions/]

Figure 8. Firms citing improvement to business outcomes over the past two years (%)
How have the following business outcomes changed at your organization over the last 2 years?

Source: ING Sustainability and Finance Study 2018
Our research also identifies a link between the maturity of a firm’s sustainability strategy and its ability to win new business: 68% of the most mature firms believe that their sustainability performance has helped them to win new business from clients, while only 31% of those without a formalized sustainability strategy say the same. And 87% of the most mature firms have experienced some degree of revenue growth over the past 12 months, compared with just 67% of other firms.

The innovation imperative

Sustainability can also be a driving force behind increased innovation activity. Microsoft, Kellogg, General Motors and Walmart, for instance, plan to source all their power from renewables, while oil and gas giants such as Total and Royal Dutch Shell have increased investment in areas such as energy storage and electric vehicles. Meanwhile, at DuPont, sustainability is now intrinsically linked with the firm’s product and innovation pipeline (see “How sustainability drives innovation at DuPont”).

How sustainability drives innovation at DuPont

For DuPont, sustainability has moved from being a way to reduce the company’s environmental footprint to a key factor in its product and innovation pipeline.

When DuPont, which merged with Dow Chemical in 2017, first established its sustainability strategy in 1990, they coined the phrase “corporate environmentalism to describe the strategy. In 2000, DuPont changed the mission of the company to be “sustainable growth” — to create shareholder and societal value while reducing the environmental footprint along its value chains. Then, in 2011, the company introduced “global challenges” into its sustainability thinking, which required it to better understand society’s big problems, and how DuPont’s competencies could play a part in solving them.

“We decided to focus on three areas,” says Dawn Rittenhouse, DuPont’s Director of Sustainable Development. “How are you going to feed nine billion people by 2050? How do you reduce dependence on fossil fuels? And how do you protect people and the environment?”

The main driver for this focus is revenue growth, she says: “We look at sustainability to help find the solution to the world’s needs and how are we innovating to solve those needs, with the belief that if we bring the solutions to the market sooner than our competitors do, we will be more successful in continuing to grow the company.”

DuPont is a supplier to some of the world’s leading companies, which themselves have ambitious environmental goals. This makes its focus on sustainability all the more important, because it enables the company to offer those clients solutions to the challenges they face. Addressing these challenges helps both DuPont and its customers to future-proof their businesses.

For smaller businesses, there is still significant value in embedding sustainability across operations and decision-making, despite the obvious challenges of devoting any dedicated team or resource to the pursuit of sustainability initiatives. At Kenan Advantage Group, a North American transportation logistics company, Vice President of Corporate Development Charles DeLacey says that while there is no formalized sustainability program, sustainable thinking is factored into decision-making across the organization.

Over the past few years, Kenan Advantage Group has driven operational improvements and innovation in its vehicle fleet, testing compressed natural gas (CNG) and liquefied natural gas (LNG) trucks as well as investing in the most fuel-efficient trucks on the market. And it has sought to lead the pack in how it operates and manages its facilities from an environmental risk perspective.

Many of these initiatives are driven by pressure from customers. Large businesses such as Walmart, Mars and Hewlett-Packard have moved from focusing solely on making their own operations more sustainable to seeking to reduce the impact of their supply chains. This trickle-down effect will likely accelerate the rate of sustainability adoption among SMEs over the next few years.

“Some of our customers have more developed sustainability programs than others, so that has an influence on some of our decisions,” says DeLacey. “Clearly, we’re going to be responsive to our customers, we’re going to be responsive to governmental regulations, and we’re a for-profit enterprise, so we’re responsible for our shareholders and for making sure that we’ve taken account of the long-term economic viability of our business.”
The ability to attract both institutional and retail investors is another source of business value that firms will need to consider. Our research shows only a marginal difference in the ability of mature firms and less mature firms to attract a diverse investor base (see Figure 8), but third-party research continues to suggest that investors are increasingly seeking to take environmental, social and governance factors into account when making investment decisions. 15,16

BART’s Poblete says the organization’s use of green bonds became an important asset in this respect. “Once we successfully obtained third-party certification by the Climate Bonds Initiative,” she says, “this became a critical part of our marketing effort toward investors.” Some, however, believe that there is still some distance to go before sustainability is an everyday part of the conversation with investors. “The internal people who regularly talk to investors don’t understand Sustainability quite well enough to talk to the Sustainability folks on the investor side at the current time,” says Jonathan Flaherty, Senior Director for Sustainability and Utilities at US commercial real estate firm Tishman Speyer. “Therefore it tends to end up being a conversation between the two Sustainability specialists on either side of the relationship. When it comes to environmental, social and governance investing principles, I think there’s a consensus among US companies that the ‘e’ is increasingly important, but there is perhaps less understanding of the importance of the ‘s’ and the ‘g’. I think there’s also a lack of understanding about how this links to business value too, which is something that needs to be addressed before we will see any significant change.”

16 Do companies with strong ESG ratings make for better investments?, businessGreen, January 2018 [https://www.businessgreen.com/bg/analysis/3024006/do-companies-with-strong-esg-ratings-make-for-better-investments]
Conclusion: Capturing business value

The business benefits to companies of introducing sustainability initiatives are becoming increasingly clear, yet many firms still do not know where to start.

1. Make the benefits tangible

Businesses are far more likely to act if they can see the benefits of sustainability. They need to ensure that they are measuring the right things — tracking performance on sustainability metrics such as resource use, emissions and return on investment of sustainability initiatives is the starting point to better understanding why and how sustainability can work for your company. But they need to find ways to measure them effectively too: identifying responsible individuals across the business that can take charge of tracking new metrics, and putting new reporting lines in place to senior management will be key initial steps.

2. Integrate sustainability across the organization

Firms that have successfully integrated sustainability objectives throughout the organization as a whole are better equipped to apply sustainable thinking across the full spectrum of decision-making — from setting growth strategy to reviewing supply chains and establishing partnerships with third parties. While smaller firms may have insufficient resource to build a dedicated sustainability function, larger firms where this is possible may find their sustainability professionals feeling isolated from key business stakeholders. Establishing sustainability governance frameworks and cross-functional steering committees that meet regularly will help with aligning objectives and activity across the organization.

3. Engage the finance function

Many sustainability initiatives require an initial investment, which means it is far easier to get started if the finance team is fully engaged and understands the benefits. Strong partnerships between finance and sustainability leaders will be key to building the business case for investment and getting initiatives off the ground. When it comes to raising funding, the growth of the green finance market creates opportunities to attract new investors, to potentially achieve more advantageous financing terms, and to shine a light on an organization's commitment to sustainability. But only an engaged finance team will be prepared to build the expertise to access this market, as the first foray may require more time and effort than traditional financing routes — with longer-term gains on offer for those prepared to make the leap.
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