

The three superpowers of the Chief Sustainability Officer (CSO)

Boards need to get up to speed with ESG. Would hiring a CSO be a must-do? What organizational measures do boards need to take? Besides organizing themselves and getting up to speed with ESG – perhaps hiring a CSO. Why?

Our latest KPMG 2023 CEO Outlook shows that sustainability continues to be important for companies. More than two thirds of global CEOs have fully integrated ESG into their company as a means of creating value. But what role does the Chief Sustainability Officer, the CSO, play for a company and does it need this function?

In our view, the short answer is yes, absolutely. In view of the changes and challenges that companies will face in the course of the ESG transformation in the coming years, a strong CSO position or head of sustainability function is of central importance. Today's Chief Sustainability Officers primarily have a strategic rather than a representative role. A sustainable transformation is a fundamental, long-term change process at all levels of the company. For this to succeed, three special skills are required. We call them the three superpowers of the CSO. These superpowers and central tasks of the CSO are **understanding, connecting and communicating**.

The **superpower of “understanding”** goes beyond tracking and evaluating the entire spectrum of developments in the areas of E (environment), S (social) and G (governance) that can have an impact on the company's success; it is also about using the understanding to design measures and drive organizational changes. On the one hand, this means evaluating the developments of planetary boundaries for the company with foresight, identifying risks and opportunities, reacting to them at an early stage and preparing the company for them. Due to the importance of sustainability for politics and, as a result, a wide range of legislation on topics such as climate or human rights, this also includes continuously analyzing the regulatory impact for the respective company and taking appropriate measures.



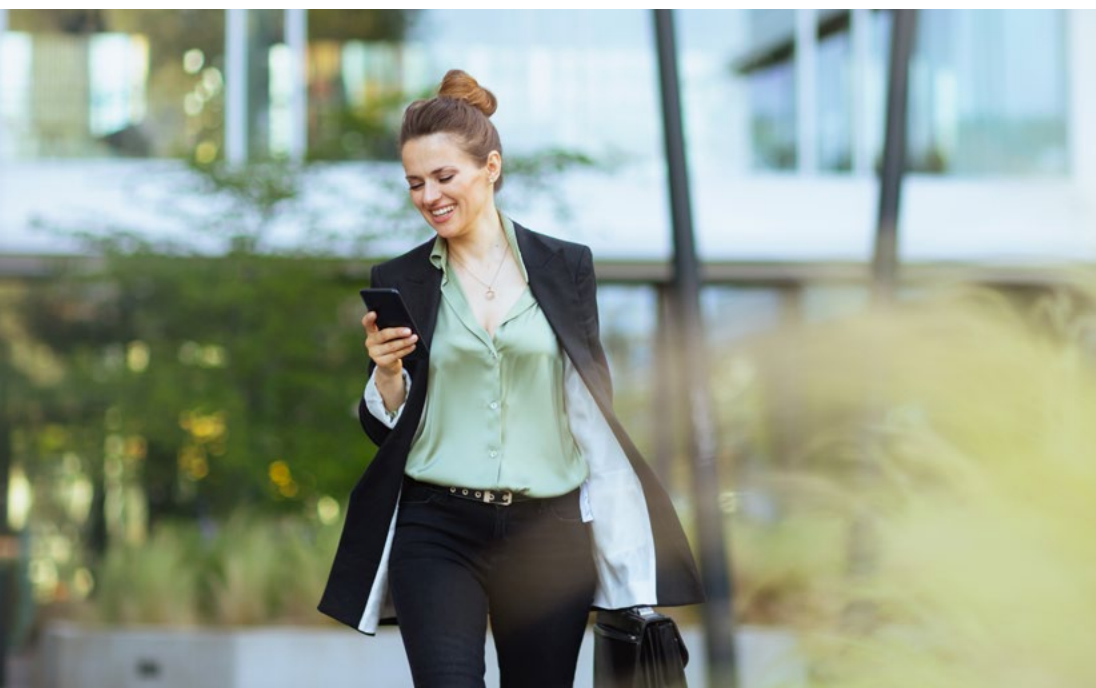


The CSO's cooperation with units such as public affairs or the legal department is central to this, which leads directly to the **CSO's second superpower, "connecting"**. The CSO and his or her team stand for overarching connections and cooperation. On the one hand, this means cooperation between functions, departments, regions, business units or even within the management of a company, as sustainability issues usually cut across a large number of existing organizational units. ESG issues require a holistic approach and therefore often also the identification and moderation of organizational obstacles and conflicting goals. However, the CSO also stands for sustainability alliances in a broader sense.

He or she assesses whether a company should get involved in an industry initiative on sustainability, for example, or whether other partnerships on key topics in the supply chain, such as raw material extraction and certification or waste, could be a strategically sensible step.

Alliances with other companies for specific sustainability issues can be a successful means of developing not only the company, but also an entire industry and thus the field of competitors. The third target group for partnerships is direct customers and suppliers, as more sustainable solutions are often established particularly successfully when they are developed in collaboration with customers and suppliers.

In order to achieve this, **the third superpower, "communicating"**, is not only a central task, but also a key competence of a CSO. Within the company, it is important to communicate the fundamental need for action, initiate changes and justify investments, take up new topics, operationalize them and ultimately transfer them to the organization. Increasing transparency requirements, such as the CSRD or the Supply Chain Duty of Care Act, require the publication of a wealth of complex, qualitative and quantitative ESG information that is not available or not yet fully developed. The CSO often has to do a lot of convincing within the company to communicate concepts, plans and projects openly to the outside world, and not just finished results, with all the restrictions that a company still has at the time. The CSO's role as a mediator also includes actively and strategically shaping the company's stakeholder dialog and often conducting it in person with a broad spectrum of social groups. Today, financial market players such as investors or rating agencies are one of the CSO's most important target groups.



These three superpowers and central tasks of the CSO make one thing clear: **the ideal CSO needs a comprehensive set of knowledge and skills and should also take these into account when putting together his or her team.** Knowledge and experience naturally relate to the key ESG issues and developments, ideally experience in the respective industry, as well as knowledge of financial and sustainability reporting. As a manager, experience in managing change processes and diverse teams is key, as are empathetic and good communication skills and the personal qualities to allow others in the company to get credit for sustainability success, no matter how much they initially resisted the changes. The CSO paves the way for transformation and his or her success is measured more by the degree of involvement within the company than by attributable individual results. A good network helps the CSO to stay informed and recruit talent. Precisely because the CSO is not responsible for a specific topic, but interacts with all

central units in the company and often has a moderating role, it is all the more important within the company that they have maximum power – ideally at board level – and sufficient resources to be able to act and bring about decisions.

The CSO will be crucial for the sustainable transformation of companies over the next five to ten years. He or she is the “agent of change” and will make many difficult individual decisions with the executive committee, including with the chief officers for finance, operations, innovation, technology, information, human resources and others. So, is a CSO absolutely necessary? In our opinion, the function is necessary. However, whether someone should hold this title also depends heavily on the company’s existing organizational culture.



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