



# A Leader's Guide to Sustainability

How business executives and leaders in finance, operations and IT can foster growth and control costs while contributing to sustainability goals

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# 01

## Sustainability and executives



### Build resilience with an ESG strategy

While growth is still the top priority for most CEOs, addressing sustainability is on the rise – and that can prove to be a complementary goal, as sustainability initiatives create new opportunities for growth.

That's no surprise given that sustainability efforts often track well with CEO goals. Sustainable practices can improve long-term profitability by increasing efficiency and savings, and they can make growth more sustainable by improving resilience and reducing risk. If you're a CEO, improved visibility and transparency into your organisation's practices driven by ESG reporting needs can also provide you with better intelligence and insights into finance, operations and other areas.



## Opportunities for CEOs

### Creating competitive differentiation

Products or services that show a company's commitment to sustainability can attract new customers, improve brand image and increase loyalty. Later in this chapter, you can learn about how iconic food manufacturer The Arnott's Group did this with Microsoft.

### Exploring sustainability-focused mergers and acquisitions

More than 70% of organisations have used ESG metrics in their target valuations and to re-evaluate their portfolio,<sup>5</sup> and 60% of investors said articulation and integration of material ESG opportunities and risks into strategy will be among the biggest drivers of companies' success in the next three to five years.<sup>6</sup> Look past the hype to strategic fundamentals to get the most impact from sustainability-focused mergers and acquisitions – for example, by opening access to new sustainable products and technologies, ESG talent and government tax credits and incentives.

### Improving progress reporting and transparency

Quantifying and communicating the value of sustainability investments is difficult. Seek out tools that increase transparency and make reporting more timely, accurate and comprehensive. This can help leaders in your organisation adjust more quickly to increase efficiencies and drive progress, and it can help your customers see the strides and progress in your journey. Better reporting can also help your organisation meet ESG reporting regulations.

### Rallying your organisation to a vision

Everything we've learned on our own sustainability journey at Microsoft has only underlined the magnitude of the challenges we all face. But we've also found great cause for optimism – a sustainability revolution with the potential for dramatic discoveries and human advancements like those that accompanied the agricultural, industrial and digital revolutions. Strong storytelling can help unite your people behind that vision, as you build a culture and organisation with the skills and perspective to drive transformation.<sup>7</sup>

# Sustainability and finance



## Realise opportunities to control costs

The World Economic Forum has described the CFO as “the first responder in tackling climate change.”<sup>8</sup> That’s because CFOs and other finance leaders have an ideal toolset and central vantage point for assessing the value of corporate sustainability – a measurement that’s exceedingly difficult to quantify.

Finding new ways to zero in on that impact is now a financial imperative. Sustainability has become increasingly essential to business models and profitability, given the demands of regulators and the expectations of investors and customers. As a finance leader, you can also play an important role in building trust in information, using your mastery of operational data and skill at breaking down silos. Stronger transparency and visibility from a unified data platform can only help in these efforts.



## Opportunities for finance leaders

### Improving access to capital

Sustainability initiatives can run into challenges if funding dries up. Consider 'green finance' to access capital, often at preferential rates, if you're struggling to reach ROI. For example, Volvo [closed its second green bond](#) in support of becoming a fully electric carmaker by 2030.<sup>9</sup>

### Taking more sustainability ownership

Finance leads the sustainability agenda in one out of five companies, according to [BCG's CFO Excellence Index](#).<sup>10</sup> What's more, these companies score nine points higher in the index's climate and sustainability performance benchmarking. If sustainability ownership is uncertain or in flux in your organisation, consider taking on a greater role.

## Increasing the auditability of reporting

Organisations face increasing pressure from stakeholders, governments and regulators to demonstrate and report on sustainability commitments, with independent auditing and certification becoming the norm. Annual emissions reporting isn't enough. Unified data can help provide the foundation for more accurate, reliable insights to ease preparation for audits and quantitative public reporting.

### Budgeting for the sustainability skills gap

In our own sustainability journey at Microsoft, we've found that we need people with [an unusual mix of skills](#), combining specialised knowledge and multidisciplinary expertise from STEM, liberal arts, business, data and digital technology.<sup>11</sup> That's revealing a sustainability skills gap that all business leaders (particularly in finance) should plan to budget for and address. Fortunately, we can learn from similar reskilling and upskilling around cybersecurity to develop a roadmap that connects sustainability skills, training and career paths.

## Sustainability and operations



### Improve efficiency with energy reduction

COOs and leaders in operations have responsibilities that touch almost every part of the business. That means if you're an operations leader, you've got a unique point of view on environmental impact, as you balance operational logistics against sustainability risk and goals nearly every day. Most importantly, close connection with the value chain – where 90% of an

average company's footprint sits – makes operations critical to sustainability success.<sup>12</sup>

As an operations leader, you can inform and influence decisions in almost countless areas that impact sustainability – from packaging and transportation to energy consumption to the relationships between physical buildings and hybrid work. You're also a change management expert. You know how to guide a smooth roll-out and steady state for sustainability-informed processes.



## Opportunities for operations leaders

### Improving waste data quality, tracking and reporting

Microsoft has committed to [zero waste by 2030](#) across our direct waste footprint.<sup>13</sup> We've learned that better waste measurement can help reduce liability, cost and environmental impact by enabling data-driven decisions to improve diversion and proper disposal. This can be particularly important for organisations decreasing their environmental footprint by shifting to circular products and processes. At Microsoft, we've embraced [the circular product lifecycle](#) by setting explicit carbon and reparability targets during product design to ensure year-over-year improvement.<sup>14</sup>

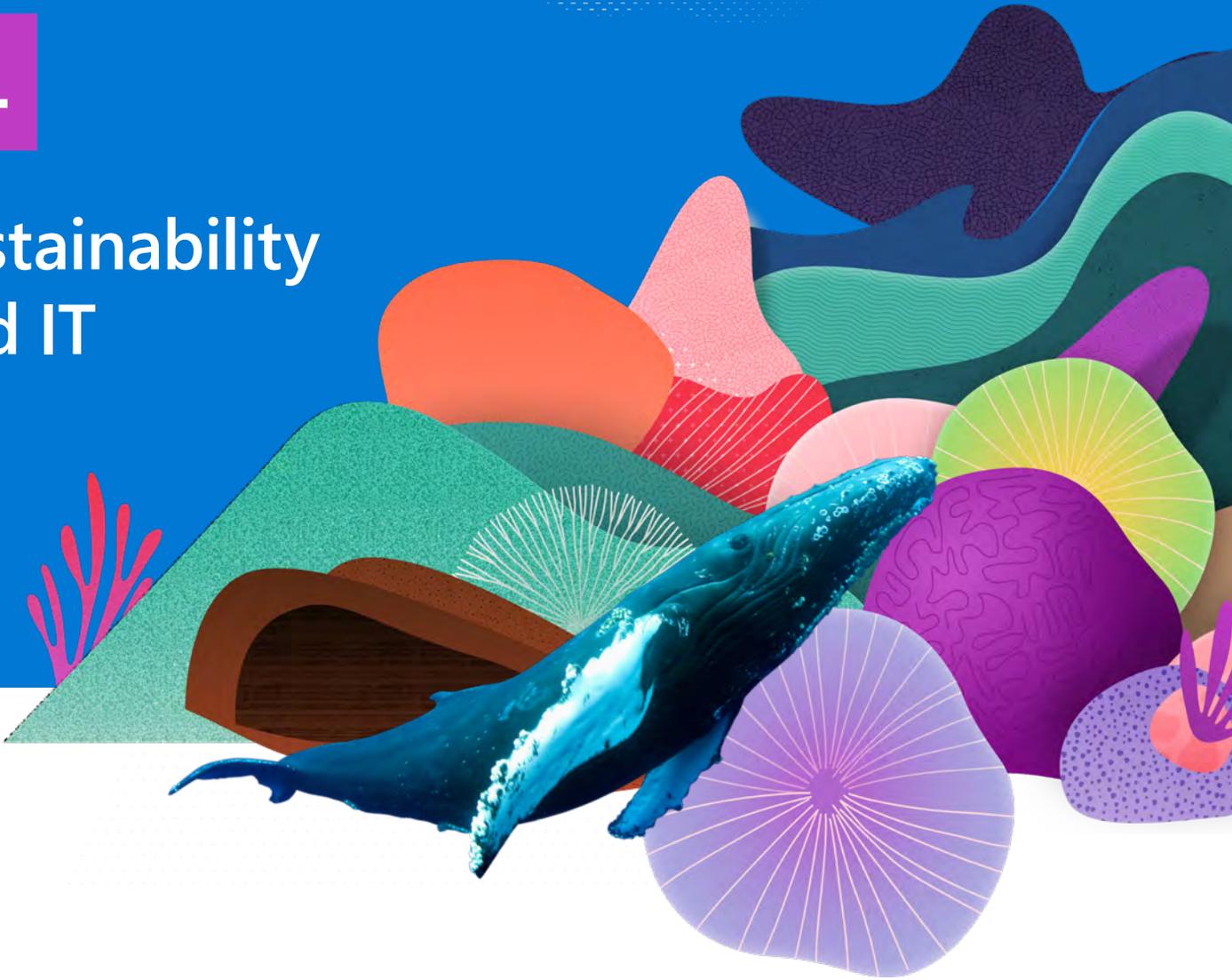
### Digitising the supply chain

To understand your environmental footprint beyond your own operations, you need visibility into supplier and partner activities, both upstream (through the supply chain) and downstream (in product use). Digitise your supply chain to improve transparency and enable tighter upstream and downstream collaboration.

### Optimising energy consumption

Energy-related data from multiple sources is often difficult to connect and even more difficult to interpret, manage and control. Optimising energy consumption can have a big impact, whether you're managing buildings, campuses or factories. Look for tools that help you identify and address operational inefficiencies by visualising data from devices and systems on a single, unified platform.

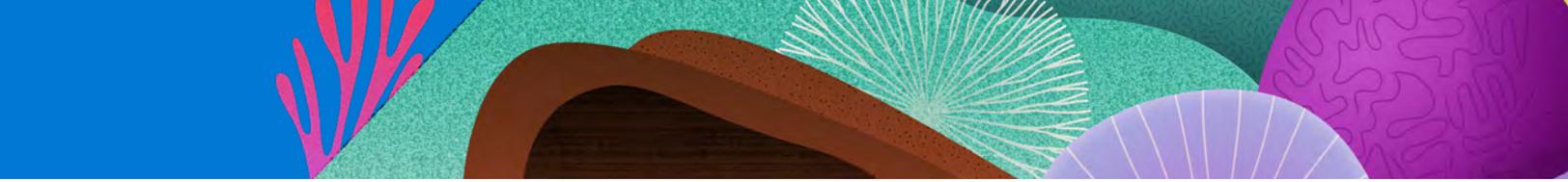
# Sustainability and IT



## Track progress for environmental impact

The growing environmental footprint of IT has made sustainability integral to technology strategy and innovation planning. Many IT leaders have taken a proactive, collective approach. For example, we're working with the Green Software Foundation to set new standards, tooling and best practices that recognise that the environmental impact of software will grow exponentially with increasing adoption of AI and machine learning.<sup>15</sup>

As an IT leader, you're well-positioned for problem-solving at the organisational level, too. Digital technology can enable new business models and revenue streams that reach or surpass sustainability targets, and IT is essential to increasing visibility and unifying data intelligence to track and report progress.



## Opportunities for IT leaders

### Improving compute efficiencies

Start by evaluating your compute resource utilisation, storage and networking efficiencies. Adopt cloud-based platforms and services to cut energy consumption, costs and the physical footprint of your data centres. Optimising deployment and configuring IT systems, processes and tools within your current systems and infrastructure can also help minimise impact.

### Adopting recyclable and repairable devices

The devices you use also contribute to your organisation's environmental impact. Recyclable and repairable devices can help maximise sustainability and extend product life while minimising carbon footprint.

## Increasing data integration

Successful sustainability requires a strong data foundation and unified data intelligence. Look for ways to streamline data collection and calculation to better measure and monitor emissions. Unifying data on a strong digital foundation can drive both sustainability and transformation goals – from operational objectives (such as sustainable value chains and operational efficiencies) to broad business objectives (such as mitigating risk and managing compliance).



Find out how Microsoft Cloud for Sustainability uses data-driven solutions to accelerate sustainability progress and business growth

Try [Microsoft Sustainability Manager](#) free for 30 days

**We're committed to reporting everything, not just progress.** Find out more about what we've learned in the latest Microsoft [annual sustainability report](#) in our journey to become a carbon negative, water positive and zero waste company.

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