



# Future of the Chief Sustainability Officer Sense-maker in chief

Executive Summary | April 2022

“The CSO needs to be the conductor of the orchestra – making sure everyone’s got the same objective and working with the same tools, moving at the same pace”

# The Future of the Chief Sustainability Officer

## What we set out to do

### Background

The report summarises the findings of a global survey conducted by the Institute of International Finance (IIF) and Deloitte, conducted between July and September 2020.

Fieldwork included follow-up workshops, one-to-one meetings with survey respondents and insights from Deloitte sustainability subject matter experts.

### Objectives

#### #1

To understand how Financial Services firms are mobilising to address the environmental, social and governance (ESG) imperative.

#### #2

To explore how Financial Services firms see the role of the Chief Sustainability Officer (CSO) in fulfilling their aspirations

### Specific Questions

- Why do some firms have CSOs while others do not?
- What mandate do firms typically give to their CSO?
- Which skills and leadership attributes are needed to deliver that mandate?
- How do CSO contribute to their firms' governance?
- How is this role likely to evolve in the future?

# Why do some firms have CSOs and others do not?

Three tipping points lead to the appointment of a CSO



**#1**

The external environment changes faster than the inside of the organisation, which means someone needs to help it adapt



**#2**

Scrutiny intensifies from external stakeholders and expectations ramp up – but the firm can't yet deliver within its current set-up



**#3**

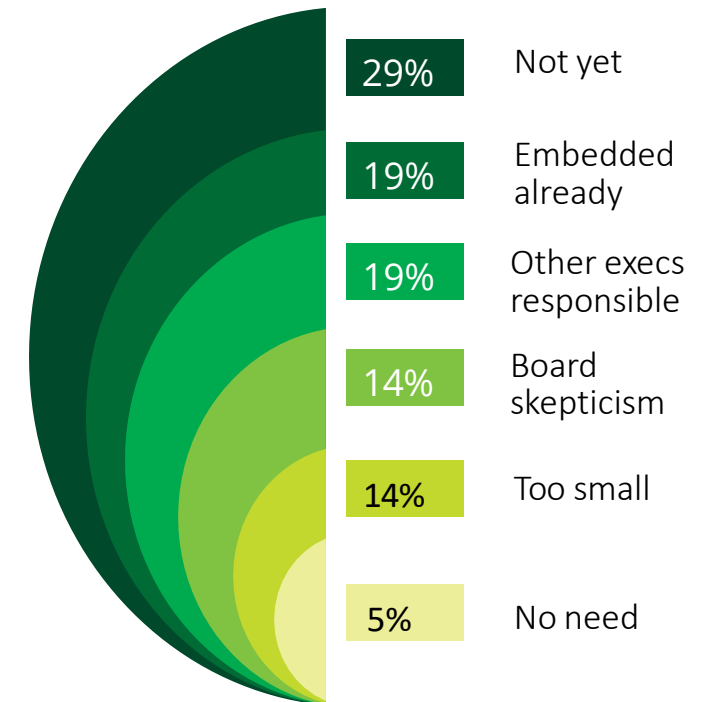
The organisation acknowledges that ESG risks are now substantial enough to be strategic

A CSO as “sense-maker in chief” can translate strategy into practise and bring co-ordination where there was chaos

“The CSO is there to help the CEO navigate the ESG environment.”

“We sometimes put our CEOs on a pedestal. They can't know everything about everything.”




## Reasons given for organisations not having a CSO or equivalent



Source: Deloitte/IIF survey

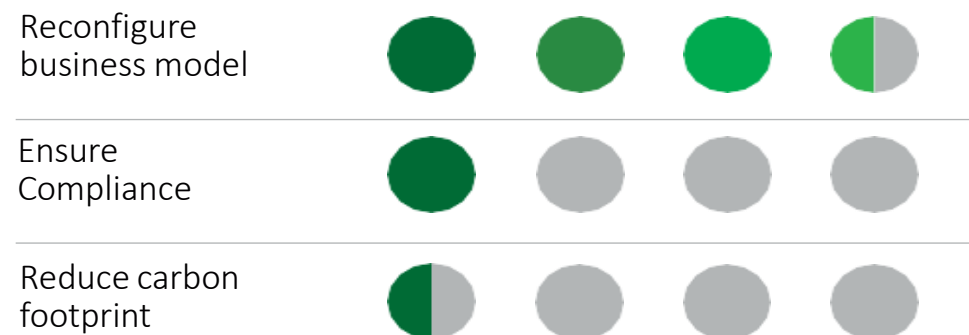
# What is the mandate of the CSO?

As varied as the firms they work for – but with three core themes

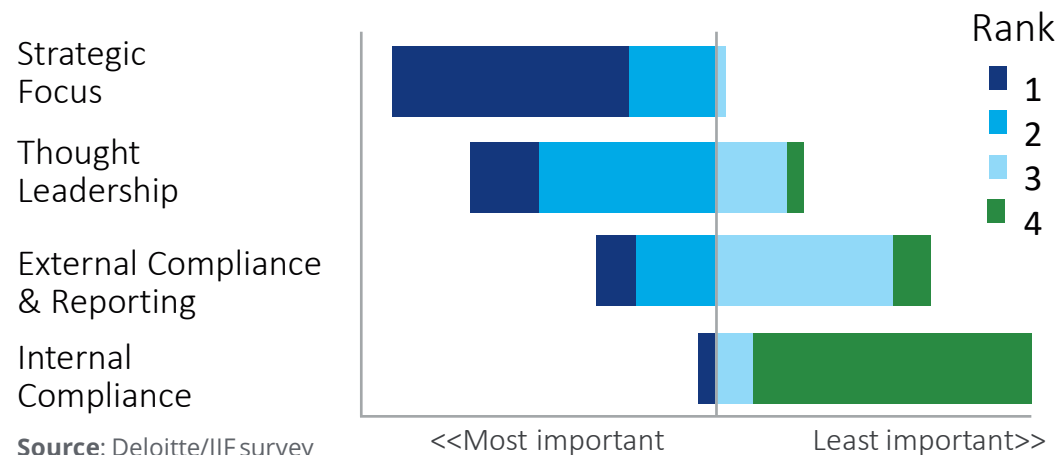
-  **#1** Make sense of the external environment and bring insight back into the firm
-  **#2** Help the organisation reconfigure its business strategy
-  **#3** Provide thought leadership and help align teams by engaging, educating and connecting

“CSOs observe that they ‘join the dots’  
Since they work at so many intersections, they have a natural advantage in that task.”

## What should the CSO prioritise? Weighted scores (max=4)



## Which aspects of the CSO’s role are most important?



# What skills and leadership attributes do CSO need to deliver their mandate?

Successful CSOs need a blend of strategic nous, influencing skills, organisational knowledge and flexible management styles – that combination equips them to become ‘sense-makers in chief’

## Technical skills

- Strategy and influencing are rated most highly. Technical skills such as regulation, data, climate science and compliance are rated less highly but this is not to downplay their importance.

### Technical skills required of a CSO

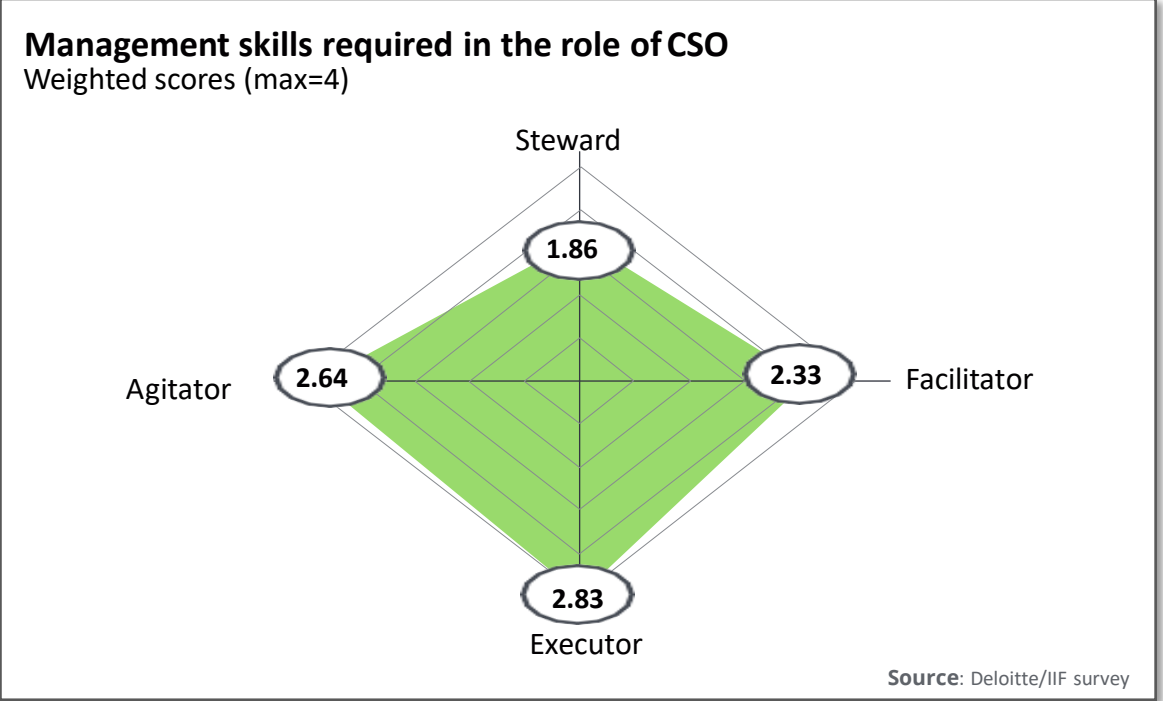
	Banks	Asset Managers & Insurers
Most Important	Strategy	Influencing
	Influencing	Strategy
	Risk Management	Risk Management
	Products and Markets	Climate Science
	Disclosure and Reporting	Data & Quantification
	Climate Science	Disclosure and Reporting
	Regulatory Skills	Products and Markets
	Data & Quantification	Regulatory Skills
	Circular Economy	Compliance
Least Important	Compliance	Circular Economy

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Source: Deloitte/IIF survey

## Leadership skills

- Newer CSOs are more likely to lean into the agitator role, whereas more established CSOs report using a variety of leadership styles depending on who they are dealing with. Overall, the most frequently cited skills is executor.








# How can CSOs get things done?

If you want your CSO to succeed, equip them with the right kinds of authority – implicit powers to persuade and encourage (“carrots”) and explicit powers to ensure and enforce (“sticks”)






## Implicit Power (“Carrots”)

Implicit Power	How to boost your CSO
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 Halo Power	Give your CSO plenty of air-time with C-Suite and Board members; power and status rub off
 Network Power	Help your CSO grow their network by making introductions and sharing contacts – the bigger their network, the more they will be perceived as having greater authority
 Knowledge-Based Power	Give your CSO the opportunity to develop and share domain-specific knowledge – it will increase their authority
 Disruptive Power	Grant your CSO permission to challenge received wisdom, establish new ways of working and conduct experiments
 Consultative Power	Boost your CSO’s authority by establishing their right to ask questions, be consulted and request plans and business rationales

## Explicit Power (“Sticks”)

Explicit Power	How to boost your CSO
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 Hierarchical Power	As a general rule of thumb, the higher the reporting line of your CSO, the more power they will be perceived to have
 Budgeting Power	Give CSOs a voice in the decisions on major investment or capital allocation programmes (and the processes via which money gets spent)
 Rule-Making Power	CSOs can exert their influence through responsibility to draft firm-wide policies or standards on ESG themes
 Reward Power	CSOs could have considerable power if they began to shape their organisation’s performance related pay
 Voting Power	CSOs can have formal authority through specific decision-making mandates or through their voting rights as members (or chairs) of committees

Source: Deloitte/IIF survey

# What does CSO governance look like?

Our survey reveals a wide range of governance arrangements across the global financial services industry

Major governance changes are taking place that either directly involve the CSO or require the CSO as “sense-maker in chief” to help navigate and co-ordinate for alignment

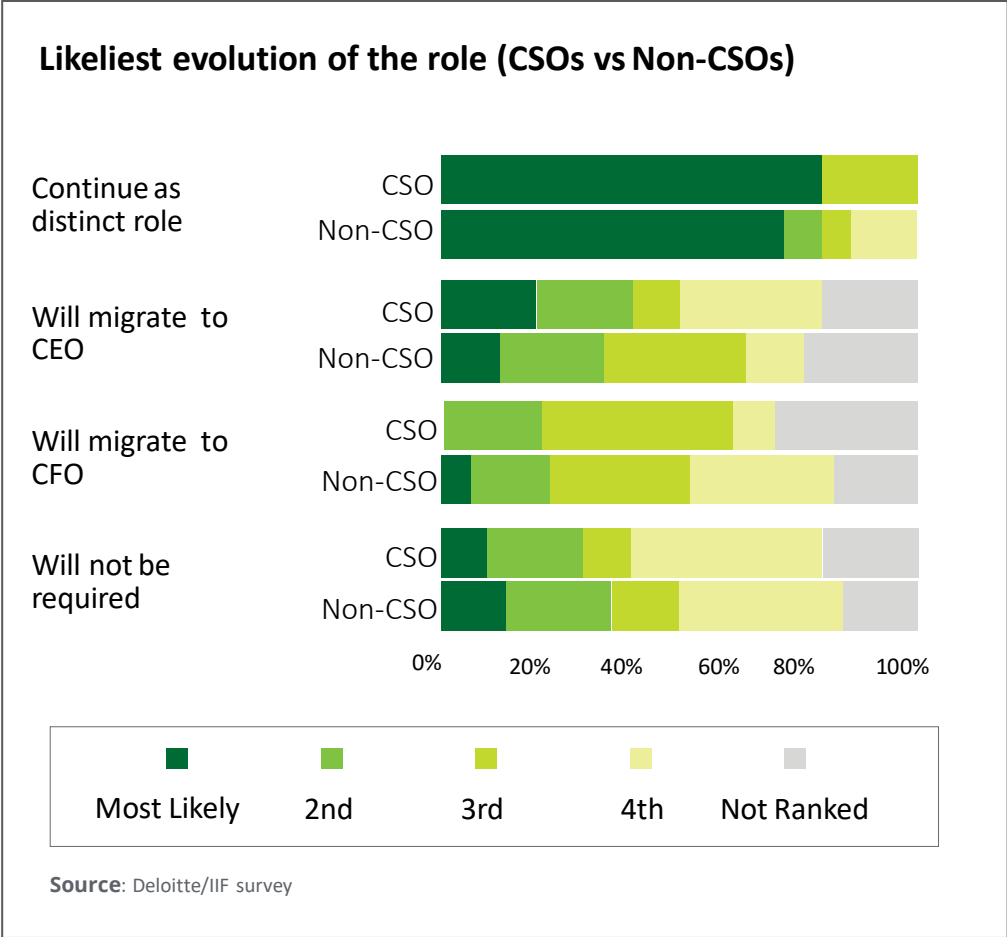




# How is the role likely to evolve in the future?

Most people think the CSO will continue as a distinct role and grow in importance over the near term

**99%** of survey respondents said they believed the role of the CSO will become more important in the near-term



# How is the role likely to evolve in the future?

There is a wide range of perspectives about the longer term future of the role

There will always be a role for a centralised point-person to orchestrate sustainability

Sustainability, now is like risk. Everyone manages risk, but you still have a CRO

Ultimate success will be if we are no longer needed

I could be redundant quite soon. With younger employees, sustainability is a given. They're already fully bought in. We'll be at a turning point quite soon.



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