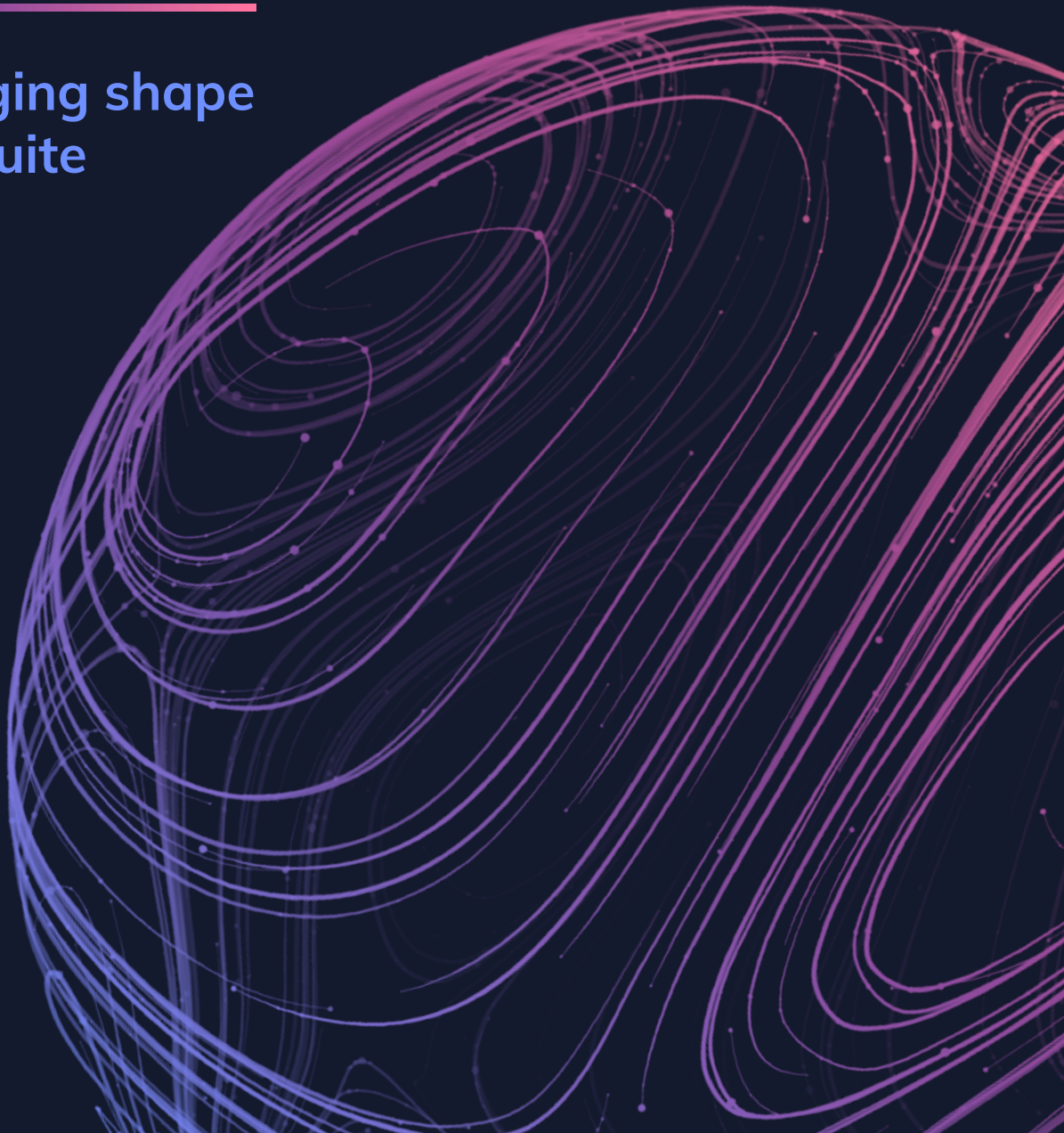


WHITEPAPER

Sustainability: Who's responsible anyway?

The changing shape
of the C-suite



As ESG (Environmental, Social and Governance) and sustainability climb the agenda, organisations are under increasing pressure to deliver against sustainability targets and prove their social responsibility. These evolving priorities are changing the shape of organisations but which individuals and teams should be responsible?

Profit, people, purpose and planet (The four Ps)

The days of profit being the only measure that matters to businesses are long gone. In today's climate organisations are no longer simply expected to behave ethically; it's becoming increasingly important for businesses to ensure that people, purpose and the planet are prioritised as much as profit if they want to survive. But, what's driving this change?

People.

Your employees are demanding more. They want to work for businesses that are aligned with their values. **Your customers are demanding more.** They want to buy from businesses that are having a positive impact on the world. **Your investors are demanding more.** They want to support businesses that are sustainable – in every sense of the word.

Luckily, the four Ps are not mutually exclusive. In fact, quite the opposite. A recent study of over 1,000 research papers found a positive correlation between ESG and financial performance¹.

Organisations can no longer afford to not have a conscience.

Take a look at any successful businesses today and their mission, purpose and what they stand for will likely be as identifiable to their brand as their logo. These stories seem to be synonymous with innovative start-ups but it's becoming equally important for well-established corporations to embed this into their businesses where it may not have been previously.

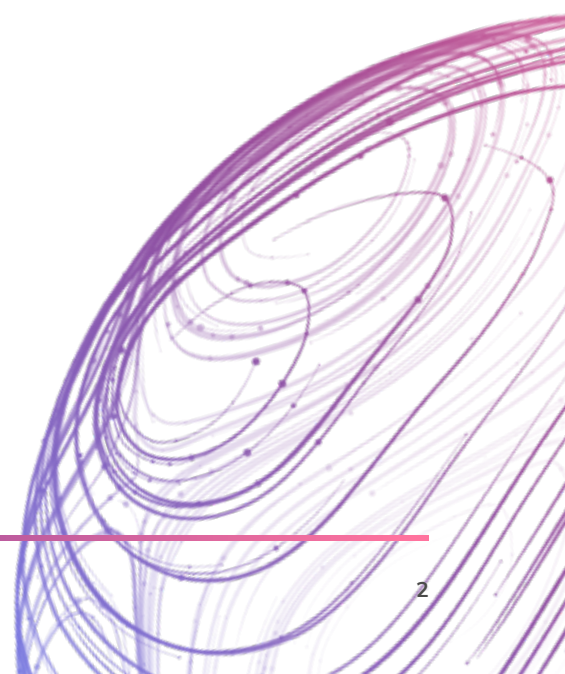
Everyone's under pressure to do better – which is great – but how does a business go about making these changes? People see through tokenism, so sustainability really needs to be embedded into the fabric of the business. This is a huge challenge for businesses of any size but becomes increasingly challenging for global organisations with complex infrastructures.

At NSCG, we believe the answer to almost every business challenge is people. You need the right people, doing the right things to drive change and transformation in any organisation. And there are few other instances where this is as important as it is when driving ESG and sustainability transformation. To truly achieve this, the skills and culture within your organisation must be developed to align with purpose.

But who is responsible for delivering this? The CEO? The board? A dedicated role?

This paper takes a look at how ESG is shaping organisations and C-suites. The findings are based on NSCG original research of the FTSE 100 and our observations from working with organisations across sectors in the UK...

1. <https://www.stern.nyu.edu/experience-stern/faculty-research/new-meta-analysis-nyu-stern-center-sustainable-business-and-rockefeller-asset-management-finds-esg>



Sustainability on the board

The growing importance of E, S, and G is already changing the shape of organisations, creating new positions and roles that weren't around ten or twenty years ago. From Impact Analysts through to Directors of Happiness, a suite of new positions has been growing in popularity. In recent years, we've started to see this penetrate the boardroom, with a growing trend of progressive companies appointing the likes of Chief Impact Officers, Chief Sustainability Officers and Chief Purpose Officers.

We took a deep dive into the boards and company structures of the FTSE 100 which found that 78% of FTSE 100 organisations have employed Directors of Sustainability or a Director of ESG between 2016 and 2022 – something that is further backed by further NSCG research which found that the number of job postings in the UK for 'Director of Sustainability' had quadrupled since the beginning of the pandemic².

When it comes to the board of FTSE 100 companies, accountability appears to be split – most often, it falls with the CEO but also the CFO and very occasionally it falls to a NED.

All this begs the question, is there really a need for dedicated roles? Or can responsibility be 'bolted-on' to existing positions?

Our analysis also found:



100% of FTSE 100 organisations had a dedicated member of the board with overall responsibility for sustainability and/or ESG.



71% of the organisations we reviewed have put in place a specialised committee, to focus and monitor sustainability and/or ESG.



44% mention sustainability and/or ESG on their organisational charts or governance structures.



44% implemented a specialised governance structure for sustainability and/or ESG.

Sustainability roles on the board

'Impact', 'sustainability' and 'purpose' can be loaded words, with subjective definitions. Nonetheless, chief impact officers, chief sustainability officers and chief purpose officers are taking a seat at the table (quite literally) across boards. The specifics of the role will vary, typically aligned with the organisation's missions and values; what's seen as 'impactful' in one business might not be for another. So, whilst these positions aren't identical, their responsibilities are similar and as such require certain attributes and competencies to be successful.

What does a typical career path look like for someone in this role?

As a relatively new role, it's still carving out its place in the commercial sphere. We have seen many people enter these roles with a facilities or construction background whose roles already lean into and overlap with this space.

However, we have also seen many take on the role come from various backgrounds such as engineering, social sciences or environmental sciences. Similar to CEOs, there does not need to be a prescribed pathway to such positions.

This tells us that core leadership skills and behaviours, as well as context and experience, trump academic experience for this role... Or at least for the time being before more defined career paths are set out. As the landscape evolves, we may see more academic or technical experience required in the same way one would expect a CFO to come with an accountancy qualification or a CTO to hold a bachelor degree in computer science.

So, whilst there's not been a defined career path as such, there are certain qualities required from these roles that will define whether an individual is successful or not.

What skills are needed for success?

There are obviously some core technical skills and experience that maybe required for the role, but this will often depend on the sector in which a CSO operates. For example, a CSO within the energy sector will need genuine green credentials and experience within decarbonisation. Putting those more nuanced skills aside, there's two core areas that are vital in this role.

Leadership; the ability to inspire, influence, and shape the ESG agenda to become a critical and essential element of wider business strategy. This becomes especially important within such roles that are new and finding their voice to be taken seriously amongst peers.



A commercial outlook. This is critical to be able to support the mutuality of environmental, sustainable, and financial success.



But these skills are the baseline. The way a leader operates and their behaviours must be layered on top. Behaviours such as compassion, resilience, and problem solving are as important here as in any other leadership role, but what's truly important here is authenticity. Someone who doesn't see it as a box ticking exercise but has real passion, living and breathing what the company stands for.

We've seen many high-profile individuals take on such roles including Lil Nas X who was appointed the Chief Impact Officer at fast-food chain, Taco Bell, and Prince Harry who took on the same role at mental health charity, BetterUp. Whilst these appointments are ultimately PR exercises, they shouldn't be used to discredit the purpose of the role. If these appointments authentically align with an organisation's missions and values – the key factors in shaping the role – these can be reflective of an organisation's strategic direction and communicating that message to their audience. Albeit driven with a marketing lens.

Is a dedicated seat at the board actually necessary?

Whilst we've seen a rise in such roles, we've also seen other positions take on the responsibility such as CEOs, CFOs and NEDs. This isn't necessarily surprising given the vital components for success, as we've just discussed, are broader skillsets.

So, as you might expect, there isn't a cookie-cutter, one-size-fits all answer to this.

An established business that has traditionally been seen as unsustainable, for example, may have a very specific sustainability executive role that aligns closely with marketing. Conversely, a start-up with limited resources may bolt this on to one – or a number – of roles.

What's right will vary from business-to-business. To determine what's right for your organisation, our recommendation would be to consider the following factors:



Sector

What sector does the business operate in and where does its operations cross with the ESG agenda? Where do clients, suppliers, and your wider supply-chain operate in?



Evolution of business

Where is the business on its journey? Is there available resource to prioritise this at this time or should it be built into future, aspiration plans? What's the size of the business? What's the current financial situation? Can you invest at this time?



Commercial strategy

Exactly where and how does sustainability and ESG link into your organisation's short- and long-term objectives:



Who else is on the board?

Is your organisation's purpose already neatly aligned with another board member's responsibilities? Or is there a natural translation into someone else's skills?



Accountability & responsibility

Ultimately, accountability should sit at the C-suite. ESG considerations need to be elevated and integrated into strategic conversations. Whether these are led by a dedicated role or attached to others' responsibilities is largely irrelevant. The more important thing is that conversation is not divorced for mainstream strategy or conversations on growth.

But the buck shouldn't begin and end in the boardroom.

ESG should be running through organisations like a stick of rock. In the same way financial responsibility doesn't solely lie with a CFO or even those in the finance department. It should be everyone's responsibility and should be embedded into an organisation's strategy, as part of a wider growth agenda. It should not be a bolt on to strategy or a separate C-suite conversation. It absolutely must be pervasive across organisational strategy and growth.

Our predictions

As ESG continue to climb the agenda, businesses will need to ensure they have the right people in place to drive strategy in an authentic way.

Looking ahead, there will likely be some structural readjustments including role design, but more widely this will be a cultural consideration for organisations – bringing together purpose, values, and behaviours.

We predict this will look like:

99% of the FTSE 100 will have a **dedicated director of sustainability** by 2030.

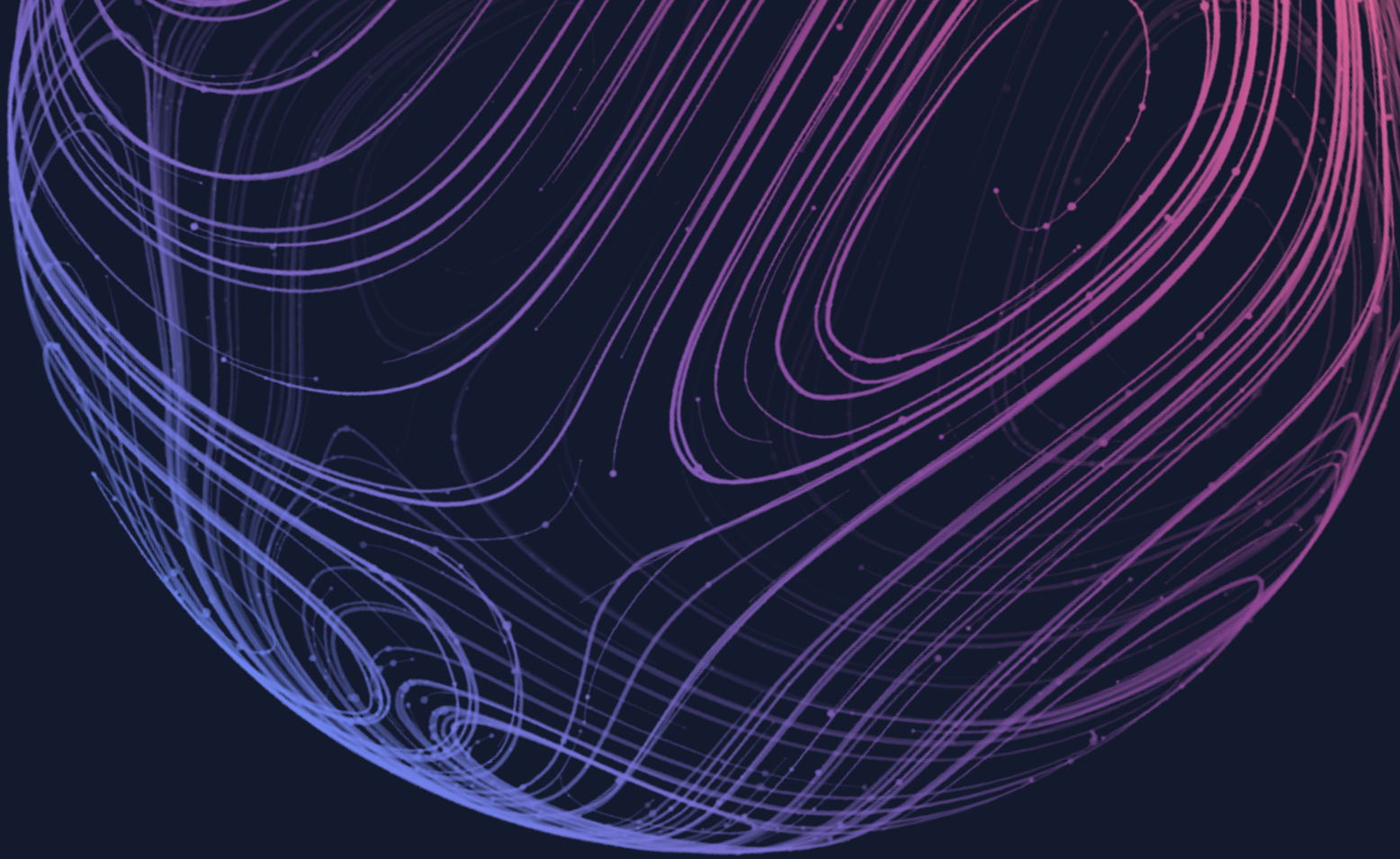


We will start to see the emergence of **Chief Impact Officers** or **Chief Purpose Officers** on boards.



Sustainability becomes **embedded** into all leaders' roles – no matter their function – in the same way finance or employee wellbeing is now.





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