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The Evolving Role of CFOs in Driving Sustainable Finance and ESG Integration: A Case Study of Fine Musetto's ESG Risk Assessment in M&A

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Introduction

The evolving landscape of corporate governance is increasingly being shaped by Environmental, Social, and Governance (ESG) criteria, which have transitioned from marginal considerations to central principle of business strategy. The rising importance of ESG is rooted in a multitude of factors, including changing stakeholder expectations, regulatory developments, and the growing recognition of the financial materiality associated with sustainability issues (Eccles et al., 2019). Investors, governments, and society are demanding greater accountability and transparency in corporate practices, and this push has become a key driver of long-term value creation. The ability to integrate ESG factors into corporate strategies is no longer a "nice-to-have", but a "must-have" for organizations seeking to maintain competitiveness in an evolving market landscape (EY, 2023).

The need for effective ESG integration is underlined by the increasing empirical evidence that firms with strong ESG performance tend to outperform their peers financially over the long-term. This connection between sustainable practices and financial performance is increasingly clear, as companies that prioritize ESG are better equipped to mitigate risks, capitalize on new market opportunities, and secure long-term profitability (Bouten et al., 2022). Consequently, the role of financial leaders, specifically Chief Financial Officers (CFOs), has undergone significant transformation in response to these developments. CFOs are no longer merely responsible for managing the financial health of their organizations; they are now expected to play a crucial role in driving sustainable finance and positioning ESG considerations into the core financial strategy (BlackRock, 2023).

How do CFOs adapt to these changes, and what role do they play in fostering the integration of ESG into corporate finance? These and other questions will be attempted to be answered in the following paper, divided into three distinct parts.

In the first chapter, we will provide a detailed examination of the characteristics of individual ESG components, environmental, social, and governance, and explore the emerging ESG reporting requirements. The chapter will also illustrate how accurate and transparent ESG disclosure can positively impact company value by enhancing investor confidence and improving risk management practices (KPMG, 2024).

The second chapter will focus on the changing role of the CFO. Traditionally, CFOs have been viewed as financial stewards whose primary responsibility was to safeguard the fiscal health of their organizations through technical expertise and fiduciary oversight. However, the modern CFO is increasingly considered as a strategic business partner with a broader mandate that includes operational and sustainability-related objectives. This chapter will discuss how CFOs are shifting from a narrow financial focus to adopting a more holistic view that incorporates non-financial performance indicators, such as ESG metrics. Furthermore, we will explore how CFOs are leveraging ESG integration to drive business opportunities, including the adoption of innovative mechanisms such as linking executive pay to ESG goals, thereby aligning financial and sustainability objectives (PwC, 2024).

The third and final chapter is divided into two distinct sections. The first section will outline the process of ESG due diligence within mergers and acquisitions (M&A), highlighting how ESG risks and opportunities are assessed in the context of corporate transactions. The second section will analyze a case study related to the acquisition of Fine Musetto by Style Capital, focusing on the ESG risk assessment conducted during the due diligence process. This case study will provide a practical application of ESG considerations in M&A transactions, illustrating the challenges and opportunities that arise when integrating ESG factors into financial and strategic decision-making.

In conclusion, this thesis will demonstrate that the role of the CFO is at a critical intersection, as sustainability considerations become increasingly linked with financial decision-making. Through a careful analysis of ESG components, the transformation of the CFO role, and the implications for corporate transactions, we aim to contribute to the growing body of literature that underscores the importance of ESG in corporate governance and finance. As the financial and sustainability landscapes continue to converge, CFOs will be helpful in shaping the future of corporate finance, fostering value creation that surpass short-term profitability and embraces long-term societal and environmental well-being.

Literature Review

In the first chapter, we will summarize the previous literature on ESG factors, starting with the analysis of the individual components and the relationship between ESG disclosure and financial performance. The environmental component has been extensively studied, with researchers emphasizing the importance of corporate practices related to sustainability, climate change, and resource management. Studies have shown that companies focusing on environmental sustainability not only reduce risks associated with environmental regulations but also enhance their market value (Eccles et al., 2019). The social component, including aspects like labor standards, diversity, and community relations, is shown to contribute to long-term profitability through stronger stakeholder relationships (Aguinis and Glavas, 2019). Similarly, the governance element, focusing on board diversity, transparency, and ethical leadership, has been linked to reduced risk and increased investor confidence (Bouten et al., 2022). The connection between ESG disclosure and financial performance is particularly significant, with research illustrating how transparent ESG reporting enhances company value by fostering trust among investors and improving access to capital (Fatemi et al., 2018).

In the second chapter, attention will be focused on the evolving role of the CFOs. Traditionally, they were viewed as financial stewards with a narrow focus on technical and fiduciary responsibilities, but recent literature highlights the transition to a more strategic role (Eccles et al., 2019). The modern CFO is increasingly seen as a business partner responsible for integrating financial management with broader corporate strategy, including ESG considerations (KPMG, 2024). This shift is particularly evident as CFOs are now appointed to aligning financial objectives with sustainability goals, which includes driving ESG reporting, managing sustainability risks, and ensuring that financial decisions account for long-term environmental and social impacts. Furthermore, CFOs are taking an active role in leveraging opportunities such as linking executive compensation to ESG performance to align management incentives with the company's sustainability objectives (Bouten et al., 2022).

The third and final chapter will explore ESG due diligence in the context of M&A and discuss the future of sustainable finance. ESG due diligence has emerged as a critical aspect of M&A activities, as acquiring companies must assess the sustainability risks and opportunities associated with their target firms. The literature shows that companies with strong ESG profiles are often valued more highly in M&A deals, as they represent lower long-term risk and greater potential for sustainable growth (Eccles et al., 2019). In the final section, we will perform the ESG risk assessment within the acquisition of Fine Musetto by Style Capital, following a structured approach. This assessment will involve several key steps: identifying material ESG risks, analyzing the environmental, social, and governance factors relevant to the transaction, and evaluating compliance with existing regulatory frameworks. We will also explore potential mitigation strategies for the identified risks and assess their financial implications on the valuation and integration process.

1. Chapter 1

1.1 Global and European ESG issues: Market Context

1.1.1 Outline of the Environmental Element "E"

In 2015, more than 190 governments worldwide signed up for the *United Nations 2030 Agenda for Sustainable Development*, aiming to implement a plan of action over the next fifteen years in areas of crucial importance for people, planet and prosperity.

Since the implementation of the *Paris Agreement*, "a legally binding international treaty on climate change", under the *United Nations Framework Convention on Climate Change* (UNFCCC), to limit global warming to well below 2°C from 2020, more and more countries have advanced in the transition towards low-carbon solutions, with the commitment to report transparently their actions and progress through the *Enhanced Transparency Framework* (ETF).

Within the European Union (EU) framework, the European Commission's report titled "High-Level Expert Group on Sustainable Finance (HLEG)" (EC, 2017) and the following "Action Plan: Financing Sustainable Growth" (EU, 2018) are the two main documents that have defined the EU's strategy on sustainable finance and the roadmap of future initiatives to be conducted through the financial system. According to the European Commission, sustainable finance is "the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects." The EU regards sustainability and the shift towards a circular and low-carbon economy as essential to ensure long-term competitiveness. The financial sector must include environmental and social aspects into its governance model and investment decisions. Immediate interventions are required to adjust public policies to the new scenario, increasingly exposed to unpredictable effects on climate change and resource depletion.

Climate change and environmental degradation cause structural alterations that impact on the economic activity and, subsequently, on the financial system. All this has resulted in the recognition of new sources of risk for financial intermediaries, gathering increasing attention from supervisors and regulators. Precisely, climate change creates two main categories of risk: *physical risk* and *transition risk* ("Recommendations of the Task Force on Climate-related Financial Disclosures", 2017).

Physical risk refers to the financial effect of climate change (extreme weather events, gradual changes in climate and environmental degradation, pollution, water stress, loss of biodiversity and deforestation) in terms of direct material damage (e.g., declines in productivity, damage to real estate owned or held as collateral) and indirect damage (e.g., disruption of production chains). Furthermore, it can be classified as *acute risk* and *chronic risk*: *acute physical risk* arises from extreme and immediate hazards, including

droughts, floods, and storms; *chronic physical risk* arises from gradual alterations, including sea level rise, temperature increase, resource scarcity or hydrogeological stress.
Transition risk, instead, is the financial loss, either direct or indirect, that arises from the method and timing of the conversion to a lower-carbon economy. This risk is positively correlated to policy choices (e.g., carbon-pricing mechanism, energy-efficiency solutions), technological innovation, and stakeholders' expectations.

Nowadays, sustainable finance has become a widespread concern due to international agreements fostering investments that incorporate ESG issues.

1.1.2 Outline of the Social Element "S"

Investors evaluating social components consider the company's ability to manage its relationships with employees, suppliers, customers, and the communities in which it operates.
The *United Nations Principles for Responsible Investment* state that: "the social element in the ESG world can be the most difficult for investors to assess. Unlike environmental and governance issues, which are more easily defined, have a proven track record of market data, and are often accompanied by robust regulation, social issues are less tangible, with less mature data to show how they can impact a company's performance."

Due to the numerous stakeholders included in the social component, both companies and investors have been always engaged in ongoing challenges.
Firstly, companies face a broad variety of metrics that might define social impact: from labor relations to workforce diversity, and supply chain practices.
On the investor side, another difficulty is the regional and cultural discrepancy in the definitions and significance attributed to different social issues. These matters are appraised differently among countries: for instance, Germany prioritize the fight against child labor, whereas the UK has increasingly emphasized workplace diversity in recent years. The problem for investors extends beyond data. Currently, there is no industry-wide social benchmark that garners consensus among investors.

One of the principal concerns in integrating social aspects into an investment portfolio is that these factors assume various interpretations for different investors. As a matter of fact, a research conducted by Deutsche Asset & Wealth Management and the University of Hamburg (2015) identified a direct relation between good social performance and good financial performance (Friede et al., 2015).

The COVID-19 global pandemic has intensify the importance of social issues as a determinant factor affecting fundamental economic reality.

1.1.3 Outline of the Governance Element "G"

The role of governance as a core pillar of sustainability is now widely acknowledged and validated by its incorporation in the ESG issues. Governance, unlike environmental and social components, plays a more intricate role, "being a meta-construct over E, S, and ESG, and acting as a precondition and a result of the value creation in the long term" (Cardoni and Kiseleva, al., 2023). In this sense, research has introduced the concept of *sustainable corporate governance* (Allais et al., 2017), a system that integrates shareholders and stakeholders' interests, ensuring the protection of the environment and the broader community.

In the context of developed countries, the increasing interaction between the main actors of the socioeconomic system (institutions and regulators, financial markets, large companies, consultants and auditors) give rise to the following challenges:

- The integration of sustainable corporate governance with corporate strategy and business models, preventing from actions trained by greenwashing purpose.
- The quality of sustainability disclosure, due to the lack of standardized disclosure rules and the absence of a global authority to ensure the accuracy of reported ESG information.
- The regulatory profile of director's liability, especially affecting European context, to reduce short-termism in capital markets, ensuring company's long term interest.

In 2022, the EU made a move towards the ESG risk management block through the approval of a proposal for a "Directive on Corporate Sustainability Due Diligence". This directive, entered into force on July 2024, establishes a corporate due diligence duty with the goal to better enabling companies to recognize and address adverse human rights environmental impacts in their operations and value chains. Moreover, it establishes an obligation for large companies to implement a transition plan for climate change mitigation consistent with the 2050 climate neutrality objective of the Paris Agreement and the intermediate targets set out in the *European Climate Law*.

1.2 ESG Reporting

1.2.1 The Growing Importance of ESG Reporting

In recent years, ESG reporting has become a critical component of corporate transparency and accountability. As stakeholders, ranging from investors to regulators and consumers, demand greater insight into how companies manage their environmental and social responsibilities, the need for comprehensive and transparent ESG reporting has intensified. Companies are no longer evaluated solely on financial performance; their long-term viability is increasingly linked to their ability to manage sustainability risks and opportunities (Eccles and Serafeim, 2024). ESG reporting provides a structured means for companies to communicate their sustainability strategies, goals, and performance, enabling stakeholders to assess the company's overall impact and its approach to managing non-financial risks.

The growing importance of ESG reporting is driven by multiple factors. First, investors are increasingly recognizing the financial relevance of ESG factors in long-term value creation (Friede et al., 2015). Numerous studies have shown that companies with strong ESG performance tend to experience lower risk, better operational efficiency, and enhanced reputation, all of which contribute to superior financial outcomes. As a result, institutional investors are incorporating ESG metrics into their investment decisions, requiring companies to disclose accurate and meaningful ESG data (KPMG, 2023).

Second, consumers are becoming more discerning, preferring to engage with companies that demonstrate responsible business practices. As public awareness of environmental and social issues grows, companies are under pressure to showcase their sustainability efforts in a transparent and credible manner (Morgan Stanley, 2023). ESG reporting allows businesses to highlight their commitment to sustainability and respond to consumer expectations for ethical products and services.

Third, ESG reporting is essential for managing regulatory risks. Many governments and international organizations have introduced policies that mandate ESG disclosures, particularly in areas such as climate risk and human rights (PwC, 2024). Failure to comply with these regulatory requirements can result in legal penalties and reputational damage. Thus, ESG reporting serves as a tool for companies to ensure compliance and avoid potential risks related to non-disclosure or misreporting.

1.2.2 Regulatory ESG Reporting Requirements and Frameworks

The regulatory landscape for ESG reporting has evolved significantly, with numerous frameworks and guidelines emerging to standardize the disclosure of sustainability-related information. In response to growing demand from investors and regulators for greater transparency, several governments and international organizations have developed mandatory reporting requirements to ensure consistent and comparable ESG data across industries and regions (Eccles & Klimenko, 2024).

In the European Union (EU), the *Corporate Sustainability Reporting Directive* (CSRD) has become one of the most comprehensive ESG reporting regulations. The CSRD, which replaces the *Non-Financial Reporting Directive* (NFRD), requires large companies to report on their sustainability performance in greater detail, including the financial risks associated with ESG factors (European Commission, 2023). The directive mandates that companies disclose information related to climate change, biodiversity, human rights, and social issues, among others, using standardized metrics that allow stakeholders to evaluate and compare ESG performance.

In addition to the CSRD, companies must also comply with the *Sustainable Finance Disclosure Regulation* (SFDR) in the EU, which requires financial market participants to provide transparency on the sustainability characteristics of their investment products (KPMG, 2023). This regulation aims to prevent greenwashing by ensuring that companies accurately report the sustainability credentials of their financial products, allowing investors to make informed decisions based on reliable ESG information.

In the United States, the Securities and Exchange Commission (SEC) has introduced new ESG disclosure requirements, particularly in the area of climate-related risks. The SEC’s proposed climate disclosure rule would require publicly traded companies to report on their greenhouse gas emissions, climate-related financial risks, and governance structures related to climate oversight (SEC, 2024). This move reflects the growing recognition within the U.S. regulatory environment of the importance of ESG factors in corporate governance and financial performance.

On the international stage, the *Global Reporting Initiative* (GRI) and the *Sustainability Accounting Standards Board* (SASB) are two of the most widely used ESG reporting frameworks. The GRI provides comprehensive standards for companies to report on their environmental, social, and governance impacts, while the SASB focuses on industry-specific ESG factors that are financially material (Eccles and Serafeim, 2024). Both frameworks are designed to improve the quality and consistency of ESG disclosures, allowing stakeholders to assess the financial relevance of sustainability initiatives and compare ESG performance across companies.

The *Task Force on Climate-related Financial Disclosures* (TCFD) has also gained prominence as a leading framework for climate-related financial reporting. The TCFD provides guidelines for companies to disclose how climate risks and opportunities affect their business models, governance, strategy, and financial planning (Task Force on Climate-related Financial Disclosures, 2024). Many governments and regulators, including those in the UK, Japan, and the EU, have either adopted or endorsed the TCFD framework, making it a key component of regulatory ESG reporting.

As regulatory requirements for ESG reporting continue to evolve, companies must stay abreast of these changes and adopt the necessary frameworks to ensure compliance. CFOs and finance teams play a critical role in implementing these frameworks, integrating ESG metrics into financial reporting, and ensuring that sustainability data is accurate, verifiable, and aligned with the company’s overall strategy (PwC, 2024). By adhering to regulatory standards and best practices, companies can not only avoid legal and reputational risks but also strengthen their position in an increasingly ESG-conscious market.

1.3 ESG Disclosure and Financial Performance

The relationship between ESG disclosure and financial performance has become a pivotal area of research and practice in corporate finance. As investors, regulators, and other stakeholders increasingly prioritize sustainability, the transparency provided by ESG disclosure is seen as a critical determinant of financial performance. This connection between disclosure and performance arises from several factors, including risk management, stakeholder engagement, and long-term value creation (Eccles and Serafeim, 2024). Corporations that disclose their ESG practices not only comply with regulatory and market expectations but also demonstrate their commitment to sustainable business models that can drive profitability and resilience in the long term.

One of the primary ways ESG disclosure impacts financial performance is through enhanced risk management. Companies that provide transparent reporting on environmental and social issues are better positioned to manage potential risks, such as regulatory changes, climate-related risks, and reputational damage. For example, companies that disclose their carbon emissions and strategies for reducing their environmental footprint can mitigate the financial risks associated with carbon pricing, stricter environmental regulations, and shifts in consumer demand for greener products (KPMG, 2023). In contrast, companies that fail to provide adequate ESG disclosures may face greater scrutiny from regulators, investors, and the public, leading to increased costs and financial penalties.

The impact of ESG disclosure on financial performance is further evidenced by its role in improving stakeholder engagement. As ESG factors become more important to a wide range of stakeholders, including investors, customers, employees, and communities, transparent ESG disclosure allows companies to build trust and credibility. Studies have shown that companies with robust ESG disclosure practices are more likely to attract long-term investors, as these investors seek to align their portfolios with companies that are committed to sustainability and ethical governance (Morgan Stanley, 2023). Moreover, consumers are increasingly drawn to companies that prioritize social and environmental responsibility, which can enhance brand loyalty and increase market share.

From a governance perspective, ESG disclosure also promotes accountability and better decision-making at the board and executive levels. By reporting on governance practices, such as board diversity, executive compensation, and ethical business practices, companies can demonstrate that they have strong governance structures in place to support long-term value creation (Eccles and Klimenko, 2024). This level of transparency not only reduces the likelihood of governance-related risks but also helps align executive incentives with sustainability goals, thereby fostering a culture of corporate responsibility.

In addition to risk management and stakeholder engagement, ESG disclosure can enhance financial performance by improving access to capital. Many institutional investors now incorporate ESG criteria into their investment decisions, and companies that score well on ESG disclosures are more likely to attract capital at favorable rates. For instance, companies that issue green bonds or sustainability-linked loans must meet specific ESG criteria, and transparency around these initiatives can help reduce the cost of capital by appealing to ESG-conscious investors (PwC, 2024). Furthermore, the growth of sustainable finance markets means that companies with strong ESG disclosures can tap into new sources of funding that are tied to their sustainability performance.

Several academic studies have demonstrated a positive correlation between ESG disclosure and financial performance. A meta-analysis by Friede, Busch, and Bassen (2015) reviewed over 2,000 empirical studies on the relationship between ESG factors and financial outcomes, finding that the majority of studies reported a positive link between ESG integration, including disclosure, and financial performance. This body of evidence supports the notion that companies with high-quality ESG disclosures are more likely to experience better financial outcomes due to improved risk management, enhanced reputation, and stronger relationships with stakeholders.

However, while there is substantial evidence supporting the positive impact of ESG disclosure on financial performance, the quality and standardization of ESG reporting remain a challenge. Different ESG frameworks, such as the *Global Reporting Initiative* (GRI), the *Sustainability Accounting Standards Board* (SASB), and the *Task Force on Climate-related Financial Disclosures* (TCFD), provide varying guidelines for ESG reporting, making it difficult for investors to compare ESG performance across companies (KPMG, 2023). Standardizing ESG disclosure practices is therefore essential for ensuring that investors have access to reliable and comparable data that can inform their investment decisions.

Looking ahead, regulatory requirements for ESG disclosure are expected to increase, particularly in regions such as the European Union, where the *Corporate Sustainability Reporting Directive* (CSRD) will mandate more comprehensive ESG disclosures for large companies (European Commission, 2023). This growing regulatory emphasis on ESG reporting underscores the importance of transparency in driving both compliance and financial performance. As regulatory frameworks evolve, companies that proactively enhance their ESG disclosure practices will be better positioned to meet stakeholder expectations and capitalize on the financial benefits of sustainability.

The concept of sustainable and responsible investing has been a delicate topic in the last three decades (Margolis et al., 2007). Indeed, after the recent rising initiatives by governments and global institutions (e.g., Paris Agreement and Sustainable Development Goals), scholars have investigated what being sustainable really means, its consequences for investors, managers, and corporations, as well as tailored explorations among corporate environmental management (e.g., Klassen and McLaughlin, 1996; Eccles, 2013; Derwall, 2005), social performance (e.g., Gompers et al., 2003), and eco-efficiency (e.g., Guenster, 2011). A broad perspective of studies aimed to answer one of the most intriguing questions among investors and corporations:

whether CSR really pays off in financial terms. This question is dominated from one side by Friedman's (1970) shareholder theory, which states that the ultimate objective of a company is to maximize shareholders' profits, while ESG practices are seen as expenses and value-dilution activities for corporations. On the opposite side, Freeman's (1984) stakeholder theory posits that ESG investments support a positive relationship with financial performance by maximizing profits, protecting stakeholders' interests, improving employees' productivity, enhancing competitiveness, and reducing risks (Oualaid Janah and Sassi, 2021).

The academic world remains divided into two opposing hemispheres (Arlow and Gannon, 1982). On one side, some believe that sustainable and socially responsible investing leads to higher returns (e.g., Margolis and Walsh, 2001; Clark and Viehs, 2014; Orlitzky et al., 2003; Scholtens, 2008; Wang et al., 2016), while others argue the opposite (e.g., Becchetti et al., 2012; Garcia and Orsato, 2020). Authors such as Palmer et al. (1995), Gray and Milne (2002), and Brammer and Millington (2008) have demonstrated how investing in socially responsible activities can decrease profits and financial performance. Conversely, authors like Burritt et al. (2002) and Eccles and Serafeim (2013) contend that while sustainable practices may increase firms' expenses in the short run, they offer long-term benefits by enhancing firms' reputation (McWilliams et al., 2006) and financial figures (e.g., Russo & Fouts, 1997).

1.4 Potential Greenwashing in Sustainability Communication

Greenwashing refers to the practice where companies deceptively market themselves as more environmentally friendly or socially responsible than they are in reality. The term, which has gained prominence in the last few decades, addresses the mismatch between the actual ESG practices of companies and their public portrayal of sustainability efforts. Greenwashing can take multiple forms, ranging from exaggerated claims in sustainability reports to the selective disclosure of ESG initiatives while concealing harmful practices. According to Lyon and Montgomery (2015), greenwashing occurs when companies invest more in marketing their environmental sustainability than in actual practices that benefit the environment.

Types of greenwashing typically observed include:

- *Selective disclosure*: highlighting certain environmentally positive actions while concealing other, less favorable impacts.
- *Empty claims*: making vague or unsubstantiated claims that cannot be easily verified by stakeholders.
- *Decoupling*: when firms adopt sustainable practices for appearance's sake but do not integrate them into their core operations.

The evolving responsibilities of CFOs extend beyond traditional financial oversight. Today, they are instrumental in ensuring the financial and non-financial reporting of a company reflects its true performance, including ESG metrics. As stewards of corporate governance, CFOs are in a critical position to oversee and scrutinize the accuracy of sustainability communications. In light of increased scrutiny from investors, regulators, and consumers, CFOs must ensure that ESG disclosures are transparent and credible.

According to Gatti et al. (2020), CFOs play a pivotal role in aligning corporate sustainability strategies with financial objectives, thereby creating accountability frameworks to prevent greenwashing. In this context, CFOs should actively promote cross-functional collaboration with sustainability departments, ensuring that ESG metrics reported in financial statements are both accurate and comprehensive.

The regulatory landscape surrounding sustainability communication is evolving rapidly, driven by increasing concerns about greenwashing. Governments and regulatory bodies worldwide are stepping up their efforts to combat misleading ESG reporting. The *European Union's Corporate Sustainability Reporting Directive* (CSRD), which came into effect in 2024, mandates stricter reporting requirements for companies on their sustainability impacts, providing a more robust framework to prevent greenwashing (European Commission, 2024). This directive is particularly relevant for CFOs, as they are responsible for ensuring compliance with these stringent regulations.

Moreover, market participants, such as institutional investors, are pushing for greater transparency in ESG disclosures. Initiatives like the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI) are increasingly becoming the global standard for sustainability reporting, pushing companies to adopt more rigorous practices. The alignment of these regulatory and market pressures is creating an environment where CFOs cannot afford to overlook the risks of greenwashing.

Greenwashing poses significant risks to corporate governance, especially in the context of sustainable finance. Companies caught engaging in greenwashing can suffer severe reputational damage, which can lead to a loss of investor confidence and consumer trust. A study by Du and Vieira (2022) highlights that companies accused of greenwashing often experience financial penalties and a sharp decline in stock prices as investors divest.

The implications of greenwashing extend beyond financial consequences. It also erodes the integrity of corporate governance structures, as it suggests a lack of oversight and accountability within the organization. CFOs, in their governance role, must therefore ensure that sustainability efforts are not merely a marketing tool but an integral part of the company's long-term strategy. By fostering transparency and accountability, CFOs can mitigate the risks of greenwashing and strengthen corporate governance frameworks.

To effectively address the issue of greenwashing, CFOs and corporate governance leaders must implement robust strategies. These include:

- Strengthening Internal Controls: establishing clear internal audit mechanisms for sustainability claims and ensuring that all ESG disclosures are backed by verifiable data.
- Promoting Stakeholder Engagement: involving key stakeholders such as investors, regulators, and NGOs in the sustainability reporting process can enhance transparency and credibility.
- Enhancing Board Oversight: corporate boards must play an active role in overseeing ESG initiatives and ensuring that sustainability practices align with long-term corporate objectives.

A combination of regulatory compliance, stakeholder engagement, and rigorous internal controls can significantly reduce the risk of greenwashing in corporate sustainability communications. CFOs must be at the forefront of this effort, ensuring that the company's financial and sustainability goals are harmonized.

Greenwashing represents a critical challenge in the realm of sustainability communication, with far-reaching implications for corporate governance, financial performance, and reputation. As CFOs take on more prominent roles in driving ESG integration, their responsibility in ensuring the authenticity and transparency of sustainability communications becomes paramount. By implementing robust strategies and adhering to evolving regulatory standards, CFOs can mitigate the risks associated with greenwashing and foster a corporate culture that prioritizes genuine sustainability efforts.

1.5 The Role of ESG Ratings

ESG ratings have become a critical tool for investors, companies, and other stakeholders seeking to assess corporate sustainability performance. ESG ratings provide an independent evaluation of a company's performance in key sustainability areas, offering insights into how well a company is managing its environmental and social risks, as well as its governance structures (Eccles and Serafeim, 2024). As the demand for sustainable investing continues to grow, ESG ratings serve as a vital resource for investors aiming to integrate sustainability considerations into their decision-making processes. However, the role of ESG ratings extends beyond investment, influencing corporate strategy, regulatory compliance, and reputational management.

For investors, ESG ratings offer a way to differentiate between companies based on their sustainability performance. Given the increasing recognition that ESG factors can have material impacts on financial performance, institutional investors and asset managers are relying more heavily on ESG ratings to guide their investment choices (Morgan Stanley, 2023). Studies have shown that companies with higher ESG ratings tend to demonstrate better risk management, lower capital costs, and stronger long-term financial performance compared to their lower-rated peers (Friede et. al, 2015). This has led to the growth of ESG-focused investment products, such as sustainable mutual funds and ETFs, which prioritize companies with strong ESG credentials (PwC, 2024).

From a corporate perspective, ESG ratings act as a benchmark for sustainability performance, enabling companies to assess their standing relative to industry peers. High ESG ratings can enhance a company's reputation, attracting socially conscious investors, customers, and business partners. On the other hand, poor ESG ratings may signal potential risks to investors and other stakeholders, including regulatory penalties, reputational damage, or operational disruptions caused by environmental or social issues (KPMG, 2023). Thus, companies are increasingly focused on improving their ESG scores by addressing material sustainability issues and enhancing their disclosure practices.

However, one of the key challenges associated with ESG ratings is the lack of standardization across rating agencies. Different ESG rating providers, such as MSCI, Sustainalytics, and Refinitiv, often use different methodologies and criteria to evaluate companies, leading to significant variations in ratings for the same company (Eccles and Klimenko, 2024). This divergence in methodologies can create confusion for investors and companies alike, as it becomes difficult to compare ESG performance consistently across different rating systems.

To address this challenge, there have been calls for greater standardization in ESG ratings. Regulators, such as the European Securities and Markets Authority (ESMA), have recognized the need for more transparent and consistent ESG rating methodologies, with proposals aimed at improving the comparability and reliability of ESG data (KPMG, 2023). Efforts are also underway to integrate ESG ratings with global reporting frameworks, such as the *Global Reporting Initiative* (GRI) and the *Sustainability Accounting Standards Board* (SASB), which would help harmonize the data used by rating agencies.

ESG ratings also play a crucial role in regulatory compliance. As governments introduce more stringent ESG reporting requirements, such as the *Corporate Sustainability Reporting Directive* (CSRD) in the European Union, ESG ratings can help companies demonstrate their compliance with these regulations (European Commission, 2023). Furthermore, ESG ratings can serve as a tool for companies to identify areas of improvement in their sustainability practices, ensuring that they meet both regulatory obligations and the expectations of stakeholders.

In addition to their role in investment and regulation, ESG ratings have a significant impact on corporate governance. Many companies now tie executive compensation to ESG performance, using ESG ratings as a metric to evaluate leadership’s ability to achieve sustainability goals (PwC, 2024). This alignment of executive incentives with sustainability objectives not only drives corporate accountability but also enhances long-term value creation.

2. Chapter 2

2.1 The Evolving Role of the CFO: from Financial Steward to Business Partner

In the traditional view, CFOs were largely confined to the technical aspects of finance and accounting, characterized by a narrow focus on financial reporting, treasury management, and cost control (Merchant and Van der Stede, 2017). The fiduciary role of CFOs was anchored in ensuring that organizations adhered to financial regulations, internal audit functions, and corporate governance structures (Khan and Jamali, 2021). Their expertise was primarily technical, encompassing accounting standards, capital structure, and taxation, which positioned them as gatekeepers of financial data and compliance. In this context, CFOs played a reactive role, focusing on minimizing risks and avoiding financial irregularities.

While this role was essential to maintaining corporate governance, it provided little opportunity for CFOs to influence strategic decision-making or operational outcomes. CFOs were typically perceived as functional leaders, managing balance sheets and cash flow rather than engaging in business strategy discussions or contributing to broader organizational goals (Hope et al., 2022).

The evolving demands of the modern corporate environment, characterized by volatility, digital transformation, and stakeholder capitalism, have reshaped the CFO's role from a narrow financial steward to a more expansive, strategic business partner (Mankins and Steele, 2023). Today's CFOs are expected to collaborate with the CEO and other C-suite executives to drive organizational strategy, enabling growth, innovation, and long-term value creation. In this capacity, CFOs contribute to strategic planning by leveraging financial data to inform business decisions and by aligning capital allocation with corporate strategy (Epstein and Buhovac, 2023).

One of the significant shifts in the CFO's role is the increased emphasis on forward-looking insights. Rather than merely reporting historical performance, CFOs now focus on forecasting and scenario analysis, helping organizations navigate uncertainty and manage risks (PwC, 2024). Their involvement in mergers and acquisitions (M&A), capital investment decisions, and corporate restructuring demonstrates how CFOs have become integral to shaping business outcomes. This transition from a reactive, compliance-focused role to an active, value-driven position reflects the CFO's growing importance in achieving organizational agility and resilience (Deloitte, 2024).

A critical element in the evolving role of the CFO is the increasing responsibility for ESG integration and sustainable finance. As corporate stakeholders demand greater accountability regarding environmental and social impacts, CFOs are at the forefront of embedding ESG considerations into financial decision-making (Eccles and Klimenko, 2024). This involves not only aligning investment strategies with sustainability goals but also ensuring that ESG risks are incorporated into financial risk assessments. CFOs are now expected to

oversee the implementation of sustainability metrics, such as carbon footprint reduction targets, responsible supply chain management, and diversity, equity, and inclusion (DEI) initiatives (KPMG, 2023).
Moreover, the CFO's role in sustainable finance includes raising capital through green bonds, sustainability-linked loans, and other financial instruments designed to support ESG objectives (Morgan Stanley, 2023).

By embracing these new responsibilities, CFOs are driving the shift towards a more sustainable and resilient business model, helping companies meet the expectations of a broader range of stakeholders, including investors, regulators, and consumers.

2.2 Integrating ESG into CFO's Role

2.2.1 ESG as a Value Driver

The integration of ESG factors into corporate decision-making has emerged as a critical driver of long-term business value. Traditionally, financial performance was viewed in isolation from broader societal and environmental impacts, with little consideration for how these factors could influence business outcomes (Eccles and Serafeim, 2021). However, as stakeholders increasingly prioritize sustainability and ethical governance, organizations have recognized that ESG integration is essential not only for managing reputational risks but also for enhancing overall financial performance. CFOs play a pivotal role in this transformation by embedding ESG considerations into financial analysis, capital allocation, and corporate strategy.

Research indicates that companies with strong ESG performance tend to outperform their peers in terms of financial returns, cost of capital, and risk mitigation (Khan et al., 2016). This is because ESG initiatives often lead to more efficient resource use, higher employee satisfaction, and improved stakeholder relations, all of which contribute to a more resilient and profitable business model (Friede et al., 2015). For CFOs, this means recognizing that ESG factors are not marginal, but central to long-term value creation. By integrating ESG into financial reporting and investment decisions, CFOs can help their organizations build competitive advantage, enhance corporate reputation, and manage risk more effectively (PwC, 2024).

2.2.2 Risk and Opportunity Management

CFOs are uniquely positioned to oversee both the risks and opportunities associated with ESG integration. One of the most pressing ESG-related risks is climate change, which poses significant financial, operational, and regulatory challenges for businesses (KPMG, 2023). CFOs must ensure that their organizations identify and quantify the financial impacts of climate-related risks, such as extreme weather events, carbon pricing, and regulatory compliance costs (*Task Force on Climate-related Financial Disclosures*, 2024). Beyond climate risks, CFOs also need to manage social risks, such as labor practices, human rights violations, and diversity issues, which can affect a company's social license to operate.

On the opportunity side, ESG also presents new avenues for value creation through sustainable investments, green finance, and innovative business models. For example, the growing market for green bonds and sustainability-linked loans provides CFOs with access to capital that aligns with ESG objectives (Morgan Stanley, 2023). Additionally, companies that embrace ESG principles are often better positioned to attract socially conscious investors and consumers, providing a competitive edge in the marketplace (Eccles and Klimenko, 2024). By balancing risk and opportunity, CFOs can not only protect their organizations from ESG-related disruptions but also capitalize on emerging trends in sustainability to drive long-term growth.

2.2.3 CFO as Change Agent for ESG

As organizations seek to embed ESG principles into their operations, the CFO is increasingly seen as a central figure in driving this transformation. Given their oversight of financial resources and corporate strategy, CFOs are well-positioned to support the adoption of ESG initiatives across all departments (Eccles and Klimenko, 2024). By ensuring that ESG metrics are integrated into performance evaluations, capital investment decisions, and reporting frameworks, CFOs can institutionalize sustainability throughout the organization.

In addition to operational responsibilities, CFOs must foster a cultural shift towards sustainability by promoting transparency, accountability, and long-term thinking (Mankins and Steele, 2023). This requires close collaboration with other C-suite executives, including the Chief Sustainability Officer (CSO), to align financial strategies with broader ESG goals. As *change agents*, CFOs not only lead the financial aspects of ESG integration but also play a pivotal role in fostering cross-functional collaboration, ensuring that sustainability becomes a core element of the company's value proposition (Deloitte, 2024).

2.3. Linking ESG Goals to Financial Performance

2.3.1 Performance Measurement and Metrics

The linkage between ESG goals and financial performance has become a cornerstone for modern corporate governance. Measuring the impact of ESG initiatives accurately is essential for demonstrating their contribution to business outcomes, aligning with both financial objectives and sustainability goals. CFOs are increasingly tasked with developing a framework for ESG performance measurement that incorporates both traditional financial metrics and new, ESG-specific indicators (KPMG, 2023).

The first step in integrating ESG into performance measurement is to define materiality. Material ESG issues vary widely across industries, and not all ESG factors will have the same impact on financial performance. For example, in the financial sector, governance and ethical practices may be more critical, while in manufacturing, carbon emissions and resource efficiency are likely to dominate the materiality spectrum

(Khan et al., 2016). As materiality is industry-specific, CFOs must work closely with sustainability experts to determine which ESG factors are most relevant to their organization's strategy and operations (PwC, 2024).

Once material factors are identified, these can be linked to key performance indicators (KPIs) that align with corporate objectives. For instance, companies focused on reducing their carbon footprint might track energy efficiency, emissions reduction, and waste management as part of their KPIs. Similarly, organizations with a strong focus on diversity and inclusion will set measurable goals around workforce diversity, gender equity in leadership roles, and employee satisfaction (Eccles and Serafeim, 2024). By embedding these metrics into financial reporting structures, CFOs enable their organizations to assess not only the compliance aspect of ESG but also the tangible business benefits—such as improved operational efficiency, cost savings, and enhanced reputation.

A critical tool in measuring ESG performance is the use of integrated reporting, which merges financial and non-financial data to provide a holistic view of corporate performance (Deloitte, 2023). Integrated reporting frameworks, such as those recommended by the *International Integrated Reporting Council* (IIRC), ensure that ESG initiatives are assessed alongside financial performance, offering stakeholders a more comprehensive understanding of value creation (Morgan Stanley, 2023). Additionally, frameworks like the *Global Reporting Initiative* (GRI) and the *Sustainability Accounting Standards Board* (SASB) provide CFOs with standardized methods for measuring and reporting ESG performance, making it easier to compare progress and benchmark against industry peers (KPMG, 2023).

Incorporating ESG metrics into performance management requires continuous monitoring and real-time data analysis. Advanced analytics tools, including artificial intelligence (AI) and big data, are enabling CFOs to gain deeper insights into how ESG factors affect both short-term operational outcomes and long-term financial performance (PwC, 2024). These tools allow organizations to forecast the financial impacts of ESG initiatives, assess the cost-benefit of sustainability projects, and track progress toward meeting ESG targets over time.

2.3.2 Linking Executive Compensation to ESG goals

Linking executive compensation to ESG goals represents a powerful incentive for aligning leadership behavior with long-term sustainability objectives. By incorporating ESG metrics into compensation packages, companies not only demonstrate their commitment to sustainable practices but also ensure that senior management is directly accountable for achieving these goals (Eccles et al., 2021).

The practice of linking executive compensation to ESG performance has gained momentum across various industries, particularly those facing high regulatory and stakeholder scrutiny around sustainability issues, such as energy, automotive, and consumer goods (KPMG, 2023). In these sectors, CEOs and other top executives are incentivized to meet specific ESG targets, such as reducing carbon emissions, improving diversity, or enhancing corporate governance standards. These targets are often tied to a significant portion of variable compensation, including bonuses and long-term incentive plans (LTI), ensuring that ESG performance is viewed on par with traditional financial metrics such as revenue growth and shareholder returns (Morgan Stanley, 2023).

However, implementing ESG-linked compensation structures requires a thoughtful and strategic approach. CFOs play a critical role in designing these frameworks, ensuring that the selected ESG metrics are aligned with the company's broader financial goals and are achievable within the set timelines. A key challenge is determining which ESG goals are material and measurable in a way that justifies their inclusion in compensation structures (Deloitte, 2023). For instance, while it may be straightforward to link emissions reduction targets to compensation in an industrial company, it could be more complex to quantify the financial impact of social initiatives like diversity and inclusion programs.

To ensure the credibility and transparency of ESG-linked compensation, companies are increasingly relying on third-party verification and external audits to validate the achievement of ESG targets (Eccles and Klimenko, 2024). This level of accountability enhances stakeholder trust and reduces the potential for greenwashing, where companies may overstate their ESG achievements without substantiating them through measurable results.

The long-term impact of linking executive compensation to ESG goals goes beyond individual accountability; it has the potential to foster a culture of sustainability throughout the organization. When senior leaders are incentivized to meet ESG targets, they are more likely to prioritize these initiatives in strategic planning and resource allocation, driving ESG integration at all levels of the business (PwC, 2024). In turn, this can lead to enhanced innovation, improved stakeholder relations, and stronger financial performance, as companies that lead on ESG tend to outperform their peers in the market.

2.4 CFO Role in Stakeholder Communication: Investor Relations and Transparency

In the evolving landscape of corporate governance, the role of the CFO in stakeholder communication has become increasingly crucial. Among the CFO's most significant responsibilities is ensuring transparent and effective communication with investors. As financial markets continue to prioritize ESG considerations, CFOs are at the forefront of conveying how their organizations integrate ESG factors into financial performance and long-term strategy (Eccles and Klimenko, 2024). This transparency is key to maintaining investor confidence and ensuring that the company's ESG commitments align with shareholder expectations.

Investor relations (IR) have traditionally focused on financial performance and risk management, but with the rise of ESG considerations, investors are now looking for broader insights into how companies manage sustainability risks and opportunities (PwC, 2024). As such, the CFO's role has expanded beyond reporting quarterly earnings to communicating the impact of ESG initiatives on financial outcomes. By ensuring transparent, data-driven communication with investors, CFOs help their companies secure long-term investment and build trust in the financial markets (Morgan Stanley, 2023).

One key aspect of effective investor communication is the alignment of financial reporting with ESG metrics. Integrated reporting frameworks, which combine financial and ESG performance data, allow investors to assess the overall value creation of a company. This holistic approach to reporting not only highlights the financial impact of sustainability initiatives but also demonstrates the company's commitment to long-term value creation (KPMG, 2023). CFOs play a pivotal role in adopting these reporting standards, ensuring that investors receive comprehensive, reliable, and timely information.

In addition to integrated reporting, transparency in investor communication involves providing clarity on the financial risks associated with ESG factors, such as climate change, regulatory shifts, and social impact issues (Eccles and Serafeim, 2024). For instance, the *Task Force on Climate-related Financial Disclosures* (TCFD) provides a framework for reporting the financial implications of climate risks, which CFOs increasingly use to enhance investor understanding of how their companies are addressing environmental challenges. This level of transparency not only builds investor confidence but also strengthens a company's reputation for proactive ESG management.

Moreover, CFOs play a critical role in managing investor relations by ensuring consistency and clarity in communications across multiple channels. This includes investor presentations, earnings calls, and sustainability reports, where CFOs are expected to provide clear explanations of how ESG initiatives tie into financial performance (KPMG, 2023). By maintaining an open and proactive dialogue with investors, CFOs can mitigate concerns around ESG risks, highlight opportunities for growth, and secure investor buy-in for long-term sustainability strategies.

In the context of ESG and investor relations, CFOs are also responsible for responding to increasing regulatory requirements for transparency. The *European Union's Corporate Sustainability Reporting Directive* (CSRD), for example, mandates that companies provide detailed disclosures on how ESG risks and opportunities are managed (PwC, 2024). This further reinforces the CFO's role as a gatekeeper of transparency, ensuring that the company complies with legal obligations while also addressing the evolving expectations of institutional investors and other stakeholders.

Ultimately, the CFO's role in investor relations is not only about financial stewardship but also about building a narrative of long-term value creation. Through clear, transparent communication of financial performance and ESG metrics, CFOs foster stronger relationships with investors, positioning their companies for sustainable growth and resilience in the face of an increasingly complex business environment (Deloitte, 2024).

2.5 Challenges and Skills Required for the Evolving CFO

As the role of the CFO continues to expand beyond traditional financial oversight, CFOs face a growing array of challenges that require a diverse set of skills. No longer confined to managing budgets and ensuring regulatory compliance, today's CFOs are expected to act as strategic partners, driving value creation through sustainability, digital transformation, and long-term business planning (Deloitte, 2024). To navigate this complex environment, CFOs must acquire new capabilities while overcoming significant obstacles in aligning financial goals with broader organizational objectives.

2.5.1 Key Challenges

One of the most pressing challenges for modern CFOs is the integration of ESG factors into financial decision-making. As stakeholders increasingly demand greater transparency around ESG performance, CFOs must ensure that sustainability initiatives are embedded in the company's financial strategy and reporting frameworks (Eccles and Klimenko, 2024). However, this requires balancing short-term financial pressures with long-term sustainability goals, a challenge that often involves navigating conflicting priorities between different stakeholder groups (PwC, 2024).

Another significant challenge is the acceleration of digital transformation. CFOs are now expected to lead the adoption of new technologies such as artificial intelligence (AI), machine learning, and advanced data analytics to enhance financial reporting and improve decision-making processes (KPMG, 2023). However, the successful integration of these technologies requires a deep understanding of both financial systems and digital tools, which can be a steep learning curve for many finance leaders.

Additionally, as the business environment becomes more volatile and unpredictable, CFOs are increasingly tasked with managing financial risks related to geopolitical instability, supply chain disruptions, and changing regulatory landscapes (Deloitte, 2024). The ability to foresee and mitigate these risks requires not only financial acumen but also strategic foresight and the capacity to work cross-functionally with other departments to ensure organizational resilience.

2.5.2 Essential Skills for Modern CFOs

To meet these challenges, CFOs must cultivate a wide range of technical and leadership skills. Among these, strategic thinking is crucial. CFOs are now required to act as business partners to the CEO and other senior leaders, helping to shape corporate strategy by providing financial insights that drive long-term value creation (Mankins and Steele, 2023). This involves not only an understanding of financial data but also the ability to interpret non-financial metrics, particularly those related to ESG factors, and incorporate them into strategic planning.

Technical proficiency in digital tools and data analytics is another critical skill for the modern CFO. As financial technologies continue to evolve, CFOs must become proficient in utilizing AI-driven analytics, cloud-based financial platforms, and automation to streamline operations and enhance decision-making capabilities (PwC, 2024). These tools enable CFOs to provide real-time insights, forecast future trends, and improve the accuracy of financial reporting, all of which are essential for maintaining a competitive edge in a rapidly changing market.

Leadership and communication skills are also vital for the evolving CFO. As finance leaders take on more strategic roles, they must effectively communicate complex financial and ESG-related information to a wide range of stakeholders, including investors, regulators, and employees (Eccles and Serafeim, 2024). Strong leadership is needed to foster collaboration across departments, ensuring that the finance team works in tandem with other business units to achieve shared objectives. In this capacity, CFOs must also serve as change agents, driving cultural shifts towards sustainability and innovation within the organization.

Finally, adaptability and resilience are crucial qualities for the modern CFO. Given the uncertainties of the current business environment, CFOs must be able to pivot quickly in response to external shocks, whether they arise from economic downturns, geopolitical tensions, or rapid technological advancements (KPMG, 2023). By staying agile and continuously updating their skill set, CFOs can ensure that their organizations remain financially sound and strategically aligned in the face of constant change.

3. Chapter 3

3.1 Key Steps in ESG Due Diligence: a Comprehensive Approach

Performing ESG due diligence in an M&A transaction involves a comprehensive assessment of the target company's practices across environmental, social, and governance domains. The due diligence process typically follows these key steps:

1. *Preliminary Assessment*: the due diligence team, often comprising financial analysts, legal advisors, and ESG specialists, begins by gathering general information about the target company's ESG performance. This step includes a review of the company's sustainability reports, public disclosures, and ESG ratings.
2. *Data Collection and Review*: a thorough collection of data is conducted, focusing on key ESG areas such as carbon emissions, water use, labor practices, diversity and inclusion, anti-corruption policies, and supply chain management. This data is obtained through interviews, site visits, and document review.
3. *Risk Identification and Materiality Assessment*: the due diligence team identifies the most material ESG risks that could impact the financial and operational aspects of the transaction. Material risks may vary by sector; for instance, environmental risks are often more relevant for manufacturing firms, while governance risks may be critical for financial institutions.
4. *Benchmarking and Peer Comparison*: the target company's ESG performance is benchmarked against its peers in the industry. This comparison helps assess whether the company is a leader, laggard, or average performer in terms of ESG metrics.
5. *Regulatory and Compliance Review*: this step involves an in-depth analysis of the target company's compliance with relevant environmental laws, labor regulations, and governance standards. Any potential legal liabilities arising from non-compliance are identified and quantified.
6. *Stakeholder Engagement*: engaging with internal and external stakeholders, such as employees, customers, suppliers, and local communities, provides a more holistic view of the company's ESG practices. This step helps validate the findings from previous assessments.
7. *Financial Impact Analysis*: the final step is to analyze the financial implications of the identified ESG risks and opportunities. The ESG due diligence findings are integrated into the financial model of the M&A transaction, influencing the valuation, deal structure, and future integration plans.

3.1.1 Roles and Responsibilities in ESG Due Diligence: Key Actors

The execution of ESG due diligence requires the involvement of multiple stakeholders, each contributing specialized expertise to ensure a comprehensive evaluation of the target company's ESG performance:

1. *CFOs and Finance Teams*: CFOs are crucial in integrating ESG factors into the overall financial assessment of the M&A transaction. They ensure that the financial models reflect any ESG-related risks or opportunities that may affect the valuation.
2. *ESG Specialists*: ESG experts provide subject matter expertise in assessing the environmental, social, and governance factors. They help identify key material issues, analyze sustainability data, and benchmark the company's performance against industry standards.
3. *Legal Advisors*: legal teams are responsible for evaluating the regulatory and compliance aspects of ESG due diligence. They identify any legal risks related to environmental violations, labor issues, or governance deficiencies and determine potential liabilities.
4. *Operational Teams*: these teams assess how ESG factors impact the target company's day-to-day operations. For example, they evaluate the sustainability of the company's supply chain, energy consumption, and labor conditions.
5. *Third-Party Auditors and Consultants*: independent auditors and ESG consultants may be brought in to provide an unbiased review of the target company's ESG performance. They often conduct site visits, interviews, and technical reviews to verify the accuracy of the company's disclosures.
6. *Boards of Directors and Corporate Governance Leaders*: the board plays a critical role in overseeing the ESG due diligence process. It ensures that the findings align with the company's strategic objectives and that any ESG risks are considered in the final decision-making process.

3.1.2 ESG Due Diligence Report

The findings of the ESG due diligence process are consolidated into a comprehensive report, which serves as a key document in the M&A transaction. The report outlines the target company's ESG performance, identifies material risks and opportunities, and provides recommendations for mitigating risks post-acquisition:

1. *Executive Summary*: the report typically begins with an executive summary that provides an overview of the target company's ESG profile, key findings, and their potential impact on the transaction.
2. *Detailed ESG Assessment*: this section delves into the specific ESG risks and opportunities identified during the due diligence process. It provides a breakdown of environmental factors such as carbon emissions and waste management, social factors including labor practices and community relations, and governance issues like board diversity and anti-corruption policies.
3. *Risk Mitigation Strategies*: for each identified ESG risk, the report provides recommendations for mitigation. these strategies may include improving compliance with environmental regulations, enhancing supply chain transparency, or strengthening governance frameworks.
4. *Financial Implications*: the report also quantifies the potential financial impact of ESG risks, providing insights into how these factors may influence the valuation or structure of the deal.

In some cases, the report may recommend adjusting the purchase price or introducing contingencies based on the severity of the identified risks.

5. *Post-Transaction Integration*: finally, the report outlines strategies for integrating ESG considerations into the post-transaction phase. This includes recommendations for aligning the target company's ESG practices with the acquirer's sustainability goals, ensuring a smooth integration process that maintains or improves the company's ESG performance.

3.1.3 Challenges and Opportunities in ESG Due Diligence

Conducting ESG due diligence in M&A transactions presents several challenges and opportunities for acquirers:

- *Data Availability and Quality*: one of the biggest challenges is the lack of standardized ESG reporting across industries. Many companies, particularly in emerging markets, do not have comprehensive or reliable ESG data. This makes it difficult to assess the true impact of their ESG practices.
- *Sector-Specific ESG Risks*: different industries face different ESG risks, and identifying these risks requires a nuanced understanding of the sector. For instance, the mining industry may present significant environmental risks, while the tech industry may face more governance-related challenges.
- *Valuation Adjustments*: the financial implications of ESG risks can significantly affect the valuation of the target company. Acquirers must be prepared to adjust their financial models to account for ESG-related contingencies, such as potential regulatory fines or future investments needed to improve ESG performance.
- *Opportunities for Value Creation*: despite the challenges, ESG due diligence also presents opportunities for value creation. Acquiring a company with strong ESG practices can enhance the acquirer's sustainability credentials, improve stakeholder relations, and unlock new growth opportunities in sustainability-driven markets.

CFOs and corporate governance leaders play a critical role in addressing these challenges and capitalizing on the opportunities that arise from ESG due diligence. By ensuring that ESG factors are fully integrated into the M&A process, they can help create long-term value for both the acquirer and the target company.

3.2 Practical Case study: ESG Due Diligence in the Fine Musetto Acquisition

3.2.1 Executive Summary

The Italian private equity group *Style Capital* is considering the acquisition of a majority equity stake in *Fine Musetto*. Based on the information provided in the virtual data room, as well as the responses received to our questions, we present the following assessment:

Figure 1 – ESG Assessment

Topic	Comment	Assessment
Exclusion checklist	The Company is not involved in any of the excluded sectors listed in the Fund's rules.	🙂
Environmental	The Company's business model does not have a direct impact on the environment. It does not operate in an energy-intensive or water-intensive sector.	😐
Social	The Company's operations do not pose specific risks to health and safety. The workforce is almost equally split between women and men, and there is no significant difference in average gross hourly earnings per employee category. However, there is a noticeable gap in the distribution of roles between men and women. Additionally, the Company does not currently have training programs in place for its workforce.	😐
Governance	The Company does not have an established ESG policy. Furthermore, the supply chain operates within an industry that poses high risks in terms of social and human labor concerns.	😢
Action plan	Sixteen actions have been identified. The main priority is to define the ESG strategic vision of the Company (and its shareholders). Once this has been clearly stated, it is a matter of execution. All actions reported should be thoughtfully considered and evaluated in relation to the brand equity and values.	🙂

Source: personal elaboration from virtual data room and responses received

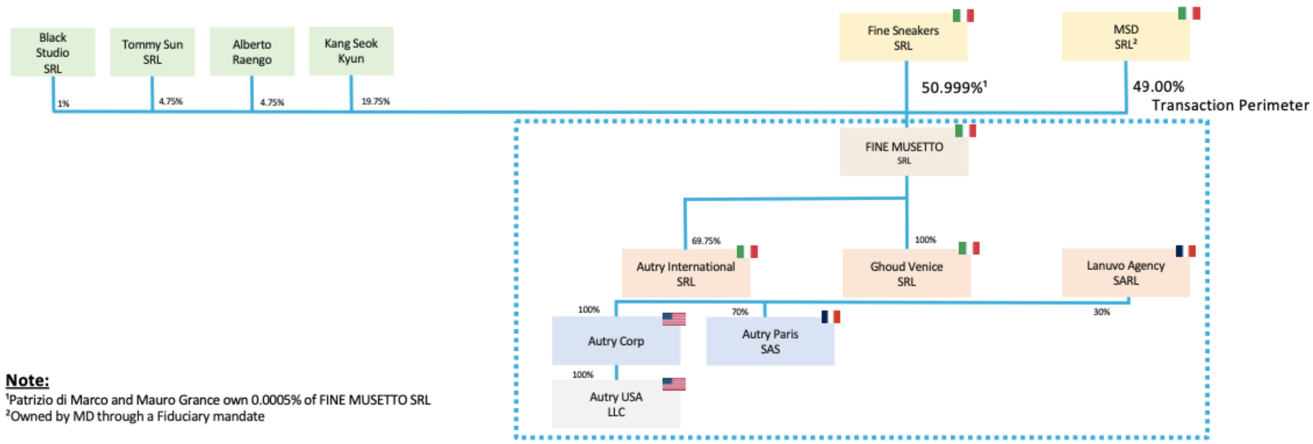
3.2.2 General Information

Fine Musetto S.r.l. owns controlling interests in Autry International S.r.l. ("Autry") and Ghoud Venice S.r.l. ("Ghoud"). Autry, founded in 1982 in Texas (USA) by Jim Autry, gained notable success in the 1980s and early 1990s, particularly for its athletic footwear designed for tennis, running, and aerobics. In recent years, the Brand has experienced a revival, particularly within the fashion industry, driven by new collections and collaborations that brought attention to its offer.

The Brand's portfolio includes premium sneakers and ready-to-wear apparel, with its relaunch focusing on modern interpretations of its iconic models. Autry remains committed to preserving the classic designs of the 1980s while maintaining exceptional craftsmanship. The Brand's signature aesthetic, marked by perforated vamps, vintage layered details, and minimalistic white leather, blends contemporary elements with timeless appeal. This consistency has allowed Autry to offer a modern take on its original creations. Autry's trainers stand out for their sleek, enduring style, making them a versatile choice that complements a wide range of fashion preferences. This vintage-inspired collection aligns smoothly with current fashion trends, particularly the revival of 1980s and 1990s styles.

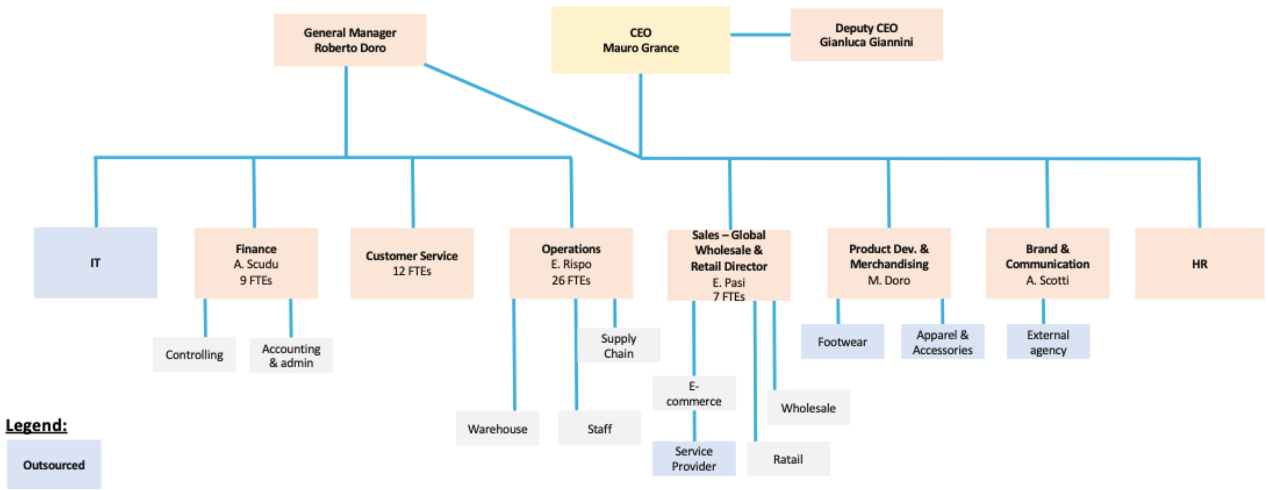
However, it is noteworthy that the Brand does not currently prioritize sustainability in its product, as it does not actively incorporate eco-friendly materials or sustainable packaging in its offer.

Figure 1 – Ownership and Transaction Perimeter



Source: personal elaboration from virtual data room and responses received

Figure 2 – Organizational Structure



Source: personal elaboration from virtual data room and responses received

Autry's headquarter is located in Vigonovo (Italy). Autry has fully outsourced its manufacturing process, which is efficiently overseen and managed by its Indonesian partner, Sino Rush Trading. The manufacturing network consists of five distinct plants located in Indonesia. However, the entire design and product development process is conducted exclusively in Italy.

The selection of raw materials is a collaborative effort, with the expertise of the LandoeBadon studio playing a key role. The majority of the raw materials are sourced from three principal regions: South Korea, China, and Italy. Wholesale sneaker orders within Italy are managed by the external partner, Righetto, through a dedicated warehouse in the country. For the APAC region and the United States, Autry collaborates directly with its Indonesian partner and utilizes the Port Group warehouse in New York for distribution. Additionally, Righetto handles wholesale sneaker orders for countries not specifically covered under Italy, APAC, or the United States.

In-house operations are responsible for the management of wholesale Ready-to-Wear (RTW) orders, online sales, and general stock management.

3.2.3 Phase 1: Preliminary Exclusion Checklist

Based on the information provided in the virtual data room, as well as the responses received to our questions:

- The Company is not involved in criminal activities.
- The Company does not derive its revenues from gambling, the management of a casino or other activities related to gambling.
- The Company does not derive its revenues from manufacture, distribution, or sale of weapons or munitions.
- The Company does not derive its revenues from production, distribution, or sale of pornographic material or images.
- The Company main activity is not carried out in or near biodiversity sensitive areas and has adverse impacts on them.
- The Company does not derive its revenues from manufacture, distribution, or sale of tobacco and related products or is the business of alcoholic beverages.
- The Company main activity is not the business of accepting pledges or buying gold for cash;
- The Company main activity is not in the fossil fuels sector.
- The Company main activity does not involve the research, development or technical application of electronic data programs and solutions that (a) are intended to support any of the excluded activities, internet gambling, online casinos, or pornography; or (b) allow illegal access to or downloading of electronic data networks.

3.2.4 Phase 2: Environmental Risk Assessment

The Company's business model does not have a direct environmental impact. As outlined in previous sections, Autry's core activity is product design, and it does not operate within energy-intensive or water-intensive industries. No chemicals or hazardous substances are utilized, and the generation of waste remains minimal. The likelihood of the Company's operations contributing to soil contamination is very low, as is its impact on biodiversity.

While the Company's internal operations present a low environmental risk, the activities outsourced to third-party partners may have some environmental implications. Autry has outsourced its entire manufacturing process to its Indonesian partner, Sino Rush Trading. However, there is currently no traceability system in place that could enhance operational processes and ensure transparency, particularly regarding the sourcing of raw materials and the manufacturing processes employed.

It is recommended that the Company adopt a comprehensive supplier management strategy, which should include conducting preliminary due diligence for new suppliers and performing annual audits on existing partners. At present, Autry's product collection does not feature items with green labels or sustainability certifications. Additionally, the Company does not actively market products with sustainable packaging, and the Brand is not widely recognized for its commitment to sustainability.

Currently, the Company has no plans to reduce its energy consumption or to increase its use of renewable energy sources.

Table 2 – Environmental Risk Assessment

Topic	Comment	Risk
Serious incidents or regulatory breaches regarding environmental aspects	No incident or regulatory breaches in this regard.	Low
Risk of flood, seismic or other natural hazards	The Company has its headquarters near the course of a river named "Brenta". In the past, this territory has been subject to extreme weather events.	Low
Carbon emission	The Company does not operate in an energy-intensive sector.	Low/Null
Evolving climate change regulation	Based on the framework in place, the Company's activity will have no significant impact	Low/Null

Physical changes associated with climate change	The Company is not operating in high-risk areas.	Low/Null
Significant emissions to air	The Company's operations do not have significant air emissions.	Low/Null
Operations energy or water intensive	The Company does not operate in an energy-intensive or water-intensive sector.	Low/Null
Plans in place to reduce energy consumption, increase percentage of renewable energy in the Company's energy mix	The Company has no official plans in place in this respect.	Medium
Products offered have energy labelling or certification	The Company does not offer products with energy labelling/certification.	Low
Chemicals or hazardous substances used in the production process	The Company does not use chemical or hazardous substances in its operations.	Low
Production process originates relevant quantities of waste or hazardous waste	The Company's operations do not originate a relevant quantity of waste.	Low
Waste management initiatives to minimize or recycle waste	The Company has no official initiatives in place to minimize or recycle waste.	Low
Soil contamination resulting from the activities of the target company	The Company's operations have no impact on soil contamination.	Low
Impact on biodiversity	The Company's operations have no impact on biodiversity.	Low

Source: personal elaboration from virtual data room and responses received

3.2.5 Phase 3: Social Risk Assessment

As of December 2022, the Company employed 39 individuals, which increased to 62 full-time equivalents (FTEs) by 2023. This nearly 60% growth in FTEs over the period underscores the Company's expansion, continuing the trend set in 2022, when it experienced an impressive growth rate of 116%. While the workforce is evenly divided between men and women, there is a notable disparity in the roles they occupy.

The Company's operations do not present specific health and safety risks, and employees are not subject to a high incidence or risk of occupational diseases. Despite the significant growth witnessed over the past three years, the Company currently lacks a formal training program for its employees.

The Company has implemented all necessary procedures and meets regulatory requirements to ensure the health and safety of its consumers and to protect the data and information it collects. There have been no recorded substantiated complaints regarding breaches of customer privacy or loss of customer data. However, Autry has not yet introduced significant initiatives to engage with the community.

The management of customer data and IT security has been outsourced to third parties. While customer data management is handled by an entity within the same group, IT security has been fully externalized. This arrangement requires careful evaluation, and a comprehensive contingency plan should be established to address potential data breaches or cyber-attacks in the future.

The Company does not currently use Artificial Intelligence (AI) in its day-to-day operations, or does it have any plans to integrate AI in the future.

Table 3 – Social Risk Assessment

Topic	**Comment**	**Risk**
Workforce composition	As of the end of 2022, 39 people are employed by the Company, and out of these 3 (7%) were hired under a fixed-term contract.	Low
Turnover rate	In 2022 the turnover was 75%.	Low
Diversity issues	The FTEs are equally divided between male and female employees. However, there is a significant disparity in the roles held.	Medium/Low
Serious labor related complaints, claims or enforcement actions	The Company did not record any labor related complaints, claims or enforcement actions.	Low/Null
Training	The Company has not in place activities in this respect.	Medium/High

High risk for health and safety	The Company operations do not have a high risk for the health and safety.	Low
High risk of diseases related to the employees' occupation	The Company operations do not expose its employees to particular risks of diseases.	Low
Enforcement actions by the regulators for breaches of relevant H&S legislation	No actions by the regulators for breaches of relevant H&S legislation.	Low/Null
Community investments, sponsorships, product donations	The Company has not in place significant activities in this respect.	Medium
Formal programs in place to promote company involvement with the community	The Company has not in place significant activities in this respect.	Medium
Actions taken to ensure the health and safety of consumers	The Company is compliant with the actual regulation.	Low/Null
Company's data security policy and IT security management system	The Company has opted to outsource its IT security management system.	Medium
Sensitivity of information in possession of the Company	The Company manages employee data while customer data managing is outsourced to another company of the group.	Medium/Low
Breaches in cyber security within the last years	It has not recorded any complaints regarding breaches of customer privacy/customer data.	Medium

Source: personal elaboration from virtual data room and responses received

3.2.6 Phase 4: Governance Risk Assessment

The Company currently does not have an established ESG policy. Furthermore, there is a clear absence of dedicated commitment from senior management in this area. The Company's website also lacks a designated section to effectively communicate its vision and efforts related to ESG initiatives. This absence of a formalized ESG framework, combined with the limited visibility of its sustainability efforts on the website, represents a significant opportunity for improvement. By enhancing transparency, aligning with industry best practices, and clearly communicating its commitment to responsible business practices, the Company could strengthen its corporate image and increase stakeholder trust. Developing a comprehensive

ESG policy and prominently featuring it on the website would be an important step in achieving these objectives.

The Company does not make financial or in-kind political contributions and is not involved in public policy development or lobbying activities.

The Company's key suppliers are located in Indonesia (for manufacturing), as well as South Korea, China, and Italy (for raw materials). In certain regions, there may be a medium to high risk related to human labor practices. The supply chain operates within an industry known for significant social and human labor risks. At present, the Company lacks a defined responsible purchasing policy or a formal Code of Conduct for its suppliers.

Autry has, however, adopted the Organization and Management Control Model ("Modello 231") to enhance its corporate governance framework.

Table 4 – Governance Risk Assessment

Topic	Comment	Risk
Commitment and responsibilities at a senior management level on sustainability	There is no official commitment in this respect.	Medium/High
Reference person for day-to-day ESG matters	No person has been appointed.	Medium/High
ESG Values and principles clearly communicated	There is no official commitment in this respect.	Medium/High
Sustainability or Business Conduct policies	There is no policy in place in this respect.	Medium/High
Company publishes an ESG, CSR, or Sustainability report	The Company does not publish these reports.	Medium
Sustainability section on the website	The website does not have a sustainability section.	Medium
Company makes financial or in-kind political contributions	Company does not make any financial or in-kind political contributions.	Low/Null
Company participates in public policy development or lobbying activities	The Company does not participate in public policy development or lobbying activities.	Low/Null

Key suppliers	The key suppliers are from Indonesia, South Korea, China, and Italy.	Medium
Supply chain part of an industry with high social, human labor, environmental risks	The supply chain is part of an industry with high social, human labor, and environmental risks.	Medium/High
Responsible purchasing policy or Code of Conduct for suppliers	The Company does not have a responsible purchasing policy or Code of Conduct for suppliers.	Medium/High

Source: personal elaboration from virtual data room and responses received

3.2.7 Phase 5: Action Plan

While the Company has experienced significant growth, there is a notable imbalance in the attention given to ESG considerations throughout its recent development. Recognizing the growing importance of aligning business practices with sustainable and responsible principles, we strongly recommend the Company take proactive steps to address this gap. Implementing a comprehensive action plan as soon as possible will allow the Company to smoothly integrate ESG considerations into its operations. Such a strategic approach will not only enhance the Company's positive impact on the environment and society, but also align it with evolving market expectations and regulatory requirements.

We recommend the following steps be undertaken promptly:

1. *Define the Company's ESG vision*: this entails establishing the Company's ESG legacy, which should be closely aligned with the vision and values of its shareholders.
2. *Hire an ESG manager*: this individual will be responsible for implementing and executing the Company's ESG vision and ensuring the integration of sustainable practices across operations.
3. *Establish an ESG independent committee*: this committee will play a critical role in overseeing and guiding the Company's adherence to sustainable practices. The committee should include the ESG Manager, who will contribute operational insights and expertise, and at least one independent member from outside the organization. The committee will report directly to the board, ensuring an objective and comprehensive evaluation of the Company's ESG strategies. The independent member will provide an external perspective, offering valuable insights into industry best practices, emerging trends, and the broader ESG landscape. Through regular reporting and consultation, this committee will deliver informed recommendations to the board, promoting transparency, accountability, and the continuous improvement of the Company's ESG commitments.

4. *Enhancing gender diversity on the board*: as part of its commitment to fostering a diverse and inclusive corporate governance structure, the Company should take active steps to improve gender diversification at the board level. This effort is integral to promoting a balanced leadership approach that reflects a wide range of perspectives.
5. *Adopting comprehensive ESG policies*: the Company should implement a suite of policies, including an ESG Policy, Environmental Policy, Health & Safety Policy, and Social Policy. These policies should form a cohesive framework that outlines the Company's commitment to ethical conduct and sustainability across all aspects of its operations.
6. *Communicating the Company's vision to stakeholders*: it is essential for the Company to craft and disseminate clear, consistent messages to customers, suppliers, and other stakeholders. By proactively communicating its corporate vision, mission, and sustainability commitments, the Company will foster trust and understanding. This communication strategy should go beyond business objectives, highlighting the values, ethical standards, and initiatives related to ESG issues.
7. *Introducing an ESG-dedicated section on the website*: the Company should create a dedicated section on its website to serve as a comprehensive platform for showcasing its ESG policies, practices, and performance metrics. This centralized hub will offer stakeholders easy access to ESG-related information, thereby enhancing awareness and understanding of the Company's sustainability efforts.
8. *Publishing an annual sustainability report*: the Company should prepare and publish an annual sustainability report that transparently presents key performance indicators, achievements, and areas for improvement. This report will provide stakeholders with a thorough understanding of the Company's sustainability journey, reinforcing its commitment to open communication and ongoing enhancement of environmental and social responsibilities.
9. *Establishing a preliminary due diligence process for potential new suppliers*: recognizing the importance of responsible sourcing and effective supply chain management, the Company should proactively implement a structured preliminary due diligence process for potential new suppliers. This process will involve a comprehensive evaluation of prospective suppliers, assessing factors such as financial stability, ethical practices, and alignment with the Company's ESG criteria. By formalizing this approach, Autry will ensure that its supply chain partners uphold the same commitment to sustainable practices and responsible business conduct. This initiative will contribute to the overall integrity and sustainability of the supply chain, in alignment with the Company's broader corporate values.
10. *Implementing annual audits for existing suppliers*: to ensure ongoing compliance with the Company's sustainability and ethical standards, an annual audit process should be instituted for all existing suppliers. This regular evaluation will consider a variety of criteria, including

environmental impact, social responsibility, and adherence to ethical business practices. By conducting these audits, Autry will promote continuous improvement within its supply chain, reinforcing its commitment to maintaining the highest standards across all partnerships.

11. *Developing a commercial and marketing strategy for sustainable packaging*: this initiative will involve a thorough analysis of eco-friendly packaging alternatives, aimed at minimizing the Company's environmental footprint. A strategic shift towards sustainable packaging would demonstrate the Company's commitment to responsible consumption and environmental stewardship.
12. *Exploring the feasibility of expanding the product range to include sustainable offer*: this feasibility study will examine the potential for incorporating sustainable raw materials and developing recyclable products within the Company's product portfolio. Such a strategic exploration would reflect Autry's dedication to providing environmentally responsible choices, further aligning its product offerings with its sustainability objectives.
13. *Engaging with the local community*: the Company should actively explore opportunities to contribute to local initiatives, such as studying the feasibility of donating specific products for events like the Venice Marathon. This engagement reflects the Company's commitment to supporting the community and enhancing its corporate social responsibility efforts.
14. *Internalizing customer data management and IT security management*: the Company should carefully evaluate the option of internalizing both customer data management and its IT security management system. This strategic decision would provide enhanced control and oversight, enabling Autry to respond swiftly and effectively in the event of a data breach or cyberattack. By bringing these critical functions in-house, the Company prioritizes the security and privacy of its customers, demonstrating its commitment to protecting sensitive information and upholding data security standards.
15. *Providing training programs for employees*: the Company should make available comprehensive training programs designed to equip employees with the knowledge and skills necessary for their roles. These programs will foster both personal and professional growth, contributing to a more capable and engaged workforce.
16. *Implementing a traceability system*: the Company should introduce a traceability system that tracks products from their origin through various stages of production, ensuring accountability and quality control. This initiative will offer customers a transparent and reliable understanding of the product's journey, reinforcing trust in the Company's processes.

Each of these actions should be carefully considered and aligned with the Company's brand equity and values. These initiatives represent opportunities to further enhance the business without unnecessarily complicating day-to-day operations.

Conclusion

The role of the Chief Financial Officer (CFO) in today's corporate landscape is undergoing a profound transformation, driven by the increasing relevance of Environmental, Social, and Governance (ESG) criteria in business strategies. ESG is no longer a marginal consideration; it is now a critical component that shapes long-term corporate success, competitive advantage, and financial sustainability. As examined in this thesis, the CFO's evolving responsibilities extend far beyond traditional financial management, positioning them as key drivers of sustainable finance and corporate governance.

It became evident that ESG due diligence is critical for identifying material risks and opportunities during corporate transactions, ensuring that businesses are not only financially viable but also socially and environmentally responsible. As ESG regulations continue to evolve globally, CFOs are increasingly responsible for aligning their companies with these standards, positioning them for long-term success in a market that values sustainability.

This thesis highlights the pivotal role of CFOs in shaping the future of corporate governance by integrating ESG into core financial functions. The increasing convergence of financial and sustainability goals presents both challenges and opportunities for CFOs. On the other hand, they are uniquely positioned to drive value creation by embracing sustainable finance practices, improving investor relations, and enhancing corporate reputation.

In conclusion, the evolving role of the CFO is critical to the successful integration of ESG into business strategies. As the global financial and regulatory landscapes continue to shift toward sustainability, CFOs will play an increasingly strategic role in fostering long-term value creation that goes beyond financial metrics, encompassing social and environmental well-being. The future of corporate finance is inherently linked to the principles of sustainability, and CFOs will be instrumental in ensuring that their companies not only survive but thrive in this new paradigm.

Executive Summary

The evolving role of CFOs in driving sustainable finance and integrating ESG criteria into corporate strategies is central to the future of corporate governance. As businesses face growing pressures from stakeholders, investors, and regulators to demonstrate sustainable practices, the role of CFOs has expanded beyond traditional financial management to include a more holistic approach. This thesis explores how CFOs are uniquely positioned to lead the integration of ESG into corporate finance, fostering long-term value creation.

In the first chapter, the thesis provides a detailed examination of ESG components, environmental, social, and governance, highlighting their individual impacts on corporate performance. Research shows that companies with strong ESG practices experience enhanced financial performance, improved risk management, and greater access to capital. The growing demand for transparency in ESG reporting has further underscored the need for CFOs to drive accurate and meaningful disclosure practices that align with corporate strategy and investor expectations.

The second chapter focuses on the shifting role of the CFO from a technical and fiduciary expert to a strategic business partner. As sustainability becomes integral to business success, CFOs are tasked with embedding ESG metrics into financial decision-making processes. The thesis explores how CFOs can link executive compensation to ESG goals, ensure capital allocation reflects sustainability priorities, and leverage sustainable finance instruments, such as green bonds and sustainability-linked loans, to unlock new opportunities.

In the final chapter, the thesis dives into ESG due diligence within M&A. ESG considerations in M&A are increasingly important for evaluating potential risks and opportunities, with sustainable companies often receiving higher valuations.

In conclusion, this thesis demonstrates that CFOs are at the forefront of driving ESG integration, transforming corporate finance to reflect a broader focus on sustainability. Moreover CFOs are also contributing to the broader goal of sustainable development by aligning financial strategies with long-term environmental and social objectives.

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