Five metrics every finance team needs to know to achieve profitable sustainability

1 Emissions intensity
emissions produced per dollar sold

What it is: The tonnes of CO_2e emissions produced across the value chain, including Scopes 1, 2 and 3, per dollar of revenue.

Why it's important for business: A key benchmark metric used by investors and other external stakeholders to evaluate the greenhouse gas emissions efficiency of a business, and compare climate performance across firms. Emissions intensity is a key metric of financial exposure to transition risks.

2 Green revenue ratio
the sustainability of a product portfolio

What it is: The percentage of total revenue derived from sustainable products or services, based on technical screening criteria for sustainability – for example the EU Taxonomy.

Why it's important for business: The green revenue ratio demonstrates the financial benefits of sustainability-focused business models and highlights revenue growth opportunities associated with the low-carbon transition, as consumers, investors and other stakeholders shift toward green preferences. This is a critical metric for long-term revenue forecasting.

3 Earnings value at risk
the cost of doing nothing

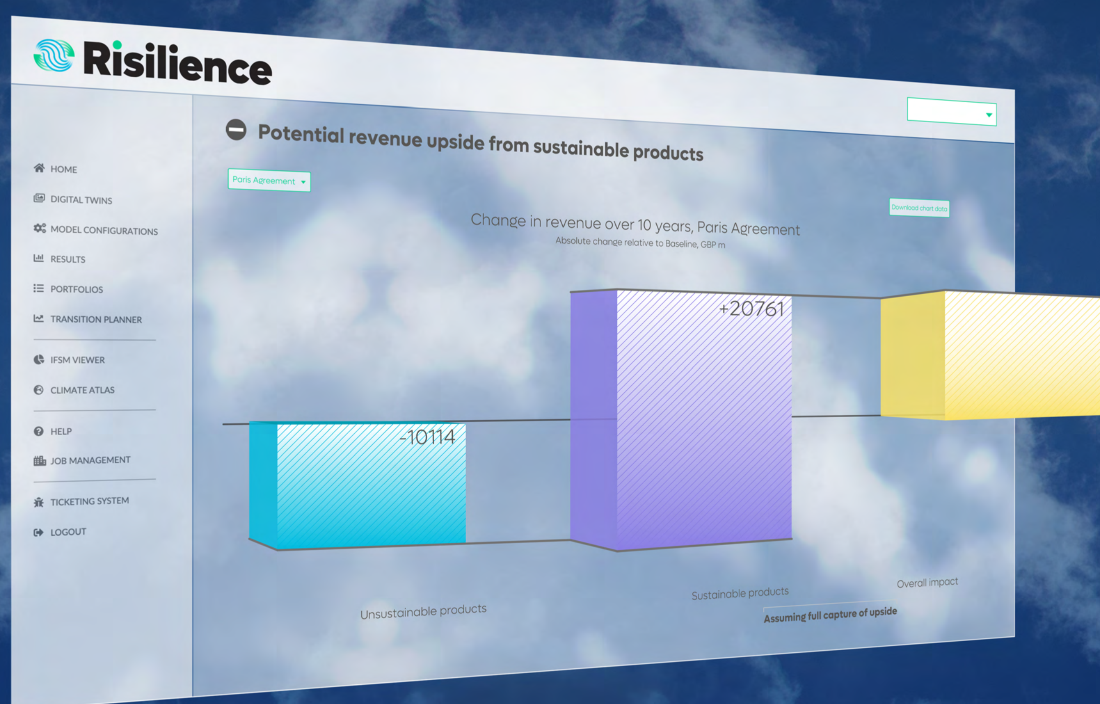
What it is: The potential financial impact on a firm's earnings value or other valuation metrics due to climate-and-nature-related physical and transition risks, under a business-as-usual scenario. This can be measured over multiple time horizons: near-term (one year), mid-term (five years), and long-term (more than ten years).

Why it's important for business: Earnings value at risk represents the financial downside, if no mitigation or adaptation actions are taken. It quantifies the financial materiality of environmental risks and justifies the need for a transition plan to build resilience and protect shareholder value.

4 The total cost of net zero
the impact of climate targets on profitability

What it is: The net present value of the total cost over time, accounting for CapEx and OpEx costs and savings, required for a firm to achieve its net-zero commitments across Scopes 1, 2, and 3. This can be estimated top-down, using an average marginal abatement cost, or measured bottom-up, through detailed transition planning. Costs should account for the ongoing cost savings generated by decarbonisation initiatives.

Why it's important for business: The total cost of net zero enables companies to assess the impact of financing a net-zero plan on a firm's profitability and financial position. This ensures a financially viable pathway to net zero, aligning capital allocation with net-zero commitments and long-term financial planning.



5 Risk-adjusted cost of net zero
the return on investment (ROI) of a transition plan

What it is: The total cost of achieving net zero, adjusted for the reduction in earnings value at risk due to decarbonisation. Since transition risks, and their related impact on earnings, are tied to emissions intensity, reducing emissions directly mitigates financial risks.

Why it's important for business: The risk adjusted cost of net zero demonstrates the ROI of decarbonisation, in terms of financial-risk reduction. This metric is critical to justify the business case to invest in a transition plan and should be considered alongside the total cost to understand the full, risk-adjusted financial impact of net zero.

Our recent report, Financing net zero: integrating financial and transition planning, offers organisations strategic and practical insights to execute a credible net-zero transition plan, setting out the steps finance and sustainability teams need to take for a unified approach to decarbonisation.

To learn more about how the financial quantification of sustainability can unlock business opportunities for your business and position it firmly on the path to profitable sustainability, speak to a member of the Risilience team.

Risilience
Intelligently driving sustainability

[1] https://www.kearney.com/documents/291362523/305773988/Staying+the+course-chief+financial+officers+and+the+green+transition-PDF.pdf