



The Next Generation of ESG Leader

July 10, 2023

Businesses can't succeed in societies that fail; pressure for sustainability from society is outpacing corporate sustainability - this should be a driver of innovation and profitability, and businesses that have the right person leading the charge are starting to reap the benefits. H. Jackson Brown once said, "You either make dust or eat dust", and I couldn't agree more.

As more companies make environmental, social and governance (ESG) commitments a part of their long-term purpose and business strategy, they are creating teams with dedicated leaders that break down silos to make ESG a central growth area for their organizations—moving away from the segmented approach that historically didn't have one leader with oversight.

With this in mind, let's explore what the next generation of ESG executives looks like.

Today I see best-in-class ESG leaders or chief sustainability officers (CSOs) as business people first. Focused on value creation with hands-on industry experience that will enable them to be credible with the internal line of business leaders. They are strategic thinkers and know how to drive a more cohesive strategy to evaluate new opportunities and improve existing operations to make them more sustainable.

As ESG topics rise on the corporate agenda, lagging companies are stuck in old ways of thinking, treating ESG as compliance or corporate responsibility. They have hired a chief sustainability officer but haven't yet mobilized the organization to integrate ESG into the business. A top level CSO knows how to get the right buy-in to use ESG to guide their organization's biggest strategic decisions, making them impactful and trusted business partners.

Moving away from a functional requirement to a commercial imperative, visionary CEOs embrace this new type of leader partly because they firmly believe in the financial benefits of incorporating sustainability into their corporate and investment strategies. This has resulted in the ESG leader reporting directly to the CEO and board, audit, governance or sustainability committees.

Customers, suppliers, employees, investors, analysts, and communities are also paying attention to and have a growing interest in environmental, social and governance issues - making sustainability a priority for executives at any company. The most sought-after ESG professionals have the skills to focus on addressing the needs of those stakeholders, know their businesses and can centralize functions. Having someone who can bring all these pieces together by having oversight over a center of excellence around all things ESG while being able to connect with other teams across their organization is a hallmark skill of these executives. The new wave of CSO has world-class influencing skills and trend towards those with global experience and perspective.

Currently, there is no single background or profile for ESG professionals, and a linear career path still hasn't been defined. The next-gen CSO must successfully influence an incredibly diverse set of stakeholders, including the C-suite and board of directors, investors, legal and compliance, regulators, external partners (subsidiaries, operating partners, supply chain) and internal employees.

Professionals with a multifaceted career journey are starting to thrive in these roles as many of the skills needed for a career in ESG, including strong communication skills and expertise in regulation, stakeholder engagement, and strategy development, are gained through diverse roles.

I asked Chris DeSa, Managing Director, ESG Advisory services at Kroll, in his experience, how he is seeing the ESG leader evolve in his space.....

"Having spent much of my career managing sustainability issues in Latin America, let me use a soccer analogy: best-in-class ESG leaders have the multidimensional skills and know-how of a powerful midfielder, capable of advancing an enterprise's long-term value-creation goals and objectives while also defending against material social and environmental risks inherent in the enterprise's operations. For a variety of historical reasons, ESG leaders have tended to focus on the defensive aspect of sustainability, aligning closely with an enterprise's legal, risk, compliance or HSSE functions. And the value-preservation function of ESG is, of course, fundamental. But to move the needle on an enterprise's long-term value-creation goals and objectives, an ESG leader also needs vital offensive skills and strategic vision—frankly, much rarer commodities. ESG leaders with business acumen, understanding of the core industry and sub-industry dynamics and effective communication skills, for example, can better implement difficult but transformative enhancements to governance practices, competitive strategy and positioning and commercial and operational excellence. That often opens the door to novel or expanded products or services (or even augmented corporate purposes) for the enterprise. In that sense, best-in-class ESG leaders position the organization's sustainability function as a catalyst for overall enterprise value creation."

To echo the sentiments of Chris, at Compass, we have recognized the need for a cohesive ESG strategy focusing on investors, business partners, employees and the community. We saw the business case to bring together existing skills and talent and elevate the S in ESG, moving towards a broader ESG strategy, including hiring a Director of People and Culture with a direct line to the Head of ESG. This is a holistic end-to-end approach as we take our ESG strategy into action, building a dynamic organization that can address current business needs and flex to address future needs. With the evolution of the ESG executive, we will see a convergence of all these ESG factors that have lived in different parts of the business come together.

ESG is core to our transformation, and we continue to leverage our ESG leadership to accelerate our long-term business goals and support our leadership position in the market.



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Chris DeSa – Managing Director, Environmental, Social and Governance Advisory Services, Kroll

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