



Time to empower the CSO





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As chief sustainability officers increasingly become change makers, organisations need to empower them, writes Russell Smyth.



It's not so long ago that Chief Sustainability Officers (CSOs)/ Heads of Sustainability were considered a cost rather than an engine of growth. A nice-to-have rather than a need. How quickly that has changed due to increasing sustainability regulatory obligations.

Historically, the role of the sustainability team was limited to corporate social responsibility (CSR) activities. Volunteering, community and employee engagement activities, took up much of the narrative in sustainability reports, with limited disclosure on environmental and social impacts. As the regulations have evolved, and extensive environmental, social and governance (ESG) disclosures are now mandated across many regions, the role of the CSO has emerged, and it is much more strategic.

As global sustainability reporting requirements are introduced, the role of the CSO becomes increasingly imperative. For a global company, the CSO will need to spearhead efforts to comply with regulations such as the Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB). These regulations mandate extensive disclosures on policies, action plans, metrics and targets across ESG topics.

The CSO whilst leading efforts on sustainability reporting, must also drive organisational buy-in and transformation on sustainability. One of the common pitfalls is that the CSO is tied up with reporting, leaving little time to integrate sustainability into the wider business strategy to drive value.

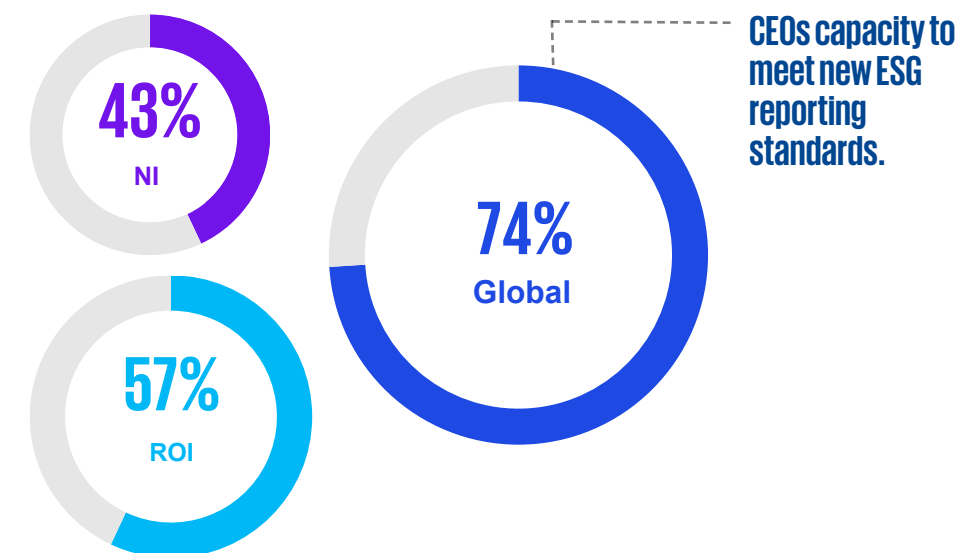
By truly integrating sustainability into business operations, companies build trust, attract investment, and maintain a competitive edge in a sustainability-focused market. The CSO is the catalyst for business transformation, guiding companies towards a sustainable and resilient future. However, to effectively execute this, the CSO needs more resources.



Getting to grips with regulation

In order to achieve sustainability transformation, the CSO can't operate in a silo. A robust governance framework to drive a more strategic focus on sustainability and future compliance, is foundational to successful sustainability transformation. Increasing disclosure obligations relating to topics such as climate change, biodiversity, circular economy, value chain and customers, means that resources to address these requirements must also be strengthened.

The KPMG 2023 CEO Outlook found that only 57 per cent of CEOs in the Republic of Ireland believe they have the capacity to meet ESG requirements. This reduces to 43 per cent for CEOs in Northern Ireland¹. Capacity and skills gaps are often cited as the primary challenges in meeting ESG requirements. This, in turn, impacts their ability to drive competitive advantage through sustainability.



Source: KPMG 2023 CEO Outlook – Ireland

A recent global survey of senior executives examined key leadership priorities². It asked respondents whether their organisation was investing sufficiently in sustainability and found that, while 59 per cent thought they were, 30 per cent feared they were not, and 11 per cent were unsure. This suggests a significant portion of leaders see room for improvement in allocating budgets towards more strategic sustainability investments. This reflects the ongoing challenges in aligning corporate practices with ESG targets and ambitions.

¹ KPMG CEO Outlook 2023 - Ireland

² 2023 Boyden Leadership Trends

Breaking down siloes

The role of the CSO should not be limited to reporting. They need to be empowered and enabled to drive strategic business transformation on sustainability. To address the greatest challenge of our time, a just transition to a net zero economy, requires a cross organisational approach. The CSO interfaces with finance, HR, operations, and risk, facilitating connections and cooperation across the business, and addresses ESG challenges and opportunities holistically. Their work includes identifying organisational obstacles and managing competing priorities to advance sustainability objectives.

Growing recognition of the importance of the role of the CSO is backed by research. A recent survey found that two-thirds of newly appointed CSOs now report directly to their CEO³. This underscores the growing appreciation of sustainability at the C-Suite level. Board level reporting on sustainability and driving organisational change is now common practice for a CSO. The data also suggests that none of the new CSOs report to the chief marketing officer, a tectonic shift reflective of the growing awareness that sustainability has moved away from CSR, into a strategic business driver for change.

In addition, with the growing awareness that sustainability matters cross business boundaries, this is a value chain issue. The CSO must forge broader sustainability alliances beyond the organisation, fostering better collaboration and sectoral alignment on key challenges. Topics such as scope 3 greenhouse gas (GHG) emissions and supply chain sustainability are areas where collaboration and engagement are fundamental.

Not easy being green

The CSO is often faced with the age-old request for a “cost-benefit analysis” to support investment in sustainability. Soft aspirational objectives often compete with the hard reality of meeting shareholder value expectations. The emergence of ESG regulation as a transitional risk to business, has helped in elevating the value in driving sustainability as a key business differentiator.

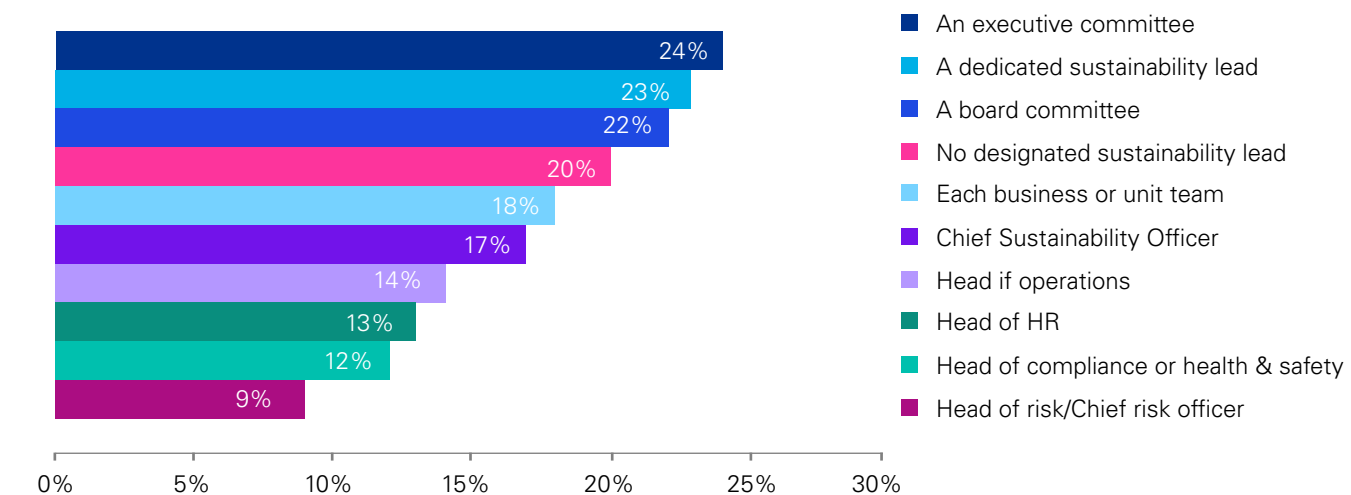
The successful CSO achieves a delicate balance between championing ESG change, while at the same time being a pragmatic and commercial operator. It is crucial that the CSO is articulate in communicating the need for action, to justify investments, and to operationalise new processes.

Reporting requirements go beyond the CSRD, into areas such as the Corporate Sustainability Due Diligence Directive (CSDDD). This necessitates the publication of complex information on supply chain sustainability, that is often not available or fully developed. This requires a comprehensive set of skills that can identify key ESG risks beyond core business activities, whilst also being the catalyst to leading on transformation.

³ CSO Futures: 66% of new Chief Sustainability Officers report to CEO

Appreciation of the CSO’s catalytic power is reflected in their growing ranks. A recent global survey suggests that while sustainability responsibilities are spread across various corporate functions, some 40 per cent of 1,000 respondents had either a CSO (17 per cent) or a dedicated sustainability lead (23 per cent)⁴. In nearly half of the companies surveyed, sustainability is overseen by a board (22 per cent) or an executive committee (24 per cent). Just one-fifth of respondents (20 per cent) have no designated sustainability lead at all. This suggests that while many companies are taking steps to integrate sustainability into their leadership structures, there is still significant variability in how these responsibilities are assigned and managed.

Who holds sustainability responsibilities in your company?



Source: Boyden Global Executive Survey 2023

Precisely because the CSO interacts across all parts of the company, and often has a moderating role, it is all the more important that they have maximum power—ideally at board level—and the resources required to act and make decisions.

Time to elevate the CSO

To fulfil their role as an agent of change, the CSO must have the backing of Management and the Board. The shift in the CSO’s role, from a peripheral to a central figure in corporate strategy, is now well under way. Those organisations that haven’t already done so, need to act fast and empower their CSO with the necessary authority and resources to execute on the sustainability strategy, to drive meaningful and lasting change.

⁴ 2023 Boyden Leadership Trends

Get in touch

KPMG Sustainable Futures is a dedicated cross-functional team of experts who help corporates and public sector clients with ESG and sustainability solutions, including reporting, strategy, energy and decarbonisation, biodiversity, sustainable finance, and transition planning.

Whether your organisation is just beginning its sustainability journey, or a mature sustainability reporter, we have the knowledge and the people to support you.

If you have any queries related to sustainability, please contact our team below. We'd be delighted to hear from you.



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