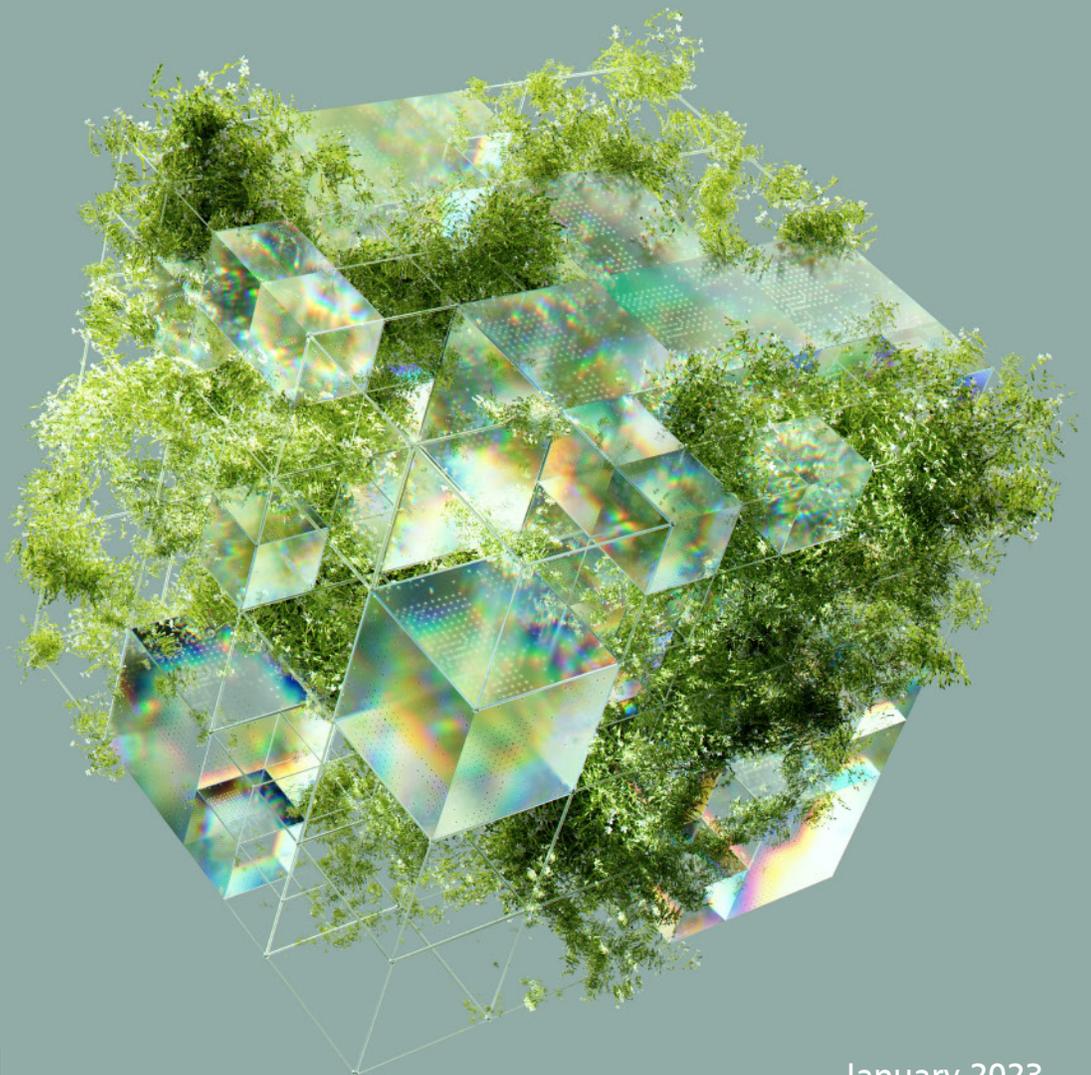


Sustainability Appointments in Industry

Approaches to leadership and governance

A report featuring analysis of UK-based industrial companies in the FTSE 250 and FTSE AIM All-Share Indices and their approach to sustainability leadership and governance



Introduction

In this report, we are delighted to share our research and perspectives on sustainability in UK industry, based on the approach of organisations in the FTSE 250 and FTSE AIM All-Share indices.

This research was born out of discussions with industry leaders seeking a greater understanding of how industry is approaching sustainability, through individual leadership and corporate governance.

We offer indicative analysis of organisations in the two indices who have named ‘sustainability officers’¹ to map the prevalence of this role, job titles, reporting structures and board level oversight; and to understand the evolving landscape driven by industry characteristics, opportunity, regulation, market expectations, and at the individual level customer, shareholder and executive candidate priorities.

The industrial landscape is complex, with legacy structures, global supply chains, emerging technology and innovation that is driving profitability and hope in building a sustainable future for business and for people.

Boyden is privileged to work with some of industry’s most innovative and courageous leaders, providing leadership consulting, executive search and interim management solutions to small, medium and large enterprises. We are determined to be part of the solution in addressing the challenges of sustainability with our clients and protecting our planet for future generations.

We hope you find this report helpful and look forward to further dialogue.



Claire Lauder

Managing Partner, Boyden | United Kingdom

Claire Lauder has built an impressive track record working with FTSE and AIM-listed businesses, PE-backed and owner-managed small and medium enterprises. She works closely with investors and leadership teams to understand their strategic goals and identifies leaders who help her clients reach their goals more quickly. Claire focuses her time in supporting industrial manufacturing, advanced engineering and advanced technology businesses.

¹ The use of ‘sustainability officer’ is generic, referring to all individuals who have a sustainability-type role in their organisation; distinct from the formal denomination of Chief Sustainability Officer (CSO).

Data snapshot

01

How are organisations future-proofing their businesses and our world?

Let's look at the data first to see who is driving sustainability and how they are overseen.

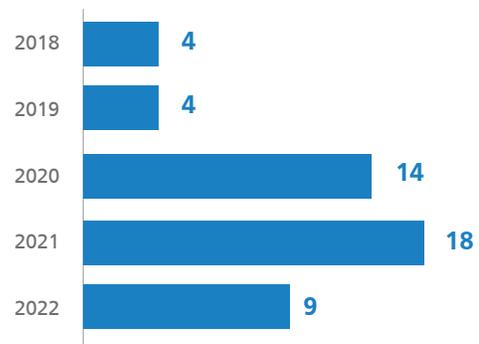
We analysed industrial companies in the FTSE 250 and AllShare AIM Indices to ascertain the extent to which sustainability officers have gained traction, what job titles are used, where industry is in embedding this expertise, and how governance is working.

FTSE 250 Index	All-Share AIM Index
250 companies	900 companies
60 industrial companies analysed ²	108 industrial companies analysed
55 with named individual	42 with named individual
5 with no named individual	66 with no named individual
95 percent committee oversight	18 percent committee oversight

FTSE 250 Index

In the FTSE 250, out of the 60 industrial companies we analysed, 55 have a named individual in a sustainability role with the vast majority, 80 percent of them reporting to the board. Most have been in post since 2020, so this is a recent area of official expertise. Appointments seem to have peaked just 10 years on from the earliest dedicated resource with Hunting PLC the pioneers in 2011³; there were 14 new appointments in 2020, 18 in 2021, and just 9 at Q3 2022, with the peak coinciding with COP26 and the Environment Act 2021.

Dedicated sustainability appointments peaked in 2021



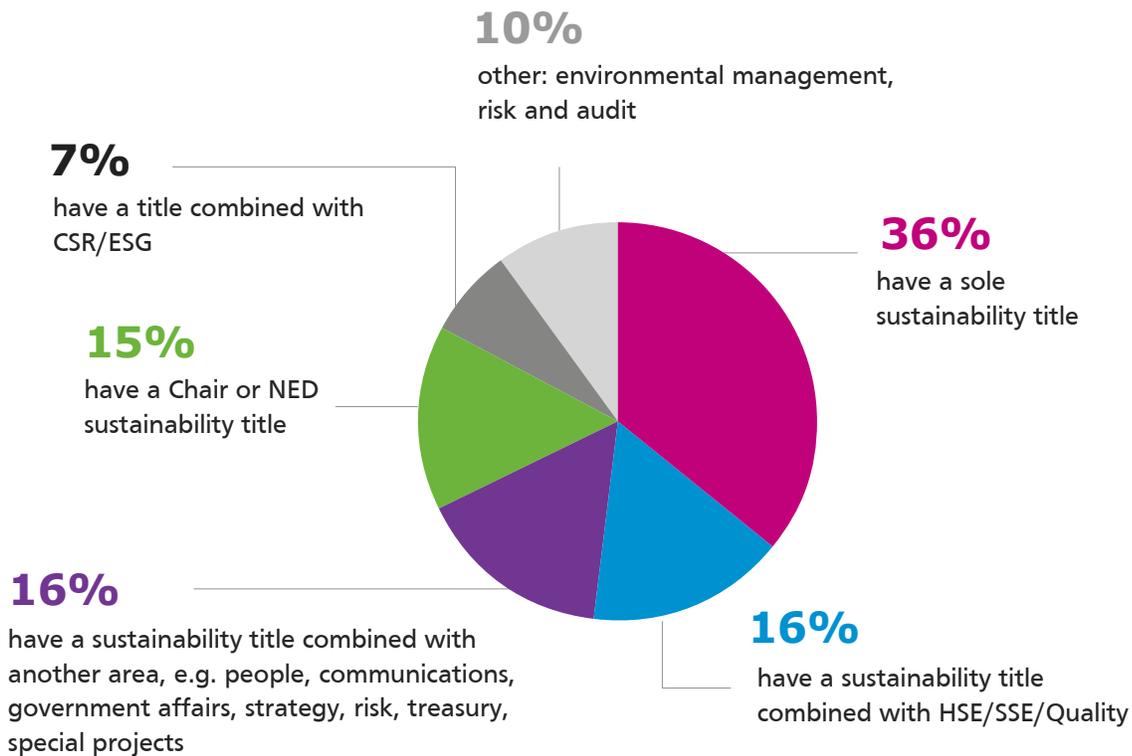
² We do not include commercial and professional services companies serving industry in our research.

³ In 2011 Hunting PLC created a new ethics and sustainability committee board, with dedicated steering groups on sustainability and climate reporting.

There are five industrial companies among those we analysed in the FTSE 250 without an individual in a 'sustainability' capacity; three of them have committee oversight through an audit & risk and environment & safety committee, with one using a delivering value responsibly (DVR) committee, covering health & safety, DEI, supply chain and environment.

Companies with a named individual in a sustainability-based role	Percentage of named individuals who report to the board	Individuals whose titles combine CSR/ESG/Sustainability with HSE/SSE/Quality	Number in post since 2020	Earliest dedicated appointment, Hunting PLC
55 = 92%	80%	16%	75%	2011

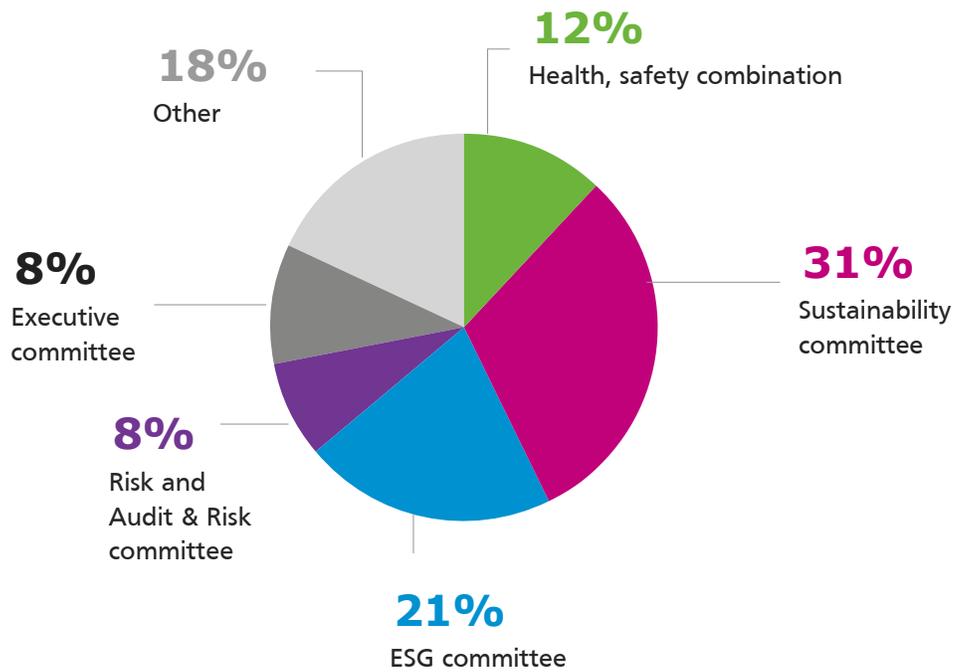
Out of the total of 55 named individuals:



Individuals not reporting to the board, report to:

CEO	CEO & President, Global Supply Chain	Director of Corporate Affairs	Group Director of Communications & Sustainability	Chair of Corporate Sustainability Committee
-----	--------------------------------------	-------------------------------	---	---

Committee oversight



*The rest oversee ESG through a variety of different committees, primarily: Risk & Sustainability; Responsible Business; CSR; Ethics & Sustainability, Audit and Environmental Sustainability Social Responsibility (ESSR)

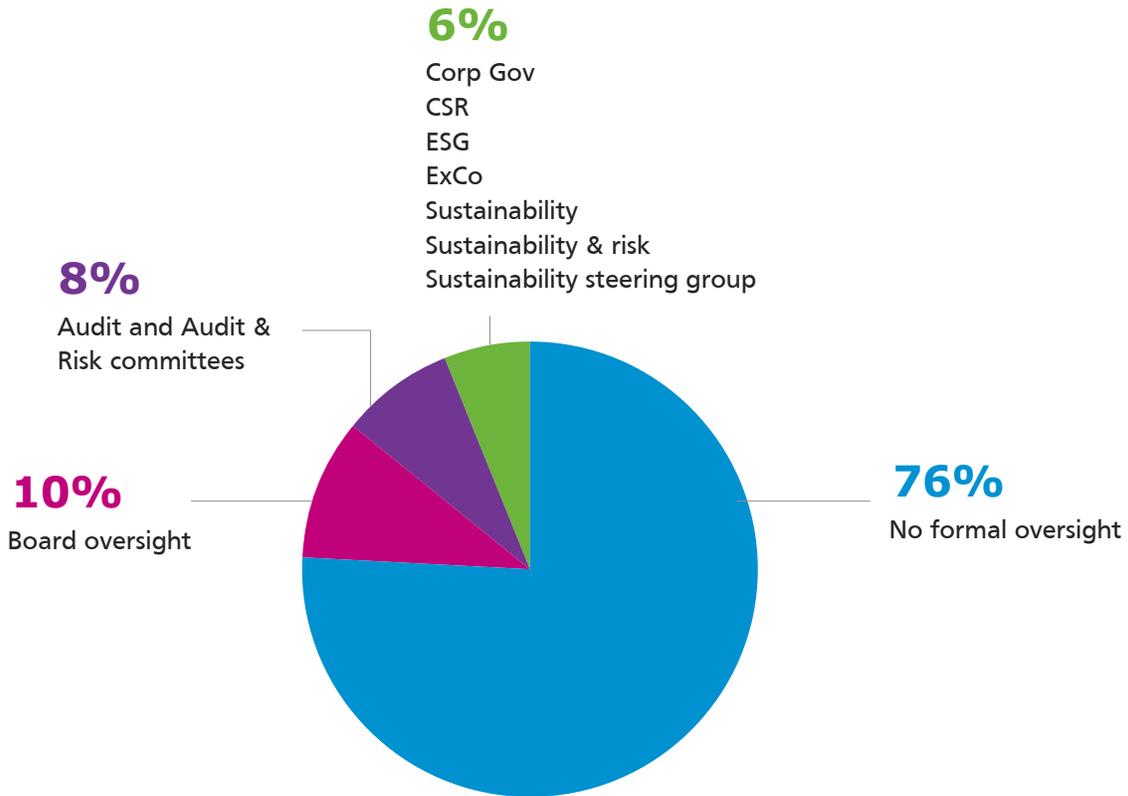


FTSE AIM All-Share Index

In the AIM Index, out of the 108 industrial companies we analysed, 42 companies, or 39 percent have a named individual in a sustainability role, and 15 companies have a specific committee to oversee sustainability issues. As many as 66 companies, or 61 percent are without a named individual and over three quarters, 76 percent have no formal committee oversight.

Companies with a named individual in a sustainability role	Companies with no named individual in a sustainability role	Number in post since 2020	Companies with sustainability overseen by a committee:	Earliest dedicated appointment, The Autins Group
42=39%	66 = 61%	42%	15 = 14%	2012

Committee oversight



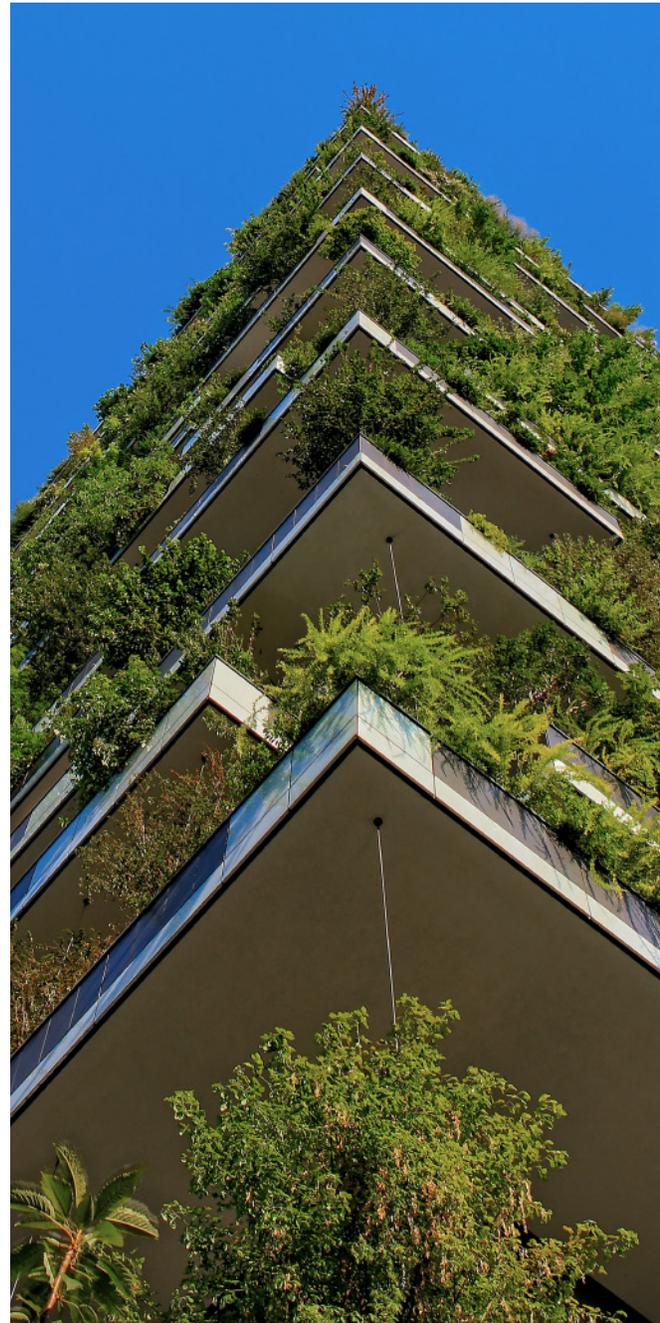
Claire Lauder, Partner at Boyden UK summarises,

“We see a kaleidoscope in industry for where sustainability sits in organisations, impacting who drives it and the approach to governance. This reflects complexity in industry relating to risk, health and safety and legacy structures in a capital-intensive industry with physical product supply chains that are more difficult to manage, record and solve”.

This kaleidoscope reminds us of the legacy of the industrial revolution, with health & safety a rich seam running through the fabric of man-management and business management. The data and job titles tell the story of sustainability being developed from a health & safety, quality or corporate social responsibility dimension, with governance being laid at the feet of for example, control, audit and risk committees.

“This is not necessarily a bad thing,” comments Claire. **“The point though is that sustainability needs to move beyond legacy structures and the context of safety and risk into new areas, defined by business opportunity and organisational purpose, which resonates with next gen talent; responsible business, which resonates with customers; and fiscal discipline, which resonates with investors, shareholders and stakeholders.”**

This is already happening within many organisations as external and internal evolution continues. Let’s look first at external evolution.



The business environment – external evolution

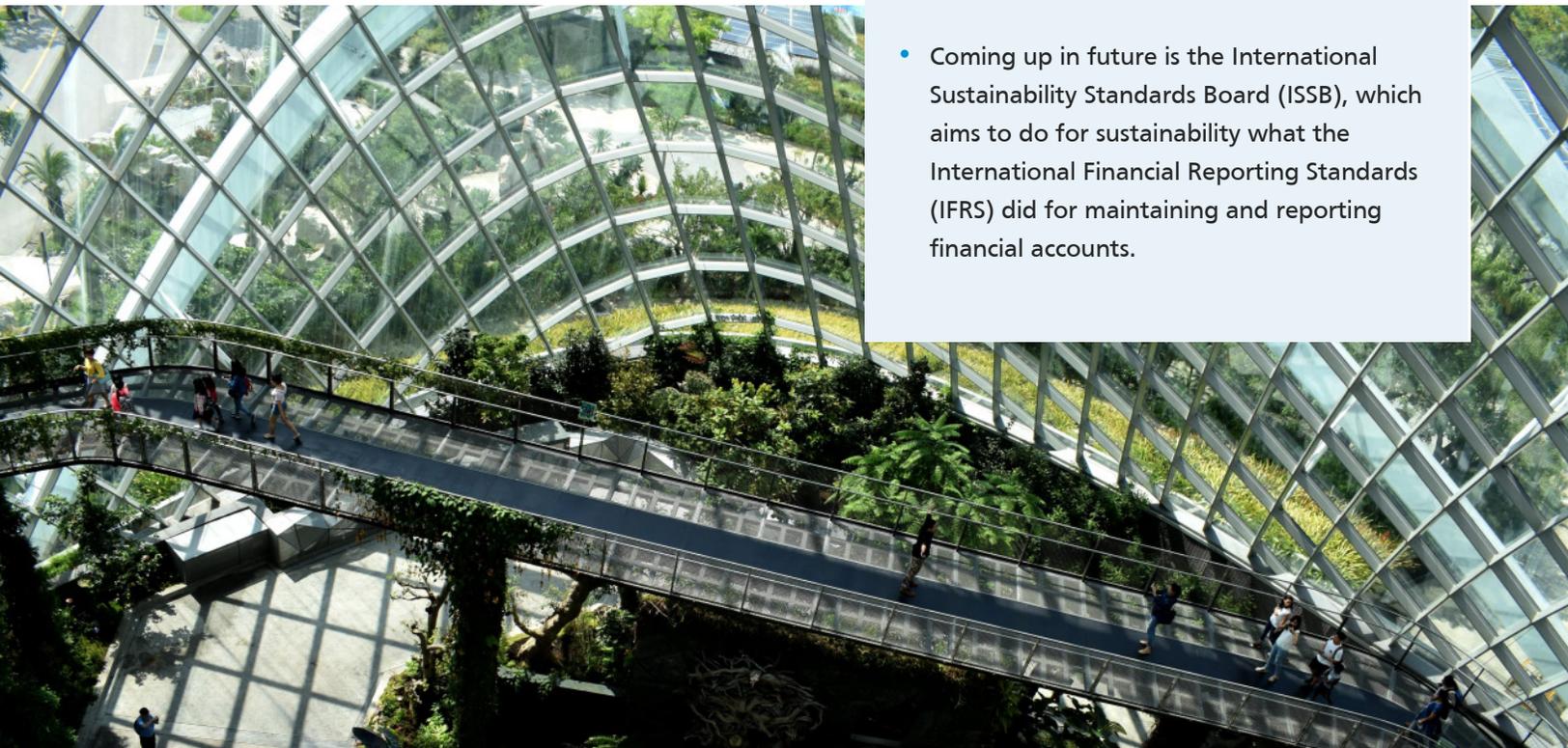
Regulatory drivers

Achieving net zero targets in industry was enshrined in law in 2019, when the UK became the first major economy in the world to pass legislation to achieve net zero contributions to global warming by 2050. The gesture was grand, the intent laudable, but the 'how' non-existent.

In July 2022 a High Court Ruling deemed the government's net zero strategy unlawful due to its failure to show how legally binding carbon budgets would be met. Subsequent confirmation that the government would not appeal was welcomed by plaintiffs The Good Law Project, Friends of the Earth and Client Earth.

While legislative drivers are receding, regulation, compliance and reporting drivers are increasing, through national, regional and international frameworks:

- The UK Taskforce for Climate-Related Financial Disclosures requires 1,300 large companies in the UK to report to it from April 2022.
- From 2023, all large organisations with securities in an EU regulated market (such as the London Stock Exchange) will need to comply with the EU Corporate Sustainability Reporting Directive (CSRD), an extension of the European directive on sustainability reporting: the Non-Financial Reporting Directive (NFRD).
- Coming up in future is the International Sustainability Standards Board (ISSB), which aims to do for sustainability what the International Financial Reporting Standards (IFRS) did for maintaining and reporting financial accounts.



Are globally consistent sustainability standards achievable? With 'greenwashing' a major challenge across the supply chain, regulators globally are seeking common ways of assessing companies' environmental performance.

“People forget that we didn’t always have [common] financial accounting standards,” commented Janine Guillot, a senior adviser to the ISSB. “Those standards gave companies and investors a common language for talking about financial performance, which is now so standardised that we take it for granted. What we’re trying to do with the ISSB is develop a similar common language for measuring sustainability performance,” she explains.⁴

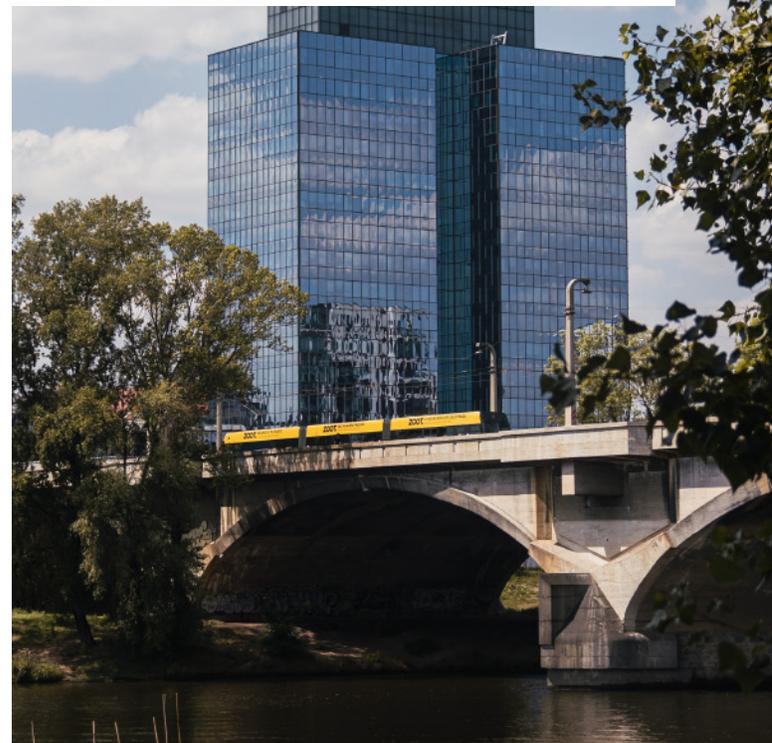
Business drivers

Beyond the B2G environment – business to government – is the B2B environment which has a more potent effect on day-to-day business on the shop floor. A detrimental footprint and no sustainability strategy will make it increasingly difficult to raise finance and secure insurance.

Shareholders, stakeholders and activists are also driving change, as are rating organisations. Carbon Tracker is a London-based, not-for-profit think tank that analyses the impact of energy transition on capital markets. It says investors should ask whether companies' targets are not just ambitious but also credible. As the High Court reminded the government, the devil is in the detail.

Solutions such as carbon capture and storage (CCS) are at an early stage of development, and tree planting requires vast areas of land. More fundamental change is necessary. Carbon Tracker ranks BP a favourable fourth in its report on oil and gas companies, saying its position is expected to

improve once it formally ends its Rosneft gas shareholding. Contrast this 'trailblazer' with ExxonMobil, which has the weakest policy according to Carbon tracker. It adopted a net zero target in 2021, but has not said how it will get there.



⁴ Reported by Simon Mundy in the Financial Times



According to a UN report, a record number of big polluters are cutting CO2 emissions, creating a tipping point across the whole supply chain. Not before time. Industry has significant challenges across the supply chain both in terms of information and control. Greenwashing is rife and national legislation insufficient to enable change driven by the end user. Solutions include B Corp certification, a valuable designation that a business is meeting high standards of verified performance, accountability and transparency. B Corps build trust with consumers, communities, and suppliers; they attract and retain employees and draw mission-aligned investors. There are now 800 in the UK, covering 57 industries⁵.

Other encouraging developments include special investment initiatives, such as the Net Zero Industry Innovation Centre at Teeside University (NZIIC). This is a £13 million plus investment due for completion in 2023 and is a fine example of a local authority's regional innovation strategy. It promises to bring opportunity and clean energy jobs to North England through its Industrial Decarbonisation and Hydrogen Innovation Centre, positioning itself at the heart of the UK's green industrial revolution.

⁵ <https://bcorporation.uk/b-corp-certification/what-is-a-b-corp/>

The business environment – internal evolution

External evolution, bringing major strategic, regulatory, compliance, risk & governance implications means that sustainability has become a senior level, mission-critical part of the organisation, with sufficient importance to have oversight at board level.

As we see from our research, among the companies with a named sustainability officer, 93% of them report to the board. The rest report to for instance, the CEO, Director of Corporate Affairs, Group Director of Communications & Sustainability and the Chair of the Corporate Sustainability Committee.

Sustainability officers have therefore changed from being science or climate experts driving awareness and understanding of our impact on the planet, to senior-level corporate operators who can hold their own in the C-suite, influencing strategy and operations.

“These leaders often have a suite of skills that stretches across finance, operations, marketing and communications. They are omni-talented with gravitas and expertise in how to enable an organisation to deliver on sustainability targets,” comments Claire.

CEO leadership is important. Meeting ESG objectives involves entire organisational transformation with a sustainability agenda involving major cultural shifts impacting budgets, employee incentives, shareholder reporting and so on; responsibility for transformation on this scale must be taken at CEO or board level.

How to resource sustainability and implement defined actions through people or teams is one of the major challenges facing organisations.

The good news is that due to Covid, organisations are now more people oriented, managing resource complexity through enhanced processes and documentation.

“In a perfect world, sustainability would be integrated in every part of the business, rather than isolated within a sustainability committee, or led by a Chief Sustainability Officer which inevitably creates a silo,” says Claire.

“However, businesses need to be realistic about where they are starting from. For some businesses, the impact of complexity on corporate bandwidth could mean that it is better to have sustainability as a separate area, advising and inputting where and when necessary, rather than trying to fully integrate sustainability into every part of the business and therefore every role. And some businesses may have pockets of brilliance taking place at a departmental level and can use those teams to champion change across the rest of the business”.



Organisations need time to work this out according to their sector, customer and supplier engagement, supply chain management and cultural DNA.

In an interview with Richard Lloyd, Accolade Wines' General Manager of European Operations and Supply Chain, he talks about approaching sustainability from multiple directions, rather than trying to incorporate it into every role, taking a holistic view.

"We have put sustainability and looking after our planet right at the front of everything we do... it's a question of bringing it to life, for us working with teams on production lines around energy loss, heat loss, conveyors running when they shouldn't be. You have got to approach it from multiple directions and we have managed to get buy in from everyone on the site that we are serious about this. Over the years we have been bold in embracing new technology, such as 3D printing of spare parts to avoid imports, which the team developed to incorporate our own plastic recycling in a closed loop within our waste stream, so it's become a behavioural thing".

The multiple directions Richard points to are regulatory drivers, such as the plastic tax⁷, use of technology, financial advantages and board level buy-in.

"Board-level buy-in is critical because you really get momentum when people realise your business is serious about sustainability. Boards are increasingly seeing the connections between

sustainability and return on investment. Accolade's innovations are business 'no brainers'".

It is important to let organisations evolve rather than expecting rapid transformation programmes particularly in the face of other major challenges of geopolitical risk and global economic volatility. **"Some trackers point to little impetus to change, but this is an evolving environment and it doesn't mean change won't happen, but it needs to happen with broad and deep consideration,"** asserts Claire.

Kevin Keegan, Partner at Boyden in Ireland and expert in Leadership Consulting, shares his counsel:

"A successful ESG strategy is built on multiple pillars each holding and capable of shouldering considerable individual load and responsibility. But no one pillar can deliver an effective ESG strategy. The foundation for the success of any individual pillar, and in particular the strategy in its entirety, requires collaboration at the highest level and needs to be grounded in effective leadership and teamwork".

⁶ Accolade Wines is a three-time recipient of Manufacturer MX Awards' Sustainable Manufacturer of the Year, and is certified carbon neutral by the Carbon Trust.

⁷ The Plastic Packaging Tax came into effect in April 2022 for manufacturers and importers of over 10 tonnes of plastic packaging per year made up of less than 30 percent recycled plastic.

Leadership and governance

03

How are organisations approaching sustainability from a governance perspective?

Size makes a difference as we see from our FTSE 250 and AIM analysis, as well as the self-regulation of AIM companies and lower corporate governance provisions; thus, the importance of viewing sustainability through a cost benefit prism. AIM organisations may well be capturing this in terms of strategy, but what we learn from the FTSE 250 and other companies, is that external and internal formalisation is driving progress. Again, as the High Court intimated with its Net Zero judgment, there has to be a plan.

Governance in almost all **FTSE 250** companies is overseen by a board committee; 52 percent are either sustainability or ESG committees, 12 percent combine health and safety, 8 percent are risk or audit & risk committees and 10 percent are executive committees. A smattering of other committees oversee sustainability or climate-related issues, including responsible business, CSR and ethics & sustainability committees.

In terms of governance, the 63 percent of AIM listed companies without a named individual tend to view sustainability in terms of risk management, with general oversight from the directors. As many as 47 companies have no committee or formal sustainability

oversight; 12 have board oversight; 6 are overseen by the audit or audit & risk committee; then one each use a corporate governance, CSR, ESG, ExCo, sustainability, sustainability & risk committee and sustainability steering group.

Most companies in the **AIM Index** are at an early stage regarding sustainability implementation, reporting and governance, viewing it mostly from a risk perspective. Some are looking for global reporting standards to capture ESG data; others have an Environment Protection Licence, an LSE Green Economy Mark and are complying with existing regulation and legislation, such as ISO 14001, section 172 of the Companies Act 2006 and Streamlined Energy and Carbon Reporting Regulations introduced in 2019.

Large, capital intensive and complex industrial organisations are having to grapple with organisational transformation, hence the senior level sustainability officer reporting to the CEO and usually a dedicated board committee, with access to technical expertise and the use of external consultants. CEOs can cut through internal politics and red tape to drive much more change, for example Paul Polman, who maintained profitability at Unilever while improving its ESG performance.

AIM-listed company entrepreneurs can build organisational cultures based on their own strong ESG values, such as Tom Kay at Finisterre⁸ and Yvon Chouinard at Patagonia⁹, both certified B corporations.

⁸ "Since 2003, sustainability has been integral to everything we do".

⁹ In September 2022 Chouinard announced that all the company's profits would go towards saving the planet.

Sustainability officers

In the FTSE 250, there are 60 industrial companies in our analysis with a named sustainability officer and five companies without.

Over a third, 36 percent, of dedicated sustainability officers in the FTSE 250 have a sole sustainability title. Another third has a sustainability title combined with health, safety and quality or another area, such as people, communications, government affairs, strategy, risk, treasury or special projects. The remainder have a Chairman or non-executive title, and titles combined with CSR, environmental management, risk and audit.

Conversely, leaner AIM listed companies typically give individuals job titles based on health, safety, quality and environment, with oversight from the ESG committee.

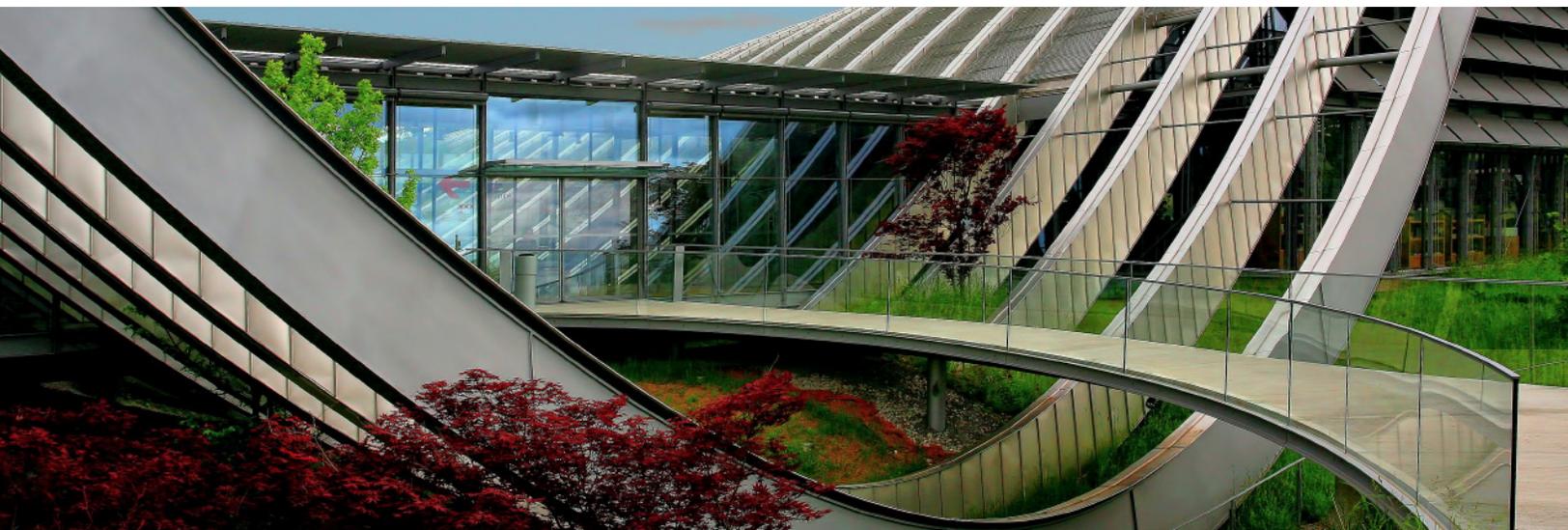
“Many years ago, the CFO was always seen as the main direct report to the CEO, then we saw the evolution of the CTO who then reported directly into the CEO of larger businesses. We are now seeing the same imperative between the CEO and the Chief Sustainability Officer,” explains Claire.

Whatever the nomenclature, the seniority and importance of the sustainability officer is well recognised. In 2021, PwC reported that out of the 1,640 public companies they analysed, 28 percent of Chief Sustainability Officers are part of the C-suite, up

from 9 percent in 2016. They have come a long way in recent years, from the start of the UN’s Climate Change Conferences in 1995 (COP 1), to early appointments in 2012 (The Autins Group) and then a peak in 2021, the year of COP 26 and UK Environment Act, enshrining environmental protection into law. British Airways made an even stronger statement in Q3 2022, advertising on LinkedIn for a Head of Net Zero.

“Every company is going to have its own emphasis, whether that’s health & safety, risk, investor relations or compliance. We will continue to see evolution driven by company DNA and culture, as well as business and external drivers,” says Claire. **“In our work, we need to define the role of a ‘sustainability officer’ in accordance with the needs of the organisation, customers, the supply chain, the market and the existing leadership team and board capabilities”.**

With sustainability officers in the C-suite, the leadership team is engaging in ever more complex discussions and debates, as Kevin explains, **“The requirement for C-suite leaders to be able to hold at times competing and often diametrically opposed perspectives in their consciousness, whilst collaborating, has increased exponentially, requiring both a growth mindset and the ability to successfully manage conflict towards innovative and ground breaking solutions”.**





Skills in sustainability

Reviewing and enhancing competency and fluency around sustainability is important, particularly as best practice, innovative thinking and regulation evolves. In [Boyden's global research into talent 2022-2023](#)¹⁰, we explore the areas where senior-level skills need to be strengthened. Nearly three quarters, 71 percent of respondents identified ESG-sustainability skills at executive level, making it the eleventh priority. At board level however, skills in ESG-sustainability are the second priority following skills in ESG-DEI, revealing widespread recognition that board leadership and therefore competencies in sustainability are critical.

“Collaborating with Boards and executives to assess and develop their leadership and team capability has become increasingly important as an enabler of a broader ESG drive,” comments Kevin.

He adds, **“This makes leadership consulting in this area fascinating because we need to look through multiple prisms of the market, the industry, sub-sector, organisational structure, culture and DNA of the business, together with benchmarks for sustainability capabilities and expertise. So, it is very much a question of strategy-led consulting and facilitation which drives talent and succession planning in parallel with business transformation”.**

It is clear that sustainability leaders, whether at

executive or board level, are the key ingredient for future-proofing business.

Darian Stibbe, executive director, The Partnering Initiative¹¹ explains, **“These teams (sustainability departments) should not be seen as luxury add-ons that advocate changes that others are resistant to. On the contrary, their members should be seen as high-flyers – the internal experts whom others consult, seeking the know-how to improve their work and meet their targets”.**

With sustainability expertise sought after by almost every organisation, competing for talent can be alleviated through the use of interim experts.

“Interim managers are change experts and change evangelists. They are proven at driving business change through people,” explains Claire. **“The interim talent pool includes health and safety executives who became increasingly strategic, working to reshape behaviour cultures and inject functional expertise. The strategic supply chain is probably the most complex area to focus on; supply chain experts who now review sustainability credentials with new suppliers in the same way they review cost and risk. Harnessing executive interim talent to drive through new ways of working is often a rapid way to kick start change.”**

¹⁰ Strengthening the human-centric core of Industry 5.0: how can organisations thrive in a complex world of risk? www.boyden.com

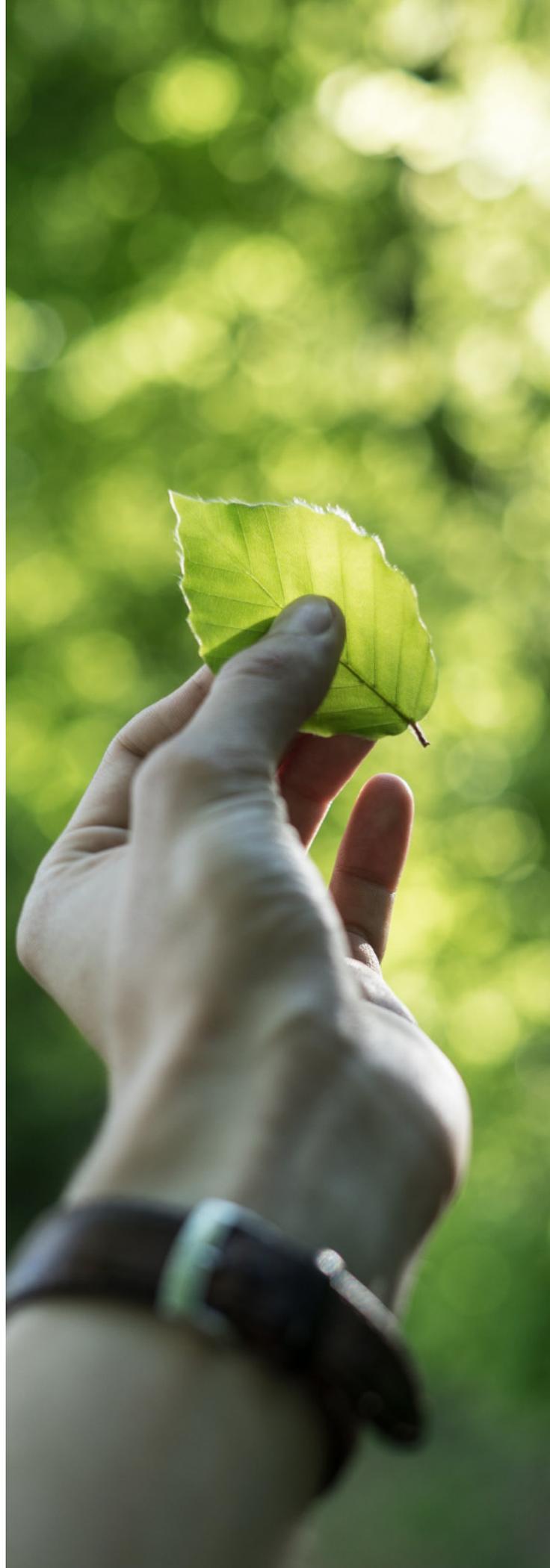
¹¹ An organisation that facilitates collaboration among businesses, governments, NGOs and the United Nations.

Boyden's work in securing high-flying sustainability experts for clients

Our work is aligned with the approach organisations are taking, to combine other areas together with sustainability, and to pursue organisation-appropriate job titles, rather than generic sustainability titles.

For Boyden the countries where our clients have the greatest demand for sustainability executives are in the Nordic countries and German-speaking Europe, with additional activity in Canada, Chile, France, India, the Netherlands, Spain and the Middle East. Here is a sample from our Global Industrial Practice.

- Head of Global HSEQ & Sustainability, Industrial Inorganic Chemicals
- Group Industrial Officer, Non-hazardous waste management & recycling
- Senior Vice President, Sustainability & Communications, Industrial Machinery
- Sustainability Manager, Paper Coated and Laminated Packaging Containers
- Head of Sustainability, Pipelines
- Interim Management: Project Consultant, Sustainability, Metal/Iron Sanitary Ware
- Sustainability Manager, Pharma, Packaging Machinery
- Compliance & Sustainability Supply Chain Manager, Sanitary Food Containers
- Sustainability Manager, Animal Aquaculture
- General Manager, Environmental Sustainability, Forestry Services
- Head, EHS & Sustainability, Fabricated Metal Products



Conclusion

Sustainability is a massive area for industry, and the way people think about it is different, involving organisation size, complex supply chains, capital-intensive businesses and strong associations with risk, health & safety.

It is very positive that sustainability is now firmly strategically-based, and much more than a tick box exercise, impacting the profile of executives and board leaders. It's also very good news for the planet; environmental disasters such as oil spills are hopefully less likely to happen today than they were say 20 years ago.

However, addressing sustainability in all its industrial complexity is still daunting for most organisations. Challenges in capital intensive businesses with physical product supply chains are more difficult to manage, record and solve from a sustainability perspective. And global frameworks and common data recording are not yet there.

It's about dialogue and organisations making an effort across the whole supply chain. This is a key driver, coupled with reviewing executive strategy, auditing existing talent, required talent and culture change. Consultants are a major part of this landscape, with strategy consulting a huge growth area. Talent consulting is key, and synchronising leadership consulting, interim management and executive search is a smart way to approach a complex problem.

As we look forward, we look back. After the industrial revolutions of the past, the planet will finally be the beneficiary of our collective discovery in how to live a better life and leave a better legacy.

Claire counsels:

“The key is to start somewhere, break it down into small steps and encourage the messaging around a dedicated discussion point in strategy, not hidden away in the communications team. There can be quick wins for businesses that are large and slow-moving. Managing supply chains is the biggest challenge; you can't always switch supplier easily; greenwashing is quite prevalent and assessing your suppliers is complex in itself”.



Contact us



Claire Lauder

Managing Partner, Boyden | United Kingdom
+44 7484 887010
Claire.lauder@boyden.com



Imogen Long

Principal, Boyden | United Kingdom
+44 20 3651 6993
Imogen.long@boyden.com



Kevin Keegan, Leadership Consulting

Partner, Boyden | Ireland
+353 87232 5422
Kevin.keegan@boyden.com



Phoebe Williams

Partner, Boyden United Kingdom
+44 7593 576911
Phoebe.williams@boyden.com

About Boyden

Boyden is a premier leadership and talent advisory firm with more than 75 offices in over 45 countries. Our global reach enables us to serve client needs anywhere they conduct business. We connect great companies with great leaders through executive search, interim management and leadership consulting solutions. For further information, visit www.boyden.com.

Further sustainability insight available on www.Boyden.com:

- Boyden Sustainability Series – CEO Roundtable Discussions
- People, Planet and Profit: The Evolving Sustainability Leader
- Fuelling Sustainability: An Executive View, Richard Lloyd is Edition 12
- Resilient Leadership: Sustainability – the New Defence Culture?
- Global Sustainability Snapshot: A LinkedIn poll of corporate priorities