SUSTAINABILITY ESSENTIALS FOR CORE FUNCTIONS: FINANCE

THE WHY AND HOW OF EMBEDDING ESG INTO FINANCE



UN GLOBAL COMPACT

Global Compact Network UK

CLYDE&CO

INTRODUCTION

Finance teams are responsible for some of the company's most consequential sustainability decisions: what gets funded, how risk is priced and reported on, and how the business responds to opportunity. These decisions often determine whether a company can respond adequately to uncertainty in a changing world, realise the commercial value of sustainability, and, crucially, meet its targets.

Recognising the critical intersection of finance and sustainability, the UN Global Compact Network UK hosted an event in September 2025 to explore how the two functions impact each other, what finance teams should know to support the integration of sustainability throughout the business, and what sustainability and finance functions can do to work together towards sustainability goals, while protecting and creating commercial value.

The event, supported by Clyde & Co, featured the following speakers:



Harshana Amarasuriya
Global Head of Financial Planning & Analysis, Clyde & Co



Lucy Klinkenberg-Matthews
Group ESG Director, Paragon



Ciara Burke
Director of CFO Programme, Europe, Accounting for Sustainability (A4S)



Richard Colbert
Chief Financial Officer, Monica Vinader



Victoria Moorhouse
Group Climate & Nature Lead, Kingfisher

Why sustainability and finance?

Achieving a company's sustainability goals without support from the finance team is nearly impossible. Sustainability is complex and requires consideration of a multitude of factors across the business, supply chain, and whole economy.

As finance professionals are primary enablers of action throughout a business, they need to understand how sustainability impacts both their company's long-term viability and its financial performance. As ESG issues become increasingly important to investors, customers, and regulators, integrating sustainability into financial decision-making is critical.

Finance connects a company with its capital – setting budgets, running scenarios, approving investments, and producing the reports that investors, lenders, and regulators rely on. Through planning cycles, business cases, capital allocation, and disclosure, finance teams decide how much of a sustainability strategy is resourced, how risk and opportunity are valued, and whether progress is reported with the rigour that investors and regulators now demand.

The question is not whether finance has a role in sustainability, but whether the company treats ESG as a tick-box exercise or as something that genuinely benefits its operations.



"For far too long, the finance operational conversation has always been about profitability, utilisation, output, sales... ESG gives you a slightly different, more human narrative to include in your financials."

Harshana Amarasuriya, Clyde & Co

Where the two functions meet

Sustainability and finance now sit closer together than most organisational charts suggest. Key areas where sustainability and finance intersect include:

Financial materiality & modelling

Climate-related changes (e.g., extreme weather events, supply chain disruption, renewable energy uptake) and social impacts (e.g., human rights violations, wage disputes) have financial implications for companies, so they should be included in existing forecasting. This means weighing short-term upfront costs against longer-term savings from energy efficiency, talent retention, and sustainable resource use, as well as the potential for increased costs from physical, transition, or labour-related risks.

Impact materiality goes the other way – from the company's operations to people and the environment, including workers and communities. Double materiality, a key pillar of the reformed CSRD, asks for both.

Reporting thresholds & assurance

The UK's Climate-related Financial Disclosure Regulations already cover large private companies with more than 500 employees and £500 million turnover.

In September 2026, the Financial Conduct Authority confirmed that listed companies will report against the UK Sustainability Reporting Standards, finalised in February 2026 on the International Sustainability Standards Board's (ISSB) IFRS S1 and S2, on a comply-or-explain basis for accounting periods starting on or after 1 January 2027. Assurance follows: the IAASB's ISSA 5000 applies to periods beginning on or after 15 December 2026.

Revenue & value creation

Sustainability opens revenue lines through new low-carbon and ESG-linked markets, and supports brand, talent, and customer loyalty. Creating that value means balancing the interests of shareholders, customers, employees, regulators, and affected communities, rather than optimising for one group alone.

The 2025 UN Global Compact and Accenture CEO Study finds that 88% of CEOs believe the case for sustainability is stronger today than it was five years ago, and the finance function is where that case gets tested.

Investor expectations and ESG metrics

Increasingly, investors demand clear, consistent, and reliable ESG disclosures to make informed decisions. Companies that fail to disclose ESG data risk losing investor confidence and attracting negative scrutiny, so understanding how ESG performance metrics correlate with financial performance is essential.

Sustainability return-on-investment

Sustainability return-on-investment (ROI) adds environmental and social value to the upside of a project or initiative. That value can be financial, such as lower energy bills, avoided carbon costs, or reduced staff turnover, or it can be broader, such as improved health and wellbeing in local communities or stronger supplier relationships. HM Treasury's Green Book shows how non-financial value can be brought into a business case in a disciplined way.

Beyond climate

Reporting increasingly covers nature and people as well as carbon. The Taskforce on Nature-related Financial Disclosures (TNFD) gives companies a framework for nature-related risks, and IFRS S1 directs companies to the industry-based SASB Standards when identifying wider sustainability topics. Social disclosures, such as gender pay gap reporting, modern slavery statements, and supply chain transparency, already sit within finance's reporting calendar and draw on the same data systems.

Risk management & transition planning

Physical risks (e.g., floods and extreme heat), transition risks (e.g., carbon pricing, stranded assets, and market shifts), social risks (e.g., labour rights violations and displacement of communities), governance risks (e.g., bribery and corruption), and workforce risks (e.g., retention and skills) all carry a cost. Scenario analysis in the style of the Task Force on Climate-related Financial Disclosures (TCFD) considers these risks in financial terms, and the IFRS Foundation's transition plan guidance, built on the UK's Transition Plan Taskforce, sets out how the plan and its funding should be disclosed together.

Sustainable financing & capital allocation

Green and social bonds raise capital for specific environmental and social projects, while sustainability-linked loans and bonds tie the cost of capital to performance against sustainability targets.

The Loan Market Association's Sustainability-Linked Loan Principles set out what lenders expect of the key performance indicators (KPIs), targets, and verification behind these facilities, so treasury teams need reliable sustainability data before they borrow against it.

Sustainability also belongs in capital budgeting, where the balance between upfront capital expenditure (CapEx) and lower operating expenditure (OpEx) over an asset's life often decides whether a project goes ahead. Some companies apply an internal carbon price to make that trade-off visible.

WHAT COLLABORATION IS WORTH

Collaboration between finance and sustainability produces returns a business can measure, but it also builds resilience. At Monica Vinader, suppliers in India had already moved to renewable energy as part of the company's sustainability work, so when public attention turned to Russian-sourced energy after the invasion of Ukraine in 2022, the company was already ahead of the pack.

To the people in the roles



Meaningful collaboration is complementary. Sustainability teams own the targets, the terminology, and the knowledge of what regulators will ask. Finance teams hold the modelling capability, the planning cycle, and the language that executives already use.

Reporting into the CFO changes what a sustainability lead can do: "Rather than talking about saving the world and the people, I now talk about what's the risk to the business." Lucy Klinkenberg-Matthews, Paragon. Framed that way, CFOs get the information they need to approve spending, rather than send the request back for more data. The exchange runs both ways. Finance can own the data, model the scenarios, and align the accounting, and sustainability can supply the knowledge finance will need as more of the annual report becomes ESG disclosure.

The relationship also needs deliberate structure rather than goodwill alone:

> "Every sustainability team should have a finance business partner, and every finance team should have a sustainability business partner."
> Victoria Moorhouse, Kingfisher

To the organisation's sustainability goals



Most sustainability targets are long-term, but many business plans are not. A net zero target may run 25 years, while a retailer plans on a three-year cycle, so the gap between the two must be bridged through financial modelling. A transition plan signed off with finance carries tight, transparent assumptions, which is what makes it credible to the board.

Regulation helps here. Annual TCFD reporting pushes companies to look at risk beyond the normal planning horizon, and it requires robust data from across the business. That makes it "one of the most joined-up processes … in the business, where finance and sustainability have to work together." Victoria Moorhouse, Kingfisher

Finance also determines whether a company can lead rather than follow. A commitment such as paying the real Living Wage across the workforce and supply chain requires detailed costing and modelling of pay structures, margins, and pricing, but it positions the business as a leader and strengthens recruitment and retention. Finance is what turns ambition into a commitment the company can sustain.

To the business



Waiting until a solution is proven, affordable, and complete before acting can be the most expensive decision in the transition, as it delays the first step. Markets for lower-carbon inputs rarely exist until buyers commit to them, so sometimes sustainability and finance have to work together on a commercial bet that will pay off in the long run. The commercial lesson is about sequencing and honesty rather than precision: "you can be bold about the intent, but be clear on the progress." Richard Colbert, Monica Vinader.

Sustainability is not just a cost centre. It often needs financing to get started, but it also adds value, whether through risk mitigation, employee wellbeing, or driving sales.

MONICA VINADER: BACKING THE MARKET BEFORE IT EXISTS

For a jewellery brand, the challenge is embodied carbon, so meeting a net zero target means changing how products are made. Recycled gold and silver were a labour-intensive niche when Monica Vinader started asking refiners for them in 2019; by 2023 the brand used 100% recycled materials, and the market now operates at similar cost to mined metal. Lab-grown diamonds were more energy-intensive than mining when the work began, but the factories soon found that switching to renewable power reduced both their emissions and their energy costs. Today, 82% of the brand's diamonds are lab-grown and bought only from solar-powered plants. **"Gradually making steps in the right direction, and talking about the progress, is more important than talking about the end result."** Richard Colbert, Monica Vinader.

INTEGRATING THE TWO FUNCTIONS

Who is involved and how it is governed

Cross-functional collaboration requires key players:

CFO or finance director

for reporting and capital allocation

Financial planning and analysis (FP&A) team

for modelling and scenarios

Sustainability or ESG lead

for targets, data, and regulatory knowledge

Governance, risk or compliance team

for the risk register

HR or reward leads

for pay and workforce data

Site or business unit finance leads

for specific cost lines

Importantly, the audit and risk committee needs a thorough understanding of sustainability-related risk.

The reporting lines are also critical to success. Speakers noted that around a third of regulatory reporting now relates to ESG frameworks, and that ESG disclosures can make up more than 30% of an annual report.

A sustainability lead reporting into the CFO is a natural fit, as it is at Paragon after years under risk, operations, and communications. Where reporting lines cannot change, the substitute is a partnership between the responsible business team and FP&A with a rigorous joint sign-off process, so that every plan, target, and disclosure passes through both functions before it reaches the board.

PARAGON: CARBON ACCOUNTING ALIGNED TO THE P&L

The work at Paragon began when the CFO pointed out that the supply chain spend figures behind the group's carbon footprint were incorrect, and introduced the ESG director to the finance teams.

Over two years, they assigned carbon conversion rates to suppliers, driven by the cost of sales lines in the P&L at each site. That produced more accurate carbon accounting and gave site directors a clear picture of the carbon in their own cost lines, rather than an abstract Scope 3 category.

The same disclosures let the group assess climate risk at the regional and site level and roll it up, so the audit and risk committee sees a smaller total number of risks that are substantive to the whole group.

What changes in the process?

Bring carbon into the P&L

Bring carbon into the profit and loss account (P&L) rather than in a separate ledger. Scope 1 and 2 emissions, from a company's own operations and the energy it buys, can usually be allocated to individual sites with relative ease. Scope 3 emissions in the supply chain are more difficult, and this is where collaboration with finance matters most, because many companies estimate supply chain emissions from spend data that finance owns.

Run scenarios

Run climate scenarios on the same horizons and metrics as the business plan. Scenarios built on unfamiliar timeframes or measures tend to stay with the sustainability team; when they use the planning horizons and financial metrics the business already works with, finance and the board can compare all risks, including climate, and act on the results.

Use consistent, transparent carbon accounting methods

Accept that carbon accounting is less exact than financial accounting, and manage that openly. Methodologies and conversion factors vary, meaning carbon figures can vary too. The response to uncertainty is reporting consistency year-on-year and clear documentation of assumptions. The GHG Protocol and the Science Based Targets initiative give finance recognised methods to support its figures.

Start with the low-hanging fruit

ROI for sustainability projects is hard to calculate with the accuracy finance would like, but the exercise reliably identifies what is cheap and available now, and what is expensive today but likely to get more affordable over time.

Give social sustainability the same financial discipline as carbon

Commitments on fair pay, health and safety, diversity and inclusion, and human rights in the supply chain all carry costs and benefits that finance can model, such as the cost of moving to a living wage, the savings from lower staff turnover, and the risk of supply chain disruption where labour standards fail. Workforce and supply chain metrics belong in the same planning, risk, and reporting cycles as financial and environmental data.

Share knowledge

It's important that sustainability and finance share knowledge. A4S's Essential Guides give finance teams a practical route into scenario analysis, capital expenditure, and sustainability in decision-making. In each case, the aim is the same: **"those two functions really need each other… you really need the knowledge and the terminology and the language that your ESG teams can bring."** Lucy Klinkenberg-Matthews, Paragon. Finance, in turn, provides the models, the alignment, and the terminology that gets the work delivered.

KINGFISHER: SCENARIO ANALYSIS BUILT WITH FP&A

Annual TCFD reporting across the Kingfisher group maps climate risks and opportunities against a 1.5˚C scenario, a delayed transition of around 2.5˚C, and a greater-than-4˚C outcome, over three-year, five-year, and ten-year-plus horizons. The three-year horizon aligns with the enterprise risk management process and the retail business planning cycle.

Last year the group replaced discounted cash flow with percentage of revenue as its measure of risk, which fits the existing risk management framework and financial modelling, making the results more meaningful to the business. The transition plan itself was costed with FP&A before sign-off, with each assumption documented, and the same partnership models what happens if levers within the plan are altered.

GUIDING QUESTIONS FOR DISCUSSION

To uncover areas for further work, discuss the following questions with a colleague from the other function. Record actions, owners, and timelines for next steps in our accompanying Discussion Template.

- Which reporting thresholds apply to us now and in the next two years, and which of our ESG figures will need assurance?
- Where does carbon sit in our P&L today, and could we attach conversion rates to the cost lines the business already manages?
- Which climate scenarios and time horizons do we model, and do they match the enterprise risk process and the business planning cycle?
- Is our transition plan costed, and are its assumptions articulated and approved by finance?
- How do we bring environmental, social, and strategic value into a business case, and who decides the method?
- Which social commitments, such as the living wage, human rights due diligence, or workforce wellbeing, have we costed, and how do we track their return?
- Does the sustainability team have a finance business partner, and does finance have a sustainability business partner?
- What is our low-hanging fruit, and what are we delaying because the end result is not yet certain?

Additional resources

Finance and sustainability networks and training

- A4S Essential Guides
- ICAEW Connecting Sustainability and Finance
- UN Development Programme Sustainable Finance Hub
- UN Global Compact Academy
- UN Global Compact and Accenture CEO Study 2025
- UN Global Compact CFO Coalition for the SDGs
- UN Global Compact Moving SDG Finance & Investment Forward Faster Action Guide
- UN Global Compact Network UK
- UN:CC E-Learn Introduction to Sustainable Finance

Reporting, disclosure, and assurance

- Directive (EU) 2026/470 (Omnibus I), Amending the CSRD and CSDDD
- FCA PS26/19, UK SRS Disclosures for Listed Companies
- IAASB ISSA 5000 Sustainability Assurance
- ICAEW Getting Started with Sustainability Planning and Reporting
- IFRS S2 Climate-related Disclosures
- SASB Standards
- Taskforce on Nature-related Financial Disclosures
- UK Climate-related Financial Disclosure Regulations 2022
- UK Sustainability Reporting Standards

Carbon, targets, and transition plans

- Carbon Commons
- Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard
- IFRS Foundation Guidance on Transition Plan Disclosures
- Science Based Targets initiative Corporate Net-Zero Standard
- Transition Plan Taskforce Resources

Valuation, financing, and business cases

- HM Treasury Guidance on Developing Business Cases
- HM Treasury The Green Book
- ICMA Green, Social, and Sustainability-Linked Bond Principles
- Living Wage Foundation
- Loan Market Association Sustainability-Linked Loan Principles
- UN Principles for Responsible Investment

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the United Nations Secretary-General, the UN Global Compact is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment, and anti-corruption.

Its ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals (SDGs) through ambitious, accountable companies and environments that enable change. With more than 21,000 companies and 3,300 non-business signatories based in over 167 countries, and 64 Local Networks, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, visit www.unglobalcompact.org

ABOUT THE UN GLOBAL COMPACT NETWORK UK

The UN Global Compact Network UK is part of the world's largest responsible business initiative, the United Nations Global Compact, connecting UK companies and other organisations in a global movement dedicated to driving sustainable growth. Through an extensive programme of activity, it promotes sustainability leadership to create a world we want to live and do business in, by inspiring ambition, enabling action, and collaborating to shape the business environment.

The Ten Principles of the UN Global Compact, rooted in UN treaties, provide a robust foundation for corporate sustainability and business action on the SDGs.

For more information, follow us on LinkedIn ((UN Global Compact Network UK) or visit unglobalcompact.org.uk

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