

The Sustainability Function Landscape

More Chief Sustainability Officers were appointed in 2021 and 2022 than in the previous 10 years combined – but with this surge in attention, companies need to avoid repeating the mistakes made by many risk and compliance functions over the past 15 years. What enables a sustainability function to really deliver? Building upon recent Hedley May research, we came together with <u>Pinwheel</u> and a group of sustainability experts to discuss the skills and experience required in this role, the challenges CSOs face, and how the function might evolve. In an engaging discussion a few key themes stood out:

Evolving with changing stakeholder expectations.

Organisations' clients and other stakeholders are raising the bar when it comes to their sustainability expectations. Over the years, we've seen expectations shift from commitments to values and principles, to setting science-based targets, to defining transition plans, to extending their focus beyond just decarbonisation (e.g. to biodiversity strategies). It is therefore critical that organisations think carefully about the objectives their sustainability functions should set. For example, is the focus mainly on carbon accounting and reporting? Or is it about reshaping the organisation to embed sustainability into the core business. If so, does the function have the resources and people it needs to do this – and what levers can it pull within the business to deliver that change?

<u>Rob Colmer</u>, Head of Corporate Affairs and Sustainability, Aston Martin:

"You're working not just within the boundaries of your businesses, but also with partners in the supply chain, community partners, and other stakeholders. That breadth and complexity is part and parcel of the challenge when you're trying to deliver effective and strong sustainability performance".

Those who do it best will increasingly incorporate sustainability in corporate strategy.

As we discuss in recent Hedley May research, there are several discernible models of CSO. Sustainability is often looked at through a specific lens – e.g. corporate affairs, legal, marketing. These models can all work. But increasingly – and particularly as mandatory reporting requirements become more rigorous and commonplace – sustainability will become intertwined with corporate strategy. Organisations will need to set out a credible roadmap that is not just compliant now, but takes a longer view across the entire ecosystem, upstream and downstream – including from a 'Scope 3' perspective.

<u>Harry Friend</u>, Partner, Corporate Affairs & Sustainability, Hedley May:

"When hiring a CSO, a key consideration is determining your long-term strategic goals. What are you trying to achieve, and is there a clear mandate a good CSO can deliver against? Have you identified the priorities for the next two to three years alongside what the business needs in the longer term?"

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Getting buy-in from leaders across the entire organisation.

For the CSO's agenda to succeed, sustainability needs to be "a bit of everyone's job", and not just confined to a dedicated function. That means keeping it front of mind for all leaders on the ExCo – potentially setting up incentive structures linked to specific sustainability goals, to ensure it does not get lost in other priorities. Where the function best sits within the structure of an organisation is likely to differ from case to case. However, a single reporting line can silo the sustainability team – if the aim is wide accountability, a multi-reporting line structure is often better. Having an ExCo sponsor however, preferably the CEO, is an ideal model.

Jaclyn Kaminski, VP Sustainability, McCann Worldgroup:

"Tying incentives to the ExCo in terms of hitting certain sustainability goals is very helpful. The ExCo has a never-ending laundry list of priorities; unless they are incentivised, those priorities might fall down that list."

The importance of CSO leadership skills and relationship-building

Technical expertise matters, of course, but the CSO cannot be expected to be an expert in all thingssustainability from every potential angle. They must, however, be exceptional at building coalitions across functions and with key stakeholders outside the business. They also need to be able to lean into external expertise to fill the knowledge gaps in their own teams. The technical breadth and complexity of the sustainability universe means that leadership skills are sometimes overlooked – but they are essential.

About us

Hedley May is a global executive search firm dedicated to finding exceptional talent to transform Boards and executive leadership teams. We help create a better future through our commitment to doing the right thing for our clients, candidates and the communities we serve. Rob Cheesewright, Chief Impact Officer, Pinwheel:

"What's the most important skill: being a deep expert in sustainability or being an expert stakeholder influencer? I think we're starting to think it's the latter: it's that ability to bring people together, coordinate, influence – those real, deep, human, emotional intelligence skills."

<u>Illana Adamson</u>, CEO & Founder, Be Better Sustainability:

"We hear all the time about collaboration for a sustainable future, but I do think we're at that tipping point in time now where we need to rethink the model. Instead of owning that expertise in-house or outsourcing it to one of the Big Four, you can bring those people in to teach your team, and then they can take the baton and carry on with it."

Watch the full discussion here:





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Harry has over 20 years of executive search experience and specialises in the appointment of Corporate Affairs and Chief Sustainability Officers.

