



# PERSPECTIVES

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## **Crosscurrents: The Growing Impact and Future of the Chief Sustainability Officer**

Our perspectives feature the viewpoints of our subject matter experts on current topics and emerging trends.

## INTRODUCTION

The famous quote by Mahatma Gandhi — “*The world has enough for everyone’s need, but not enough for everyone’s greed*” — aptly reflected business sentiments prevalent decades ago. At that time, the sole intention was to fulfil traditional objectives such as grow the top and bottom line, meet regulatory and statutory requirements, and keep the internal stakeholders’ content with no regard to the environmental and social costs of this pursuit of profitability. This mentality was reflected in hiring practices as well. The result was that the most common C-Suite designations were Chief Executive Officer, Chief Financial Officer, and Chief Compliance Officer, amongst others. However, the ever-evolving regulatory landscape and emphasis on sustainability including the environmental, social, and governance (ESG) reporting components has forced corporations to strike a balance between maximizing shareholder value while minimizing adverse impact to ‘E’ and ‘S’ while respecting ‘G’. As a result, new roles and functions catering to sustainability requirements have come to the fore, with the more prominent one being that of ‘Chief Sustainability Officer’ or ‘CSO.’

Before delving into the roles and responsibilities of a CSO, it is pertinent to understand sustainability from a corporate standpoint. In a generic sense, sustainability refers to the ability to maintain or support a process continuously over time. In the business context, sustainability seeks to prevent the depletion of natural or physical resources and ensure their long-term availability. Consequently, corporations must optimally utilise natural resources such that they achieve short to midterm financial targets and grow the business sustainably over the long term.

However, consider the perspective of brewing industry executive, Nigel Davies, Managing Director, [Maltdoctor Limited](#) and former Director of Technical and Sustainability at [Muntons Plc.](#) For Davies, the [concept of sustainability has broadened](#) over the years to reflect labour issues, business ethics, environment, health and safety, etc. Sustainability has become centre stage for businesses because increasingly, customers are expecting businesses to inculcate sustainability goals into their vision as well as showcase its implementation through sustainable product development.

This article examines how the concept of sustainability has progressed, how the role of the CSO has developed, and how the importance of the CSO is likely to grow as ESG-related issues continue to gain prominence.

### Evolution of Sustainability and the Role of CSO

The term [sustainability](#) has been derived from the Latin word *sustinere* which means ‘to hold / keep / support.’ It is an [age-old concept](#) tracing back to 1713, when Hans Carl von Carlowitz, in his work *Sylvicultura Oeconomica*, applied the concept to forestry, wherein he used this term in the sense of a long-term responsible use of a natural resource.

An extension to the concept of sustainability, the term ‘Sustainable Development’ was coined in 1987 in the [Brundtland Report](#) published by the United Nations World Commission on Environment and Development. That report defined sustainability as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*” Subsequently, corporate sustainability development then came to be understood as business strategies that are environmentally sustainable, minimize social impacts, and support economic growth. At present, sustainability has transitioned from ‘Do Not Significantly Harm’ to ‘Substantial Contribution’ principles whereby sustainability becomes a value proposition for ‘E’ and ‘S’ while improving profits as well.

However, the extant C-suite executives lacked adequate expertise to achieve such sustainable development. As such, companies assigned sustainability initiatives to specific personnel and gradually created new positions such as CSO to redesign existing policies and procedures, set up new frameworks, engage with ESG experts, amongst other strategies to demonstrate their commitment to sustainability. For instance, chemical giant Dupont’s appointment of Linda Fisher as its first chief sustainability officer in 2004 was widely publicized, because this was the first such appointment of a CSO by a publicly traded company. Fisher, a former deputy administrator for the U.S. Environmental Protection Agency, had served in several key leadership positions in industry and government long before joining DuPont. Yet, it was this appointment, which leveraged her expertise in environmental issues, which grabbed public attention, as it

led to the development of a role that has gained significant traction in the corporate world.

## Growing Importance of CSO

According to an [article published by Business Chief](#)<sup>1</sup> on 4 June 2021, U.S. Fortune 500 companies hired more CSOs in 2020 than in the previous three years combined, with the number of CSOs in corporate America soaring from just 29 in 2011 to 95 in 2020. These growth figures demonstrate the increasing importance of sustainability for companies in the U.S.

The trend is no different in Asia as the demand for sustainability professionals has risen dramatically, given the concerns around climate change and the transition to a green economy. A report by Russell Reynolds Associates<sup>2</sup>, published as a Times of [India](#)<sup>3</sup> article on 4 May 2022, indicated that the ‘head of sustainability’ role is becoming broader in scope and requires more experienced executives. Nevertheless, the article also highlighted the difficulty in finding senior talent that can take up the sustainability role, resulting in a compensation correction of sustainability professionals by 15% to 20% and a compensation increase of 55% to 60% for attracting CSOs.

## Role and Responsibilities of CSO

So, what does a CSO do? The answer to this question appears to be evolving daily. With the growing importance of this position, there is an increased emphasis on the CSO’s responsibilities and how they need to be in sync with an organization’s changing sustainability goals. While it is challenging to outline the specific skillset and experience required to be a strong CSO, following are some key characteristics and proficiencies referenced in an [article on the workforce of the future](#):

- **Collaboration and Communication:** A successful CSO will be able to collaborate and communicate with all employees to prioritize and achieve sustainability goals. Though organizations understand the importance of reducing their carbon footprint, changes to product design and service delivery can be upsetting for employees. Hence, the CSO should design a change

management plan and obtain buy-ins from necessary stakeholders to disseminate the information and increase acceptance throughout the organization.

- **Compliance and Innovation:** A key aspect of the change management proposal of the CSO will be ensuring compliance with tightening regulations around ESG reporting. The CSO must be a persuasive leader that can convince the larger organization on how adoption of innovative techniques throughout the entire enterprise to ensure sustainability will not only meet the organization’s legal and moral obligations but also be financially viable.

Needless to say, this individual will have to possess diverse technical as well as soft skills, which may vary according to industry, company size, and stage of growth, amongst other factors. Our attempts to identify precise responsibilities for the CSO led us to job listings on [recruitment portals](#) and [university job boards](#). According to these sources, the broad responsibilities include assessing and analysing company policies and processes to identify gaps and suggest improvements; conducting brainstorming sessions to balance business obligations with the goal of respecting, supporting, and improving the local and global environments; and evaluating efficacy of sustainability programs, amongst others.

The gold standard for ESG guidance – the International Finance Corporation’s<sup>4</sup> Performance Standards – does not mandate a CSO. However, affirming the importance of managing environmental and social factors at a project or company-wide level, according to its Performance Standard 1 on ‘Assessment and Management of Environmental and Social Risks and Impacts,’ emphasizes establishing an Environmental and Social Management System. This system must be comprised of a dedicated policy, a mechanism for identification and monitoring of risks, include a provision for stakeholder engagement, and maintain a response system.

However, the ‘Organizational Capacity and Competency’ requirement of the standard ties all these aspects together, highlighting that this system can only be effective if the organisation is adequately and appropriately staffed with skilled professionals. Therefore, to fit into and lead this group of professionals the CSO must possess the required

<sup>1</sup> Business Chief is an online media that covers business news, magazines, and website for executive and companies.

<sup>2</sup> Russell Reynolds Associates is a management consulting firm established in 1969 and headquartered in United States of America.

<sup>3</sup> The Times of India is an Indian English-language daily newspaper and digital news media owned and managed by The Times Group.

<sup>4</sup> International Finance Corporation, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries.

knowledge and skillset to drive the organisation towards sustainable development in a competent and efficient manner. Though it may be difficult to identify professionals that meet all the desired qualifications, engaging such individuals is the need of the hour because sustainability is no longer a “good to have” but a “must have” industry best practice.

Ultimately, the primary responsibility of the CSO, particularly in larger companies, is implementation and management of the corporate sustainability programme. As a result, the CSO has to be supported in those efforts by both the Chief Executive Officer, as a direct report, and by the Board of Directors, as a trusted advisor. To drive implementation, the CSO needs to have the ability to communicate effectively to all levels of the corporation which highlights the need for soft skills. From a technical perspective, the CSO needs to be able to understand the purely technical supporting staff and have the ability to take the associated tech-speak, assess that information, and reduce it to understandable bullet points for the CEO and Board.

## CONCLUSION

### The Way Forward

The Greek philosopher Heraclitus famously said: “The only thing that is constant is change,” which holds true for sustainability efforts in the corporate world. It suddenly grew into prominence but is it here to stay? Despite the lack of global laws or regulations requiring mandatory appointment of a Chief Sustainability Officer, companies are clamouring to appoint qualified individuals to either CSO or Head of Sustainability or Chief Officer of Environment, [among other similar titles](#), to demonstrate their commitment to the newest corporate fad.

Some observers have doubted the longevity of the role, raising concerns on whether the CSO position will be extinct after organizations meet their sustainability targets. We disagree. In our combined experience, human greed always finds a loophole in existing systems, requiring further corrections in existing models. Therefore, as long as corporations operate for profit, the struggle between shareholder and stakeholder interests will continue. As such, companies will require a CSO’s guidance to balance

these interests and move toward long-term, sustainable growth. It is possible though that given the diverse skillset and multitude of responsibilities to be handled by the CSO, companies may not create a separate CSO position but divide the sustainability goals among existing C-suite executives to achieve the objective of sustainable development.

However, CSO roles were created because then-existing C-suite executives did not have familiarity with sustainability considerations. Very strong CEOs had a good understanding of the profitability obligations of corporations but were not as focused on other factors. Remember, sustainability can be fundamentally described as how do you make the corporation better through how it treats people and the planet all while considering the real corporate goal of maintaining and, ultimately, growing profits. Those same strong CEOs along with Chief Financial Officers were numbers-driven. They do not, and perhaps should not, focus on people and planet. The CSO role is to bring the appropriate level of consideration to people and planet into the traditional profit focus of today’s corporations. We routinely hear that corporations have no moral compass and that the bottom line is the only consideration for corporate decision-making. Perhaps the CSO role serves as the corporate compass for harmonizing people and planet with profitability. That is a large burden which necessitates a truly trusted advisor.

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