



SpencerStuart



License to Transform

Spencer Stuart's
2022 Survey of
Sustainability Leaders

SpencerStuart

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Executive summary

License to transform in the decade of delivery

In the first of a series of explorations into the state of sustainability leadership and the sustainability function, Spencer Stuart has revisited its 2016 “License to Thrive” study. We set out to explore the realities facing today’s sustainability leaders through a global survey and interviews with leading practitioners.

We are living in the “decade of delivery,” a time when sustainability has become not only a core strategic consideration and direction for businesses, but a driver of innovation and attractor of talent. All leaders need to embrace sustainability, and sustainability leaders in particular have newfound prominence and an expanded mandate.

But what is the nature of this mandate today? How are sustainability leaders and their teams interacting and connecting with the rest of their organizations? Do they have access to the necessary resources, and the license to influence mindsets and culture? In a nutshell, what drives success for today’s sustainability leaders, and what is getting in the way?

Key insights for CEOs and boards

- 1. For sustainability leaders, success means transforming their business to be fit for the future:** The modern mandate of CSOs calls for a wide range of skills. Sustainability today encompasses a vast range of issues from climate change to human rights to living standards, so transformation can only be achieved by working across the whole organization to address these issues.

The success of this transformation depends on CSOs having a deep understanding of the “nuts and bolts” of their organizations: a familiarity with the business model, culture, operations and practices that underpin it.

- 2. There’s a difference between supporting your CSO’s agenda and giving them all they need to succeed:** Today, 91% of sustainability leaders say their CEOs are actively supporting their sustainability strategy — a significant change since 2016, when only 49% of them said so.

Support from the CEO is important, but support alone is not enough. Sustainability leaders must have the commensurate authority and resources. When asked what CEOs could do to help them, they highlighted the need to integrate sustainability into the core business strategy and spread accountability for sustainability beyond their office.





3. Some parts of the business are used to working with sustainability — others are not:

The significant cultural and operational transformation that embedding sustainability entails means that sustainability leaders need to be interacting with the rest of their business.

Progress is still very unequal. Sustainability leaders are working well and frequently with communications teams, for example, but elsewhere, in operations and supply chain, they are struggling to turn ambition into reality. This is exacerbated by a lack of skill sets in the business to implement sustainability strategies.

4. The modern sustainability function requires a new and diverse set of skills: While they don't necessarily expect their teams to grow in size, sustainability leaders expect their budgets to increase and are focused on securing the right skills to support their mandate.

Today, data analytics are essential to companies trying to understand and report on complex sustainability issues. Intersectional and interdisciplinary thinking, as well as change management, are also essential to handling the multiple facets of ESG in a strategic manner, and to bringing that thinking into the business.

5. The sustainability function can guide the rest of the business: As sustainability becomes embedded in a business, some might ask if the role of the CSO will disappear. Leaders we spoke to reject this idea; companies will need experts to provide guidance on the development and delivery of strategy for a long time to come.

In the immediate term, sustainability leaders are focused on delivery: 70% of sustainability leaders said that they were focused on developing more detailed implementation plans, and more than half are planning further investment in them over this coming year.

Key insights for sustainability leaders

1. What sustainability means to business has changed: The issues addressed in sustainability strategies have broadened. At the same time, sustainability goes deeper into the business, starting with engaged leaders and moving through different parts of the organization.

Sustainability leaders can bring their insights and perspective to a much wider range of business issues, from product development to risk, from diversity and inclusion to wholesale business transformation. And they are increasingly having those conversations with the CEO and the board.

- 2. Performance measurement for sustainability leaders is different than for most other leaders:** Unsurprisingly, most sustainability functions' performance is measured according to the timely achievement of goals like decarbonization and other core ESG indicators.

By contrast, bottom line contribution rarely forms part of the performance measurement of sustainability, despite their perceived mandate to transform the business. Sustainability leaders select different measures to define good practice, such as being radically transparent and adopting a systemic, intersectional approach to sustainability.

- 3. Understanding the core business is a crucial skill for modern sustainability leaders:** Driving change across the organization means leaders need to understand the realities of different roles and functions. General business experience can help, but getting to know your own company deeply is even more valuable.
- 4. Every part of the business needs to upskill in support of sustainability:** A fifth of sustainability leaders said that the culture of their organization was not aligned with sustainability objectives, while 41% cited a lack of skills in the organization to implement sustainability strategies as one of their main challenges.

At the same time, sustainability leaders recognize gaps in their own knowledge; 22% said that there were aspects of climate change and other environmental challenges that they don't understand well enough to act on today. Eighteen percent said the same about social and governance aspects.

To stand a chance of success, sustainability leaders need to work with other leaders and teams across the business to build a deep understanding of the sustainability strategy and its connection to other strategic priorities. Our results show that when other leaders understand and are bought into sustainability, the CSO's job is easier.

- 5. Moving from building strategies to delivering them requires a new approach:** Seventy percent of sustainability leaders said they were focused on developing more detailed implementation plans to deliver their existing goals. Many feel the urgency of living up to the name of the "decade of delivery."

Delivering on goals will require sustainability leaders to assemble teams with a range of skills and background — from subject matter expertise through to operational and change management backgrounds. For sustainability leaders, now is the moment to establish whether their teams and their relationships with the rest of the business are in the right place for the job at hand.



Introduction

Sustainability leaders face a very different world

Only six years ago, the introduction of our previous survey of sustainability leaders opened with the now all-too-obvious observation that “the private sector is embracing the urgency of sustainability.”

Since then, a lot has changed. On the one hand, sustainability is now an almost ubiquitous part of private sector agendas; on the other, we are still far away from achieving the level of transformation needed to avert disruption on a catastrophic scale.

The corporate sustainability leadership trends we observed in 2016 have continued. In 2020, the number of chief sustainability officers (CSOs) across Fortune 500 companies rose to 95, an increase of 228% since 2011.¹ In the same year, 96% of global 250 companies issued a sustainability report.² There were more CSOs appointed in the year 2021 than across 2016–2020.³

Ambition is growing, too. Since 2021, more than 3,000 businesses and financial institutions have worked with the Science Based Targets Initiative (SBTi), for example. These commitments to environmental sustainability increasingly recognize the need to promote justice, human well-being, and good governance in parallel, spanning E, S and G. Companies are having to address their social impact, whether by enhancing the employee experience or raising welfare standards throughout the supply chain. Indeed, recent research finds that when employees feel their organization’s values are being “lived” daily, engagement is eight times higher, discretionary effort (i.e., feeling of giving one’s full effort) is six times higher and perception that the organization actively looks after employee well-being is eight-and-a-half times higher.⁴

As sustainability moves center stage, expanding in its ambition and our conception of it, so do the expectations of the CSO. **The responsibility and influence of the CSO is shifting rapidly as sustainability becomes a core driver of value, innovation, talent retention and attraction**, among myriad other strategic business concerns.

With this survey, we set out to understand the evolving role of the CSO and sustainability leaders. Through interviews with sustainability leaders across industries and markets, we explored what the job of a CSO and the sustainability function looks like today and how it might change in the future. Crucially, we sought to understand how these leaders and their teams interact with the rest of their business and what capabilities, organizational structures and mindsets they need to succeed.

While their teams might remain small, the job of CSOs is to embed sustainability across a business — from the board to every function and facility. **Leading CSOs have the full support of their CEO and their peers. They understand the core of their businesses deeply and are working across the organization with a transformational mandate and mindset.**



Sustainability doesn’t sit in a box alongside the business any longer — it touches all aspects of business now.”

MARISA DREW
CHIEF SUSTAINABILITY OFFICER,
STANDARD CHARTERED

1 <https://weinrebgroup.com/cso-chief-sustainability-officer-esg-report-2021/>

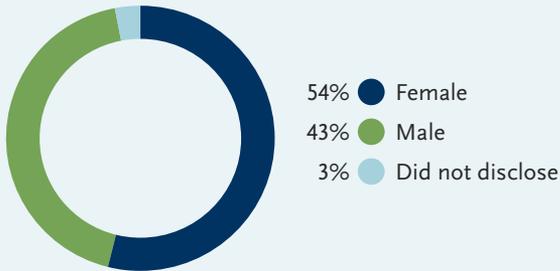
2 <https://www.statista.com/statistics/1232295/global-sustainability-reporting-growth-rate>

3 Strategy&. Empowered Chief Sustainability Officers. 2022. Web, PDF

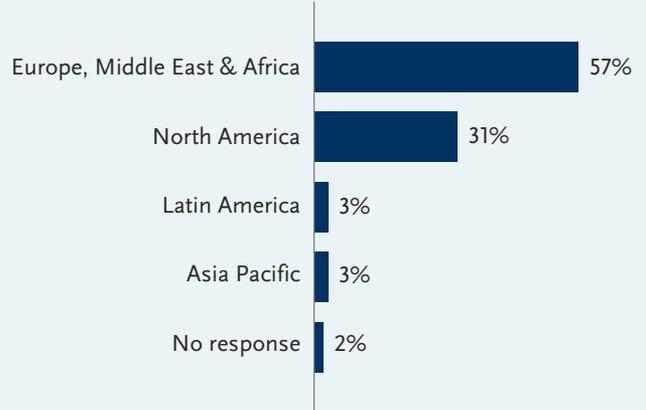
4 www.kincentric.com/insights/global-employee-engagement-trends-2022

About the sample

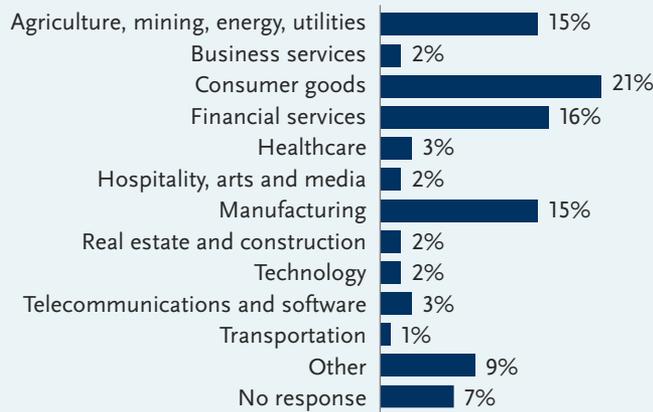
With which gender do you most identify?



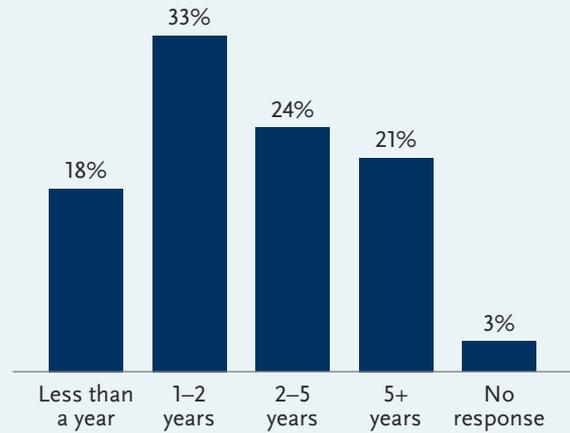
Where is the location of your head office?



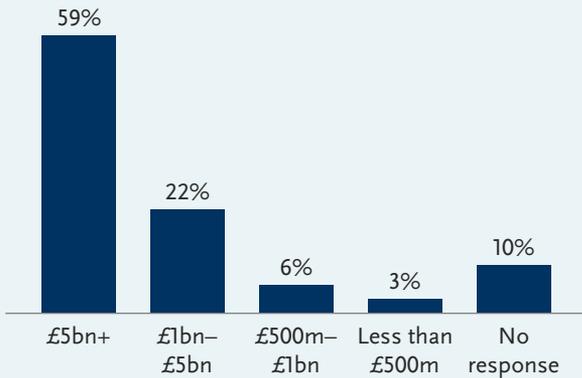
Which of the following best describes the industry sector in which your company operates?



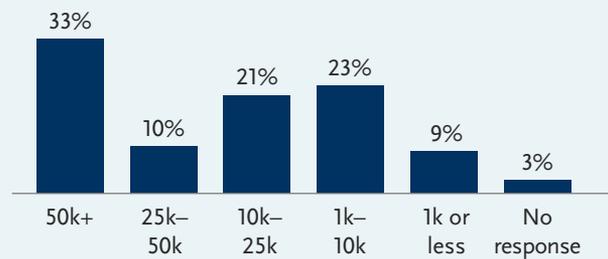
How long have you been in your current role?



What is the approximate annual global revenue of your company?



How many people are employed by your company globally?



The state of sustainability strategies

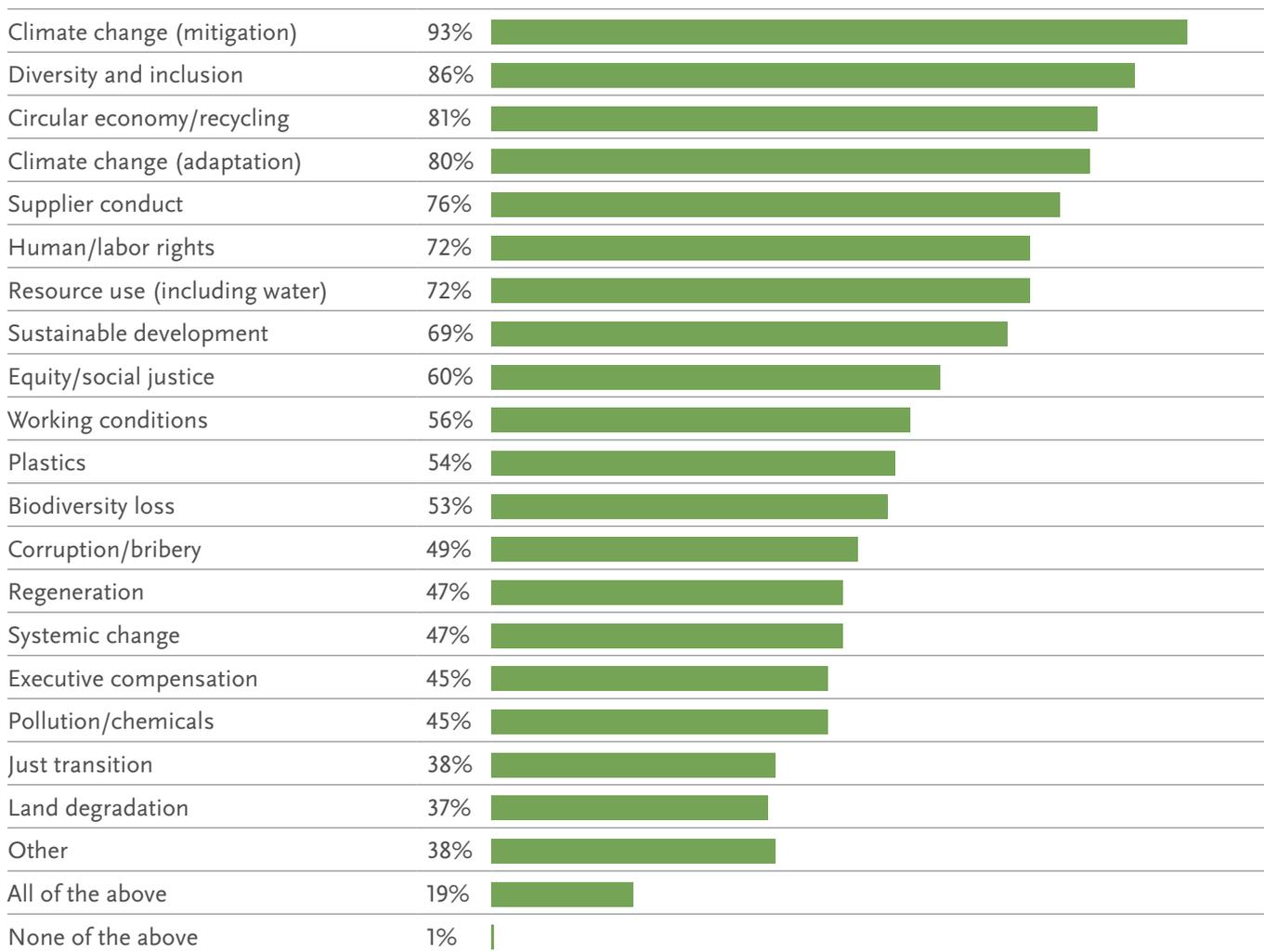
Broader and deeper

Broader

Sustainability strategies are expanding

Beyond environmental sustainability, many strategies also include social challenges like diversity and inclusion (86%), supplier conduct (76%) and more transformational topics such as “systems change” and “regeneration” (47% each). The breadth of topics addressed in sustainability strategies is reflective of the wide array of issues addressed in modern ESG metrics, as well as the increasingly intersectional approach that many businesses are taking.

Sustainability now spans a wider range of issues



Q. What areas of focus does your sustainability strategy explicitly address? [Please select all that apply] (N=94)



This increasing breadth of sustainability strategies is also reflected in the remits of CSOs themselves. In 2016, 43% of CSOs said they had other areas of responsibility beyond sustainability. In 2022, that number rose to 78%. These areas of responsibility now not only include social and economic issues like human rights (44%), but also core business concerns like strategy (37%), innovation (25%) and risk (23%).

Thirty-two percent of sustainability leaders with responsibilities beyond sustainability said that they were also involved in diversity and inclusion decisions. While intersectionality lenses like climate and gender are an increasing feature in leading companies, these areas of additional responsibility point to something else: a broader mandate and a confirmation of the CSO's expanding role. Because of the connections of sustainability to wider corporate responsibility and purpose, sustainability leaders are increasingly involved in decisions in areas ranging from DE&I to risk, even if the execution of those strategies often sits with other functions.

Sustainability leaders now have additional responsibilities

Human rights	44%	<div style="width: 44%;"></div>
Strategy	37%	<div style="width: 37%;"></div>
Corporate communications	33%	<div style="width: 33%;"></div>
Diversity and inclusion	32%	<div style="width: 32%;"></div>
Innovation	25%	<div style="width: 25%;"></div>
Risk	23%	<div style="width: 23%;"></div>
Internal communications	21%	<div style="width: 21%;"></div>
Government affairs	18%	<div style="width: 18%;"></div>
Investor relations	18%	<div style="width: 18%;"></div>
Public relations	15%	<div style="width: 15%;"></div>
Health and safety	15%	<div style="width: 15%;"></div>
Marketing	14%	<div style="width: 14%;"></div>
Supply chain	14%	<div style="width: 14%;"></div>
Legal and compliance	10%	<div style="width: 10%;"></div>
Operations	8%	<div style="width: 8%;"></div>
Human resources	5%	<div style="width: 5%;"></div>
Finance	5%	<div style="width: 5%;"></div>
Other	30%	<div style="width: 30%;"></div>

Q. Which other responsibilities or areas of focus do you have? [Please select all that apply] (N=94)

Deeper

Business leaders are big believers in sustainability

Today, 91% of sustainability leaders say their CEOs are actively supportive of their sustainability strategy, as are 94% of other members of the company's executive committee.

This is a significant shift from what many sustainability leaders experienced back in 2016. Then, only 49% of them said that their leaders were supportive of their sustainability agenda, and 25% highlighted a lack of leadership engagement as one of the main barriers to implementation. Only 6% identify a lack of engagement from leadership as one of the main barriers they are facing today.

CEOs and executive committees support sustainability

Members of the executive committee beyond the CEO are actively supportive of our sustainability agenda.	94%	
Our CEO is actively supportive of our sustainability agenda.	91%	
The sustainability function is responsible for increasing sustainability literacy across the business.	87%	
The company issues a detailed annual report on its sustainability performance.	86%	
Functions other than the sustainability function have KPIs and/or targets related to sustainability.	85%	
Individuals/teams with responsibility for sustainability are embedded in other parts of the business.	82%	
The organization has an independent sustainability function.	81%	
The sustainability strategy is supported by a formalized group of advisors (e.g., a leadership board or steering committee).	72%	
Senior managers' performance is at least partially measured according to sustainability metrics.	70%	
Leadership responsibility for sustainability is shared between two or more roles (e.g., between internal- and external-facing).	57%	
There is a separate profit & loss (P&L) for sustainability.	19%	
Other	14%	
All of the above	13%	
None of the above	1%	

Q. Which of the following are features of your organization's sustainability strategy, governance and ongoing activities?
 [Please select all that apply] (N=94)

These results signal a wider shift in the role of sustainability within business and the external environment businesses now operate in. Environmental crises like climate change, biodiversity loss and pollution; social justice movements like Black Lives Matter; and increasing instability due to years of disruption and economic pressures are now having a visible and significant impact on businesses and society. The vast majority of leaders are convinced of these issues' relevance to their own concerns and ambitions.

Sustainability leaders want their business to be fit for the future

Most sustainability leaders today believe that their role is to fundamentally transform their business and make it fit for the future. This transformational mindset is largely due to the fact that action on sustainability is becoming less about corporate responsibility and more about competitive advantage.

Not only are businesses pulled toward transformation with the promise of success, innovation and new revenue, they are also being pushed in the same direction by increasing regulation, shifting financial incentives and consumer expectations.



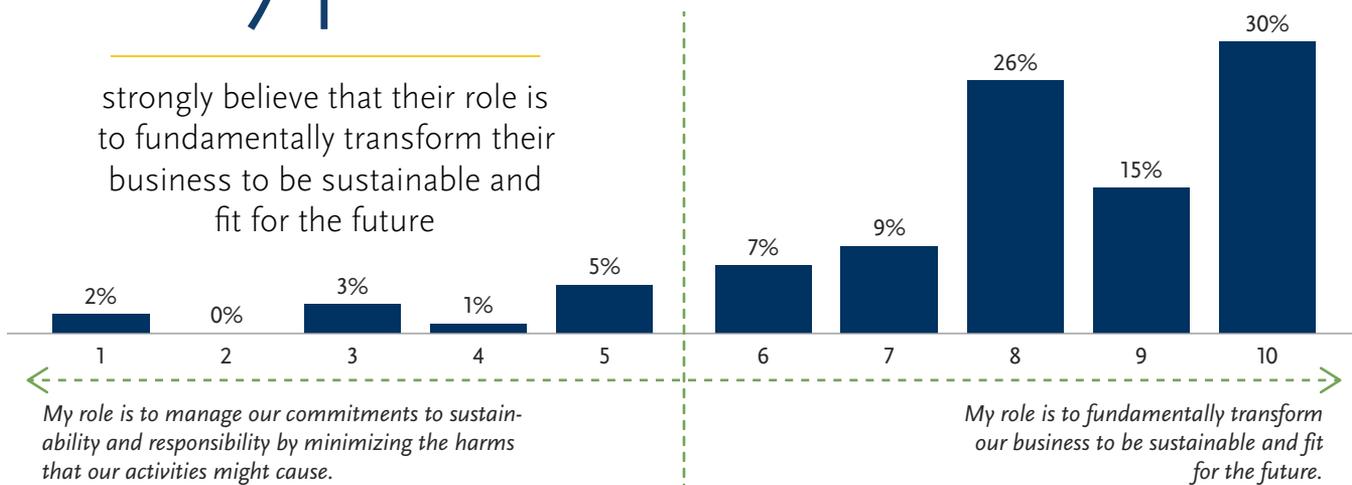
The role of the CSO has moved from a risk and reputation or CSR-driven function to something that is fundamentally core to the strategy.”

MARISA DREW
CHIEF SUSTAINABILITY OFFICER,
STANDARD CHARTERED

Sustainability leaders are focusing on transformation and future-proofing

71%

strongly believe that their role is to fundamentally transform their business to be sustainable and fit for the future

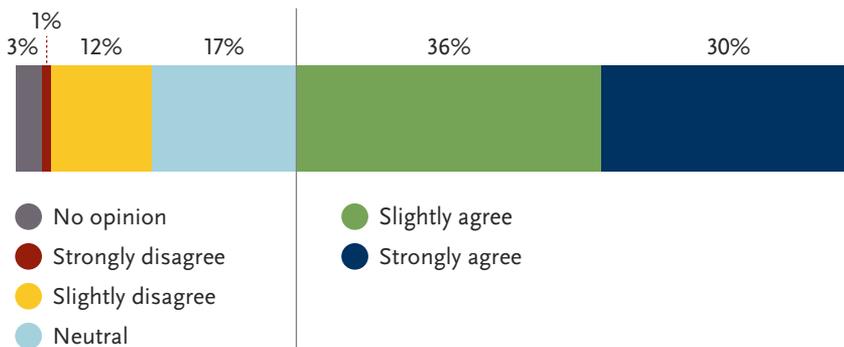


Q. Please position yourself on this scale. [Place yourself on this 1 to 10 scale according to how reflective the statements are of your role] (N=94)

Another push factor is the need to promote adaptation and resilience in the context of the new, far less stable planet in which we now live. This is an essential aspect of transformation toward a business that is “fit for the future.” Overall, leaders appear confident in their ability to navigate that future. When asked, 66% of sustainability leaders agreed to at least some extent that their company has a clear vision for how we will remain resilient in a less stable and more unpredictable natural environment — 30% “strongly agreed.”

Sustainability leaders have a vision for resilience and stability in uncertain times

Our company has a clear vision of how we will remain resilient in a less stable and more unpredictable natural environment.



Q. To what extent do you agree with the following statement?
 [On a scale of 1 to 5, where 1 = Strongly disagree, 3 = Neutral and 5 = Strongly agree, or select “No opinion”] (N=86)

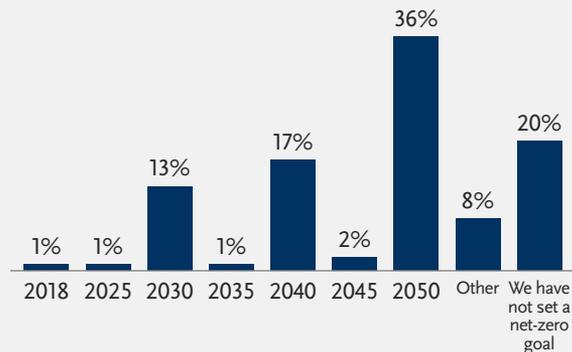
Many leaders will have spent the past years crafting a sustainability strategy and set of targets for 2030 — the milestone year for the Paris Agreement, the SDGs, etc. Now, the focus for CSOs is clearly turned to implementing that strategy with their teams and the rest of their business, to play their part in this “decisive decade.”

Net-zero commitments

Across the breadth of sustainability topics, the practicalities of achieving decarbonization and an energy transition are perhaps those that receive the most focus from businesses and other institutions today. Just over a third of companies represented in this sample (35%) have set a net-zero greenhouse gas emissions target for before 2050 — the latest that the IPCC says the world must achieve net-zero by to avoid global temperature rises of over 1.5°C (3.6°F).

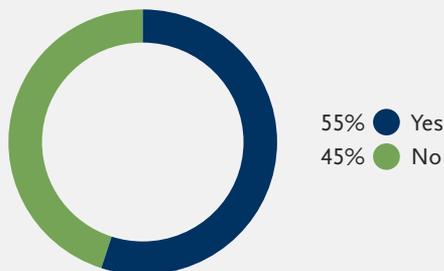
80% of sustainability leaders say they have a timebound net-zero commitment

Q. Has your organization set a net-zero greenhouse gas emissions target and, if so, for what year?
 [Please select one] (N=88)



55% of these commitments have been verified by Science Based Targets initiative (SBTi)

Q. Please tick this box if your net-zero targets have been verified by the Science Based Targets initiative (SBTi).
 [Please select one] (N=70)



The state of sustainability leaders and functions

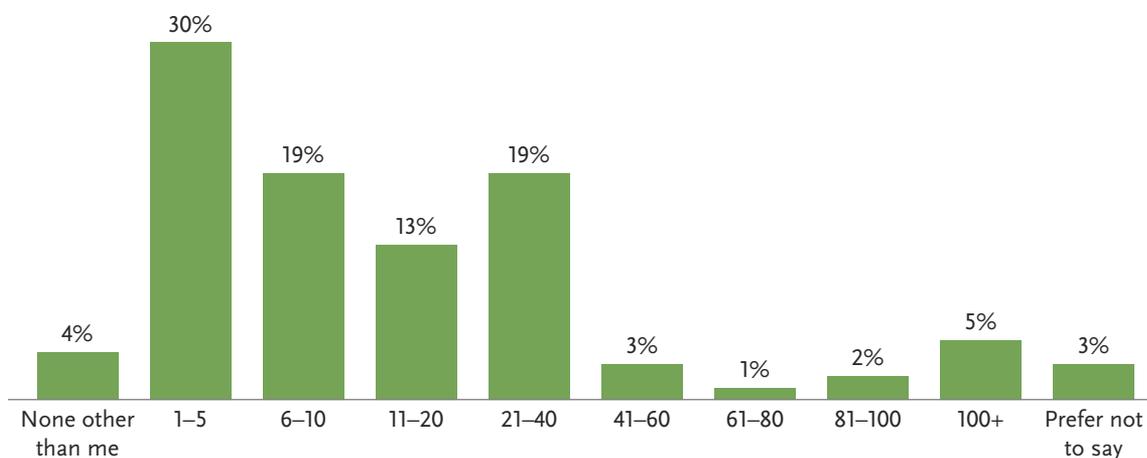
Still small, but better connected

The sustainability function

Sustainability teams remain small

Eight out of 10 leaders said that their business had an independent sustainability function. But these functions typically remain small. Over half (53%) have 10 or fewer full-time employees.

Most sustainability teams are still small



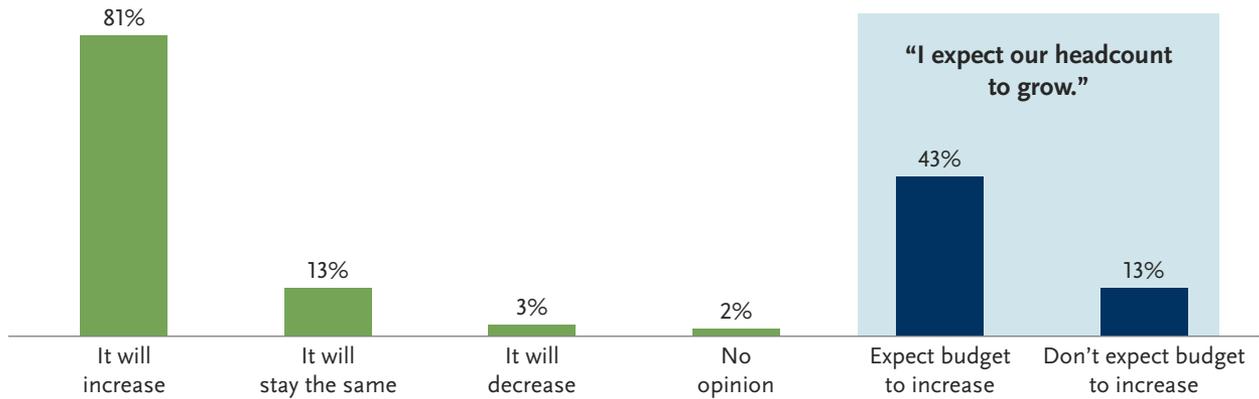
Q. How many full-time employees are in your sustainability team? [Please select one] (N=86)

This doesn't seem set to change soon. Only 35% of leaders said that they expected the headcount of their sustainability function to grow in the coming year.

These small teams are made up of people with a mixture of skills and backgrounds — from sustainability and non-profit to business strategy and operations — who are tasked with enabling transformation in the rest of the business. Ultimately it is the goal of the function to blend sustainability with the core strategy of the business, so it makes sense that the skills profile would comprise a similar blend.

The vast majority (80%) of sustainability leaders say that they expect the budget of their function to increase in the coming two years. However, when asked whether they expected their headcount to grow in the same period, only around a third responded in the affirmative. Only 43% of leaders who say their budget will increase also say they expect their headcount to increase.

Most sustainability leaders expect their function’s budget to increase in the next two years

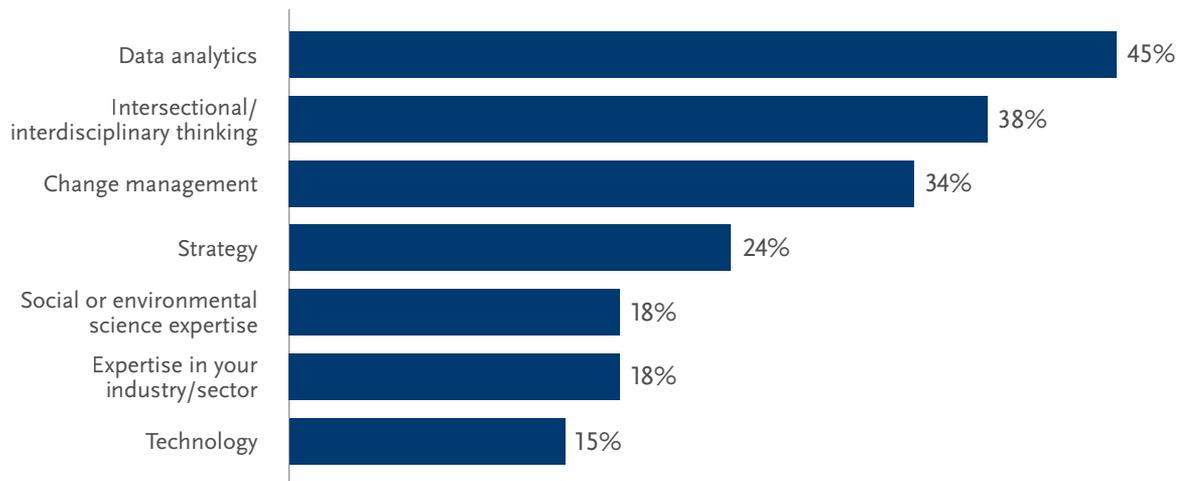


Q. How do you expect the budget assigned to sustainability-related activities at your company to change in the next 2 years? [Please select one] (N=87) and Please tick this box if you expect your sustainability team’s headcount to grow in the next 12 months. (N=96)

Wanted: A new and diverse set of skills

When asked what further skills they would need more of in future, the most cited skill sets were data analytics (45%), intersectional/interdisciplinary thinking (38%) and change management (34%). The responses further illustrate the breadth of responsibilities and goals that sustainability functions need to have.

Data analytics, intersectional thinking and change management skills are in demand



Q. Which of the following skills will your sustainability team need more of in the future? [Please select up to three] (N=87)

Sustainability functions are responsible for reporting on the sustainability activities and performance of their business in the context of a diffuse and complicated regulatory environment and sea of different standards, definitions and frameworks. Sustainability reporting is becoming akin to an accounting role for many companies, while requiring in-demand data skills.



On the other hand, the sustainability function is also increasingly responsible for the integration of sustainability across the business and for supporting the significant cultural and operational transformation that embedding sustainability entails. In this context, systems thinking is essential to understand the complexity and multiple impacts of a business, while change management experience will accelerate change throughout the organization.

Serving these diverse needs is a significant challenge for what is often such a small function. Indeed, when asked what challenges they were most often facing, sustainability leaders cited complex/onerous reporting demands (26%) and practical difficulties in measuring impact (24%) as the second and third most frequent challenges.

Sustainability is not just a matter of compliance. It’s a driving force for business and people. Individuals and organizations embracing their full potential will create positive systemic impact and thrive from it.”

GWENAELLE AVICE-HUET
CHIEF STRATEGY & SUSTAINABILITY OFFICER — MEMBER OF THE EXECUTIVE COMMITTEE, SCHNEIDER ELECTRIC

Sustainability leaders face challenges of implementation, reporting and measurement

Lack of skills across the organization to implement sustainability strategy.	41%	
Complex and/or onerous reporting demands.	26%	
Practical difficulties in measuring impact.	24%	
Culture of organization not aligned with sustainability objectives.	21%	
Financial pressures have taken precedence.	20%	
Lack of funding or incentives to invest in sustainability.	20%	
Inadequate internal infrastructure (e.g., technology or facilities).	18%	
Lack of urgency.	14%	
Pressure from shareholders/investors to prioritize earnings over sustainability.	11%	
Regulatory barriers to change.	10%	
Lack of engagement at the operations level.	9%	
External events have shifted organizational priorities.	9%	
Lack of engagement from leadership.	6%	
Other	6%	
None of the above	5%	
No opinion	2%	

Q. Which of the following challenges have you faced most often in implementing your sustainability strategy? [Please select up to three] (N=87)

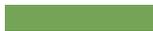
By far the greatest challenge to sustainability goals is a “lack of skills across the organization to implement our sustainability strategy,” according to 41% of leaders who responded. Despite this challenge, just under a third of sustainability leaders said that they are investing in sustainability training and necessary skills for employees company-wide, and the same proportion said they would invest more in this next year.

Sustainability leaders

CSOs have a seat at the table

Our results not only show that business leaders are more aware and supportive of sustainability today, but also that CSOs interact more frequently with those leaders and are more likely to take part in shared decision-making. Nearly half of sustainability leaders (46%) report to the CEO directly — an increase of 20% since we last asked in 2016. Over two-thirds (69%) also said that they sit on the senior leadership team of their company.

Almost 50% of sustainability leaders report to the CEO

Chief executive officer	46%	
Chief strategy officer	10%	
Chief sustainability officer	6%	
Chief operating officer	5%	
Chief supply chain officer	3%	
General counsel	3%	
Chief communications officer	2%	
Chief financial officer	2%	
Chief human resources officer	2%	
Chief marketing officer	2%	
Head of government affairs and/or public policy	2%	
Board of directors	1%	
Other	14%	
No response	1%	

Q. What function or leader do you report to?

[Please choose the one answer that best represents your reporting line, even if you report to multiple functions or leaders] (N=94)

Being connected to top leadership appears to correlate with more ambitious and effective sustainability performance. Sustainability leaders who report directly to the CEO are more likely to say that their sustainability goals for the next three years are “very ambitious” (56% vs 49% of leaders reporting elsewhere) and twice as likely to say that they are “very well positioned” to achieve those goals (30% vs 14% of leaders reporting elsewhere).



Every member of the C-suite needs to fundamentally upskill. We need them to meet the CSO in the middle.”

MIKE BARRY

DIRECTOR, MIKEBARRYECO, AND FORMER DIRECTOR OF SUSTAINABLE BUSINESS, MARKS & SPENCER

But being connected to leaders and a part of conversations is not enough. CSOs we spoke to highlight the need for all leaders, including the CEO, to see sustainability as part of their own remit. This includes having a strong understanding of sustainability challenges and their implications. Conversely, the ability of CSOs to interact with, and influence the actions of, other business leaders depends on a deep understanding of the “nuts and bolts” of their organizations and a familiarity with the business model, operations and practices that underpin it.

Knowing the business fundamentals

If the mandate of today’s sustainability leaders is to transform the way a business operates, they must understand the fundamentals of that business.

We have observed this need in our own conversations about sustainability talent, and have seen it translate into a trend of appointing leaders from inside the business to lead sustainability functions. These leaders learn the business first and sustainability second.

Subject matter expertise is also important, of course. Challenges like climate change, biodiversity loss and inequality are complex and ever evolving. Around one in five sustainability leaders admitted that there are aspects of environmental, social and governance issues that they don’t understand well enough.

In terms of other skill sets that are essential to the modern sustainability leader, high emotional intelligence, the ability to think both in the long and short term simultaneously, and a deep understanding of the fundamentals of business operations and change management were also regularly cited by leaders and experts we spoke to. From our work with clients around the world, it is also evident that sustainability leaders must be able to adapt as the science, technologies and legal frameworks connected to sustainability change, and as a result of their constant interactions with different parts of the business.



If you want to change the way things are done, you need to change the business model, and you are better equipped to do this if you are a businessperson.”

MAGALI ANDERSON
CHIEF SUSTAINABILITY AND
INNOVATION OFFICER, HOLCIM

No such thing as a “typical” CSO

It’s hard to see many patterns in the primary backgrounds of sustainability leaders who responded to our survey. Compared with the backgrounds of sustainability leaders in our 2016 survey, we are seeing more leaders with finance and compliance/legal backgrounds, and fewer with backgrounds in marketing or operations. But there is still no single sustainability leader profile that has emerged.

Strategy and social or environmental science expertise remain the top two backgrounds, as they were in 2016, but the absolute proportion of sustainability leaders with subject matter expertise/focused experience as their primary background has decreased. Companies appear to be prioritizing a range of skills and experience in leaders, who are tasked with leading teams of specialists, much like with CHROs and CFOs. The need for technical expertise is therefore increasingly appearing more in the team than in the sustainability leader him or herself, as is reflected in the pressing need for data analytics skills.



The diversity of background among sustainability leaders is also likely explained by the fact that many have other responsibilities; 32% of the titles of our survey respondents mentioned responsibilities beyond sustainability, including innovation, trade, growth, diversity and inclusion, strategy and communications.

Most leaders we spoke with had only been in their roles for two years or less. The drivers of this possible trend are unclear. Demand for CSOs may be outstripping supply, leading to them being lured away by better offers. CSOs may be impatient to see change and choose to move on when they encounter barriers. The role is sometimes a recent creation or moved up the reporting line. Or, with the “easy wins” of sustainability — such as electrification — CEOs may also have identified the need for a different profile of sustainability leader to pursue further gains.

Sustainability leaders come from a wide range of backgrounds and experience

Academia	1%	<div style="width: 1%;"></div>
Communications	11%	<div style="width: 11%;"></div>
Compliance/legal	7%	<div style="width: 7%;"></div>
Engineering	5%	<div style="width: 5%;"></div>
Finance	9%	<div style="width: 9%;"></div>
Health and safety	1%	<div style="width: 1%;"></div>
HR	1%	<div style="width: 1%;"></div>
Marketing	5%	<div style="width: 5%;"></div>
Operations	2%	<div style="width: 2%;"></div>
Politics/government affairs	5%	<div style="width: 5%;"></div>
Professional services	3%	<div style="width: 3%;"></div>
Procurement	1%	<div style="width: 1%;"></div>
R&D	5%	<div style="width: 5%;"></div>
Social or environmental science expertise	17%	<div style="width: 17%;"></div>
Strategy	16%	<div style="width: 16%;"></div>
Supply chain	2%	<div style="width: 2%;"></div>
Other	5%	<div style="width: 5%;"></div>
No response	3%	<div style="width: 3%;"></div>

Q. How would you characterize your primary functional background? [Please select one] (N=87)

Short tenures for sustainability leaders may pose challenges for businesses pursuing deep transformation. With many sustainability strategies set on timelines of 2030 or beyond, with interim targets, many sustainability leaders will be inheriting strategies set by others. In this decade of delivery, regular changes of strategy with leadership may jeopardize longer-term ambitions. That said, perhaps the tenures of CSOs will grow longer as attention shifts to delivery — a hypothesis that will be tested by this survey in the coming years.

What drives CSOs and their success?

CSOs ARE MOTIVATED BY IMPACT AND PERSONAL ENGAGEMENT

Many sustainability leaders are living the sustainability challenge at a personal level. Like many others, some struggle with the enormity of the challenges we face. Twenty-six percent said that they have felt anxious or depressed because of climate change and other environmental crises. This is understandable given that only 22% of them are confident that the world would limit global warming to below 2°C (3.6°F).

But this individual concern does not preclude sustainability leaders from taking on challenging mandates. Forty-three percent of sustainability leaders said that they would be happy to take on a role at a high-emitting company that had not yet made substantial commitments to sustainability. The main reason they offered was the potential for impact. In high-emitting industries, even small reductions in emissions or other negative impacts in percentage terms equate to very large reductions in absolute terms. Fundamentally, the world cannot achieve the goals of the Paris Agreement without the transformation of such industries.



What motivates me is that according to the Edelman Trust Barometer, business is the most trusted institution in society. This gives us great responsibility and influence to change the situation — we need to act on that.”

MICHAEL KOBORI
CHIEF SUSTAINABILITY OFFICER,
STARBUCKS

22%

I'm confident that the world will collectively succeed in limiting global warming to below 2°C (3.6°F)

60%

I have substantially altered my personal consumption habits (e.g., travel, diet) to be more sustainable

SUSTAINABILITY LEADERS WANT TO MAKE A DIFFERENCE — BOTH INTERNALLY AND EXTERNALLY

When asked about what they find most motivating about their role, leaders strongly signal that the potential for impact — both within their organization and in the wider world — is most important to them. Many also said they harbor ambitions to rise further. Twenty-three percent of sustainability leaders in the survey indicated that they plan to be a CEO before the end of their careers. As sustainability and business strategy become increasingly intertwined, this ambition is perhaps not misplaced.

Q. What do you find most motivating about your role?

Ranking

The ability to drive meaningful change within my organization.	1	
The ability to have a positive impact on the world.	2	
The opportunity to work on issues that I care about.	3	
Being able to work collaboratively with other teams and stakeholders.	4	
The ability to manage a team of talented individuals.	5	
The financial compensation.	6	
The foundation it provides me to progress onto senior positions in other functions.	7	

The state of sustainability performance

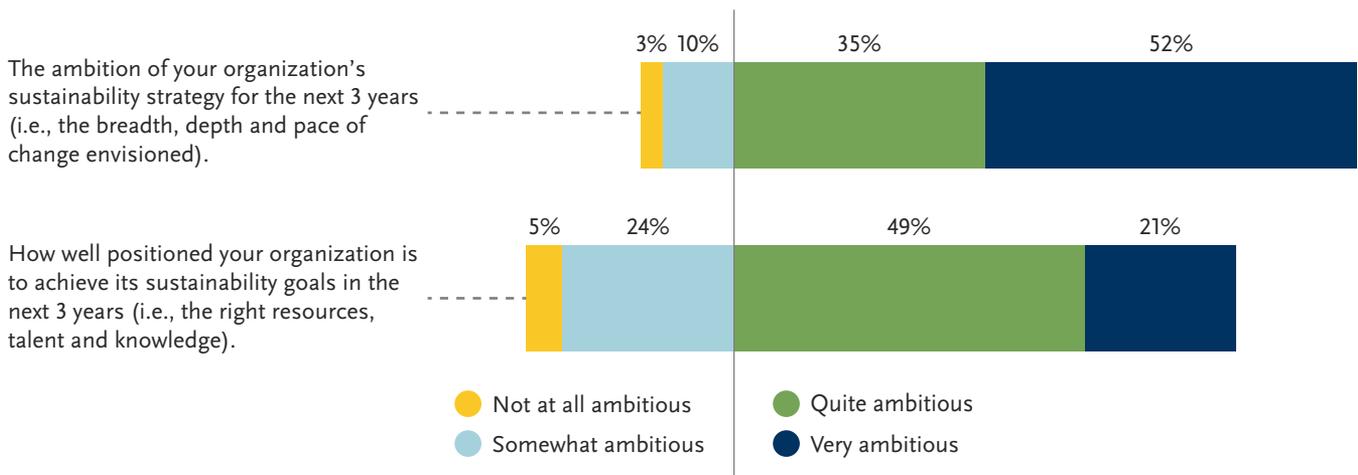
Today's priorities and what happens next

What sustainability leaders are focused on

From aiming high to challenges with delivery

A small majority (52%) of sustainability leaders rated their strategies as “very ambitious,” but only around one in four said they are “very well positioned” to deliver on those strategies today.

Setting pioneering goals is one thing, but doubts remain over how to best achieve them



Q. Please rate each of the following factors related to your organization's sustainability strategy using the scales provided. [Please select one rating for each factor, using the scales in the dropdown lists] (N=94)

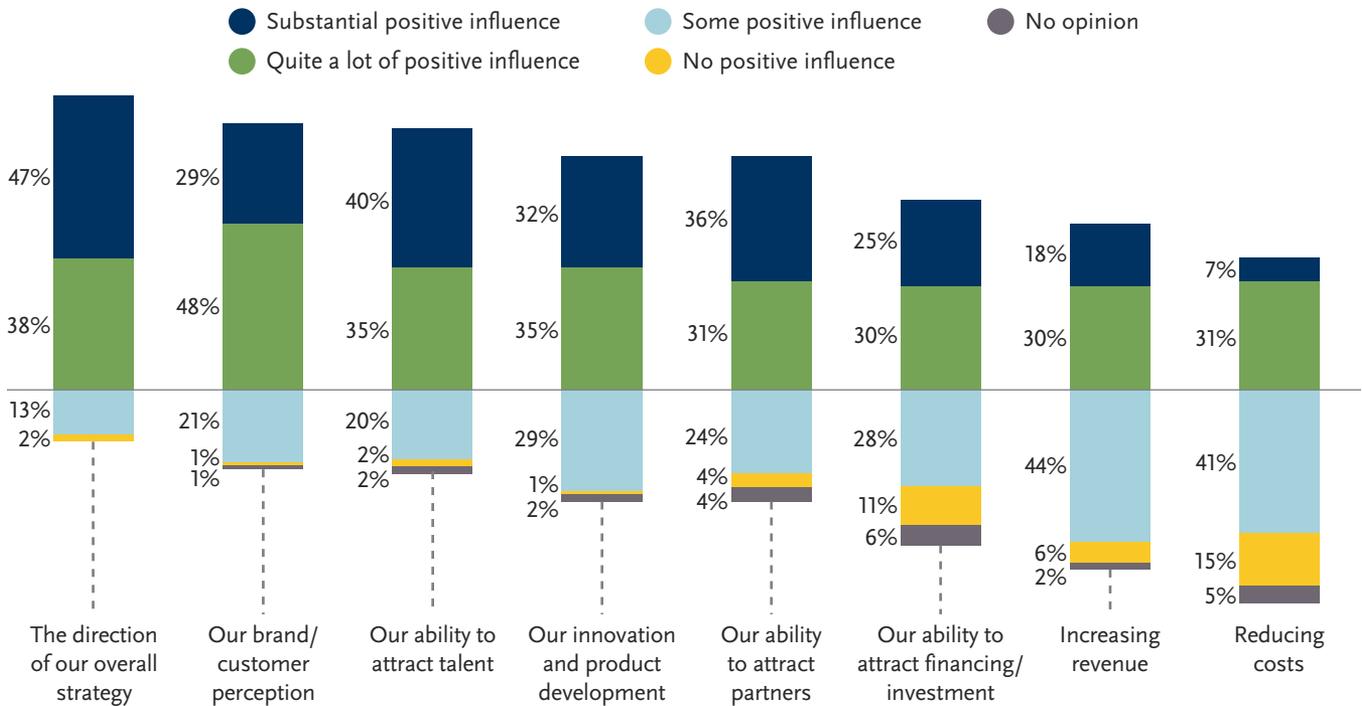
Deeper patterns suggest that the leaders who are most confident in their ability to achieve their goals are those who have already made progress in embedding sustainability across the business and enjoy more support from leaders and experts.

Those who felt “very well positioned” to deliver on their strategy were more likely to say that the sustainability function was supported by a formalized group of advisers (90% vs 76% of those who said they were “quite well positioned”), and that other managers’ performance was measured at least in part based on sustainability metrics (90% vs 72% who said they were “quite well positioned”). Confidence in delivery of sustainability goals therefore grows when systems thinking applies throughout the organization.

Impacting business change and collaboration — but not always the bottom line

Two-thirds (66%) of leaders said their strategy had substantial or quite a lot of positive influence on the business’ innovation and product development activities, which may yet translate into greater influence on revenue and costs in the future.

Sustainability strategies are strengthening strategy, brand perception and ability to attract talent



Q. How much of a positive influence has your sustainability strategy and resulting activities delivered toward each of the following aspects of the business in the past 3 years? [On a scale of 1 to 4, where 1 = No positive influence and 4 = Substantial positive influence, or select “No opinion”] (N=94)

Sustainability strategies are also creating value in terms of the attraction of talent and partners; 40% and 36% of leaders said their strategies had a substantial positive influence on these factors, respectively. While fewer said that the influence had been substantial, 77% of leaders were still quite positive about the impact of their sustainability strategy on brand image and customer views of their organizations.

Initiatives like [Chapter Zero](#) are committed to upskilling board members and helping ensure that companies recruit climate-competent, non-executive directors. Such efforts are needed to ensure sustainability literacy at all levels of an organization, from the boardroom to the shop floor.

And while sustainability leaders say they are having a significant influence on business strategies today, their sustainability strategy and resulting activities are not yet often seen as drivers of growth. Among the factors we identified, sustainability leaders are least likely to say that their sustainability strategy has had a substantial or moderate amount of positive influence on the bottom line (increasing revenue or reducing costs) of their business in the past three years. Though again, the positive influence on innovation and product development activities today may yet translate into greater influence on revenue and costs going forward.

Moving from plan to action

Seventy percent of sustainability leaders said that they were focused on developing more detailed implementation plans to deliver their existing goals today. Fifty-seven percent will increase their investment in this area in the coming year.

There are two areas where more sustainability leaders are planning future investment than are already investing today. Thirty percent said they planned to invest in revisiting or adding specificity to their existing commitments and implementation plans (a more likely response among leaders who were less positive about the ambition of their existing strategies); 29% said that they planned to hire new skills into the function.

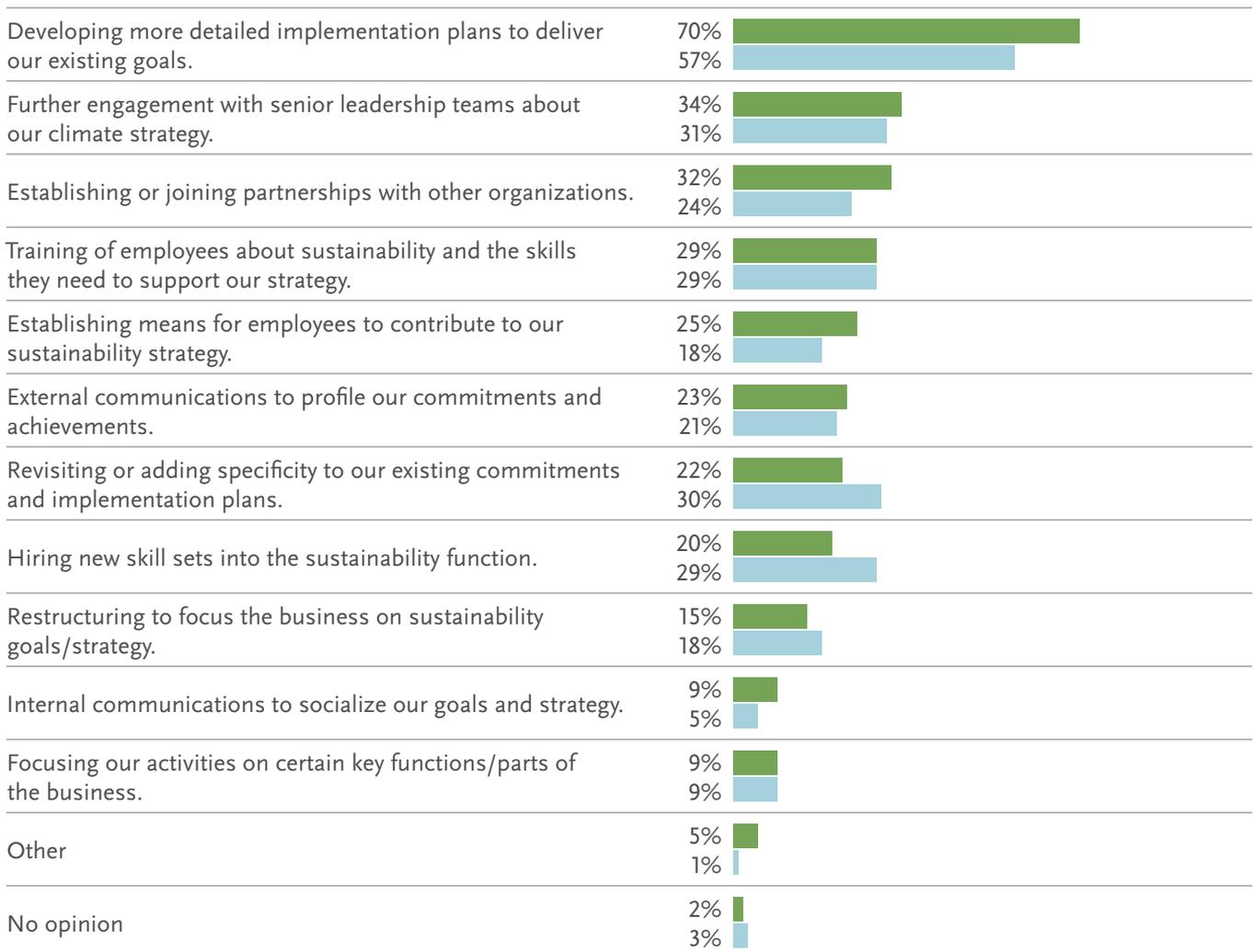


The main skill for sustainability leaders of today is an understanding of business.”

MICHAEL KOBORI
CHIEF SUSTAINABILITY OFFICER,
STARBUCKS

Action items for sustainability leaders, with greater skills investment and specificity looming

■ Focused on today ■ Further investment in the next 12 months



Q. Which activities are you focused on today, and what activities are you most likely to increase your investment in in the next 12 months? [Please select up to three] (N=87)

These planned investments in skills further highlight the shifting needs of the sustainability function as they move from high-level commitment to turning goals into reality. Specificity and new, varied skills — including nuanced and systemic sustainability expertise, change management and operational experience — will be key to achieving that aim.

What today’s success looks like

Performance measurement is playing catch up

Unsurprisingly, most sustainability function performance is measured according to the timely achievement of core sustainability goals, like emissions reductions.

The transformational mandate of CSOs is currently not reflected in how their performance is defined or rewarded. Only 39% say that revenue associated with sustainability-related innovations, improvements or products is part of how they are measured, and only 50% say that their impact on risk mitigation is used to measure performance.

Most sustainability functions’ performance is measured by factors such as emissions reductions

Achievement of sustainability goals (e.g., emissions reduction) on time/on target.	90%	<div style="width: 90%;"></div>
Performance in external sustainability benchmarking/ratings.	59%	<div style="width: 59%;"></div>
Achievement/support of sustainability goals in our supply chain (e.g., Scope 3 emissions)	58%	<div style="width: 58%;"></div>
Internal engagement/feedback scores.	52%	<div style="width: 52%;"></div>
Mitigation of sustainability-related risks.	50%	<div style="width: 50%;"></div>
Public perception/brand sentiment scores.	48%	<div style="width: 48%;"></div>
Revenue from sustainability-related innovations, improvements or products.	39%	<div style="width: 39%;"></div>
Evidence of influencing sustainability-related regulatory environment.	36%	<div style="width: 36%;"></div>
Other	5%	<div style="width: 5%;"></div>
We do not have metrics/measures in place to measure success.	1%	<div style="width: 1%;"></div>

Q. How is your function’s success measured? [Please select all that apply] (N=88)



ESG reporting and data are clearly an increasingly important consideration for businesses. But while 59% of sustainability functions' performance is measured according to the company's performance in external sustainability benchmarking/ratings, only 11% cited receiving high ratings from sustainability benchmarking organizations/awards. Only 9% cited being placed in ESG indices as indicators of being a leading business in terms of sustainability. Instead, leaders cited principles such as high transparency and the adoption of intersectional approaches that consider how issues like decarbonization and resource use interact.

For sustainability leaders, doing well in ESG indices is not as important as intersectionality or transparent detailed reporting

Meeting high standards of transparency and detail in their sustainability reporting.	48%	
Successfully adopting an intersectional approach that considers issues like climate change and biodiversity alongside human rights, development and diversity.	46%	
Supporting their full supply chain to become more sustainable.	41%	
Participating in coalitions that are actively making an impact on sustainability issues.	33%	
Phasing out business lines that are incompatible with a sustainable future.	32%	
Communicating effectively and authentically about their approach to sustainability.	28%	
Gaining recognition amongst consumer/customers as a sustainable company.	23%	
Taking a public stand on sustainability issues and sharing best practice.	20%	
Receiving high ratings/awards (e.g., CDP A or A+ rating, UN Global Climate Action Award).	11%	
Being placed in top ESG Indices (e.g., FTSE4Good).	9%	
No opinion	2%	

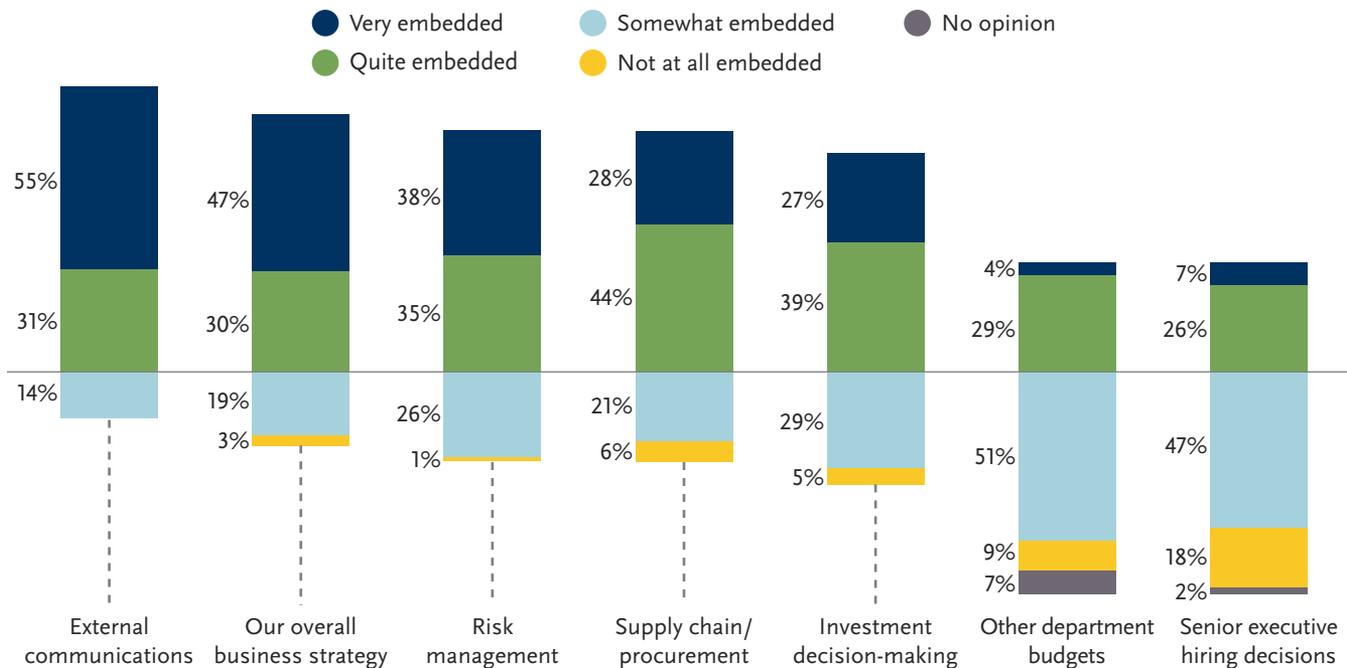
Q. What are leading companies doing well in sustainability? [Please select up to 3 options that you feel are the best indicators of a successful and progressive company in relation to sustainability] (N=93)



While sustainability has taken root in corporate functions, operations and revenue sources are lagging

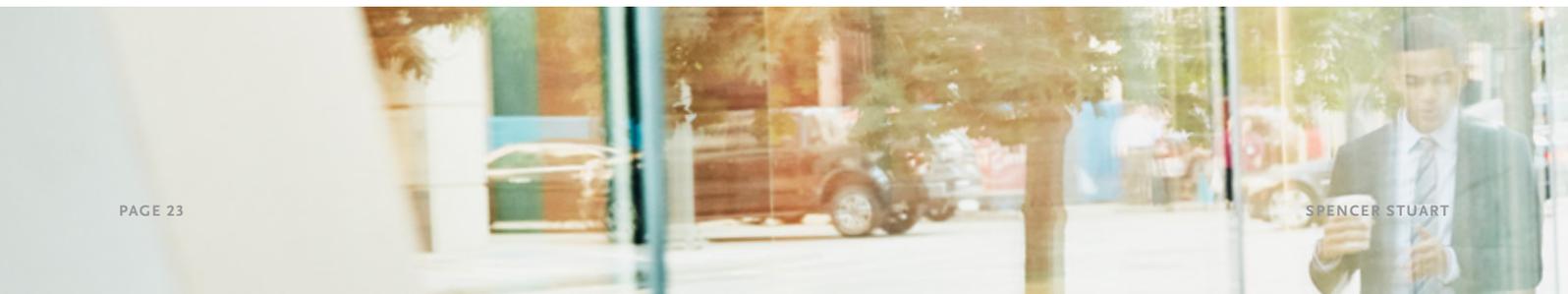
When asked about how embedded their sustainability goals were in various aspects of their business' activities and decision-making, sustainability leaders reported substantial progress across the organization. More than 50% of leaders said sustainability goals are at least quite embedded in their overall business strategy, risk management, supply chain and procurement, and investment decision-making. Communications was the top response, with more than half (55%) of leaders saying that their goals were very embedded in their external communications activities.

Sustainability goals are embedded in communications and business strategy, but less so in other departments' budgets or hiring decisions



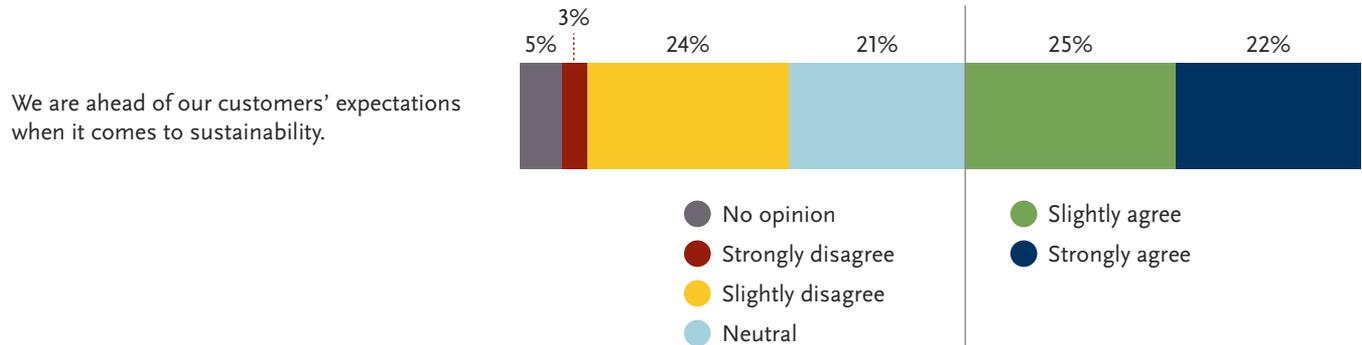
Q. To what extent are your organization's sustainability goals embedded into the following aspects of your activities (e.g., do they have a material influence on decision-making in this area)? [On a scale of 1 to 4, where 1 = Not at all embedded and 4 = Very embedded, or select "No opinion"] (N=93)

Some things have changed. As public awareness has grown, so too have their call-outs. Terms like "greenwashing" have also become more loaded and complex: companies that have achieved real goals and progress may still be called out if the ambition of those goals doesn't meet the expectations of customers yet feature sustainability heavily in their communications.



Leaders know that customer expectations are changing. An increasing number are taking the view, like Greta Thunberg, that anything less than what the science demands is not good enough. When asked, only 22% of sustainability leaders strongly agreed with the statement that they “are ahead of customers’ expectations when it comes to sustainability.”

Around half of sustainability leaders agree to some extent that they are ahead of customers’ expectations when it comes to sustainability



Q. To what extent do you agree with the following statement?
 [On a scale of 1 to 5, where 1 = Strongly disagree, 3 = Neutral, and 5 = Strongly agree, or select “No opinion”] (N=94)

Asked to rank the aspects of the business in which sustainability was “very embedded” today, “business strategy” was cited by the second-largest proportion of respondents (47%). However, only 4% of leaders said that their sustainability goals were very embedded in other department budgets. While core functions and leaders have embraced sustainability, the translation of that commitment into the rest of the business appears to be in its early stages.



It’s really every operation and function head that needs to own the transformational mandate and the CSO should be the enabler that drives that transformation.”

MAGALI ANDERSON
 CHIEF SUSTAINABILITY AND INNOVATION OFFICER, HOLCIM



Some parts of the business are used to working with sustainability — others are not

We asked leaders how frequently they were interacting with different parts of the business and how easy they found it to achieve good outcomes (defined as influencing certain decisions made by that function, for example) through these interactions.

The gap between frequency and ease of interaction has closed with some functions, but working with supply chain and business units remains challenging — averaging 50% or less in ease of interaction results

Interaction with function:	Frequency	Ease
Communications	86%	71%
Business units	74%	50%
Operations	65%	54%
Finance	63%	55%
HR	62%	59%
CEO	62%	64%
Supply chain	58%	45%
R&D, product development and innovation	57%	51%
Strategy	56%	58%
Investor relations	49%	54%
Risk	48%	55%
Board of directors	28%	54%

Q. How frequently do you interact with the following functions/parts of your business? [On a scale of 1 to 4 where 1 = “Never or almost never” and 4 = “Very frequently,” or select “No opinion”] (N=88). And Q. How easy do you find it to achieve good outcomes when interacting with each of the following functions/parts of your business (e.g., get the information you need, have a material influence on decision-making, get support for a certain initiative, etc.)? [On a scale of 1 to 4 where 1 = Very difficult and 4 = Very easy, or select “No opinion”] (N=88)

After communications, the part of the business leaders interacted with most frequently was “business units.” They find this a challenge, however; “business units” have the second lowest “ease of interaction” score after “supply chain.” It is perhaps unsurprising that those who are already enjoying successful interactions with business units are more positive about their prospects: 44% of sustainability leaders who found achieving good outcomes in their interactions with business units to be “very easy” also rated themselves as “very well-positioned” to achieve their sustainability goals for the next three years, compared with 22% of those who said that achieving good outcomes with business units was “quite easy.”

Sustainability leaders interact the least frequently with their boards of directors, but this is unsurprising and shouldn’t be taken as an indicator of sustainability leaders facing challenges in getting their board’s attention. The “ease of interaction” score for the board is on par with many other functions in which sustainability is not yet deeply integrated.

The scores in the previous chart can also be viewed in absolute terms. If we understand that a score of 100 would correspond to all leaders finding it “very easy” to achieve good outcomes with that function/part of the business, with an average score of 56, it’s clear that there’s a long way to go before most sustainability functions are working seamlessly with the rest of their company.



You can't drive a sustainability transformation with just a team of 5–20 people — you need to have it in the guts of the organization, owned by the people who make the day-to-day decisions where sustainability has to shine through.”

JENNY DAVIS-PECCOUD
 FOUNDER AND CO-LEADER OF SUSTAINABILITY & RESPONSIBILITY, BAIN & COMPANY

Where will the sustainability function go next?

Leadership can help by setting the right expectations and culture

Sustainability leaders told us that the C-suite and other business leaders are very engaged in sustainability today. But there's a difference between supporting your CSO's agenda and giving them all they need to succeed. Further engagement with senior leadership teams regarding their sustainability strategy was a current and future priority for around 30% of sustainability leaders.

Sustainability leaders want their bosses to do more to put sustainability at the core of the business

Integrate sustainability in business strategy.	45%	
Add sustainability metrics into the remuneration packages of key personnel.	45%	
Assign sustainability responsibility to people in key leadership positions across your organization.	38%	
Change organizational investment decision-making processes.	29%	
Increase the budget for the sustainability function.	24%	
Increase strategic engagement with other businesses.	20%	
Integrate sustainability measures into the organization's annual report and accounts.	18%	
Raise the visibility of the sustainability function internally.	14%	
Increase external communication about sustainability goals and purpose.	11%	
Commit more time personally.	6%	
Move the function to a different department.	3%	
Increase strategic engagement with NGOs.	3%	
None of the above	1%	
No opinion	3%	

Q. What are the top three ways leadership could help you get your job done? [Please select exactly three responses] (N=87)

When asked how senior leaders could best help them get their job done, sustainability leaders said they wanted to see their sustainability strategies become a core part of how the business is managed.

Forty-five percent of leaders said the top thing their leaders could do was to integrate sustainability further into the business strategy. Forty-five percent also selected “adding sustainability metrics into the remuneration packages of key personnel,” and 38% called for “assigning sustainability responsibility to people in key leadership positions across the organization.”

Spreading responsibility for sustainability can also help to increase organizational buy in and help to set sustainability in the context of other priorities that might otherwise be favored by other leaders. A fifth of CSOs also reported that the culture of their organization was not aligned with sustainability objectives and that financial pressures had taken precedence and there was a lack of funding or incentives for sustainability.

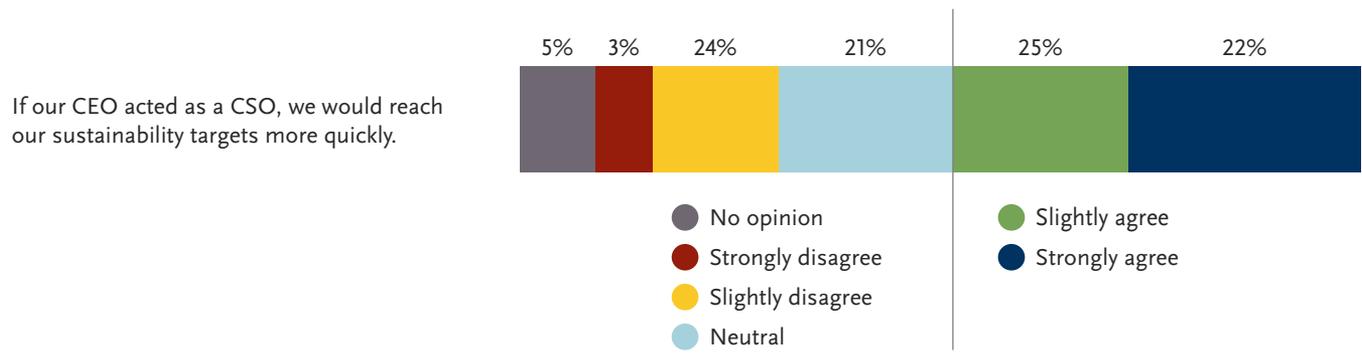
The CSO role might disappear, but not any time soon

The goal of embedding sustainability begs the questions of whether there will be any need for a CSO or a sustainability function at all once the job is done. Leaders we heard from were divided on this question. In theory, once sustainability was fully integrated into the organization, business units would manage their performance like they do any other kind of performance. Several leaders we spoke with expressed hope for this outcome.

Others were skeptical. They highlighted how far away most businesses are from that reality today and that, in both the short and medium term, sustainability leadership will be essential to businesses that want to get it right. Even in the longer term, they felt there would always be a need for a function dedicated to developing a deep understanding of sustainability issues, gathering data and insights on the performance and opportunities of the company, and creating an overall strategy to guide business decisions. This prediction stands in opposition to the fate of other roles like that of the chief digital officer, which is increasingly fading away with widespread adoption of digital skills across the enterprise. One possible outcome is that the deep technical skills and best practices emerging in sustainability will coalesce into a center of excellence such as those that currently serve other corporate functions.

Leaders we spoke with agreed that that job would be easier if other leaders took responsibility for sustainability, too. When phrased more provocatively, though, a similar question received a more mixed response.

Sustainability leaders aren't sure what a world where their CEO acted as a CSO would look like



Q. To what extent do you agree with the following statement?
 [On a scale of 1 to 5, where 1 = Strongly disagree, 3 = Neutral, and 5 = Strongly agree, or select “No opinion”] (N=87)

Conclusion

Looking forward into the decade of delivery

The role of the sustainability leader continues to evolve in a world pressed by urgent climate and social challenges. Sustainability leaders now have more executive support than ever before and a mandate to fundamentally transform the business. Although this transformation is being executed with only varying success, sustainability is well on its way to becoming embedded in many organizations.

The model that the best sustainability leaders are seeking to follow is less one of control and more one of devolution: they expect leaders across the business to drive sustainability in their own functions and business units. Sustainability leaders themselves are seeking to guide the process and serve as a source of good practice for the organization. This role requires more than a mandate from business leaders: CSOs must have the right mix of business and sustainability expertise; be able to think in the short and long term simultaneously; and be backed up by the right blend of experience, skills and supportive policies from the top.

In this crucial decade of delivery in which so much must change, Spencer Stuart will be at the forefront of researching the sustainability leader's evolving role. This research will equip us to discover and develop leaders who can further embed sustainability into the business and drive transformation. We aim to position sustainability leaders who can unpack new challenges and the emerging drivers of success.



Sustainability is playing the long game. The long game means you need to adjust the strategy, find opportunities and learn the new rules of the game as they keep changing."

JIM BUTCHER
FORMER CSO, MORGAN STANLEY



Acknowledgments and bibliography

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- » Marisa Buchanan, senior vice president, low carbon solutions — bp trading & shipping
- » Marisa Drew, chief sustainability officer, Standard Chartered
- » Michael Kobori, chief sustainability officer, Starbucks
- » Mike Barry, director, MikeBarryEco
- » Ulrike Sapiro, chief sustainability officer, Henkel

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About the study

Our survey was in field between June and August 2022, with interviews conducted over the same period. In total, nine interviews were conducted and 95 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.

A note on limitations

Our survey sample largely consisted of, but was not limited to, large western European (57%) and North American (31%) 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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