



The Sustainability Edge

Business Benefits of Embracing ESG

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Corporate sustainability today is grounded in a conscious and conscientious approach to capitalism — a belief system positing that when value is created to share with all stakeholders, more value is generated over the long term. The rise of sustainability as a strategic imperative — and the integration of environmental, social and governance (ESG) factors into decision-making — are as much about the demands of the business as they are about the demands of society and the desire to make a positive impact on the world.

Addressing the interconnected challenges of our global society is a shared responsibility and an opportunity to drive improved environmental, social and business outcomes. Evidence shows that integrating ESG into a company's core business strategy ensures the organization is more resilient and better positioned to adapt to change. Leading and governing with an ESG mindset reprioritizes long-term value creation and recognizes that purpose is the path to sustained profits and success.

Here are five ways ESG creates long-term business value ►



Attract Talent and Improve Employee Loyalty

People want to work for organizations whose values align with their own. Career decisions are increasingly values-based, with purpose front and center for many employees. As the war for talent hits a fever pitch, companies with strong ESG profiles are likely to have greater success with recruitment and retention, especially with younger generations. A [survey](#) from the Society of Human Resource Management found that 60% of executives at companies with ESG strategies reported that their ESG commitments positively impacted retention and 64% reported that their ESG commitments positively impacted recruitment.

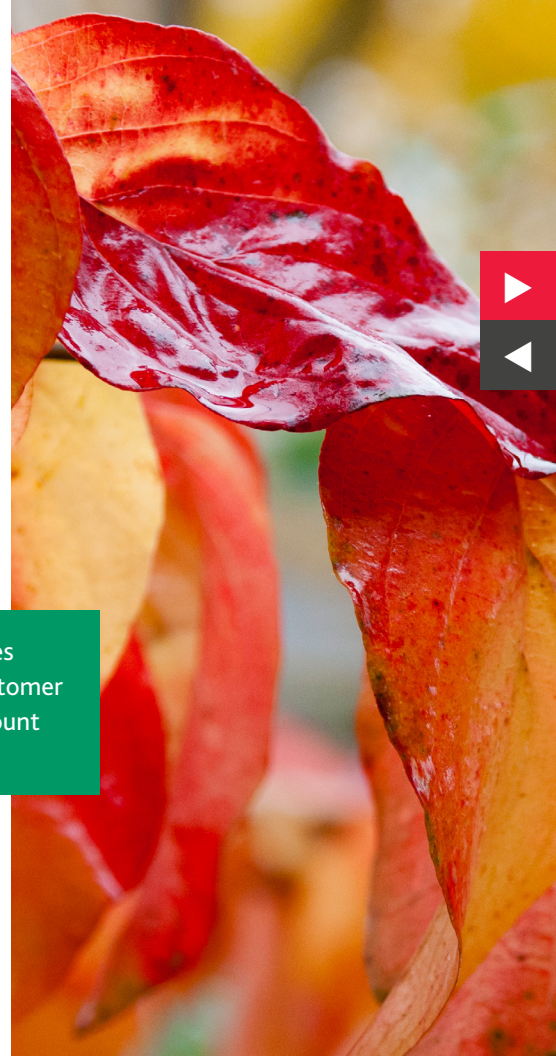
CAPTURE THIS BENEFIT: Purpose is inextricably linked to ESG. It's why your business exists — and for that “why” to be differentiated, it needs to deliver impact beyond economic value. Once defined, purpose should be engrained into your culture, your business strategy and decision-making compass. To put purpose into practice, live it and lead with it. Promote your purpose through regular employee engagement and measurable commitments. Solicit employee feedback as commitments evolve over time.



Increase Customer Loyalty and Safeguard Brand Integrity

Customers vote with their wallets and research has shown they are more likely to support sustainable businesses. In fact, 71% of consumers indicated they plan to make more sustainable purchasing decisions, according to a [recent report](#). Additionally, [64% of Americans](#) also say they would be willing to pay more for a sustainable product, and 62% of U.S. and UK consumers say they would [join a customer loyalty program](#) if they knew the rewards contributed to social causes they cared about.

CAPTURE THIS BENEFIT: To attract new customers and retain existing supporters, businesses must not only address customer needs but customer values. Align services, products and customer offerings with the company's own broader ESG priorities, and ensure ESG commitments account for and reflect the issues customers care about most.



Deliver Greater Shareholder Returns

The savviest investors know it's the long game that matters. Short-term measures to meet quarterly earnings targets that result in environmental or social degradation or come at the expense of investment in future growth will harm performance over time. Shareholders' economic interests are better served by a commitment to ESG and a long-term view of value creation that takes broad stakeholders into account. Companies that proactively embrace ESG principles are more likely to [outperform their peers](#) on every performance metric. Organizations that embed ESG initiatives into their operational and growth strategies are likely to attract more interest from investors and improve their overall financial performance.

CAPTURE THIS BENEFIT: A long-term strategy that captures the needs of a wider group of stakeholders will likely drive stronger long-term shareholder returns. As you shift your focus from short-term to sustainable returns, engage shareholders in a proactive dialogue on the benefits of ESG, as well as corresponding commitments, milestones and progress reports. To bring more transparency to your efforts, develop and report ESG metrics in alignment with an established ESG reporting framework. Bear in mind that material ESG risks or missteps may pose a significant barrier to winning or maintaining investor backing.



Drive Higher Profitability

As companies shift their focus away from optimizing for short-term profits, profitability actually increases over the long term. There may be short-term cost increases incurred when shifting to sustainable sourcing, investing in research and development, or raising pay, but those costs are offset by the advantages they may bring. Stronger ESG practices correlate to [higher margins](#). Adopting ESG measures can save costs by using resources more efficiently, lowering overhead expenses and reducing waste.

CAPTURE THIS BENEFIT: Review your operations and identify opportunities to streamline resource usage, reduce water and energy consumption, and eliminate harmful waste, such as unnecessary travel or on-site data storage. Collaborate with stakeholders up and down the value chain to assess where there may be critical issues and opportunities to design new products and services that deliver ESG outcomes and redesign existing offerings by integrating ESG practices. For example, many companies are redesigning their products — and the packaging for their products — to be recyclable and reusable.



Mitigate Risk and Build Resilience

Companies with strong ESG practices are not only more resilient in times of adversity, they also face fewer material adverse events to begin with. By proactively identifying and addressing ESG-related threats, businesses can reduce incidence risk. A [Wharton study](#) found that strong ESG performers have a much lower incidence rate of fraud, litigation, customer attrition and revenue shortfalls. Company executives are responding accordingly. In the [2024 BDO ESG Risk & ROI Survey](#), 53% of CFOs say they have embedded ESG principles into their core business strategy or are actively working on it.

CAPTURE THIS BENEFIT: Conduct a materiality assessment and identify the strategies and actions needed to mitigate your organization's priority ESG risks. Every organization's priorities are unique, based on the potential impact — positive or negative — of specific ESG topics on your business and your stakeholder ecosystem. A materiality assessment provides a mechanism to hear from stakeholders about what matters most to them. That feedback, as well as a quantitative assessment of the potential impact of ESG issues, is critical to determine strategic importance.



Organizations that adopt a sustainability mindset and embed ESG into corporate strategy and operations build businesses that are better in every sense of the word: Better prepared. Better performers. Better stewards of their impact on the world. Better creators of value — for all stakeholders, and for themselves.

**Is your business ready for the ESG imperative?
Talk to one of our ESG leaders today.**

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Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

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