

An aerial photograph of a lush green forest with some trees showing early autumn colors. A road with white lane markings runs horizontally across the middle of the image. Below the road is a body of water. The image is framed by a large, semi-circular cutout on the left side, revealing the forest scene. The background of the entire page is a solid teal color.

SpencerStuart

License to Transform: An Expectation to Deliver

Results from Spencer Stuart's latest study of
chief sustainability officers

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Executive summary

Delivering on growing expectations in more turbulent times

In this latest issue of Spencer Stuart's annual report on the state of sustainability leadership, we find many chief sustainability officers (CSOs) experiencing a shift in the focus of their role. In previous years, CSOs have concentrated on consensus building, goal setting and then strategy creation. Now the time has come for them to push ahead with implementing the transformation they've been given license to deliver.

The sustainability function — and its expectations — are maturing

Increasingly, business and sustainability strategies are seen as the same thing; the majority (80%) of sustainability leaders say their sustainability strategy forms a key part of the overall business strategy. CSOs are working with supportive senior leaders to both develop and deliver these strategies with clear ties to business success. For other stakeholders like investors and boards, good corporate governance and good sustainability governance are increasingly seen as the same thing.

Reflections for sustainability leaders

- » To what extent do your peers see sustainability and business strategy as the same thing?
- » Are business leaders' expectations for value generated through sustainability aligned with your own?
- » Does your chief executive officer (CEO) and board have access to up-to-date and evolving information on sustainability topics?

In this context, sustainability leaders are less alone, even than a year ago. Many senior leaders in business have been convinced of the need to invest in sustainability for years, but this conviction is now being matched with knowledge and understanding of sustainability issues and their implications for the business.

With other senior leaders more engaged and more informed, CSOs are spending their time supporting others to deliver change across their companies. On average, they are spending 25% of their time interacting with other business units — more than they spend managing their own team.

Some companies are already gaining significant value from sustainability. Others expect it soon

Sustainability leaders say that there has been a substantial shift in how sustainability is perceived by the rest of the business in relation to risk and reward. CSOs are significantly more likely to say that their sustainability strategy is mostly seen as a commercial/value-creation exercise (64%) than as mostly a risk-reduction exercise (26%).

Despite this perception, some companies are yet to see significant value from it. A number of leaders we spoke to highlighted that many companies are in the midst of their transitions, and that it is largely accepted that costs will be higher than rewards for the time being. They observe a lag between implementation and rewards that allow further progress, rather than a deprioritization of the issue. Clearly, today's sustainability investments are expected to create such returns in the future.

Reflections for sustainability leaders

- » Where in your business do you expect sustainability to deliver value today?
- » Are you able to identify where sustainability is providing value using existing metrics?
- » How can you highlight the risk-reduction and value-creation opportunities that sustainability can bring?

For some, the rewards of sustainability are already here. Just over one in three (35%) sustainability leaders said that their companies are delivering on ambitious commitments and seeing substantial value in return.

With greater interaction between business and sustainability goals, the work of sustainability leaders is increasingly supporting wider business objectives. And there are signs that the critical milestone of seeing value from sustainability is already here for some.

Sustainability leaders are being pulled in multiple directions

CSOs need to work out how to balance value creation with growing reporting needs. With increasing sustainability regulation and policy interventions, many CSOs are having to spend more time and resources on data, reporting and compliance. One-third (32%) of sustainability leaders highlight complex or onerous reporting demands as one of the most significant challenges they face.

While most sustainability leaders are positive about increasing government engagement — with some calling for still more — they are also concerned that responding to new mandatory standards will distract them from the more strategic and transformational activities that will drive impact. Indeed, sustainability leaders say that they spend twice as much time focused on reporting- and measurement-related activities (11% of their week, on average) as revenue-generating activities (5%).

Reflections for sustainability leaders

- » Do you have what you need to respond to today's regulatory environment?
- » How are you leveraging technologies to support analysis and reporting for sustainability?
- » How might you ringfence time for strategic thinking about sustainability from short-term pressures?
- » How might you identify and address sticking points and hard-to-achieve aspects of your sustainability goals?

As they deal with a growing reporting burden, CSOs have the end goal of accelerating the impact of their initiatives, while increasingly being pressured internally to demonstrate financial return on their strategy. Facing this challenge, leaders are focusing on implementation, but they face a series of internal and external challenges.

Money is a big one; complexity is another. For leaders of the pack, at least, the list of easy wins is getting shorter. To go further, more fundamental and trickier questions must be answered. As attention turns from who is the most ambitious and vocal to who has achieved more change, businesses with less complex portfolios and supply chains may be at an advantage.



All businesses have levers which can ignite transformation

The role of many CSOs is shifting from advocate to implementor. Achieving change requires CSOs to ensure that the right people and parts of the business are working together to solve problems and that this work clearly contributes to the organization's sustainability strategy.

The majority of sustainability leaders believe that the sustainability strategy has material implications for most employees in their business (71% lean toward this). They see the achievement of their goals as a whole-organization effort. CSOs need a holistic blend of skills, including empathy and communication, to engage the full breadth of their workforces and wider value chains.

However, certain stakeholders and functions were highlighted as particularly important to sustainability leaders' efforts to deliver transformation, including leadership, finance and business units. In collaboration with these groups, attention is now turning to more challenging and complex questions, such as how to make core products and services truly sustainable. The last mile of commitments is often the most challenging, requiring deeper investment and commitment.

Reflections for sustainability leaders

- » What knowledge and skills do your employees need in order to play their part in sustainability?
- » Do all areas of your business know what it really means to become sustainable?
- » How are different parts of the business working together on sustainability goals?

Many leaders recognize they still have work to do before sustainability is a major driver of revenue, but this will swiftly become more of a focus. Forty-two percent of CSOs said that "generating commercial/value-creation opportunities through our sustainability strategy" would be something they focus on within the next 12 months, making commerciality the most common top priority for CSOs. Pioneering CSOs and sustainable business leaders are telling us that there is ample reason to keep driving progress in pursuit of this goal.

Introduction

Chief sustainability officers (CSOs) and sustainability leaders now have a license to transform their companies. Their increased importance, mandate and vision are a testament to the ascending significance of sustainability to the overall business strategy. But there remains much to be done before we have a future fit for humanity.

There are roughly **2,000 days left until 2030** arrives, by which time emissions need to have almost been halved, among a host of other seismic changes. The first [United Nations Global Stocktake](#), released in the build-up to COP28, identified a significant and persistent “emissions gap” between current net zero commitments and a 1.5°C pathway.

Our own [CSO Stocktake](#) suggests that even with increased clarity, it will not be smooth sailing. Where CEOs and CSOs have worked together, some pioneering companies have already secured some remarkable achievements, and the world appears to be reaching several vital positive thresholds in the scalability of sustainable technologies, such as renewable energies. But for many, the list of easy wins is getting shorter, the cost (perceived or real) and complexity of change is increasing and the regulatory and consumer environment is getting ever more complicated.

In this context, we surveyed almost 100 sustainability leaders and conducted in-depth interviews with a selection of CSOs, other practitioners and experts to dig deeper into the issues they are grappling with.

While a lack of support is no longer an issue, for many, going much further requires deeper and more fundamental transformations, right down to the core of the business. While there is increasing evidence of sustainability creating real value, such bright spots are increasingly difficult for leaders to pursue in the face of a growing list of competing priorities.

For many, the next step will be the hardest. Like the wider world, leaders must now do “everything, everywhere, all at once.” Marshaling demands to create value, respond to regulation and drive change will require sustainability leaders to deploy a blend of skills and strategic agility. Crucially, they’ll need to work with all parts of their business to achieve lasting change.

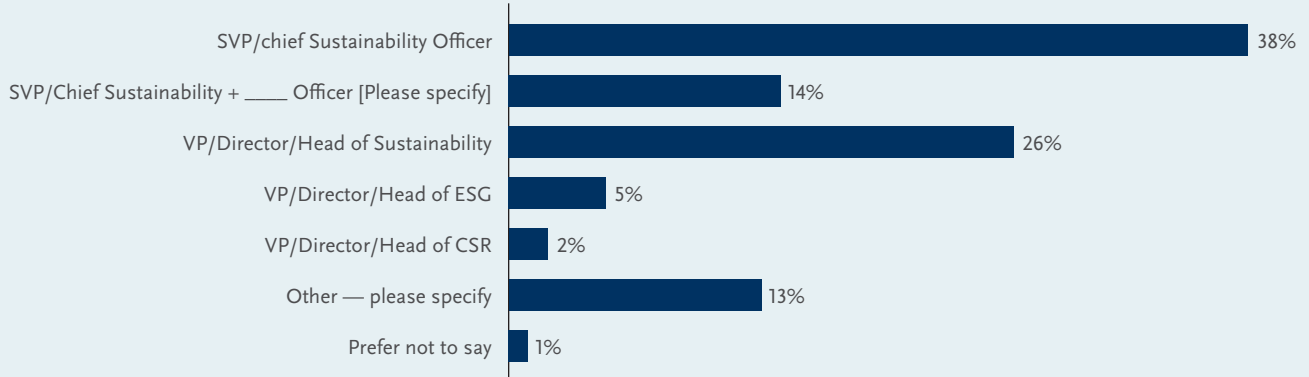
About the research

In partnership with [Kite Insights](#), we surveyed sustainability leaders from a range of sectors in the fall of 2023, receiving 84 detailed responses. In parallel, we interviewed another 11 sustainability leaders at the forefront of driving change, including insights from our own advisory work, to add further details and context.

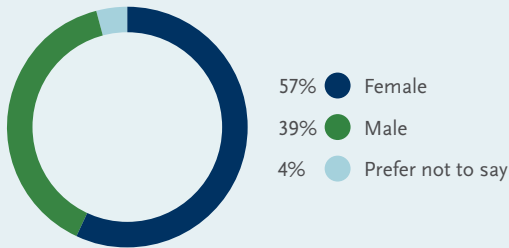


About the sample

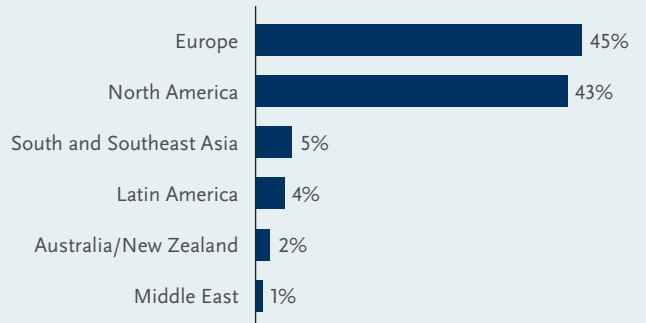
Please provide your job title or position



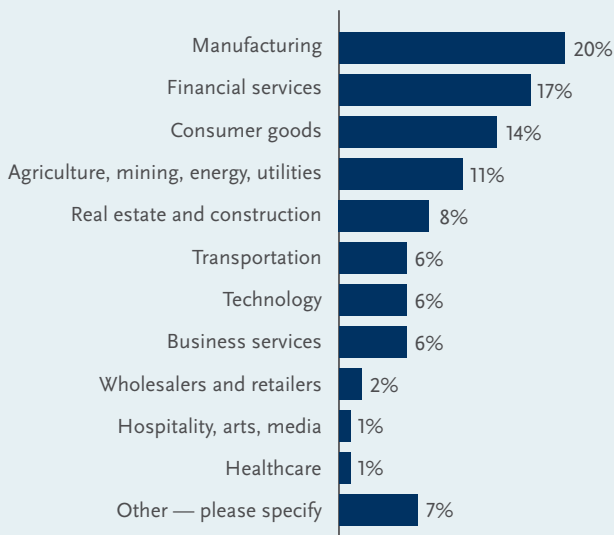
With which gender do you most identify?



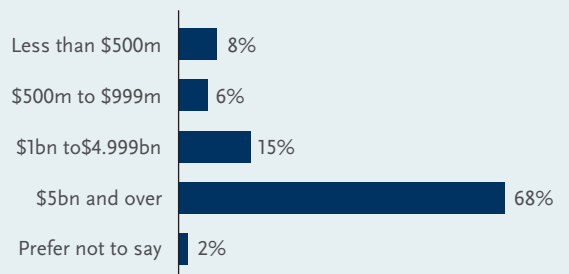
Where is the location of your head office?



Which of the following best describes the industry sector in which your company operates?



What is the approximate revenue of your company at the group level?



Today's business is sustainable business

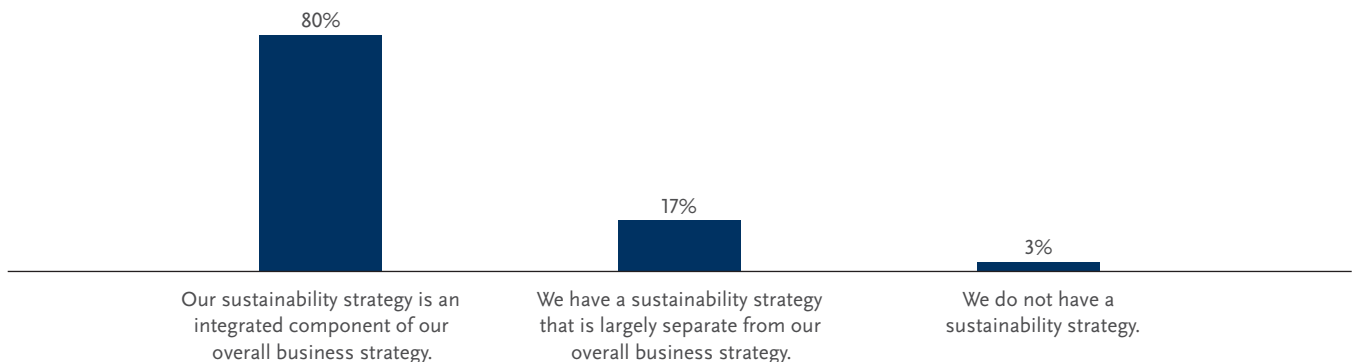
The sustainability function — and its expectations — are maturing

Sustainability and business strategies are increasingly the same thing

While earlier iterations of sustainability and corporate social responsibility (CSR) were often seen as “bolt-ons,” today, 80% of sustainability leaders say their sustainability strategy forms a key part of the overall business strategy.¹

This integration into business priorities is symptomatic of the perception of sustainability as a key catalyst for modern business transformation, growth and wider success. It is also reflected in the seniority of the sustainability leader role; just under half of respondents (45%) said that they reported to the CEO, the same proportion as was found in 2022 (46%).

Figure 1: Business and sustainability strategies are now rarely seen as separate



Q: Which of these descriptions best fits your organization's engagement with sustainability today? [Select one] [N = 90]

A growing range of stakeholders, including the board and investors, are highlighting sustainability alongside core business activities in interactions with their companies. For them, good corporate governance and good sustainability governance are increasingly seen as the same thing. With sustainability sitting alongside risk and return as a core consideration, a CSO's role has become more central to the wider business.



In a company there is only one strategy: the business strategy. You cannot have a [stand-alone] sustainability strategy.”

NICOLAS CLERGET
GLOBAL DIRECTOR NET ZERO STRATEGY,
THE HEINEKEN COMPANY

¹ The 3% of leaders that said their business did not have a sustainability strategy were not asked further questions in the survey.



Sustainability is more about growth and performance than compliance by a long way. We are the part of the organization that actually has to drive progress on what we do to ensure that our teams are living up to those standards.”

MARTIN POWELL
GROUP SUSTAINABILITY DIRECTOR, AXA

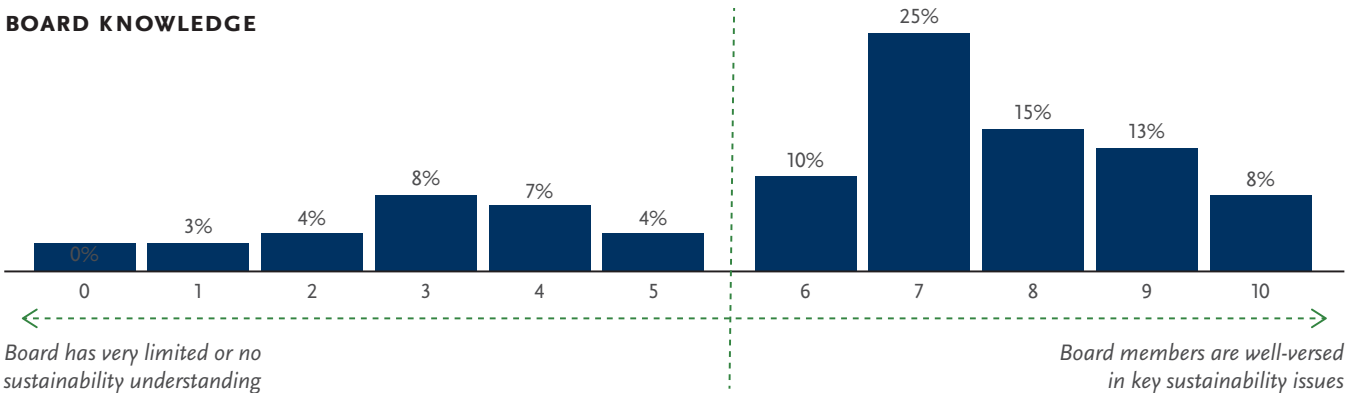
Sustainability leaders are less alone (even than a year ago)

With a license to drive sustainability throughout their business, CSOs have increasingly built close and productive relationships with different parts of their business and the C-suite. In 2022, 91% of sustainability leaders said that their CEO was supportive of their sustainability agenda. Ninety-four percent said the same thing about other members of their executive committee. Regular partners to the CSO now also frequently include the chief financial officer (CFO), as well as heads of business units.

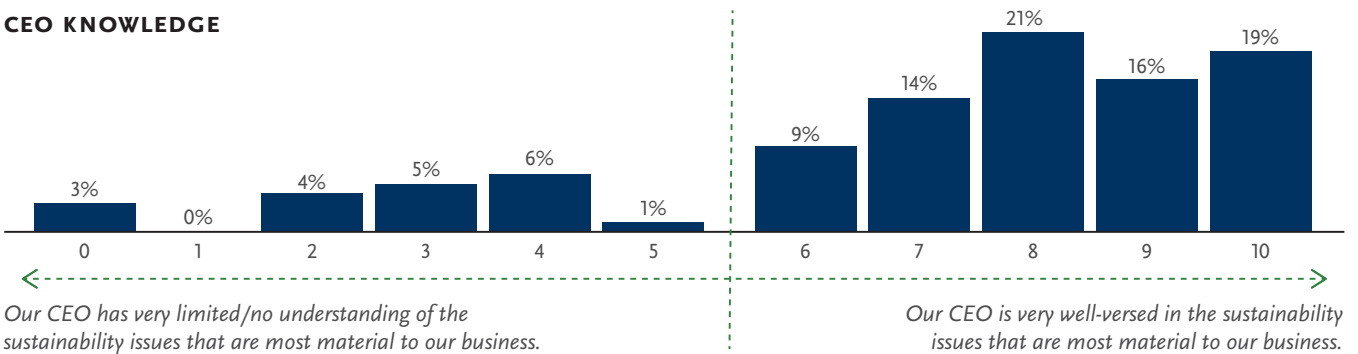
Today, alongside ongoing positivity in terms of support, sustainability leaders are increasingly optimistic about the literacy and knowledge of their peers on sustainability issues, as well as their interest in participating in change.

Figure 2: Sustainability leaders are very positive about the sustainability knowledge of their boards (71% more well-versed than not) and CEOs (79% more well-versed than not).

BOARD KNOWLEDGE



CEO KNOWLEDGE



Q: For each of the following statements, please place yourself according to which statement is more reflective of your experience/your company. [Please place yourself on this scale of 0 to 10 according to which statement is more reflective of your experience/viewpoint, where the closer you are to one statement the more reflective of your reality it is.] [N = 71]

With other senior leaders more engaged in and informed on sustainability, CSOs are spending their time supporting them to deliver change across their companies. On average, they are spending 25% of their time interacting with other business units — more than they spend managing their own team.

However, although most sentiment was positive, some leaders highlighted gaps in literacy. They said that their peers were increasingly knowledgeable about issues such as climate change and diversity and inclusion, but that there was far lower understanding of other challenges, such as biodiversity loss and circularity.

Others shared concerns that colleagues were adopting the language of sustainability without truly appreciating the scale of change required. A small number of leaders also shared anecdotes of challenges and poor treatment when pushing back against others in their company who wanted to make dubious sustainability claims about certain products.



Our sustainability leads are now regularly in investor meetings ... the questions that we're getting are a lot more informed, nuanced, detailed than would have been the case even a couple of years ago."

KATIE FERGUSSON
GROUP HEAD OF SUSTAINABILITY,
ANGLO AMERICAN

Sustainability leaders spend nearly half their time engaging other functions or C-suite leaders

On average, sustainability leaders in our survey said they spend a quarter of their time interacting with other business units and functions in their companies, with another 17% of their time spent interacting with C-suite members. These are also the stakeholders they say are most important to achieving their sustainability goals.

Among core functions, the CFO and finance team are seen as the most important (80% importance score). This reflects the increasing role of sustainability in strategy, and in conversations with investors and other sources of finance as outlined in a [recent HBR article](#) on the evolving nature of the CSO role. In our survey, CSOs said they are spending an average 7% of their time interacting with investors in any given week.

Figure 3: A week in the life of a CSO — sustainability leaders are spending the largest portion of their working day interacting with other business units and functions. Over a third of their time is spent either with their own teams or C-suite members.



Q: In a typical week, what percentage of your time do you spend on each of the following activities? [Assign a percentage to each activity, adding up to 100%] [N = 77]

Reflections

FOR SUSTAINABILITY LEADERS

- » To what extent do your peers see sustainability and business strategy as the same thing?
- » Are business leaders' expectations for value generated through sustainability aligned with your own?
- » Does your CEO and board have access to up-to-date and evolving information on sustainability topics?

FOR OTHER BUSINESS LEADERS

- » Is sustainability integrated into the strategy of your function/part of the business?
- » Which aspects of your company's sustainability priorities are you less familiar with?
- » What would be most helpful from your working relationship with the sustainability leader?

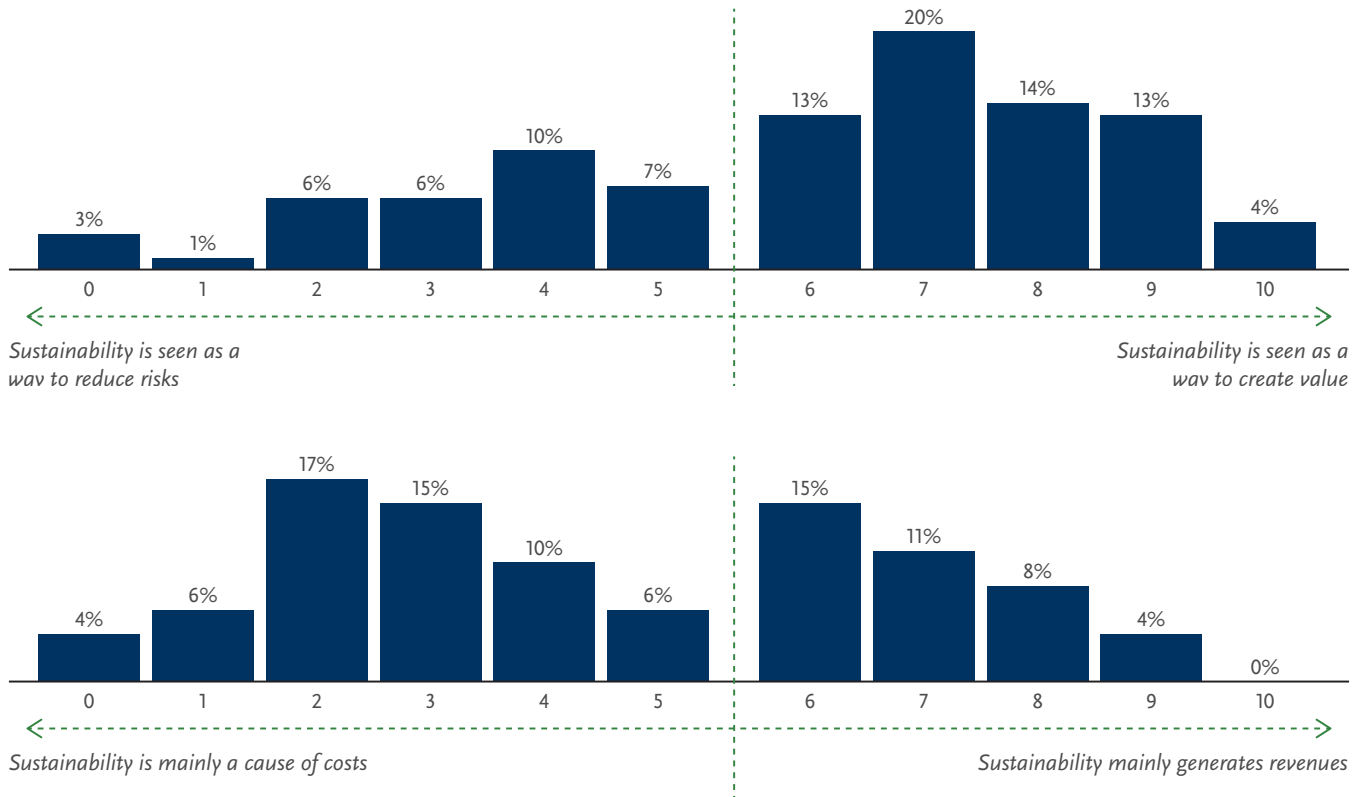
Some companies are already gaining significant value from sustainability. Others expect it soon

Today's sustainability investments are expected to create future returns

CSOs say that there has been a substantial shift in how sustainability is perceived by the rest of the business in relation to risk and reward. For many leaders, the need for sustainability is not in doubt; the big question is when (or if) sustainability efforts will deliver value for their businesses.

CSOs are also significantly more likely to say that their sustainability strategy is mostly seen as a way to create value (64%) than as mostly a risk-reduction exercise (33%). However, more say that their sustainability activities are mostly a cost center for the organization (58%) today rather than a revenue-generating opportunity (38%).

Figure 4: Eyes on the prize: While sustainability today is a source of costs, in the future it is expected to drive revenue



Q: For each of the following statements, please place yourself according to which statement is more reflective of your experience/your company. [Please place yourself on this scale of 0 to 10 according to which statement is more reflective of your experience/viewpoint, where the closer you are to one statement the more reflective of your reality it is.] [N = 71]



The bar is higher for sustainability leaders in the organization to be more commercial and to be able to translate what we ask of the business from a sustainability perspective into value creation. Equally the bar is higher for our operational leaders to be able to embed sustainability into their decision making.”

KATIE FERGUSSON
GROUP HEAD OF SUSTAINABILITY, ANGLO AMERICAN

The apparent disconnect between potential and today's reality shows that investments in sustainability take time to pay off. A number of leaders we spoke to highlighted that many companies are in the midst of their transitions, and that it is largely accepted that costs will be higher than rewards while that process is still ongoing. This provides additional nuance to [EY's recent study of CSOs](#), which observed a slowing of investments in new sustainability activities. For some at least, the explanation may be a lag between implementation and rewards that allow further progress, rather than a deprioritization of the issue.

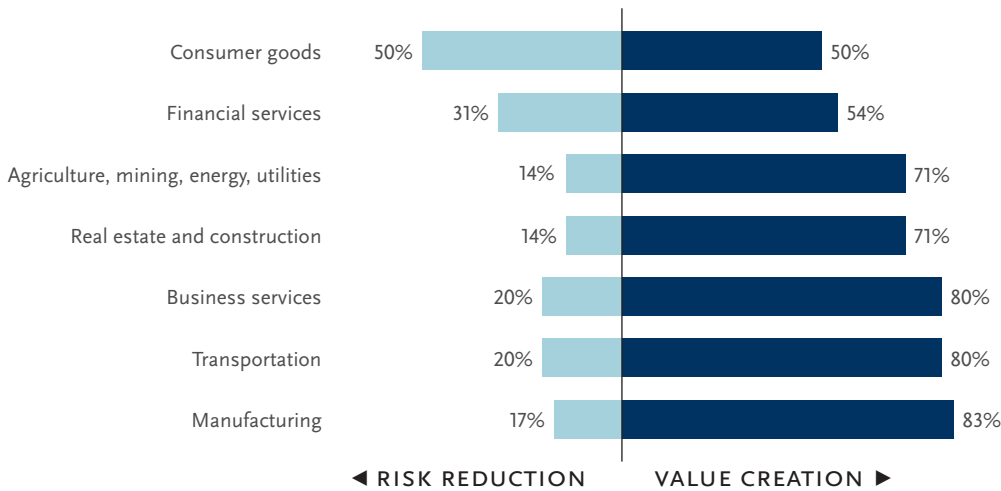
The value that sustainability offers depends on where you stand

While most CSOs say that sustainability is seen as a commercial and value creator, rather than as a way to reduce risks, this perception varies. Within the consumer goods industry, for example, companies are split 50–50 on this question.

Respondents from companies that are highly exposed to climate transition risks are more likely to see sustainability in terms of value creation. They are also twice as likely to report having seen “quite a lot of” or “substantial” positive value in terms of increased revenue from sustainability in the past 12 months, compared to others (36% vs 18%).

Interestingly, leaders from companies for which sustainability is a major factor in the purchasing decisions of their customers/clients are not more likely to see value in terms of increased revenue than other companies. This perhaps illustrates the complexity and cost associated for many large fast-moving consumer goods (FMCG) businesses, for example, that have hundreds of products and brands, each in need of their own approach and investment to become more sustainable.

Figure 5: Differences in perception of sustainability as a risk-reduction or value-creation exercise between industries (only industries with 5+ responses included)



Q: For each of the following statements, please place yourself according to which statement is more reflective of your experience/your company. [Please place yourself on this scale of 0 to 10 according to which statement is more reflective of your experience/viewpoint, where the closer you are to one statement the more reflective of your reality it is.] Chart displays percentage of respondents from each industry leaning toward one side or the other in their rating of statement: “Our sustainability strategy is mostly seen as a risk-reduction exercise.” or “Our sustainability strategy is mostly seen as a commercial/value-creation exercise.” [N = 71]

The perceived purpose of sustainability also differs within businesses. For certain functions that can enhance competitive advantage — particularly marketing, product and human resources (HR) — sustainability is seen as a value creation exercise. In others focused more often on efficiency or enablement — such as finance, operations and procurement — it is seen to be rooted in risk management.

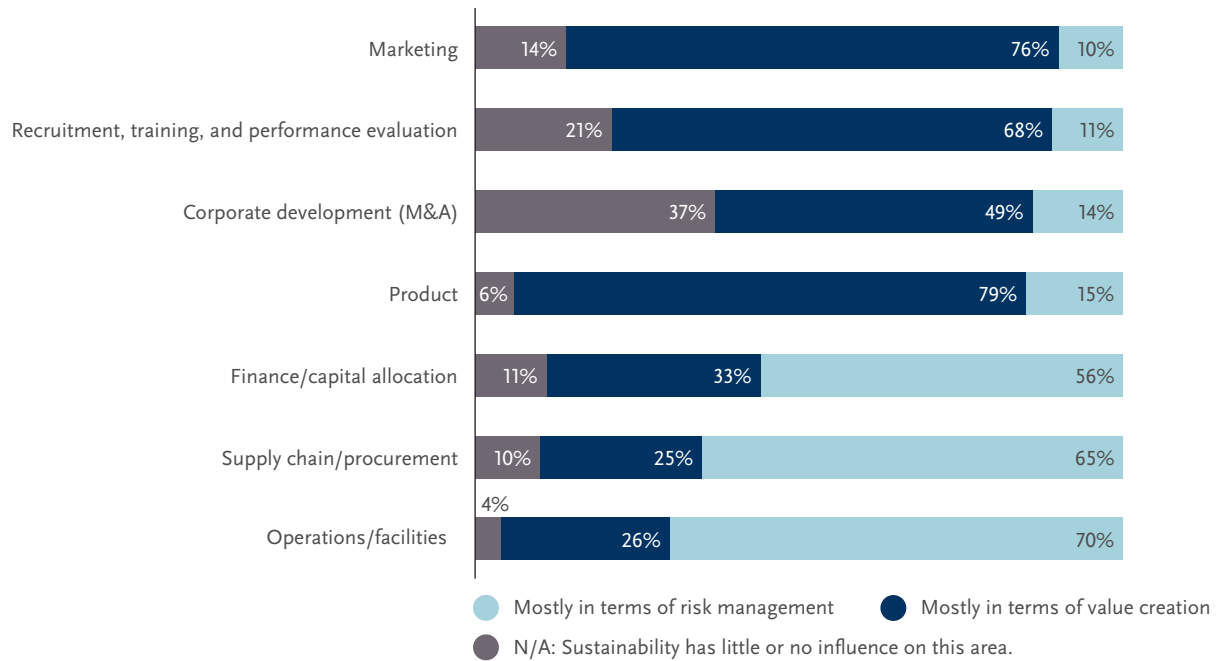
The current perception among different business units requires sustainability leaders to be able to flex how they frame sustainability in their conversations. It’s also their role to draw together the different ways that sustainability can provide value into a cohesive overall narrative that leaders can engage with. It sometimes requires them to address misconceptions or gaps where these are getting in the way of pursuing both the reduction of risks and winning of rewards.



A critical skill for a CSO is having empathy to put yourself in the shoes of your different stakeholders. To take the concepts of sustainability and make them relevant for their specific business function, thereby translating sustainability in a way that allows stakeholders to engage and incorporate sustainability into everyday practice.”

MARISA DREW
CHIEF SUSTAINABILITY OFFICER, STANDARD CHARTERED

Figure 6: For one group of functions, sustainability is mostly seen in terms of value creation. For others, as a way to reduce risks.



Q: How does sustainability impact each of the following business functions? [Please select one option for each area] [N = 84]

Sustainability committees and value creation

Those CEOs and boards who sustainability leaders credit with a very strong understanding of the topic can help functions recognize these dual opportunities for their part of the business.

Research by Spencer Stuart examined the prevalence of sustainability committees on the boards of 750 of the largest listed companies in Europe, the Middle East and Africa. It found that the number of boards with sustainability-focused committees has grown rapidly in the past three years. Today, between 25% and 40% of boards have a dedicated committee, depending on the country.

Whereas reporting and risk mitigation are well-covered in audit committees and other risk-focused conversations at board level, the presence of these committees is driving more engagement with the value-generating potential of sustainability activities. These committees generally comprise 3–4 board members, some of whom may have prior sustainability expertise. They provide a regular opportunity for CSOs to interact with the board and to identify pathways to value from sustainability.

For some, the rewards of sustainability are already here

With greater interaction between business and sustainability goals, the work of sustainability leaders is increasingly supporting wider business objectives. And there are signs that the critical milestone of seeing value from sustainability is already here for some.

Just over one in three (35%) sustainability leaders said that their companies are delivering on ambitious commitments and seeing substantial value in return. Another large group (38%) are just beginning to deliver on their ambitions and not yet seeing much return for the company. Only 7% said they are doing the minimum required by regulations.



We are straddling two worlds right now ... For a long time, perhaps the view was sustainability was a cost to the business; now our customers are coming to us with ambitious goals wanting to work together to achieve them and we're in a really good place with them. Our sales teams see what we do in sustainability as having great value."

MARY JANE MENDELEZ

CHIEF SUSTAINABILITY & SOCIAL IMPACT OFFICER, GENERAL MILLS

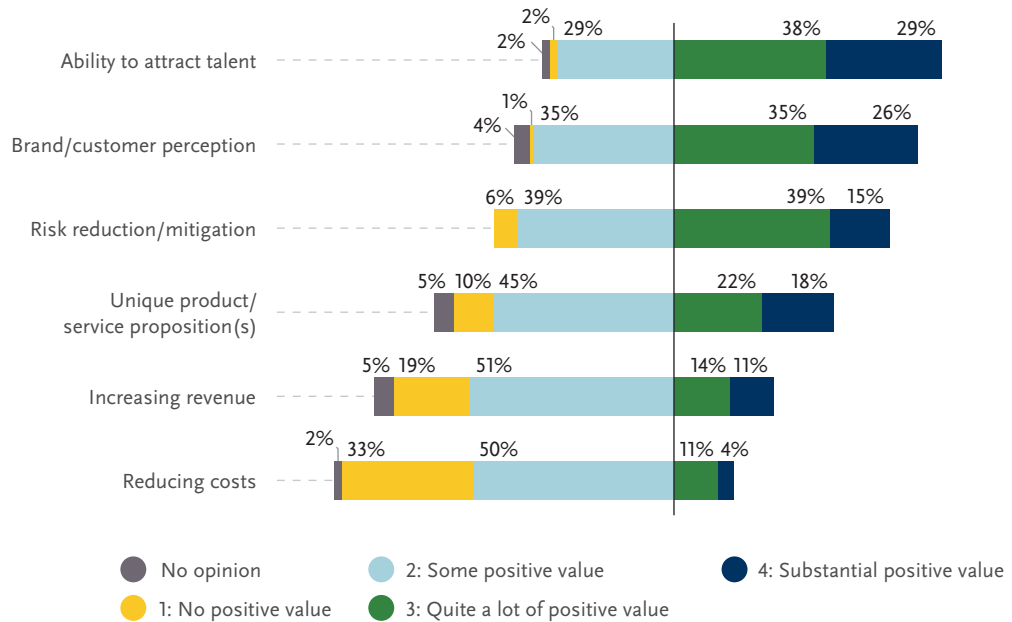
Figure 7: A cohort of businesses are beginning to see substantial positive value in return for their sustainability investments



Q: Which of these descriptions best fits your organization's approach to sustainability today? [Select one] [N = 84]

Sustainability continues to most frequently deliver value for talent attraction (67% "quite a lot of" or "substantial" positive value) and brand (61%). And, for two in five businesses, it is underpinning value created through unique sustainability-oriented product or service propositions. Fifty-four percent of leaders said sustainability activities have delivered "substantial" or "quite a lot" of value in terms of risk reduction/mitigation in the past 12 months. However, very few businesses (15%) are currently seeing value through reduced costs or increased revenue (24%) through their sustainability strategy.

Figure 8: Sustainability is creating value for certain business factors, but only a small number of companies are seeing this value reach the bottom line of the business



Q: In the past 12 months, to what extent has your sustainability strategy created value for each of the following aspects of the business? [On a scale of 1 to 4 where 1 = No positive value and 4 = Substantial positive value, or select "No opinion"] [N = 84]

Though there are signs that sustainability can eventually drive financial performance it just takes time. Businesses that say they are delivering on sustainability goals and seeing value from those efforts account for 78% of businesses reporting “quite a lot of positive value” and 67% reporting “substantial positive value” in increasing revenue, for example.

Leaders we spoke with told us that this reflected the moment many businesses find themselves in. Having clear ambition can provide value to brand and talent attraction, but deriving value in revenue and cost savings, as well as new products and services, requires more of those ambitions to have been met. They remain confident that this time will come, but also know that there’s more to be done before it arrives.



When you look at consumers, sustainability is not the only thing they consider in making their decisions. Factors like quality and price of course matter. We believe it is crucial to prioritize sustainability not only for the sake of the environment and our business, but also because we recognize the growing significance of the topic for consumers and stakeholders.”

NICOLAS CLERGET
GLOBAL DIRECTOR NET ZERO STRATEGY, THE HEINEKEN COMPANY

Reflections

FOR SUSTAINABILITY LEADERS

- » Where in your business do you expect sustainability to deliver value today?
- » Are you able to identify where sustainability is providing value using existing metrics?
- » How can you highlight the risk-reduction and value-creation opportunities that sustainability can bring?

FOR OTHER BUSINESS LEADERS

- » Do you have a sense of when your sustainability investments will return value for your part of the business?
- » Where do you stand on sustainability creating value or reducing risks?

Growing complexity and headwinds

Sustainability leaders are being pulled in multiple directions

The mandate that sustainability leaders hold today is wide and extensive. Their responsibilities range from addressing their company's contribution to multiple environmental crises like biodiversity loss and climate change, to developing policies for addressing social issues such as diversity and inclusion and human rights. And the change they're expected to deliver goes deep into all parts of the business.

With these challenges and the increased attention paid to them, leaders find themselves facing a series of growing and crosscutting headwinds that they will need to navigate.

CSOs need to work out how to balance value creation with growing reporting needs

With increasing sustainability regulation and policy interventions from governments, many CSOs are having to spend more time and resources on data, reporting, and compliance. One-third (32%) of sustainability leaders highlight complex or onerous reporting demands as one of the most significant challenges they faced, and a further 28% highlight practical difficulties in measuring impact.

The challenges with reporting are also taking up a lot of focus for sustainability leaders. The second most common focus for sustainability leaders today is investing in improved sustainability-related data collection and reporting tools and practices (79%), just behind engaging with senior leaders about their sustainability strategy (83%).



The move from voluntary to regulatory reporting has fundamentally changed the discussion related to sustainability strategy.”

SURVEY RESPONDENT

Figure 9: Alongside financial challenges and constraints, the most common challenges facing sustainability leaders relate to collecting data and reporting on progress



Q: Which of the following challenges have you faced most often in implementing your sustainability strategy? [Please select up to 3] [N = 74]

While most sustainability leaders are positive about increasing government engagement — with some calling for still more — they are also concerned that responding to new mandatory standards such as the [EU’s Corporate Sustainability Reporting Directive \(CSRD\)](#), the Securities and Exchange Commission’s (SEC) proposed [climate disclosure rule](#) in the United States (US), or the upcoming wave of [voluntary Transition Plan disclosures](#), will distract them from the more strategic and transformational activities which will drive impact.



CSOs are becoming increasingly captured by compliance 2.0. They may need to find someone to do it for them. They need the bandwidth to be working with leadership teams to explore strategies for growth in a stable net zero future, the products, and services they’ll be selling, the skills and capabilities that the business will need to deliver that.”

MIKE BARRY
SUSTAINABLE CHANGE AGENT AND FORMER DIRECTOR
OF SUSTAINABLE BUSINESS, MARKS & SPENCER

Indeed, sustainability leaders say that they spend twice as much time focused on reporting- and measurement-related activities (11% of their week, on average) than on revenue generation related activities (5%). Some are spending up to 40% of their week on reporting and compliance. While many are increasingly using digital tools, and some are beginning to explore applications of artificial intelligence (AI) to support analysis and reporting, this work remains a heavy burden for many sustainability functions.



While I knew reporting would be a key part of this role, the volume of strategy-directed, investor and emerging regulatory reporting has grown exponentially as the landscape has continued to evolve. I often refer to the challenge as building a reporting factory, though technology is playing an important role in helping us scale.”

DAVE STANGIS
CHIEF SUSTAINABILITY OFFICER, APOLLO GLOBAL MANAGEMENT

What role will AI play in the future of sustainability functions?

Many leaders revealed that they are seeking solutions to manage the demands of reporting and compliance. While some businesses are creating semiautonomous teams within the sustainability function, others are increasingly handing over ESG and sustainability reporting responsibilities to finance and compliance colleagues with oversight from sustainability leaders. We asked CSOs about how AI and other technological innovations are being used in their business today, and how they expect them to be used in future.

Most leaders, particularly in industries that have high reporting burdens, see big potential for generative tools in supporting disclosures and regular reporting. Some see more high-value applications down the line, too: identifying potential sustainability risks in supply chains based on predictive models, for example, and managing energy usage and other sources of emissions more effectively in real time.

Demand for talent that can deploy AI and other tools is extremely high. This is contributing to most businesses anticipating buying services or tools produced by other companies rather than building their own. Digital and data literacy will still be important, but so too will the contextual understanding required to ask the right questions of these systems. As with most technological solutions, accurate and detailed data is critical. Improving the quality and coverage of sustainability-related data will therefore be important to the ability of tools like AI to provide real insight to sustainability leaders and teams.



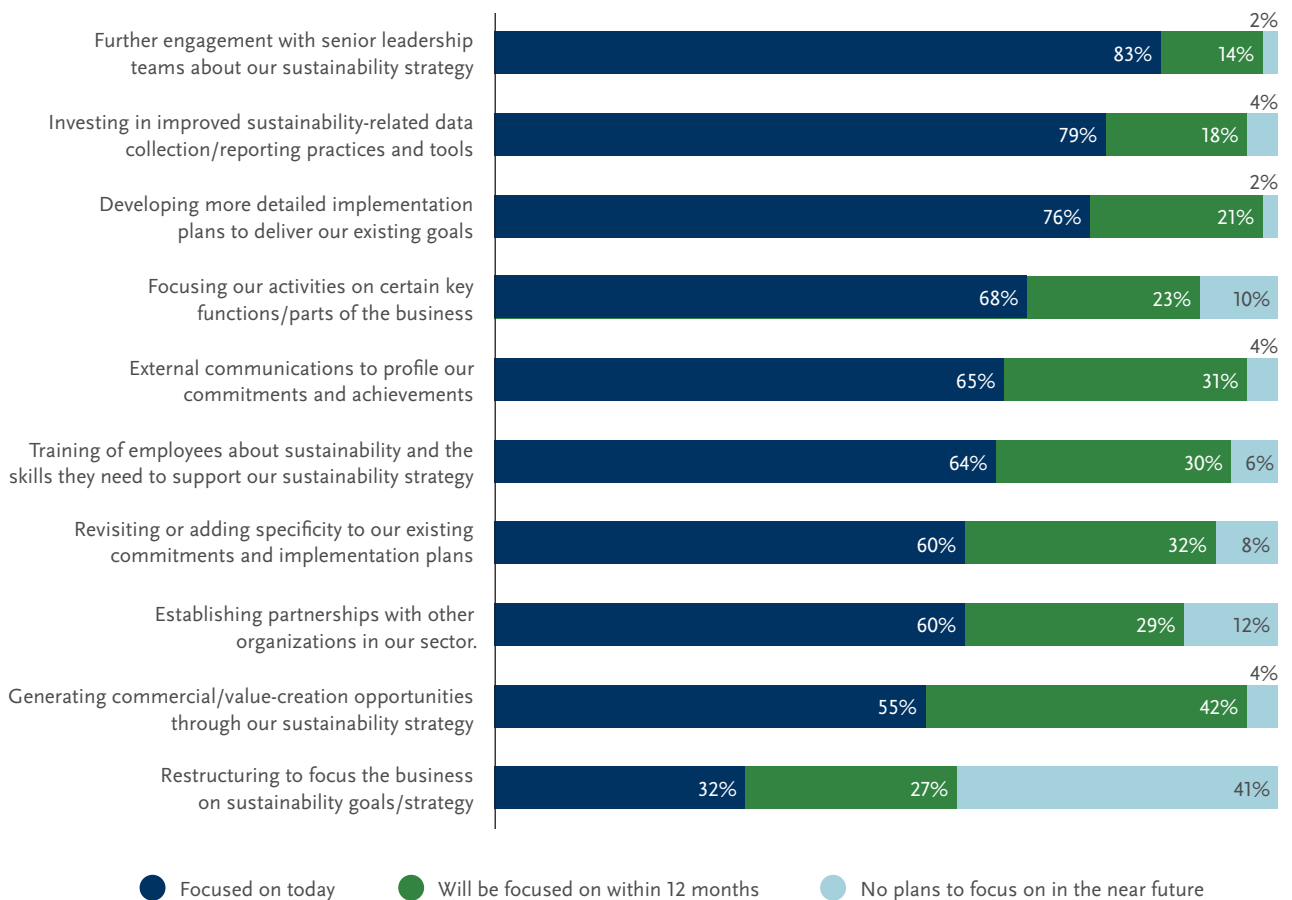
Achieving change means confronting increasing internal and external complexity

At the same time as dealing with a growing reporting burden, CSOs have the end goal of accelerating the impact of their initiatives, while increasingly being pressured internally to demonstrate financial return on their strategy.

Facing this challenge, leaders are concentrated on implementation (76% say developing more detailed implementation plans is a current focus), but they face a series of internal and external challenges. Money is a big one: A lack of funding to achieve all of the changes they seek is the only challenge leaders cited more frequently than reporting-related problems (35%).

Complexity is another recurring issue. For leaders of the pack, at least, the list of easy wins in many areas like operational efficiencies and sourcing renewable energy is getting shorter. To go further, more fundamental and trickier questions must be answered. Some FMCG companies, for example, are grappling with the question of whether some commercially successful products may need to be deprioritized or even discontinued to align themselves with certain sustainability goals.

Figure 10: Some activities that are not a priority a today will soon become priorities



Q: Which activities are you focused on today, and in which activities are you likely to focus on within the next 12 months? [Please select from one of the following options: Currently focused on, Will be focused on within 12 months or No plans to focus on in the near future] N = 84

Some CSOs speculated whether this “next stage” of sustainability implementation might propel new companies to the top of the leaderboard. Unilever, for example, which has been cited as a leading company in sustainability for many years, recently announced that they were revising their sustainability priorities to concentrate on four key areas. This reflects a wider trend; 68% of sustainability leaders in our survey said they were focusing their activities on key functions and parts of the business. As attention turns from who is the most ambitious and vocal toward who has achieved the most change, businesses with less complex product mixes and supply chains may be at an advantage.



Leaders are increasingly recognizing how hard it is. If you really want to get on a science-based trajectory, the first couple of years are not too bad, then it gets really tough.”

DIANA FOX CARNEY

ADVISORY BOARD MEMBER, GENERAL ATLANTIC/BEYONDNETZERO

External pressures, including politicization and consumer sentiment, also present challenges. Several sustainability leaders cited the backlash against ESG in some regions as having created confusion and uncertainty in their businesses, for example. There are also growing tensions between consumers’ growing interest and expectations of companies regarding sustainability and other socioeconomic pressures. For example, [analysis by Deloitte](#) found that cost-of-living pressures are making sustainable purchasing behavior a luxury choice that is not accessible to many people. These headwinds aren’t necessarily slowing action, leaders said, but they are prompting some to be less vocal about their ambitions and actions.



There was a rush a few years ago for everyone to set their science-based targets. Now, there’s much more discussion of what it actually takes for companies to make progress and deliver against those targets.”

MIKE BARRY

SUSTAINABLE CHANGE AGENT AND FORMER DIRECTOR OF SUSTAINABLE BUSINESS, MARKS & SPENCER





“This is probably the first year in about five years in which you’ve had a significant pushback against the sustainability agenda: cost of living crisis, inflation, new conflicts, complicated politics ... for some CSOs it’s been quite a shock.”

MIKE BARRY

SUSTAINABLE CHANGE AGENT AND FORMER DIRECTOR
OF SUSTAINABLE BUSINESS, MARKS & SPENCER

Reflections

FOR SUSTAINABILITY LEADERS

- » Do you have what you need to respond to today’s regulatory environment?
- » How are you leveraging technologies to support analysis and reporting for sustainability?
- » How might you ringfence time for strategic thinking about sustainability from short-term pressures?
- » How might you identify and address sticking points and hard-to-achieve aspects of your sustainability goals?

FOR OTHER BUSINESS LEADERS

- » Do you know how sustainability regulations are going to affect your part of the business?
- » What’s getting in the way of the next step in sustainability for your part of the business?





From consensus building to collective action

All businesses have levers that can ignite transformation

With the increased recognition of sustainability as a core component of business strategy alongside higher engagement from across the business, the role of many CSOs is shifting from advocate to implementor.



My goal is to build the best sustainability ‘center of excellence’ out there, and then build the arms and legs of execution into the firm to help hardwire sustainability thinking across the organization.”

DAVE STANGIS
CHIEF SUSTAINABILITY OFFICER, APOLLO GLOBAL MANAGEMENT

Sustainability leaders are now expected to deliver change in ways that provide value to the company. Achieving this kind of change requires CSOs to ensure that the right people and parts of the business are working together to solve problems and that this work clearly contributes to realizing the organization’s sustainability strategy.

Building a culture and practice of sustainability across organizations

Most sustainability leaders believe that the sustainability strategy has material implications for the majority of employees in their business (71% lean toward this). They see the achievement of their goals as a whole-organization effort.

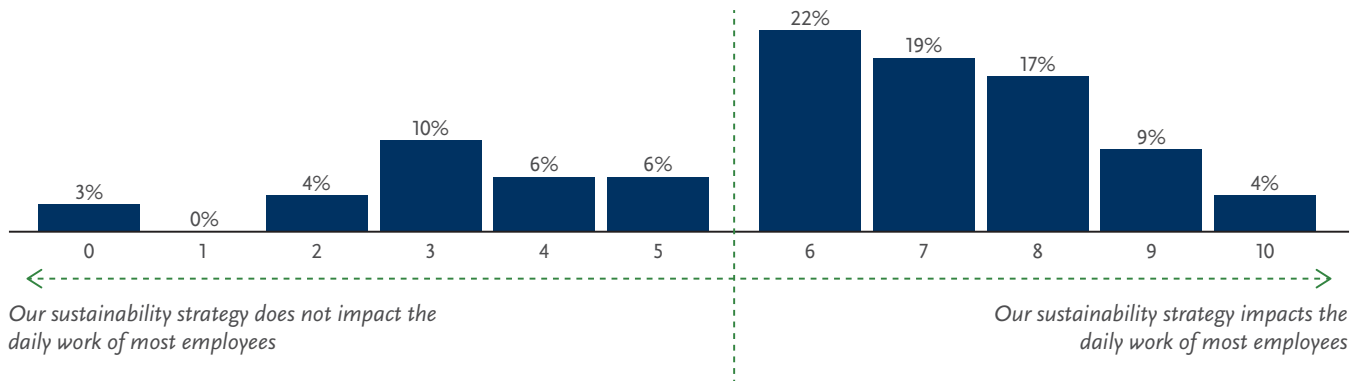
Creating an organization-wide culture that embraces sustainability is no easy task. While [research has shown](#) that large swathes of employees are interested in supporting sustainability at work, they will need new knowledge and skills to do so. Leaders recognize this need. Sixty-four percent of leaders said they were training their employees about sustainability and the skills they need to support the sustainability strategy; 30% more said they planned to invest in this within 12 months.



You need to be able to lead and influence change across the organization without having direct control. Sustainability leaders provide subject matter expertise to inform and educate company leaders but also play a coordinating role in developing and executing sustainability strategy.”

LAURA BARLOW
GROUP HEAD OF SUSTAINABILITY, BARCLAYS

Figure 11: More than 7 in 10 leaders lean toward saying that their sustainability strategy will have an impact on the daily experiences of the majority of employees in their companies



Q: For each of the following statements, please place yourself according to which statement is more reflective of your experience/your company. [Please place yourself on this scale of 0 to 10 according to which statement is more reflective of your experience/viewpoint, where the closer you are to one statement the more reflective of your reality it is.] [N = 69]

Alongside providing knowledge and a sense for how employees can participate at an individual level, CSOs also have a crucial role in creating an enabling environment where colleagues in different parts of the organization can play their part. This can include supporting managers to be able to have conversations with their teams about the sustainability strategy, making sure that other senior leaders are referring to sustainability in their messages to the company, and putting in place new management practices and key performance indicators (KPI) that encourage sustainability-oriented action.

With an increasingly long list of leaders and managers engaged, supporting employees to play their part in driving sustainability will be much easier.



The feedback we’ve had is that people want to incorporate it [sustainability] into their jobs, but they are just not sure about what exactly they should be doing, because it can be a complex area that is new to many individuals.”

CATHERINE DOLTON
CHIEF SUSTAINABILITY OFFICER, IHG HOTELS & RESORTS

Working with core functions of the business to drive transformation

Certain stakeholders and functions were highlighted as particularly important to sustainability leaders' efforts to deliver transformation, including leadership, finance and business units.

Business units (87%) are rated as most important to transformation after the CEO (93%) and are the group that CSOs say they interact with most frequently (81%). Working with business units is seen as critical to the “next stage” of sustainability transformation. With many quick wins dealt with and strategies and goals in place for 2030, attention is now turning to more challenging and complex questions, such as how to make core products and services truly sustainable. The last mile of commitments is often the most challenging, requiring deeper investment and commitment.



Achieving the last 10% of any commitment is challenging. In some cases the technology or innovation just isn't here yet. In other cases, the costs are significant.”

MARY JANE MELENDEZ
CHIEF SUSTAINABILITY & SOCIAL
IMPACT OFFICER, GENERAL MILLS

For businesses that make physical goods, more fundamental transformations in the sustainability of production and consumption will require companies and societies to address [underlying behavioral and normative factors](#). Some leaders shared that they've had conversations about products that might need to be discontinued or radically redesigned in order to align with sustainability ambitions. This invites complex considerations of product mixes and messaging to consumers, with major implications that need sign-off from senior leaders, as well as buy in from business units. Establishing a vision for these kinds of radical changes will have ripple effects.

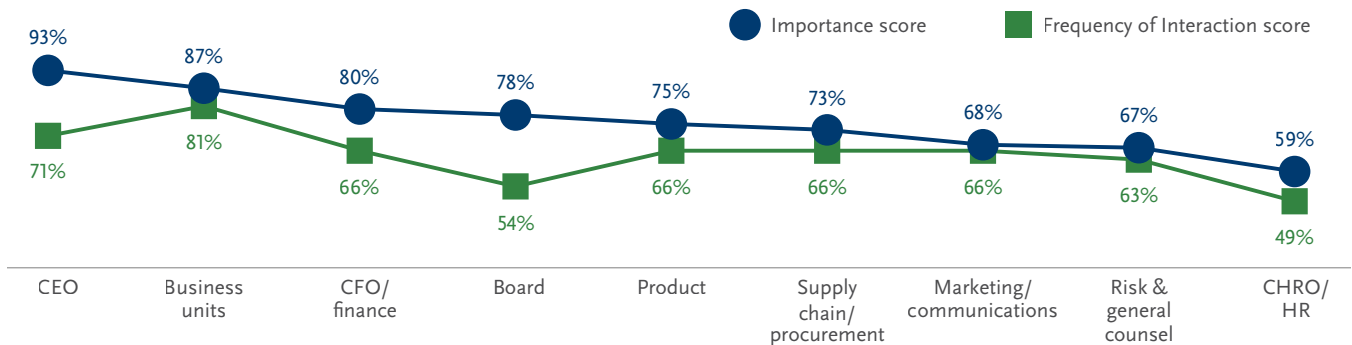


For many companies, the products and services teams are where it starts and finishes. Once the product and services people get [sustainability], they will go to the procurement team and say, 'We will need to procure differently,' and to the commercial team and say, 'We need to sell differently.'”

MIKE BARRY
SUSTAINABLE CHANGE AGENT AND FORMER DIRECTOR
OF SUSTAINABLE BUSINESS, MARKS & SPENCER



Figure 12: The functions that sustainability leaders see as most important to their goals are those they interact with more frequently



Q: How important are the following parts of your business to achieving your sustainability goals? + Q: What level of interaction and coordination is required with each of these functions to deliver your sustainability goals? [Score calculation: 100% score if everyone selected “4 — Essential” or “4 — Very frequently”]

Functions such as marketing (68%) and HR (59%), for which most CSOs say sustainability is delivering greater value today, are seen as less important to achieving sustainability priorities and actually spend less time with sustainability leaders. Perhaps they see their job there as done or have already established good ways of working based on years of connection.

Pursuing a holistic approach to more fundamental change

One in three leaders say that they expect to see substantial change in their business with a concerted focus on sustainability within the next five years. This includes measurable contributions to corporate value. A further 25% don’t go quite so far but do expect to see a stronger link between their sustainability investments and business impact. For these companies that are actively pursuing fundamental change, there are a long list of priorities to pursue.

Figure 13: Most sustainability leaders see significant changes in how their business engages with sustainability in the next five years



Q: How do you envision your organization’s sustainability efforts changing over the next 5 years? [Please select one] [N = 75]



What keeps me up at night is how we are going to meet these commitments when we need other stakeholders to act, changes in public policy and advancements in technology to achieve them.”

MARY JANE MELENDEZ
CHIEF SUSTAINABILITY & SOCIAL IMPACT OFFICER, GENERAL MILLS

A more intentional focus on business impact is one. Many leaders recognize they still have work to do before sustainability is a major driver of revenue, but this will swiftly become more of a focus. Forty-two percent of CSOs said that “generating commercial/value-creation opportunities through our sustainability strategy” would be something they focus on within the next 12 months.

Sustainability leaders also increasingly recognize the role they need to play in their wider industries and communities to drive change. Sixty percent said they are already working to establish partnerships with peers to drive wider change, and a further 29% plan to do so soon. They are recognizing that the achievement of their own goals and securing of a safe operating space for them in the future relies on wider transformation taking place.



If you don’t make bold statements, you’ve got less to live up to ... Today there is greater understanding and nuance in this space; we understand that just because you say something it doesn’t mean it’s done. But equally, when you do set ambitious goals, they may take a while to achieve.”

DIANA FOX CARNEY
ADVISORY BOARD MEMBER, GENERAL ATLANTIC/BEYONDNETZERO



Reflections

FOR SUSTAINABILITY LEADERS

- » What knowledge and skills do your employees need in order to play their part in sustainability?
- » Do all areas of your business know what it really means to become sustainable?
- » How are different parts of the business working together on sustainability goals?

FOR OTHER BUSINESS LEADERS

- » Is your CSO able to access the teams they need to advance your sustainability strategy?
- » Do you have a vision of what a truly sustainable product or service means for your company?

In this era of increased regulation, a more informed and often critical public, and politicization of some sustainability issues, it is a complex challenge for companies to communicate their ambition. Few leaders said that this complexity had reduced the ambition of their sustainability strategy, but it has brought some changes to how they talk about it. Some observed a degree of “greenhushing” taking place, where companies avoid communicating externally about their ambitions for fear of backlash. Others, though, intend to lean in further toward calling for change, while being humble in how they present their ambition and candid in the challenges they face.



If we don't do things like focus on the tough transition sectors and don't deal with the consequences of natural disasters, society won't function. Leading on these issues is absolutely fundamental to our future business.”

MARTIN POWELL
GROUP SUSTAINABILITY DIRECTOR, AXA

Conclusion

Political backlash, economic downturn, conflict and the increasing impact of climate change are all pushing back against the rapid progress that sustainability leaders are seeking to make.

And while many celebrate the increased attention governments are paying to regulation and policy, the resulting requirements are also creating a complex tapestry of resource-intensive tasks for CSOs to manage alongside strategic transformation activities.

But the pioneering CSOs and sustainable business leaders are telling us that there is ample reason to keep driving progress. They are increasingly seeing a range of positive returns in their commitment to change their business for the better. They feel increasingly supported by their peers in the business and are working to drive actions collectively rather than alone. There is more realism and ambition when it comes to what sustainable transformation entails.

Much like the UN's Global Stocktake, our study shows there is work still to be done, but also promising signals of change which can help fuel further progress. CEOs and their boards must now set up their CSOs for resiliency and success in the context of likely continuing turbulence, so that sustainability can become a major source of value creation embedded deeply into organizations.



Acknowledgements and bibliography

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About the study

Our survey was in field in the fall of 2023 with interviews conducted over the same period. In total, 11 interviews were conducted and 86 responses to our online survey were received. The research and this report were created by Kite Insights, in close collaboration with Spencer Stuart. Figures and data may not total 100% due to rounding. In some figures, “No opinion” responses are excluded. Therefore totals do not always sum to 100%.

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A note on limitations

Our survey sample largely consisted of, but was not limited to, large western European (45%) and North American (43%) companies; other perspectives may differ by geography and firm size. We expect some sampling bias — the companies polled in qualitative interviews and quantitative surveys have, in general, an above-average level of sustainability maturity. Not all industry sectors are represented; the sustainability issues that are salient to each company and CSO may vary by sector.

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Kite Insights exists to empower people and organisations with the clarity and confidence to play their part in sustainable transformation. We believe that global challenges require urgent and thoughtful action, and that systems transformation should leave no one behind.



We guide people and their organisations to make sense of, take a stand on, and build capabilities to take thoughtful action on the issues that matter. We do this through research and storytelling to create actionable insights, learning content & experiences and programming of major events to unlock individual and collective action.

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