

Sustainability Leaders Panel



Wave One Findings

Sustainability is in a state of immense change. Over the three decades that we've worked with companies to support them to turn the dial on social and environmental impacts, there has never been a time when sustainability has been in the spotlight to the extent that it currently is, or where sustainability leaders have held so much responsibility.

This is driven in large part by new regulations affecting not just those in Europe but elsewhere, which are changing the game on compliance and reporting. But it's also driven by the enormous challenges – to climate, to nature and biodiversity, and on issues like privacy and human rights – where business has made some but not nearly enough progress over the past ten years, and the increasing sense of urgency around them.

In this environment, sustainability professionals are more important than ever. They need to be – as they always have – expert at engaging with stakeholders, knowledgeable about issues, and adept at working with limited support. But there are also new challenges driven by compliance and regulation, creating a need to work much more closely with legal, audit and risk frameworks.

The new regulation can sometimes feel overwhelming, but it comes with significant benefits. It gives sustainability a voice at the highest levels of the organisation, and a hefty new lever to make the case for change.

We'd like to extend our thanks to our friends, partners and clients who contributed to this first survey. We've identified insights we hope you will find interesting and thought provoking. We plan to explore the consequences of these findings in future surveys, and to continue the discussion with you.

Giles and Tarquin, June 2024

In May 2024, Good Business and Echo Research invited sustainability leaders working client-side in organisations around the world to respond to the first survey of what we hope will be many. Our aim in convening the Sustainability Leaders panel is to provide regular insights into the sustainability landscape in the UK and elsewhere, exploring different themes and emerging trends. What issues do sustainability teams spend their time addressing? How do they work with other parts of the business? What are the characteristics of an effective team?

This first survey explores the way in which sustainability teams are structured, where they sit within in an organisation, who they report to and what they are responsible for. This is something that we often explore with clients. The reality is that every team is unique, and even organisations of similar size, in similar sectors, function very differently. Nonetheless, some interesting trends emerge.

If you have any questions, would like to add questions to future surveys or would like a call to discuss the findings in more detail, please email Giles Gibbons (giles@good.business) or Tarquin Henderson (tarquin.henderson@echoresearch.com).

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WHAT WE LEARNED

Regulation is the new black: 60% say that the time they spend on compliance with new or proposed sustainability regulation has increased significantly, and 32% that it has increased somewhat. The only surprise here is that the figure isn't even higher, particularly as 96% of our respondents say they are wholly or partly responsible for sustainability reporting and communication.

While compliance with sustainability regulation is likely to be a responsibility shared with other teams (67%), many sustainability teams are wholly responsible for shouldering the burden of reporting and communication (52%), setting sustainability strategy and targets (62%) and developing sustainability policies (59%.) This suggests that their workload is unlikely to decrease any time soon.

While the focus in the sustainability industry is on the requirements placed on European companies (and those selling in Europe) by the Corporate Sustainability Reporting Directive (CSRD), around 25% of those representing companies outside the scope of the Directive also say that their compliance burden had increased. We believe that a rising regulatory tide will inevitably lift all boats, and that over time stakeholder expectations will mean that almost all companies will feel the impact, whether that is through directly applicable regulations, because it is passed through to them as suppliers to in-scope companies, or simply because it has become best practice.

For teams juggling many different priorities, increasing regulation presents a real challenge right now. It's possible that regulation will, over time if not immediately, prove to be the catalyst of the transformational change we've worked for all these years. If you can't persuade the business to change, then the prospect of having to tell the world you haven't changed (and why) may focus minds at a senior level. But in the meantime, there are tough times ahead as teams navigate an ever changing and complex set of disclosure regulations.

We couldn't put it better than one panellist who asked *"how can we ensure that in the race to compliance with CSRD, ISSB and so on, the real strategic prize – a liveable planet built on the foundations of equity and social justice – is not lost?"*.

It's time for the G to shine: The more direct the line of reporting between the sustainability team and the executive leadership team, the more effective the team is at creating positive change. Those saying that a member of the sustainability team sits on the executive leadership team (22% of respondents) are much more likely to tell us that they are effective in influencing positive change in the organisation than those who have multiple layers of reporting between the sustainability team and the executive. The message here is clear – if you want to bring about change, it's worth making sure that your voice is heard at the top table, as well as throughout the organisation. In the end, boards are the ones with the ability to prioritise, direct investment and make the case to investors. **As the governance of sustainability becomes ever more rigorous and important, what does an effective board look like, and how can it best create change?**

It's good to talk (to your colleagues): Our panellists spend a lot of time talking to their peers in risk, with respondents saying that compliance, procurement and communications are the three functions they work with most frequently. This speaks to the megatrends in sustainability: a rising regulatory floor, the need to work with suppliers to deliver ambitious sustainability goals and the ongoing link between sustainability and

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communication. It also suggests that the embedding of sustainability across businesses (long discussed) is finally taking root.

While none of our respondents sit in procurement, it's an integral part of sustainability delivery, with 89% saying they work closely with their procurement colleagues and 73% saying that procurement teams regularly engage with them for advice and guidance. 83% work closely with risk and compliance, and 75% say that the risk and compliance team regularly seek advice and guidance from sustainability.

And although only 19% of respondents sit within the communications team (representing a significant shift from five years ago, when most sustainability teams sat in the communications function), communications remains the most widely cited partner of sustainability professionals. 91% of respondents say they work closely with the communications team and 78% say that their communications colleagues regularly engage with the sustainability team for advice or guidance.

Most sustainability functions are jointly involved in managing sustainability issues in partnership with colleagues across the organisation, suggesting that issues are managed across businesses and not in isolation by sustainability professionals. And collaborative teams are more likely to report that they are effective in creating positive change – whether that is cause or effect remains to be seen, but the message is clear. Sustainability is no longer an island, but rather a whole-business effort, co-ordinated and overseen by sustainability professionals. **What new skills will successful sustainability professionals need to continue to drive positive change across their organisations in the future?**

Sustainability is strategic, but only up to a point: 95% of respondents told us they played a role in determining or informing broader business strategy, although only 6% of respondents sit within the strategy function. And only 44% say that the strategy department regularly engages with them for advice and guidance, suggesting that while sustainability may be increasingly hard wired into strategy, this isn't necessarily a responsive or two-way dialogue. **Moving forward, how can sustainability teams convince strategy teams that sustainability can support the business to more effectively manage risks and capitalise on opportunities?**

And it's not yet fully integrated: Sustainability is still seen as a service to the business, not an integral part of the business model in most cases. This is most clearly demonstrated in the fact that it is still somewhat managed at arm's length from product development and service innovation – only 38% of respondents say they work closely with their R&D team, and 32% say their R&D team regularly seeks their advice (though this figure is somewhat higher in larger teams than smaller ones). This is borne out by the fact that sustainability teams tend to have limited responsibility new product or service innovation, with 35% saying they had no responsibility or input into this.

Product and service innovation looks to be the final frontier when it comes to sustainability integration. **Is this the moment for sustainability professionals to align much more closely with R&D and NPD functions to find ways to make money from, as well as spend money on, sustainability?**

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Where is the “S”?: On average, teams spend more than half their time on environmental issues, with the remaining time divided between social and governance issues. Global teams spend on average around 64% of their time on environmental issues, though even nationally-focused teams report spending more than half their time on this. This is underscored by the responses to how responsibility for specific issues is assigned – respondents are more likely to say that they are solely responsible for environmental issues such as climate, nature and waste than social or governance issues, where responsibility is either shared or assigned to another department entirely. Environmental issues are more likely to be solely managed by sustainability teams (climate and CO₂ reduction – 38%, nature and biodiversity – 35% and waste and the circular economy – 30%). Surprisingly, employee-related issues are most likely to be wholly outside the remit of our leaders, with 49% saying they have no responsibility for DEI and 60% having no responsibility for colleague wellbeing.

That represents a big shift from even five years ago, where many of our clients focused on social issues. **Does this mean that social issues are “on hold” while companies focus on progress towards ambitious environmental targets, or is it a reflection of increasing integration of social issues into the broader business?**

Size doesn’t (really) matter: Around half of our respondents work in dedicated sustainability teams of ten or more, with the rest in smaller teams. While larger teams tend to have stronger engagement with more departments, there is little difference in how teams of different sizes operate, or how effective they report that they are in generating positive change across the business. Responsibilities for issues and activities vary little by team size, although larger teams are more likely to have whole or shared responsibility for consumer impacts, product and service innovation and human rights than their peers in smaller teams. Given the seeming disconnect between R&D and sustainability noted above, it’s heartening to see that larger teams at least are involved in thinking about the sustainability impact of product on consumers, reflecting perhaps their greater capacity to take on new challenges. **If the trend is towards greater embedding of sustainability issues across the business, and more focus within sustainability teams on the management of sustainability, will team sizes grow to reflect the increasing amount of sustainability regulation or decline as the business becomes more skilled in implementing?**

The name games are over: There was a time when what to call your team was a widely disputed topic, with ‘corporate responsibility’ often top of the bill. The tide has turned, as now only 19% of respondents work in a team designated as “Responsible” or “Responsibility”. Sustainability, or a variant of this term, is the most popular, with 76% working in a function with that name, perhaps reflecting the belief that this is no longer about “doing the right thing” so much as it is about creating a business that understands and is effectively managing its social and environmental impacts, risks and opportunities. **While few will mourn the passing of the Corporate Responsibility team, does Sustainability hold meaning for those who don’t spend their days (and sometimes nights) thinking about these issues?**

About our panel

The panel is made up of 125 sustainability leaders globally. Panellists are drawn from a range of sectors, primarily financial services (28%) and consumer goods (25%), with good representation from the tech, hospitality and transport sectors. Most work for larger companies, with around 70% working for companies operating in more than one country, and 54% of respondents themselves saying that they work across national borders to effect change. Team sizes tend to be either small (33% are between 2 and 4 people) or very large (24% are over 25 people, though these tend to be in multinational organisations). Most sustainability teams are stand-alone functions within the business (25%, with another 8% reporting that sustainability is distributed across multiple functions rather than located within one). Over 50% responded to the first survey.