



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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How can you help shape your organization's sustainability journey?

Over the past several years, organizations have had to adjust quickly to unprecedented, unpredictable pressures. Digital adoption has become imperative in every industry, and what business leaders have commonly known as “digital transformation” has turned into a need for “digital acceleration.”

We've learned in our sustainability journey at Microsoft that building a strong digital foundation is the best preparation for keeping pace with this rapid change. That's true for meeting new sustainability regulations and avoiding the worst impacts of climate change. And it's equally true for other business priorities—for driving growth, adapting to industry shifts, and navigating energy consumption and economic conditions.

A strong digital foundation enables you to track and manage your data at scale, unifying data and improving visibility across your organization. That's necessary for reliably reporting your sustainability impact and driving meaningful progress, but it can also help you identify where sustainability efforts can make the biggest difference.

Even more importantly, this kind of holistic, data-centric approach can help you integrate sustainability factors into decision-making to help improve operational excellence, business revenue, market share, and shareholder value.



For this approach to succeed, business leaders need to take an active role, whether you're an IT Director, a VP of Operations, or the CFO.

Your insights and perspective should guide your organization's sustainability vision—and, in turn, these sustainability investments can create opportunities to achieve your other overarching goals.

Microsoft has been working to minimize our environmental impact for more than a decade. And we're invested in empowering other organizations to do the same, in part by being transparent about our challenges and what we've learned.

We hope that some of the ideas here—**specifically from the point of view of CEOs and leaders in finance, operations, and IT**—can inspire thought and conversation, no matter where your organization is on its path toward sustainability.

A common, connected sustainability journey for all organizations

Leading organizations of every type, in every industry, now talk about a “multi-bottom line.” They’re giving equal priority to sustainability and societal impact alongside financial performance. Many factors are driving this, including:

- **Investor expectations.** Over 70 percent of investors think that companies with good sustainability strategies make good investments, and 44 percent consider environmental, social, and governance (ESG) factors when making new investments.¹
- **Increasing regulation.** New requirements are impacting more organizations than ever. For example, nearly 50 thousand companies may face detailed sustainability reporting requirements from the European Union’s Corporate Sustainability Reporting Directive in 2024—four times as many as are reporting today.²
- **Consumer and employee demands.** Almost two-thirds of consumers (62 percent) say they’re willing to pay a premium for sustainability. And 68 percent of

workers are more likely to apply for jobs at environmentally responsible organizations, with 48 percent willing to take a lower salary.³

- **Opportunities for growth.** Strong climate action could drive stronger economic growth by 2070. That transformation could increase the size of the global economy by \$43 trillion.⁴ Just as common forces drive these changes across different sectors and industries, it’s been our experience that every organization shares a common, connected journey. That journey begins with:
 - Understanding where you are today
 - Setting future goals
 - Making data-driven decisions about the best steps to achieve those goals

The data behind those decisions is the key, especially as you think about the programs you drive in your leadership role.

Unifying intelligence across a strong digital foundation makes significant progress possible—to build a more sustainable IT infrastructure, reduce the footprint of operational systems and processes, and create sustainable value chains.

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 organization'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 percent of organizations have used ESG metrics in their target valuations and to re-evaluate their portfolio,⁵ and 60 percent 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.⁶ 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 organization 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 organization meet ESG reporting regulations.

Rallying your organization 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 organization with the skills and perspective to drive transformation.⁷

The Arnott's Group is transforming its sustainability measurement and progress reporting capabilities

The Arnott's Group will become the first organization in Australia and New Zealand to deploy Microsoft Sustainability Manager. The Microsoft Cloud for Sustainability solution unifies data intelligence and provides comprehensive, integrated, and automated sustainability management for organizations at any stage of their sustainability journey.



“Microsoft’s Sustainability Manager is the right tool to drive efficiencies and help track, aggregate, analyze, and report on a diverse and complex set of sustainability data.”

—Sean McLintock, Chief Digital and Technology Officer at The Arnott's Group

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Sustainability and finance



Realize opportunities to control costs

The World Economic Forum has described the CFO as “the first responder in tackling climate change.”⁸ 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 2030.⁹

Taking more sustainability ownership

Finance leads the sustainability agenda in one out of five companies, according to BCG’s CFO Excellence Index.¹⁰ 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 organization, consider taking on a greater role.

Increasing the auditability of reporting

Organizations 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 specialized knowledge and multidisciplinary expertise from STEM, liberal arts, business, data, and digital technology.¹¹ 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.

FLSmidth is unifying its data to streamline and improve the accuracy of sustainability reporting

FLSmidth wants to be the sustainability leader in the mining and cement industries. The company believes that Microsoft technologies can help it measure, track, analyze, and report on its progress while delivering greater value and insights from its sustainability data.

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“We have an opportunity to better organize and understand our data... We can develop dashboards to gain a live image of our overall performance, streamline our reporting, and view data down to the product level and site level.”

—Wouter de Groot, Head of Marketing and Sustainability at FLSmidth

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03

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 percent of an average company's

footprint sits—makes operations critical to sustainability success.¹²

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 rollout 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.¹³ 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 organizations 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 repairability targets during product design to ensure year-over-year improvement.¹⁴

Digitizing the supply chain

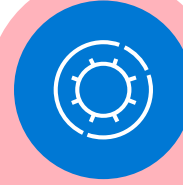
To understand your environmental footprint beyond your own operations, you need visibility into vendor and partner activities, both upstream (through the supply chain) and downstream (in product use). Digitize your supply chain to improve transparency and enable tighter upstream and downstream collaboration.

Optimizing energy consumption

Energy-related data from multiple sources is often difficult to connect and even more difficult to interpret, manage, and control. Optimizing 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 visualizing data from devices and systems on a single, unified platform.

DKV Mobility is drawing on digital products to ensure efficient and sustainable supply chains and vehicle fleets

From Hamburg to Munich with 2 tons of freight, from Munich to Hamburg with nothing: It's not uncommon for trucks to deliver goods to a destination and then drive the long way back empty. DKV Mobility is working to change that. Its customer account center, DKV Cockpit, is helping logistics companies and vehicle fleets operate in a connected, efficient, and sustainable manner.



“DKV Cockpit enables our customers to operate much more efficiently and cut costs in their supply chains and vehicle fleets. What’s more, they’re reducing their CO₂ emissions on the side!”

—Danny Kopper, Head of Infrastructure Services at DKV Mobility

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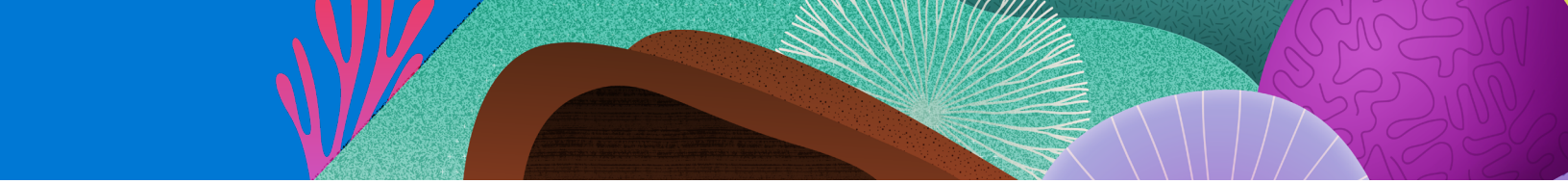
Sustainability and IT



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 recognize that the environmental impact of software will grow exponentially with increasing adoption of AI and machine learning.¹⁵

As an IT leader, you're well-positioned for problem-solving at the organizational 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 utilization, storage, and networking efficiencies. Adopt cloud-based platforms and services to cut energy consumption, costs, and the physical footprint of your datacenters. Optimizing deployment and configuring IT systems, processes, and tools within your current systems and infrastructure can also help minimize impact.

Adopting recyclable and repairable devices

The devices you use also contribute to your organization’s environmental impact. Recyclable and repairable devices can help maximize sustainability and extend product life while minimizing 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).

Ingredion is rethinking the way it gathers and analyzes data to achieve its sustainability goals

Ingredion provides plant-based ingredients to global industries ranging from food and beverages to pharmaceuticals.

The company's ambitious All Life 2030 sustainability plan targets emissions, plastics, energy sources, biodiversity, human rights, and more. To help achieve these goals, Ingredion chose to work with Microsoft Cloud for Sustainability as they sought a unified solution to replace varied and highly manual data collection protocols at dozens of global facilities.



“In the sustainability space, data is critically important to decision making. We need to be able to gather the right data, manipulate it, move it into different formats, and cross-reference it on demand.... What’s most exciting about Cloud for Sustainability is the power it gives us over our data.”

—Larry Fernandes, Senior Vice President, Chief Commercial and Sustainability Officer at Ingredion

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Going from pledges to progress

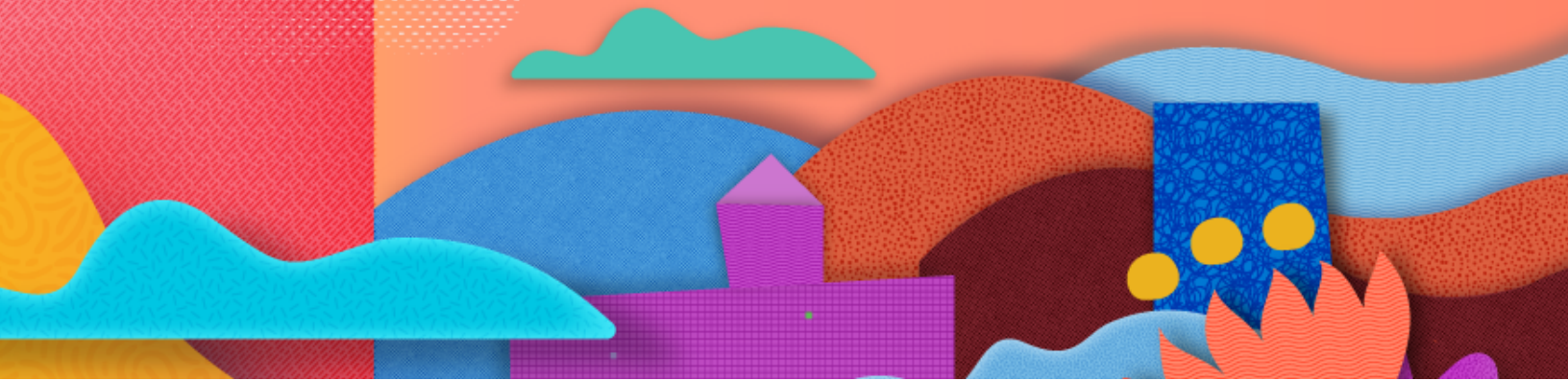


Organizations of all types, sizes, and sectors need to fundamentally transform common practices if they want to meet sustainability challenges and deliver on their commitments. But that sustainability transformation can be good for business, by building and strengthening a digital, data-driven foundation that can help you:

- **Get more from your data** by making the most of existing data investments and improving the quality of your data intelligence.
- **Achieve efficiencies faster** and accelerate time to value.

- **Reduce energy consumption and costs** by maximizing efficiencies in your buildings and operations.
- **Realize even more savings** and lower your emissions by migrating workloads to the Cloud.

At Microsoft, we're committed to helping accelerate global progress to reach our collective goals and create new value for organizations. Given the urgency, scope, and scale of the task, we know that every business leader has an important part to play. **How can your insights and perspective help guide your organization on the path to sustainability?**



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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