

Unlocking the route to the Board table?

Investigating the impact of ESG on Corporate Affairs; reporting lines, trends and talent pools



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Introduction

The rapid ascent of Environmental, Social, and Governance (ESG) as a business priority is unprecedented.

'ESG' is among the most overused terms of 2021. It has proliferated as a 'catch all' phrase for how businesses address key themes across environment, social and governance. In this report, we are considering ESG in its broadest sense, as it appears in titles of roles in senior leadership positions.

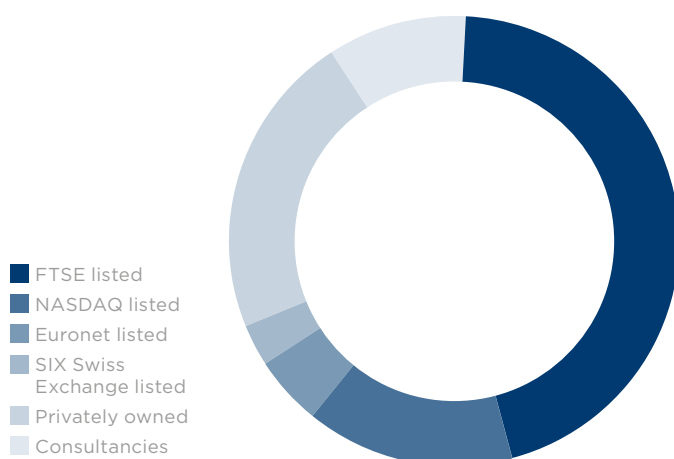
In 2017 Odgers Berndtson benchmarked where Corporate Social Responsibility (CSR) sat in FTSE 100 businesses. For many, CSR meant charity partnerships, with a strong link to internal communications and recruitment marketing exercises. At the time, only a small number of fast-moving consumer goods (FMCG) companies had Chief Sustainability

Officers. Now, 90% of the constituents of the FSTE 100 index have a Head of ESG or Sustainability.

In the last 12 months across all Practices in our global business we have seen a significant rise in the number of requests for support to appoint ESG positions. Job descriptions and the emphasis on the E, S or G, vary widely by geography, sector and business model. What is consistent is the desire to recruit, at speed, professionals who can help companies respond to increasing stakeholder and shareholder pressure.

In this paper, we explore the emergence of this business-critical function, consider the impact of the agenda on the Corporate Affairs function and arguments for/against a Corporate Affairs Director sponsor of ESG.

Respondent business categories



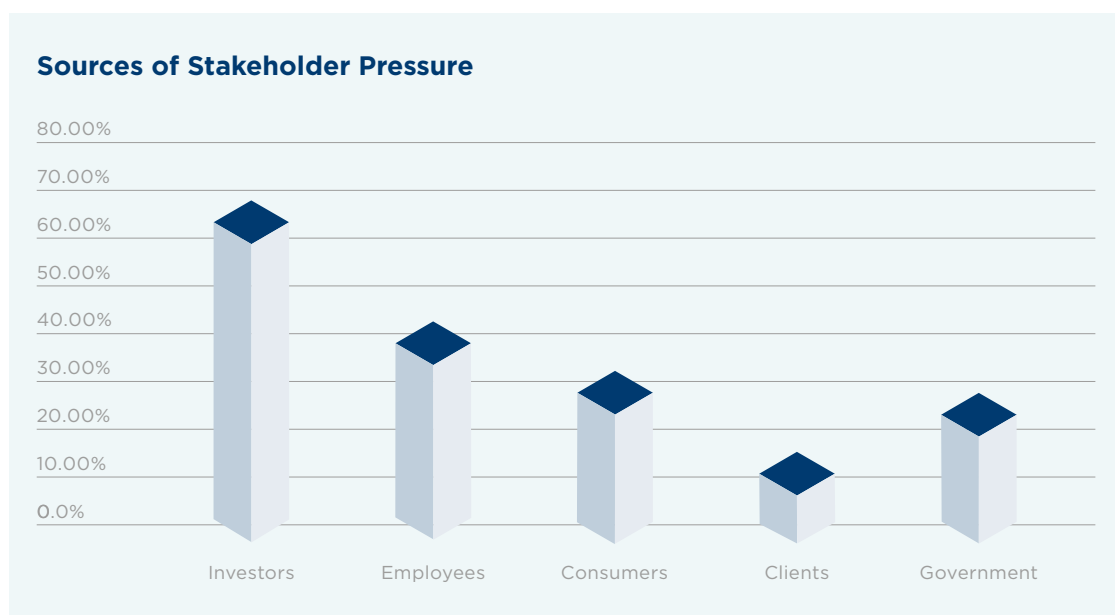
As part of our research, we interviewed 47 Corporate Affairs Directors and 5 Communication consultancy Chairs/CEOs.

These Directors work for businesses across all sectors, reflecting the makeup of the economy. The highest response came from those working in consumer businesses (19%) and financial services (15%) with a fair mix of other sectors including retail, utilities, engineering, manufacturing, defence, technology, pharmaceuticals and a number of others.



Stakeholder pressure

Stakeholder pressure is forcing the ESG agenda in various ways. Interestingly, government featured less than expected in this priority list, as can be seen in data from our interviews:



One Director commented that “Government are late to the party”. There was a shared view that Cop26 represents an opportunity for businesses to highlight their credentials around Environmental performance in particular.

Non-Governmental Organisations (NGOs) featured regularly in conversations concerning agitator stakeholders. Public/governmental trust in NGO brands and their sophisticated campaigning ability were both highlighted as reputational risks for business.



Linking remuneration to ESG performance

Among the organisations we spoke to, just 35% said their CEO's pay is currently linked to ESG performance. In those businesses where CEO remuneration is not linked, c70% said this was either under review, or in the process of being changed.

Reporting lines

Interviewees highlighted a variety of structures of executive resourcing to ESG:

Executive Committee Lead for ESG



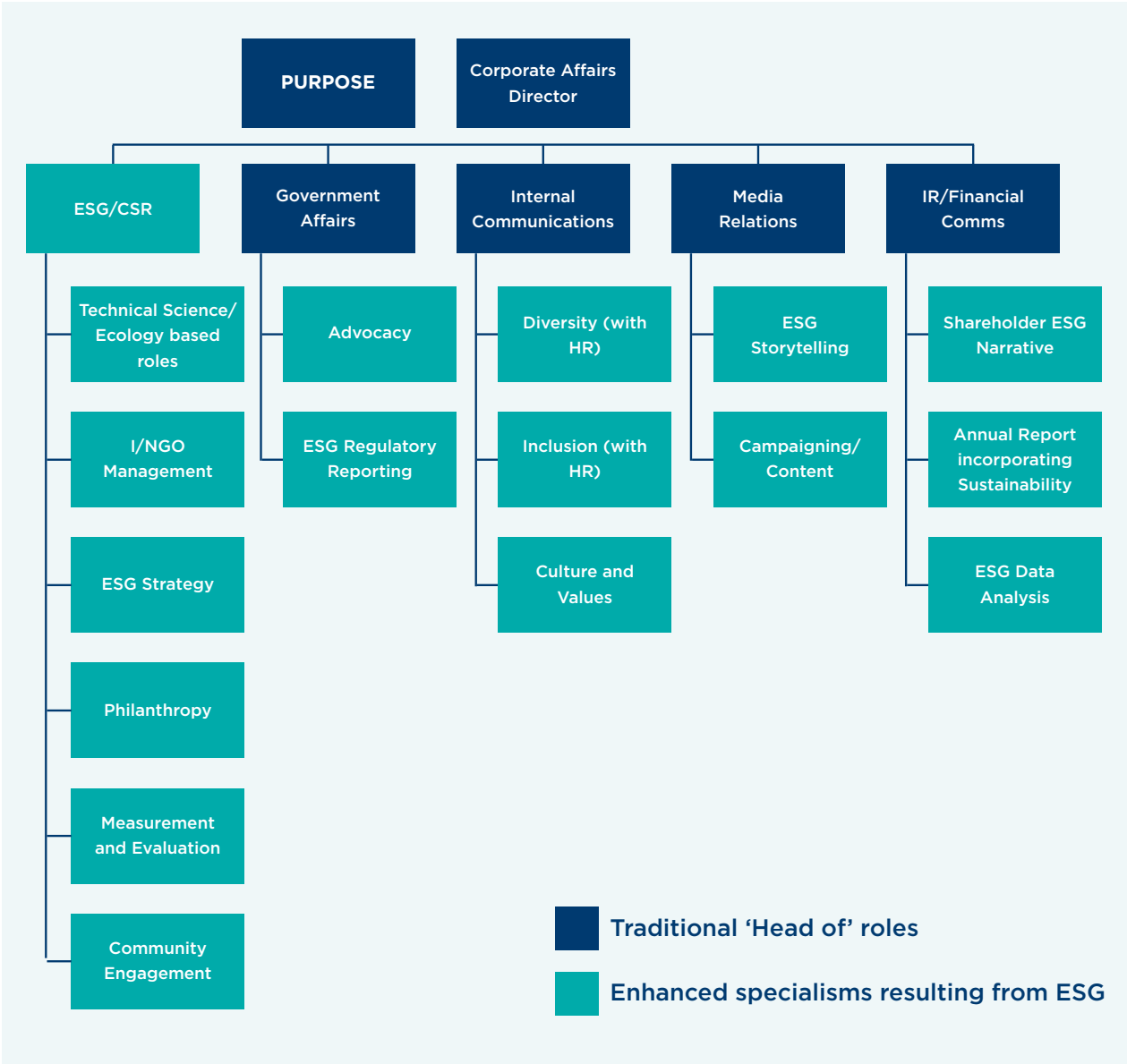
■ Corporate Affairs Director
■ Chief Sustainability Officer
■ Strategy
■ Executive Committee Split

- Leadership of the ESG agenda by the Corporate Affairs Director, who works with stakeholders across the Executive Committee.
- Leadership of the technical and operational agenda by a Chief Sustainability Officer who has a seat on the Executive Committee.
- Responsibility within the Strategy function which may run innovation incubators. This is typical when there is a clear threat to the existing business model.
- Responsibility split across members of the Executive Committee, with joint Board reporting.



Corporate Affairs ESG lead

In those businesses where Corporate Affairs Directors lead the ESG agenda, teams have evolved significantly to include technical sustainability experts (science, engineering, nutrition, academics). In this instance, Corporate Affairs Directors have sometimes been supported to lead ESG strategy by management consultancies (50%). Strategy professionals have also been moved from other functions of the business into the Corporate Affairs Directorate (30%)

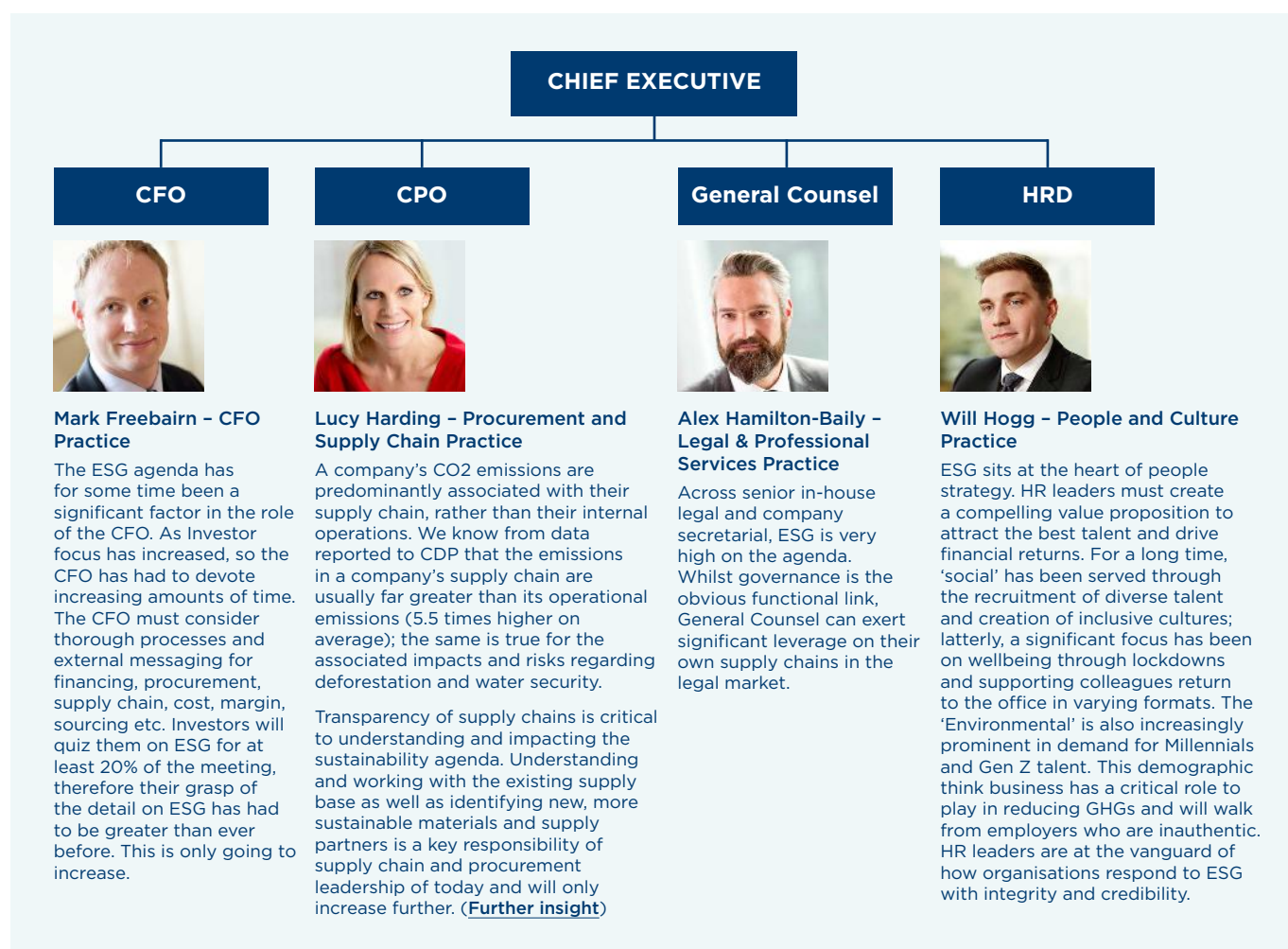


Other functional trends

Chief Sustainability Officers most often exist in businesses which have significant carbon in their supply chain: Manufacturing, FMCG, Technology and consumer durables. These roles focus on the 'E' of ESG, i.e. striving to reduce scope 1, 2 and 3 carbon emissions. Career routes of Directors are split across science, consultancy, procurement and operational leadership. Those operating at Board level are able to demonstrate both technical expertise and commercial leadership.

In these organisations, the Corporate Affairs Director supports the ESG agenda in a more traditional manner – leading CSR/community engagement, managing stakeholder relationships and communicating forward thinking initiatives.

In organisations which **split executive accountability for ESG**, specialist technical roles are managed under existing Executive Committee members. In these organisations 100% of interviewees said they had a version of an 'ESG committee' which pulled executives from across the organisation to discuss and operationalise key strategic initiatives. This was attended by, but not always led by the Corporate Affairs Director. Integrated leadership of ESG was most often found in financial services companies, where ESG is so closely related to core products, services and operational delivery that it is led by CEOs of business units.



The best placed executive?

Over 51% of the Corporate Affairs Directors we interviewed had responsibility for ESG. Opinions for and against varied:

For

- “This falls into Corporate Affairs as it tends to be where the challenging questions no one knows what to do with sit!”
- “Concern is largely around reputation management, and license to operate, therefore this sits in Corporate Affairs.”
- “We have had individual functions emerging across all parts of the business, these forces need to be joined up and become a strategic force in their own right – Corporate Affairs as stakeholder lead, at the heart of the business, is the best placed Director to do this.”
- “The demand and expectation for sustainability reporting has helped to drive conversations internally around metrics, therefore associated business change. Handling these tricky conversations has been very much my responsibility as Corporate Affairs Director.”
- “We need ESG experts to work closely with great campaigners – the most obvious place for them to do this is within a Corporate Affairs Department.”
- “ESG increasingly goes to the heart of the character of a company and is how stakeholders appraise a business. Core to the success is an honest appraisal of purpose, storytelling and multi-stakeholder engagement. These are critical elements of a Corporate Affairs Directors role.”

Against

- “Splitting responsibility across the Executive Committee is very helpful, allowing for conversations and alliances between the functional specialisms.”
- “This is a function connected heavily with business performance and outcomes. Corporate Affairs Directors are not highly commercial. They are not used to putting business cases together.”
- “If ESG sits in a function responsible for reputation it says all the wrong things about a business’ intention.”
- “ESG needs to drive conversations around a broad range of business and financial issues. This is a challenge that needs a strong strategy skill set, not corporate affairs.”
- “Corporate Affairs Directors are the oil in the engine of business. They support other executive roles, operations and supply chain, create eco-systems and are the greatest ally to the CEO. They should be supporting rather than leading this agenda.”
- “The role of Corporate Affairs is that of ringmaster, convener and advisor. Technical management should sit with strategy, or in operational roles.”

A third opinion gave the case for ‘short-term’ leadership of the agenda by Corporate Affairs Directors. This was in reaction to a disparate response to ESG, where there was a need for ownership:

“Many of the themes of work are project led and need coordination and momentum. Therefore, if the ‘ESG’ role is one of galvanising across the executive committee, it is best placed with the Corporate Affairs Director who can help to integrate the various agendas”.



View from the top

“Purpose and ESG often get wrongly conflated. Purpose defines why an organisation exists, whereas ESG commitments are the means through which purpose is enacted in practice. Boards are increasingly finding that time spent on clarifying and articulating purpose leads to more coherent and defensible ESG activities. Corporate Affairs Directors play a leading role in this regard. They are able to accurately and swiftly ‘decode’ external pressures and trends, developing communications and engagement strategies to match.”

Rupert Younger, Director, Oxford University Centre for Corporate Reputation

“Corporate Affairs Directors provide the bookends around strategy. The role of a Corporate Affairs Director is to hold up a mirror to business and challenge critical decisions. With the rise of ESG, these have increasingly become issues of morality. ESG presents a huge opportunity for Corporate Affairs Directors to raise the profile and reputation of a profession which has too long been tainted by unhelpful ‘spin’ language and bad corporate behaviour. It is impossible to find someone who has all the answers. Recruitment to this space is about emergent thinking – recruiting experts who can own a solution.”

Jenny Scott, Founding Partner, Appella Advisors

“ESG is an issue in itself and a common denominator in every issue. This requires sophisticated multiple stakeholder management – which Corporate Affairs experts are best at dealing with. Professionals need to go toe to toe with the CEO to drive consensus across the company and drive an agenda which is not just looking at short term profit.”

Chair, leading financial communications consultancy

Further insight

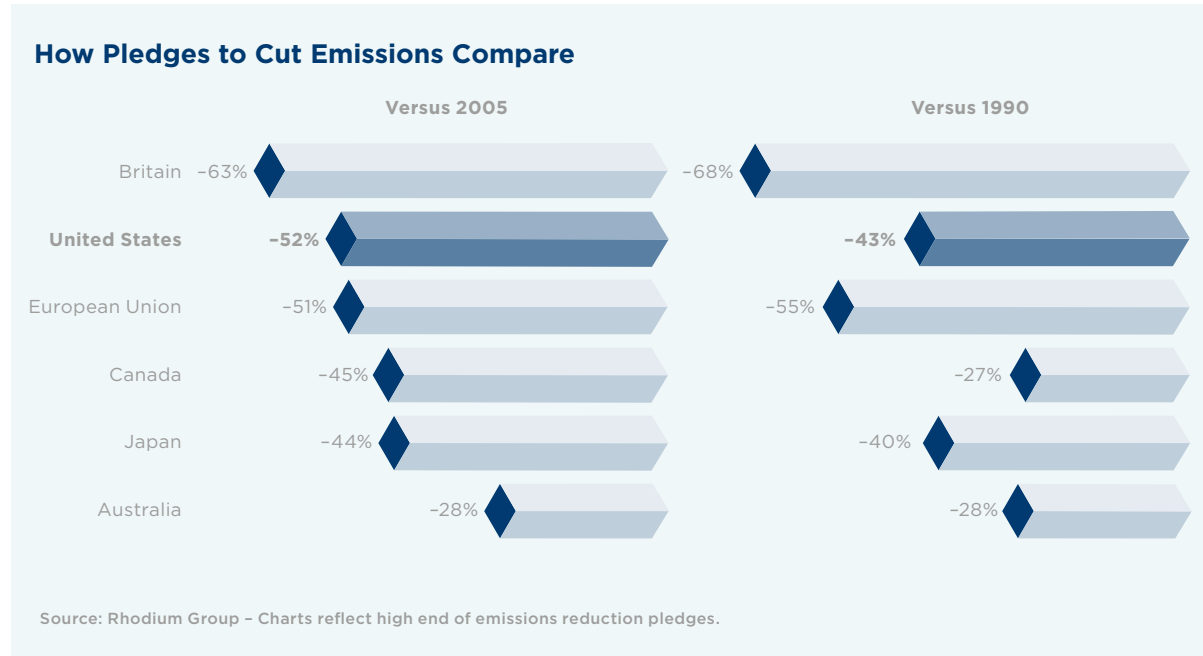
[The ESG agenda podcast, Brunswick](#)

[Why purpose and profit go hand in hand, Appella Advisors](#)

[ESG Performance Tops List of Corporate Affairs Risk Priorities Globally for Organisations, Oxford Said Business School, Corporate Affairs Academy](#)

A global perspective

E, S or G? Priorities for business



UK & Europe

Given the UK's commitment to net zero by 2050, it is unsurprising that most Directors working for European or FTSE listed business said that 'E' (Environment) was the highest priority for their Board.

David Webber, Partner and Head of Corporate Affairs in Brussels commented that "increasingly the focus will be on the 'G' – especially when it comes to disclosure and certification – increasingly legislation (such as non-financial reporting rules) will drive this – corporate leaders will want to be ahead of the curve".

United States

President Biden recently announced a US ambition to further cut greenhouse gas emissions. However the E is surpassed by a laser focus on the 'S' across America. Treatment of workers is of particular priority: wages, pathways, skills, personal safety. Chief Diversity Officer roles have become commonplace, recruiting from HR or external relations. Diversity policies are designed by HR, reporting into a Chief Diversity Officer in the elevated position of a CEO direct-report. Sustainability and ESG is more frequently found as part of a Corporate Affairs Directorate, with trends dependant on the sector that business operates in.

"ESG has been a critical vertical for Corporate Boards, CEOs, and Global Heads of Corporate Affairs in the U.S. Alignment on environmental, purpose, social impact, and diversity, equity and inclusion have been a central part of the function, in effectively advising CEOs on the rapidly changing external environment." – Conrad Woody, Partner & Head of the U.S. Association & Corporate Affairs Practice Washington

“Corporate Affairs Directors working to CEO’s with diverse social backgrounds reported a greater focus on social mobility, with challenge and impetus driven from the top of the organisation.”



Australia

Tom Mutch, Partner in Melbourne stated that “across Australia, the E (particularly managing climate risk and opportunities) is getting the bulk of the airtime at the ExCo (and Board) level. The recent IPCC report has boosted this significantly.” Tom’s recent article [Climate risk in the boardroom](#) touches on the need to “make the (climate risk) conversation mainstream rather than just appointing an Environment and Sustainability Officer (ESO). The risk is that everyone else considers climate to be the ESO’s problem to solve for the business, and not necessarily theirs too.”

Asia

Asia is a patchwork of countries at different stages of development and the ESG life-cycle. Unlike Europe and the US with long established and powerful systems of regulation Asia’s regulatory landscape varies from country to country, not just in terms of standards but also in the level of application of the rules.

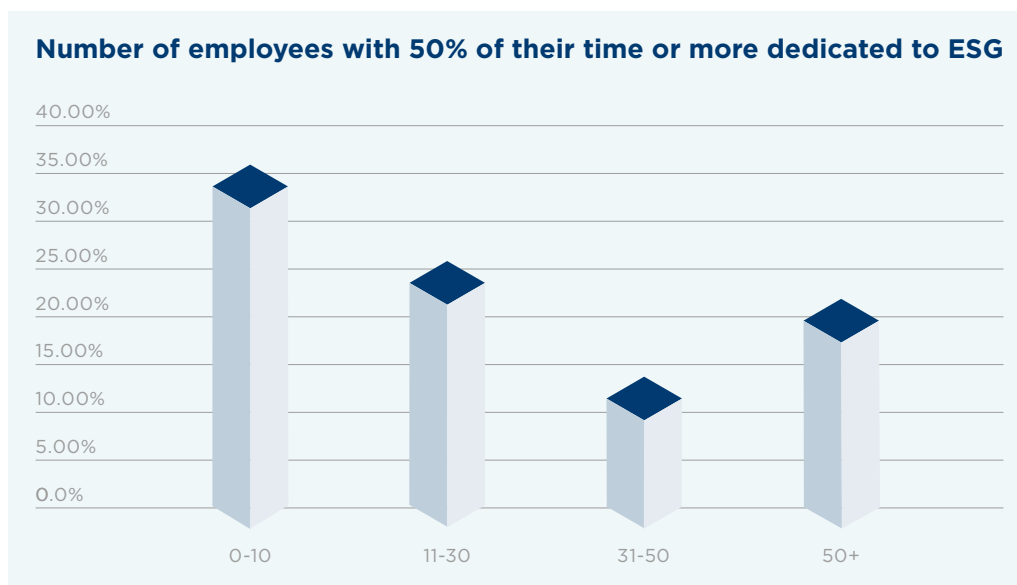
While the focus on ESG in Asia has lagged behind Europe and the US, 2021 appears to have been an inflection point for change. Alasdair Spink, Partner, South East Asia commented: “Given Asia’s potential to increase its dominance on the global economy, the opportunity to prioritise and adopt ESG standards and become the leader in sustainability is very possible. We are already starting to see Asian native businesses leading from the front and seizing this opportunity with Chief Sustainability Officers appointed in Singapore for global enterprises Mediacorp, ComfortDelGro and UOB”.

Future proofing

Our interviews revealed a plethora of roles sitting in the Corporate Affairs Function with accountability for an aspect of 'ESG'. This included technical, science-based roles which, just five years ago, would have been highly unusual to find in the makeup of a Corporate Affairs department. Areas of specialism included:

Hydrogen/carbon specialists biodiversity nutritionists
land management social impact biodiversity diversity and
inclusion social dynamics workforce inequality philanthropy
international non-governmental agency management
health and wellbeing circular economy online ethics
investor storytelling ESG metric management

The number of staff spending 50% or more of their time looking at ESG metrics varied hugely across businesses:



“100% of Corporate Affairs Directors we interviewed anticipated recruiting to bolster expertise in ESG in the next 6-12 months.”

Skills gaps and talent pools

Several specialist talent pools were consistently identified as high demand:

CSR/Community engagement

- **CSR has become strategic.** Less focus on donating money, more on opportunity for 'gifts in kind' i.e. Coca Cola's Project Last Mile building public health systems' capacity in the supply chain; HSBC's bank account for the homeless.
- Focus on the 'social' element of ESG has led to a **sophisticated approach towards community engagement and measuring social impact**. "We have seen a shift from a volunteer army to a more structured approach to community engagement" - Director of Corporate Affairs, NASDAQ technology business.
- **Agitating NGOs/campaign groups provide a reputational risk.** A number of Directors discussed enhanced efforts to work in partnership with those who criticize to find mutual ground and a positive way forward.

This agenda requires strategic thinkers who have broad stakeholder management experience across private and public sectors. Those with a broad range of public/charitable sector NED roles can provide particular perspective.



Data analysis/annual & sustainability reporting

- **G7 finance ministers have decided to make it mandatory for corporates to report climate impacts and investment decisions.** This is an area of growth. New roles are emerging for professionals who bring a mixture of data, analytics and policy experience to track regulation, monitor future legislation, manage third party relationships and report meaningful data.

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Investor relations with a wider scope

- **C-suite fluency around ESG is essential for effective direct communication with investors.** Board Members, Senior Management and Directors will not always be aware of minor technicalities, but they must have a comprehensive understanding of the most material ESG factors, including the metrics, targets, implementation milestones and their influence on overall company strategy.

Responsibility for this detail can sit in the hands of Investor Relations professionals, Chief of Staff or a hybrid 'Strategic financial communications' role blending strategy, IR and communications.

Head of ESG (Science + commercial)

- **ESG needs to be integrated with commercial strategy.** "If individuals are too purist (academic) they don't understand the commercial business needs or stakeholder landscape. They become frustrated at the pace of change when they can see a scientific solution". (FTSE 50 Corporate Affairs Director)

There is demand for candidates with hybrid CVs evidencing science/academic experience coupled with time spent in management consultancy. This is a shallow pool.

Communication campaigning

- **Should corporates be activists?** Several business' we spoke to are pivoting towards this approach, with Directors creating teams of generalists who can develop thoughtful, provocative, multi-channel content and run integrated campaigns for internal and external audiences. For Corporate Affairs Directors this provides further opportunity for advisory, with challenging geopolitical, societal, and ethical questions up for debate.

With the continued focus on video and film as a communication channel, we are seeing more demand for professionals 'behind the camera' to move into Corporate Affairs Departments. There is also requirement for a more sophisticated campaigning skill set, found in the NGO, public sector, or in marketing, communication, advertising agencies.



Cross pollination of candidates – public to private

Government has long existed as a fertile recruitment ground for businesses looking to increase their influence on policy. There has been less appetite for recruitment from the NGO sector, but with an increasing need to plug technical skills gaps, and shift towards socially motivated outcomes this is fast becoming a talent pool of interest.

Odgers Berndtson has a world leading Not-for-Profit/International non-governmental organization (INGO) Practice with networks spanning twenty years. Advantages to considering candidates with experience and networks in this sector include:

- The public and charitable sectors are significantly advanced in campaigning, often existing to mobilise the public and influence public opinion;
- Many leading technical experts across engineering, science and R&D work in charities or the public sector. Professionals often choose this career due to the intellectual challenge and breadth of work they deal with. (For example, Odgers Berndtson's appointment of Chief Scientific Advisor Sir Patrick Vallance from GSK to the Department of Health)
- Appointing individuals from organisations which may be agitators can help a business gain perspective – a key positive outcome of diverse recruitment.

Of course, there are risks involved in 'gamekeeper to poacher' moves. In particular, ensuring that values are aligned. If roles are designed to empower not 'greenwash' there is much opportunity for positive outcomes.





Conclusion

Resourcing effectively to ESG will only become more important for global business. There are significant talent shortages which are being addressed at a grass roots level, but to who do Boards look around the table for leadership of this currently disparate agenda? Corporate Affairs Directors are challenged as to their ability to contribute to commercial conversations, critical for securing an Executive Committee seat. ESG offers opportunity for Directors to highlight their innate inabilities – influencing, stakeholder management, relationships building, strategic thinking, horizon scanning etc. – whilst building on their financial literacy and wider understanding of business operations. 100% of all our interviewees said that ESG presents an opportunity for Corporate Affairs Director to increase visibility and value at Board level. For those Directors keen to take ownership of this significant opportunity, a business case for support might be the best place to start.

About the Author



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Hannah is Head of the Corporate Affairs Practice, London. Hannah has worked at Odgers Berndtson for ten years, initially in the Not-For-Profit Practice, appointing Chief Executives and Non-Executive Directors to charities and INGO's across the globe. Hannah has led the Corporate Affairs Practice for 7 years. She has extensive networks and brings fresh thinking and dynamism to searches. Hannah appoints Corporate Affairs Directors and specialist

'number two' roles in the larger teams. The Practice works with clients in listed and private business as well as high-profile public-sector organisations. More recently, Hannah and the team have led a variety of searches to identify talent to support the ESG agenda. This includes specialists with skill sets across investor relations, communication campaigning, ESG strategy, and Foundation leadership.

Hannah Chair's Odgers Berndtson's Religion, Faith and Spirituality Allies group. She is a member of the Women's Institute. .



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Special thanks

Our thanks to all those who contributed to this report:

Apella Advisors

Aviva

Associated British Foods plc

AstraZeneca Plc

Aviva plc

Blackstone Group (The)

BP plc

British Gas

Brunswick Group Ltd

BT Group plc

Bupa

Capita

CNBC

Compass Group plc

Deloitte LLP

Diageo plc

Drax Group plc

DS Smith

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