



Unlock Strategic Value from ESG Reporting and Sustainability Initiatives



The Importance of ESG Integration

In today's rapidly evolving business landscape, ESG, which stands for Environmental, Social, and Governance practices, are no longer optional—they are obligatory. As investors, regulators, and consumers increasingly prioritize sustainability, businesses must not only comply but also innovate to stay competitive. This report explores the strategic value and ROI of integrating ESG initiatives into your overall business strategy, backed by data and real-world examples from industry leaders such as Unilever, IKEA, and Tesla.

Current State of ESG Reporting

McKinsey & Company (2019) reports that while over 95 percent of large companies publish sustainability reports, only a few integrate sustainability with their overall business strategy. This disconnect makes it challenging for investors to grasp how these efforts impact financial performance and intrinsic value. Merely presenting sustainability aspirations or metrics without context fails to demonstrate their connection to cash flow or profitability. This ambiguity indicates there is still a gap in understanding the value created with sustainability initiatives.

Many businesses aim solely for regulatory compliance and economic viability, with some optimizing processes to reduce risk. However, only a few develop innovative products and services to address societal challenges, and which result in sustainable business models that drive sector-wide and economic change.

ESG tools and regulations encourage companies to set long-term environmental goals. Achieving environmental goals is also reflected in monetary form, in the form of savings and increased added value. Kroll's (2023) analysis of data from over 13,000 companies across various industries reveals that those with higher ESG ratings outperformed their lower-rated peers. Globally, ESG leaders achieved annual returns of 12.9%, compared to 8.6% for laggards.

What is your company's maturity level in ESG data preparation for reporting? [Contact us to find out!](#)

Value Creation Through ESG

Strong ESG creates value in 7 key ways:

01 REVENUE GROWTH

The World Economic Forum's Beyond Supply Chains report found that companies implementing ethical supply chain practices can increase revenue by up to 20% for responsible products, reduce supply chain costs by up to 16%, and enhance brand value by up to 30%.

- **Tip:** Engage in sustainable product lines to attract eco-conscious consumers.
- **Example:** Unilever reported that their sustainable living brands grew 69% faster than the rest of the business and delivered 75% of the company's growth (HBS Online, 2022).

02 TOP-LINE GROWTH

According to McKinsey & Company (2019), strong ESG practices can drive top-line growth by attracting B2B and B2C customers who prefer more sustainable products, and by enhancing access to resources through improved community and government relations. Conversely, poor sustainability practices can lead to top-line decline, as companies risk losing customers due to issues such as human rights violations in supply chains and unsafe products, and they may also face restricted access to resources due to poor community and labor relations.

03 COST REDUCTION

ESG initiatives help reduce costs by decreasing energy consumption and water usage. In contrast, poor ESG practices can lead to higher costs due to generating unnecessary waste, incurring higher disposal and packaging expenses (McKinsey & Company, 2019).

- **Tip:** Implement energy-efficient technologies to reduce utility costs.
- **Example:** Walmart has saved approximately \$1 billion annually through energy efficiency and renewable energy initiatives (Moyo, 2022).

04 REGULATORY AND LEGAL INTERVENTIONS

Strong ESG practices can yield regulatory and legal benefits, such as achieving greater strategic freedom through deregulation, earning subsidies, and gaining government support. Conversely, poor ESG practices can lead to regulatory and legal challenges, including restrictions on advertising and points of sale, as well as fines and enforcement actions (McKinsey & Company, 2019).

- **Tip:** Adopt proactive ESG disclosures to mitigate regulatory risks.
- **Example:** Microsoft has avoided potential regulatory issues by committing to carbon negativity and transparency in ESG reporting (The Conference Board, n.d.).

05 PRODUCTIVITY UPLIFT

Effective ESG initiatives can also boost employee motivation and attract talent through enhanced social credibility, leading to increased productivity. In contrast, weak ESG practices can result in reduced productivity due to social stigma, which restricts access to the talent pool and causes loss of talent due to a weak sense of purpose (McKinsey & Company, 2019; Technologies, 2024).

- **Tip:** Foster a healthy work environment to boost employee productivity.
- **Example:** Salesforce has seen increased employee engagement and productivity through its comprehensive ESG programs (Evergreen, n.d.).

06 INVESTMENT AND ASSET OPTIMIZATION

Furthermore, ESG-focused companies can optimize investments and assets by allocating capital more efficiently for the long term and avoiding investments susceptible to future environmental issues. On the other hand, companies with poor ESG practices may face investment and asset devaluation, including stranded assets due to premature write-downs and falling behind competitors that invest in energy efficiency (McKinsey & Company, 2019; Aroul et al., 2022). A recent Accenture report noted that between 2013 and 2020, companies with high ESG scores achieved shareholder returns 2.6 times greater than those with average scores. Research from Harvard Business School (2022) indicates that companies with strong sustainability practices outperform their peers in terms of stock performance.

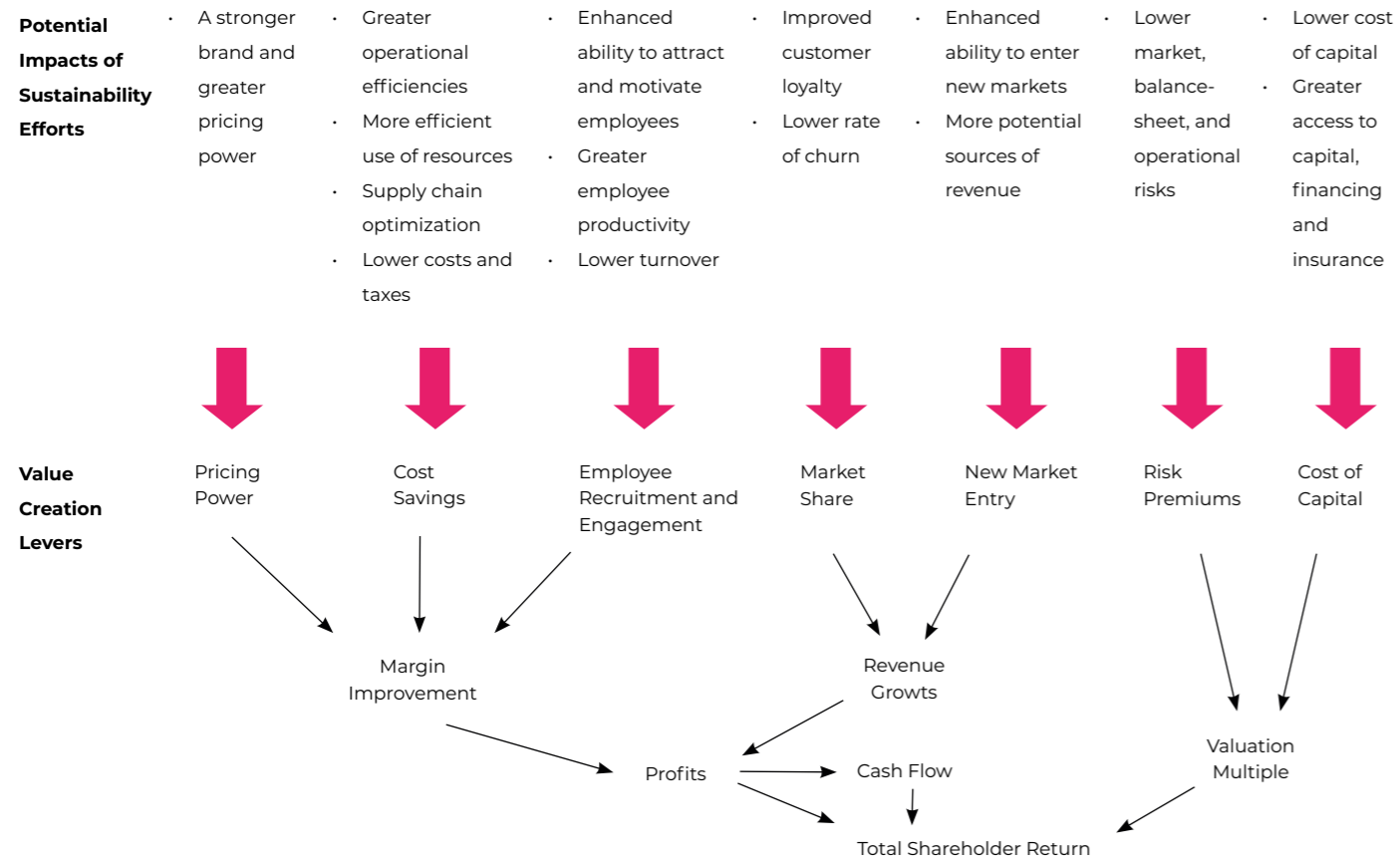
- **Tip:** Invest in renewable energy to reduce long-term operational costs.
- **Example:** Google has committed to 24/7 carbon-free energy across its data centers, and optimizing its investments (HBS Online, 2022).

07 OPERATIONAL EFFICIENCY AND SUPPLY CHAIN RESILIENCE

Additionally, robust ESG practices enhance operational efficiency and supply chain resilience, and improve access to international investors or business partners, fostering partnerships with international organizations (Deloitte, 2019; GEP, 2023). A survey by Oxford University and Arabesque Partners found that 88% of companies with good sustainability practices experienced improved operational performance. According to McKinsey, a solid ESG score can reduce capital costs by approximately 10%.

- **Tip:** Streamline supply chains to minimize waste and improve efficiency.
- **Example:** Toyota improved operational efficiency by regionalizing supply chains and addressing supplier vulnerabilities (Doherty et al., 2023).

How Sustainability Affects Value Creation



Real-world ROI of ESG Initiatives from Industry Leaders

UNILEVER: SUSTAINABILITY-DRIVEN GROWTH AND OPERATIONAL SAVINGS

Unilever, a global consumer goods company, invested significantly in sustainability through its Unilever Sustainable Living Plan (USLP). The company committed to sourcing all agricultural raw materials sustainably, reducing greenhouse gas emissions, water use, and waste. This focus on sustainability led to remarkable outcomes: their „Sustainable Living“ brands grew 69% faster than the rest of the business, delivering 75% of total company growth (HBS Online, 2022). Additionally, Unilever saved over €600 million in sustainability-related operational costs and gained higher market share due to enhanced reputation and customer loyalty (Unilever, n.d.).

IKEA: RENEWABLE ENERGY INVESTMENTS AND ENHANCED BRAND LOYALTY

IKEA, known for its proactive approach to sustainability, invested in renewable energy projects to produce as much renewable energy as it consumes by 2020 (IKEA, n.d.). The company also focused on improving workers' lives in its supply chain and promoting sustainable living practices among customers. These efforts resulted in significant cost savings from renewable energy investments and boosted brand loyalty as eco-conscious consumers were drawn to IKEA's sustainability leadership. Additionally, improvements in labor conditions and supply chain sustainability enhanced product quality and supplier relationships (IKEA 1, n.d.; IKEA 2, n.d.; IKEA 3, n.d.).

TESLA: MARKET LEADERSHIP IN SUSTAINABLE INNOVATION

Tesla, a pioneer in electric vehicles and clean energy, focused on accelerating the world's transition to sustainable energy. Through producing zero-emission electric vehicles, solar energy products, and energy storage solutions, Tesla achieved remarkable growth. Its sustainability-driven approach led to substantial revenue growth, with the Model 3 becoming the world's best-selling electric vehicle (Lambert & Lambert, 2021). Investor confidence in Tesla's ESG-driven mission propelled its market capitalization, positioning it as one of the most valuable car companies globally (The Impact Investor, 2023). Moreover, advancements in battery technology and energy storage enhanced operational efficiency, reducing costs, and improving product performance, thereby enhancing profitability and market competitiveness (Saura, 2024; Tesla, n.d.).

Are you looking to create value through your sustainability initiatives? Talk to one of our ESG consultants today!

Tips on how to assess the value that can be created with sustainability initiatives

Key ROI questions:

- Is the challenge or opportunity worth pursuing?
- Is investment in a project or solution feasible?
- What are the prospects for a positive ROI and environmental impact?

Obvious vs. Less Obvious Opportunities

EXAMPLE OF OBVIOUS PAYOFF OPPORTUNITIES:

- Operating expenses exceed the industry average by **35%**.
- Noncompliance environmental fines totaling **\$1.6 million**, up **78 percent** from last year.
- Energy costs are **30 percent** above benchmark figure.
- Carbon emissions are **53 percent** above industry average.

*The examples listed are created for illustrative purposes only.

LESS OBVIOUS PAYOFF OPPORTUNITIES:

- Establishing leadership in environmental practices.
- Transitioning towards a greener business model.
- Enhancing sustainability expertise across management.
- Elevating product branding through sustainability initiatives.
- Cultivating an attractive workplace culture.
- Implementing environmentally conscious recruitment strategies.

Action Plan for Implementing ESG

1. DEFINE OBJECTIVES AND STAKEHOLDERS

Start by clearly defining your ESG objectives, double materiality matrix, identifying stakeholders, and establishing accountability. Create a comprehensive plan that outlines goals and identifies quick wins to gain momentum.

2. ASSESS ESG STATUS AND NEEDS

Evaluate your current ESG practices and identify areas for improvement. Understand the needs of your organization in terms of environmental, social, and governance factors.

3. DESIGN CHANGE MANAGEMENT STRATEGY

Develop a change management strategy to effectively implement ESG initiatives. Define how you will communicate changes, engage stakeholders, and manage resistance throughout the process.

4. SCREEN EXISTING DATA AND IT INFRASTRUCTURE

Review your existing data and IT infrastructure.

5. DESIGN TECHNOLOGICAL INFRASTRUCTURE

Determine how you will connect and automate processes related to ESG reporting and management. Design a technological infrastructure that facilitates data collection, analysis, and reporting.

6. DATA MANAGEMENT

Establish procedures for identifying, collecting, validating, and analyzing ESG data. Ensure that data management processes are robust and transparent to support accurate reporting and decision-making.

7. IMPLEMENTATION

Integrate various systems such as Enterprise Resource Planning (ERP) and Human Resource Management (HRM) into a unified platform for ESG management. Ensure seamless connectivity and data exchange between different resources.

8. EXECUTE CHANGE MANAGEMENT

Implement your change management plan to drive adoption of ESG initiatives across the organization. Provide necessary training, support to employees, and address any challenges that arise during implementation.

9. MONITOR PROGRESS

Continuously monitor the progress of your ESG initiatives to ensure that they are on track and aligned with your objectives. Regularly review performance metrics and adjust as needed to improve effectiveness.

Did you know?



The success of digital transformation depends on employee willingness to embrace modern technologies, with up to 70% of the outcome attributed to this factor. Shockingly, only 3% of companies invest in supporting employees through these changes. BE-terna excels in guiding companies through effective change management processes, ensuring smooth transitions during digital transformations. If you would like to know more about change management,



Implementing effective data monitoring and automation processes provides a clear overview of your ESG data, enabling you to efficiently track and improve your ESG performance. This enhanced visibility helps monitor your sustainability efforts and facilitates a better understanding of your return on investment (ROI). Check out the Microsoft Sustainability Manager, a comprehensive solution designed to streamline ESG data management and reporting, and learn more about how you can improve your performance.

Unlock Your Business Potential with ESG

Embracing ESG presents a significant opportunity to enhance your business. While some payoff opportunities are readily apparent, others may require more time. If you struggle with navigating ESG and ROI, we kindly invite you to schedule a 15-minute consultation call with us. During this session, you can outline your specific needs, and we'll provide tailored guidance on the best way forward.

We can conduct:

ESG Maturity Assessment

We evaluate your current ESG maturity level based on the double-materiality matrix, sustainable strategy, and your existing ESG team. We identify your data collection progress and relevant legislative applications.

Infrastructure Analysis

We review your IT systems, including on-premises vs. cloud solutions, security checks, and alignment between business and ESG strategies. We define your main goals, stakeholders, indicators, and reporting requirements.

Legislation Workshops

We create a set of workshops to understand relevant legislation and develop a roadmap for your ESG journey.

Schedule Your FREE 15-Minute Consultation Call Today

Take the first step towards transforming your ESG approach and unlocking new opportunities for growth. During this session, you can outline your specific needs, and we will provide tailored guidance on the best way forward. Book now.

Have you found this information useful?

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