



United Nations
Global Compact | 20 years
Uniting business for a better world

LEADERSHIP FOR THE DECADE OF ACTION

A United Nations Global Compact-Russell Reynolds Associates
study on the characteristics of sustainable business leaders



FOREWORD

As we began the UN Decade of Action and approached the 20th anniversary of the UN Global Compact, it was with an acute awareness that we were not on track to meet the 2030 deadline to transform our world. Then came the COVID-19 pandemic, further exposing fundamental weaknesses in our global system and the fragile nature of our progress to date. With less than 4,000 days remaining until the 2030 marker, we need to turn commitment into action. As we set out to recover from the COVID-19 pandemic, now is the time for all companies to raise their ambition for people, planet and prosperity.

For transformation at the level and scale needed, organizations need to focus on making sustainability sustainable. This is more than a matter of strategy, policy and process — it is fundamentally about leadership and people. Leaders on boards and in the C-suite have a huge opportunity to make sustainability central to their organization's culture and leadership, yet only in 4 per cent of non-executive and senior executive appointments is sustainability experience or mindset a requirement.

For this reason, the United Nations Global Compact and Russell Reynolds Associates set out on a collaboration to answer an important question: how can organizations make sustainability core to the DNA of their leadership teams?

To answer this, we conducted in-depth interviews and did background analysis on a group of 55 sustainability pioneers — Chief Executive Officers (CEO) and board members from across continents and industries with a notable track record of focusing on and making progress towards sustainability goals in tandem with commercial results.

**Sustainability
is a leadership
imperative.
The time to
act is now.**

These leaders are interesting because they have made progress where others have not. They are pioneering the business transformation that is so critical to help achieve the Sustainable Development Goals (SDGs). The analysis of them provides unique insight into the characteristics and actions needed to be a sustainable leader and how that can help us identify, enable and develop the sustainable leaders of tomorrow.

Sustainability is a leadership imperative. The time to act is now.



Lise Kingo
CEO & Executive Director,
United Nations Global Compact



Clarke Murphy
CEO,
Russell Reynolds Associates

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universal principles in the areas of human rights, labour, environment and anti-corruption. Launched in 2000, the mandate of the UN Global Compact is to guide and support the global business community in advancing UN goals and values through responsible corporate practices. With more than 10,000 companies and 3,000 non-business signatories based in over 160 countries, and more than 60 Local Networks, it is the largest corporate sustainability initiative in the world.

For more information, follow **@globalcompact** on social media and visit our website at unglobalcompact.org.

ABOUT RUSSELL REYNOLDS ASSOCIATES

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

www.russellreynolds.com

The inclusion of company names and/or examples is intended strictly for learning purposes and does not constitute an endorsement of the individual companies by the UN Global Compact.

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A NEW LEVEL OF AMBITION IS NEEDED

The legitimacy of major commercial organizations and the people that lead them — be they on the board, or in the C-suite — is being questioned in new and fundamental ways.

A broad set of stakeholders — including customers, employees, investors and suppliers — are challenging companies to respond to changing societal values, concerns about climate change and finite natural resources and economic and political instability. As a result, the criteria and economic models that ensure commercial success are shifting. Successful businesses will be those that meet the needs of as many people as possible, utilize as few resources as possible and engage with and are responsive to as many of their stakeholders as possible.

While analysis conducted by the United Nations Global Compact in 2019 showed that more than three quarters (76 per cent) of CEOs believe sustainability and trust will be critical to competitiveness in their industry in the next five years,¹ the COVID-19 pandemic has further exposed fundamental weaknesses in our global system and the need for a new type of business leadership.

The 2020 Edelman Trust Barometer results make for sober reading. They point to a growing sense of inequity — more than half of respondents globally reported that capitalism in its current form is doing more harm than good.² The pandemic has only served to further highlight societal inequities: 67 per cent of those sampled agree that those with less education, less money and fewer resources are being unfairly

burdened with most of the suffering, risk of illness and need to sacrifice due to the pandemic. Fewer than one in three believed CEOs did a good job in responding to the demands placed on them by the pandemic.³ Business cannot thrive in a world of poverty, inequality, unrest and environmental stress and as such, has a vital interest in ensuring the 2030 Agenda is delivered.

The Sustainable Development Goals (SDGs) provide a robust framework for addressing many of these inequities, but the evidence is clear that we are not on track to meet them. While there have been bright spots of progress in a number of areas, advancement towards the SDGs has been slow or even reversed. Climate change, loss of biodiversity, extreme poverty and widening social and health inequalities continue to present existential threats to our future. Successful delivery of the 2030 Agenda requires engagement from all businesses. Now, more than ever, business leaders face both an opportunity and an obligation to play their part in this effort.

UNDERSTANDING THE SCOPE OF SUSTAINABILITY

Throughout the report we use the term “sustainability” to encompass environmental, social and governance issues as covered by the Ten Principles of the United Nations Global Compact and the UN Sustainable Development Goals.

1. The Decade to Deliver: A Call to Business Action, The United Nations Global Compact-Accenture Strategy CEO Study on Sustainability, 2019

2. Edelman Trust Barometer 2020 (Global Report), January 2020

3. Spring Update, Trust and the Covid-19 Pandemic; Edelman Trust Barometer 2020

FIGURE 1: LACK OF PROGRESS TOWARDS THE SDGs



700
million people in
extreme poverty

World Bank (2018), Poverty and
Shared Prosperity – 2015
Forecasts.



257
more years to close
the economic gender
gap at the current
pace

WEF (2020), The Global Gender
Gap Report 2020.



On track for
3.5°C
temperature rises
this century per
current commitments

UNEP (2019), Emissions Gap
Report 2019.



8
million metric tons of
plastics enter our
oceans every year

Science (2015), Plastic Waste
Inputs From Land Into The Ocean.

The good news is that it is still possible to shift the world onto a 1.5°C trajectory, reduce global inequalities and achieve the SDGs by 2030. The Global Goals will help us build a better future, however, this will require bold leadership and business transformation. The UN Global Compact is calling on companies around the world to raise their level of ambition to meet the needs of society and planet by fully integrating sustainability into their strategy and operations, anchored in company purpose and governance.⁴ This is a question of legitimacy and license to operate for businesses and those that lead them.

“We have a rare and short window of opportunity to rebuild our world for the better and therefore we need to focus more than ever to ensure that our post-COVID strategies, goals and plans fully integrate the SDGs to create a strong and more resilient world.”

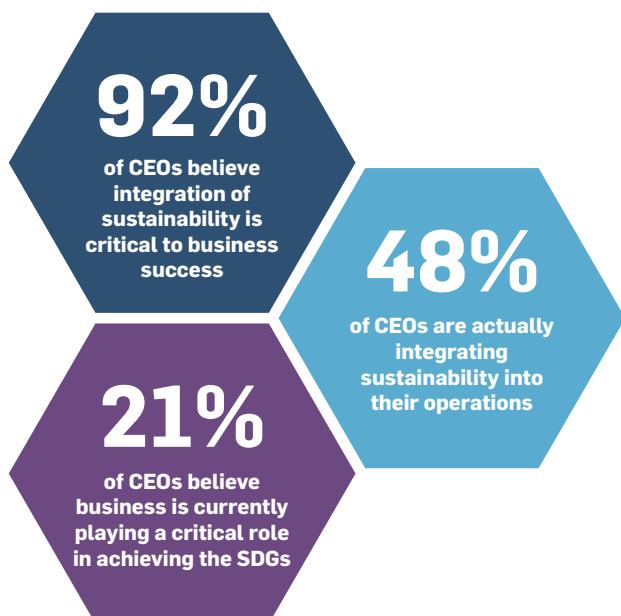
António Guterres
United Nations
Secretary-General

4. SDG Ambition, Scaling Business Impact for the Decade of Action; United Nations Global Compact, Accenture, SAP; 2020

THE RHETORIC- REALITY GAP

Commitment to sustainability is at an all-time high. Ninety-two per cent of CEOs believe integration of sustainability will be important to the future success of their business.

However, there is a gap between rhetoric and reality. Only 48 per cent of CEOs say they are implementing sustainability in their operations, and only 21 per cent of CEOs actually feel that business is currently playing a critical role in achieving the SDGs.⁵



5. The Decade to Deliver: A Call to Business Action, The United Nations Global Compact — Accenture Strategy CEO Study on Sustainability, 2019

“At the beginning of the journey, if the CEO is not the engine of this, it cannot work. The CEO must be the ultimate force behind this. But then as time goes on and the topic is established, the group that is involved and supporting it is just as important as the CEO.”

Francesco Starace
CEO and General Manager, Enel

“If sustainability is a key part of your purpose and strategy, you don’t have time for leaders who won’t embrace it. I gave all my leaders a chance to step up and participate. Although I gave them all a chance, if they didn’t get it or support it, they didn’t belong at the company. Leaders need to walk their talk.”

Denise Morrison
Independent Director, Visa;
Former CEO, Campbell’s Soup Company

“There has to be commitment and passion from top management, and specifically the board. If you have people raising their eyebrows and saying they don’t believe in it, then it isn’t going to work. Everyone has to link arms and agree they are going to do this together.”

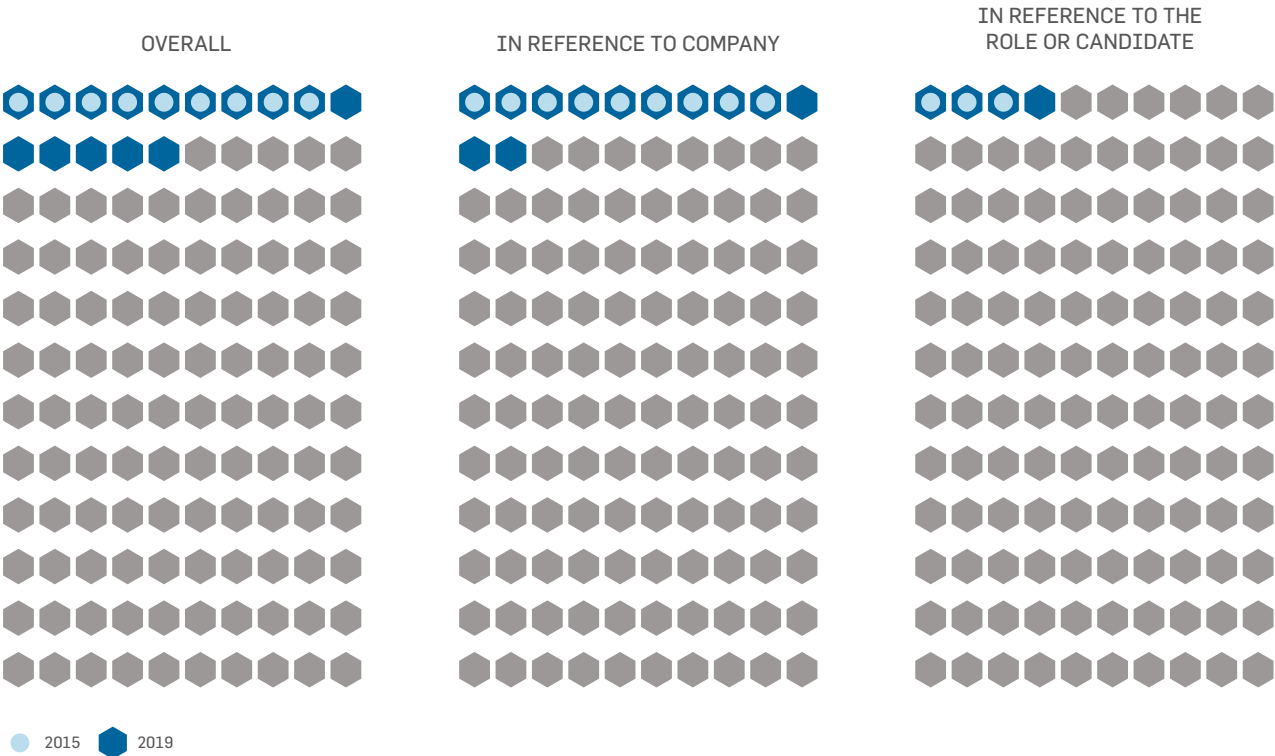
Douglas Peterson
CEO, S&P Global/SPGI

The most senior leaders of the organization — the CEO, their executive team and the board — are ultimately responsible for the success or failure of the organization. They alone are uniquely positioned to drive the transformation needed by integrating sustainability into business strategy and operations in a manner that supports the long-term viability of the business. This requires full ownership by the top leadership team.

What organizations value or require when they select new leaders (be they internal or external) has big consequences for organizational strategy and culture. Despite changing stakeholder expectations of businesses and leaders, as of yet sustainability is not widely embedded in leadership expectations or culture — what companies look for when they hire leaders is a good measure of this.

Russell Reynolds Associates looked at how frequently sustainability was a factor in senior executive hiring and board appointments. Analyzing close to 4,000 role specifications across industries and the globe, we found that in 2019 while 15 per cent of executive and non-executive role specifications made reference to sustainability (up from 9 per cent in 2015) in only 4 per cent of executive and non-executive role specifications was sustainability experience or mindset an actual requirement. To put that another way, businesses are doing a great job embedding talk of sustainability into descriptions about their company, but are falling short in driving decisions about which leaders to hire based on it (see figure 2).⁶

FIGURE 2: PER CENT OF POSITION SPECIFICATIONS REFERENCING SUSTAINABILITY.



Source: RRA analysis. N=3,751 role specifications

6. Methodology: Russell Reynolds Associates pulled English language role specifications for senior executive and board appointments that contained one or more reference to a list of 24 terms related to sustainability. References were categorized by the section of the role specification they were contained in (company description, role responsibilities and candidate requirements). Researchers at Russell Reynolds then reviewed each of these specifications manually to remove false positives (e.g. where the terms were being used in a context not relevant to the analysis). Specifications for non-profit organizations and for Chief Sustainability Officer roles were excluded.

A NEW MODEL FOR LEADERSHIP

In order to help companies effectively select, promote and develop their own leaders, we studied a group of 55 CEOs and board directors with a track record of driving change by integrating sustainability into business strategy. Our analysis was designed to identify the differentiating characteristics — motivations, competencies and actions — of these sustainability pioneers.

METHODOLOGY

We studied 55 CEOs and board members with a demonstrated track record of driving change by integrating sustainability into business strategy.

HOW WE IDENTIFIED THE LEADERS:

- We began by looking at companies actively engaged in the UN Global Compact and/or performing highly across a range of sustainability rankings; we then reviewed whether the CEO or board members of those companies were well associated with that positive track record.

WHAT WE ANALYZED:

- We conducted interviews with these leaders to probe their motivations, experience, capabilities and the actions they have taken to embed sustainability into their leadership talent frameworks.
- This was supplemented with an analysis of each leader's background and career history (using publicly available information).
- Their backgrounds and career histories were then compared to a control group of 50 CEOs from global Fortune 500 organizations with poor sustainability rankings.
- We gathered additional input and tested our early findings with a group of subject matter experts.

These leaders are interesting because they have made progress where others have not. They are pioneering the business transformation that is so critical to the Decade of Action. Our analysis of them provides unique insight into the characteristics and actions needed to be a sustainable leader.

The 55 leaders we studied are a global group and have experience across a range of industries. Fifty-four per cent of the sample are based in EMEA, 28 per cent in North America, 15 per cent in Asia-Pacific and the remaining 3 per cent in Latin America. Thirty-four per cent of the participants were female. For full demographic information please refer to the appendix.

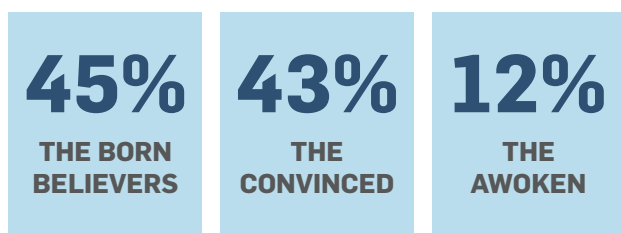
FOR MANY IT IS A JOURNEY

We wanted to understand how it was that these pioneering CEOs and board members came to devote themselves to driving improved sustainability at the businesses they have led and worked in. These individuals can be categorized into three groups based on their motivations and journeys:

- **The Born Believers** – those that described a passion for the environment or social issues having been fostered from an early age, often since childhood.
- **The Convinced** – those that described an increased understanding of the strategic importance of sustainability as they grew in their careers and saw the interconnectivity between corporate decision making and externalities such as the environment and social issues.
- **The Awoken** – those that described a pivotal moment of realization, prompted by some major event or experience, that there was more to business than profit and that they personally had to do more.

It would be easy to assume that most sustainable leaders are Born Believers. While many of them are, a slightly larger number are not. About 45 per cent of the sustainable leaders we studied fell into the Born Believers grouping. Just as many can be described as The Convinced, while The Awoken make up the remainder (see figure 3).

FIGURE 3: MOTIVATION AND JOURNEY (% OF LEADERS)



When we look at the career experiences of these pioneering leaders that are sitting CEOs and compare them to a control group of CEOs from Global Fortune 500 companies that perform poorly on sustainability metrics, we find that they have more international and cross-functional experience.

The sustainability pioneers were 3 times more likely than the control group to have worked on two or more continents (45 per cent vs 16 per cent), and importantly, for those not based in the Global South, 1 in 3 had worked there compared to only 1 in 10 of the control group.

“I have been at L’Oréal for 40+ years now and have had the opportunity to work for L’Oréal in many countries around the world. This has allowed me to see many different situations and how important the environment and sustainability is all over the globe. I saw this in Europe, Asia and in the United States. It became obvious to me that this was the number one critical issue of the twenty-first century.”

Jean-Paul Agon
CEO, L’Oréal

While it is hard to infer causality, it would be reasonable to assume that leaders with a track record of integrating sustainability into the business have benefited from their exposure to multiple cultures and a more well-rounded understanding of how business works. Indeed, many of the leaders we spoke to made precisely this point as they discussed their own experiences.

They were also more than twice as likely to have had significant career experience in two or more functions (64 per cent vs 30 per cent). Like with international experience, the leaders we interviewed reported that this has furnished them with a broader perspective on their business and industry as well as helped them hone their leadership skills.

“I like walking through plants and talking to engineers in the frontline. When you are standing in a line and seeing the amount of waste coming up — you almost get a heart attack. We understand that there is industrial waste, but our job is to minimize it. We can all read the scorecard; we understand the KPIs. But when you see incorrect usage — the KPI number becomes much clearer.”

Paula Santilli
CEO Latin America, PepsiCo

Interestingly as it pertains to specific functions, the sustainable leaders we spoke with were notably more likely to have had experience in operations and supply chain (55 per cent vs 32 per cent). While this last finding is most relevant to organizations in certain sectors, notably consumer, industrial and healthcare, it is interesting insofar as it suggests that a deep understanding of business networks and corporate partnerships is helpful.*

The varied motivations of the pioneering sustainable leaders and their career experiences have two critical implications for business leaders today:

1. The pool of available leadership talent today that could be engaged to drive forward the transformation we need is likely larger than it might first seem. While Born Believers will be clearly visible there are likely just as many of The Convinced out there.
2. Sustainable leadership can be fostered and developed — you have the opportunity to begin to shape and influence the career journeys of your leaders to help them grow an understanding of the strategic importance of sustainability.

* It should be noted here that the interview group studied and the control group were balanced in terms of the proportion that are currently in roles in industries that produce products (and therefore have substantive supply chains) — consumer, industrial and healthcare — versus those that do not, or where it is less prominent (e.g. technology, professional services and financial services).

SUSTAINABLE LEADERSHIP: CRITICAL DIFFERENTIATORS

Regardless of their journey towards sustainability, the sustainability pioneers we studied have a strong personal motivation and purpose. They combine a **sustainable mindset** with a differentiated set of capabilities that have enabled them to drive transformation within and beyond their own four walls.

Their **sustainable mindset** is the purpose driven belief that business is not a commercial activity divorced from the wider societal and environmental context in which it operates, and that to be successful in the long term, leaders must innovate and manage across commercial, societal and environmental outcomes. Leaders with a sustainable mindset align all aspects of running their organization with these core values and beliefs.

The pioneering leaders we studied are without exception at the top of their organizations and industries. They are successful leaders — the bar for entry to these CEO- and board-level positions is a very high one. The experience they have had to gain and the commercial and leadership acumen they have had to demonstrate to get to where they are today is substantial.

It is what they have succeeded in doing beyond that which provides valuable lessons. They have not simply advocated for the sustainability cause, rather they have innovated and pushed real change within their organizations by driving it to the core of organizational strategy and culture.

These sustainable leaders demonstrate four critical leadership attributes that are driven by their sustainable mindset:

- Multilevel Systems Thinking
- Stakeholder Inclusion
- Disruptive Innovation
- Long-Term Activation

“Being able to see the bigger picture and having a well rounded and long-term point of view matter. Mentor-ship, other people motivating you and sharing their experience all help in this.”

Flora Mutahi
Founder & CEO, Melvin Marsh International

“We need to unlearn what we have done in the past and think of building up new competencies for future leaders around sustainability and circularity towards reinventing new forms of progress.”

Ilham Kadri
CEO and Chair of the Executive Committee, Solvay

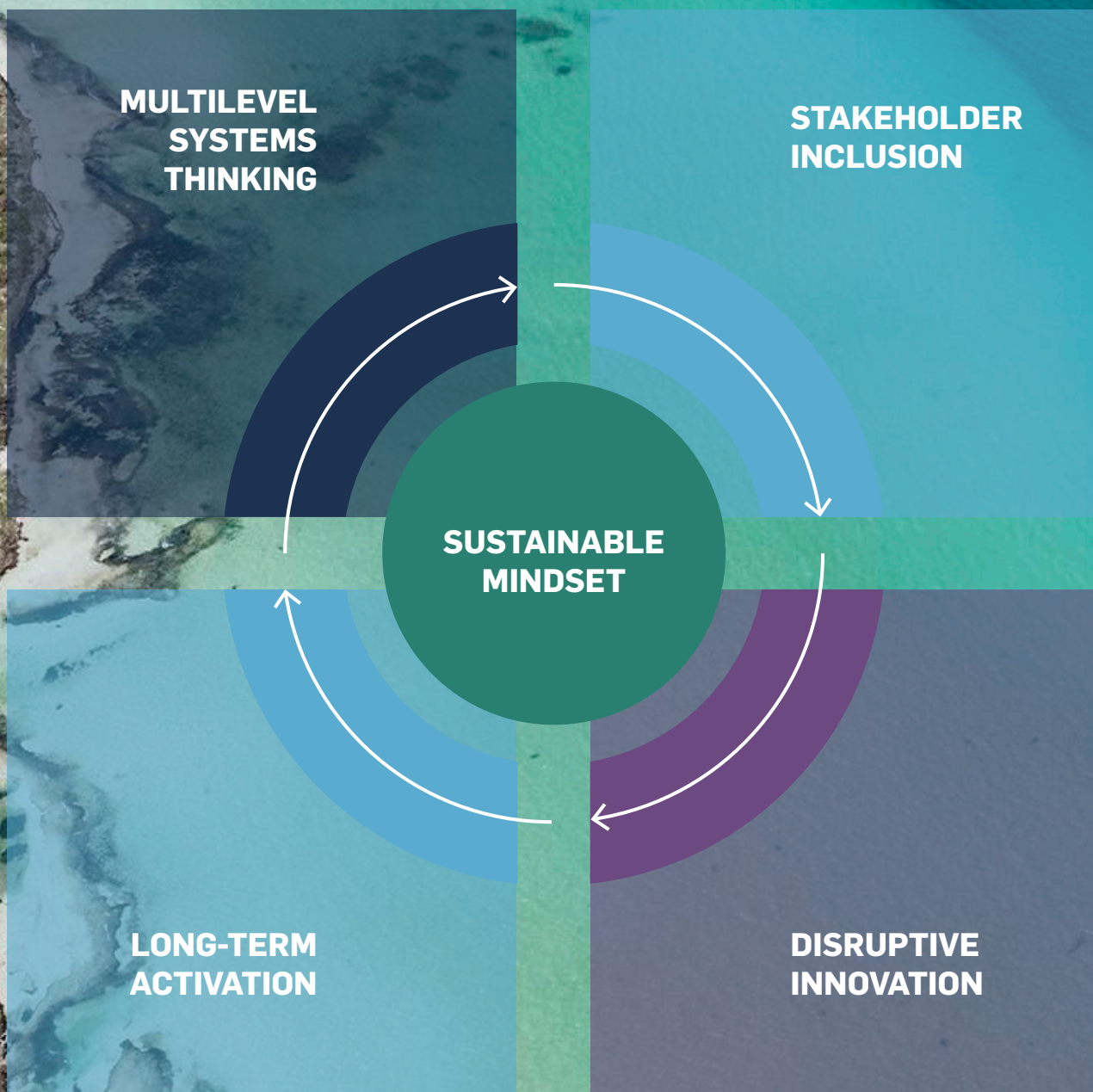
“A good leader is first and foremost a good human being. You become a great leader the day you realize its not about yourself. Leaders are purpose-driven and it's that purpose that gives energy and courage. You have a higher chance of being successful and developing to your fullest potential if company and personal values and purpose are aligned.”

Paul Polman
Vice Chair of the UN Global Compact Board and Former CEO, Unilever

“The leaders that are actively engaged in this subject, they are inspiring. You need to have a vision and conviction about the subject. If you are not convinced, lack authenticity or try to please others for good publicity, it can't work. This force of having a clear vision is crucial.”

Patrick Chalhoub
CEO, Chalhoub Group

FIGURE 4: MODEL OF THE SUSTAINABLE LEADER



“An important factor in our decision to transform Philips into a health technology leader was to address the unmet needs of society by means of innovation in the area of the United Nations Sustainable Development Goal 3 (Good Health and Well-Being). And we consider that a company needs to operate in accordance with the Sustainable Development Goal 12 (Responsible Consumption and Production) and 13 (Climate Action). We took a multi-stakeholder approach and made the Sustainable Development Goals an integral part of our strategy. It is authentic and measurable, not greenwashing. And all our people are passionate about this.”

Frans van Houten
CEO, Royal Philips

“The Corona crisis could mark a turning point towards building a better, truly sustainable world with the Circular Economy as new guiding principle. This is a unique historic opportunity and we need to ensure that public funding will be channeled in the right way — economically, ecologically and socially and sustainably.”

Markus Steilemann
CEO, Covestro

“Leaders will need to consider more perspectives in the future — you can only lose trust once. You need a feeling for public concerns, a kind of compassion. The thing that hinders progress the most is missing curiosity for other views. If you want to make a big change its about cooperation and collaboration.”

Saori Dubourg
Member of the Board of Executive Directors,
BASF

“I am 100 per cent convinced that the companies that don't take a full stakeholder approach — creating value for all stakeholders, not just shareholders — won't be competitive and won't exist. The CEOs who don't take their companies on a more sustainable path aren't living up to their professional obligations.”

Mads Nipper
CEO, Grundfos

MULTILEVEL SYSTEMS THINKING

The systemic challenges the world and leaders face today cannot be solved by any company or industry alone. As we talked to the CEOs and board members we studied, one message kept coming through loud and clear: to accelerate systems-level solutions, business must work out how to address these complex challenges in collaboration with other businesses, civil society organizations, academia and Governments.

Sustainable leaders are **naturally curious**; they go beyond a deep understanding of their own organizational system and incorporate the interplay with the larger economic, societal and environmental systems around them to drive change. Moreover, in order to drive targeted decision and actions that turn sustainability into a competitive advantage, one requires **high levels of ambition and results orientation**. Ultimately by recognizing the interconnectivity of the ecosystem in which their business operates, these leaders advocate for and drive sustainable and commercial outcomes by effectively managing risk and spotting long-term growth opportunities.

STAKEHOLDER INCLUSION

While multilevel systems thinking enables leaders to recognize and understand the complex links across the multilayered ecosystems they operate in, the ability to effectively respond to and actively engage with stakeholders is a crucial component in driving transformation.

Sustainable leaders do not manage stakeholders, they include them. From employees to customers, Governments, investors and the communities in which they operate, they actively seek to understand a wide range of points of view in order to drive decision-making and value creation with all those stakeholders in mind. To do this they must demonstrate **high levels of empathy and authenticity** to succeed. Where possible, they seek to actively involve those stakeholders in actioning the decisions and sharing the benefits. In doing so, they create partnerships that increase the capabilities and impact of their organization.

By seeking out and involving and responding to the perspective of a wide range of stakeholders, these leaders help address a common problem that constrains most organizations and leadership teams: a limit to their cognitive diversity. By bringing in the perspective of diverse stakeholders who have different vantage points and experiences, leaders can substantially improve their coverage of the problem or opportunity space. This reduces risk and opens new opportunities for large-scale impact.

DISRUPTIVE INNOVATION

The leaders we talked to recognize that the transformation needed to make real progress towards the SDGs will not happen through incremental improvements and adjustments to “business-as-usual”. It requires exponential change and business model innovation.

Transformation may be easy to talk about, but it is tough to deliver. Sustainable leaders **possess the courage to challenge traditional approaches** and a willingness to disrupt their business and industry — they ask why it cannot be done differently. They seek out the best available science to move beyond today’s best practice towards tomorrow’s required practice. They are comfortable not having all the answers and confidently steer into the unknown. They make bold investments that test the limits of what is possible and cut through bureaucracy to drive the innovation that is needed to find novel solutions that do away with a trade-off between profitability and sustainability.

LONG-TERM ACTIVATION

Long-termism is critical for business viability and success. Leaders who don’t think long-term may miss opportunities to drive sustainability-related innovation, develop their human capital, expand to new markets, grow their customer base, create operational efficiencies and effectively manage social and environmental risks.

Sustainable leaders do not simply have a long-term orientation, they set audacious goals and rigorously drive concerted action and investments in their pursuit of those goals. To do this requires a great deal of **courage and resilience** to stay the course in the face of setbacks and to make decisions that may be unpopular with short-term oriented stakeholders.

It’s important to emphasize that long-term activation is not about trading off the short-term. Research conducted by Russell Reynolds Associates and Focusing Capital on the Long Term on the board’s impact on long-term value found that directors that focused principally on the long term (20 per cent of directors studied) were not only better informed about long-term topics relative to those directors that were principally focused on the short term, they were actually also better informed than the short-termers about short-term issues (e.g. immediate operational risks, current products and services, sales activities).⁶

6. The Tone at the Top: The Board’s Impact on Long-Term Value; Russell Reynolds Associates, Focusing Capital on the Long Term; 2020

“Sustainable leadership is not marketing. It is strategy. It is about how you make your money — not how you spend your money.”

Jim Hagemann Snabe
Chairman of the Supervisory Board, Siemens AG;
Chairman of the Board of Directors, A.P. Møller -
Mærsk A/S

“In the end, if we create a portfolio that addresses the Sustainable Development Goals (SDGs), we will make money because the world will spend money addressing these goals.”

Feike Sijbesma
Honorary Chair, DSM;
Former CEO, Royal DSM

“I don’t think sustainability forces a choice between long and short term when it is embedded in the strategy.”

Alan Jope
CEO, Unilever

“We are talking about and aiming for greatness over long periods of time. This requires a completely different mindset in leaders: people who are capable of breaking down what works and improving on it further so that we can consistently and efficiently deliver on our commitment to making peoples’ lives better through innovative medicines.”

David Ricks
Chair and CEO, Eli Lilly and Company

SUSTAINABLE LEADERSHIP ATTRIBUTES

SUSTAINABLE MINDSET

The purpose-driven belief that business is *not* a commercial activity divorced from the wider societal and environmental context in which it operates. To be successful in the long term, leaders must innovate and manage across commercial, societal and environmental outcomes.



MULTILEVEL SYSTEMS THINKING

Sustainable leaders go beyond a deep understanding of their own organizational system and **incorporate the interplay with the larger business, societal and environmental systems** around them. Critically they **cut through** that **complexity** to drive targeted decisions and actions that turn sustainability into a competitive advantage.

STAKEHOLDER INCLUSION

Sustainable leaders **do not manage stakeholders — they include them**. They actively seek to understand a wide range of points of view in order to drive decision-making with all those stakeholders in mind and where possible, **actively involve those stakeholders in actioning the decisions and sharing the benefits**.

DISRUPTIVE INNOVATION

Sustainable leaders possess **the courage to challenge traditional approaches** — they ask why it cannot be done differently. They cut through bureaucracy to **drive the breakthrough innovation that is needed to find novel solutions** that do away with a trade-off between profitability and sustainability.

LONG-TERM ACTIVATION

Sustainable leaders do not simply have an orientation towards the long term, **they set audacious goals and drive concerted action and investments in the pursuit** of them. To do this requires a great deal of **courage to stay the course** in the face of setbacks and to make decisions that may be unpopular with some short-term oriented stakeholders.



Photo: World Bank/Dominic Chavez

SUSTAINABLE LEADERSHIP IN ACTION

Mads Nipper **CEO, Grundfos**

As the COVID-19 pandemic began to disrupt supply chains and derail regular business around the world, Mads Nipper, CEO of Danish pump manufacturer Grundfos, recognized the role his company had to play in sustaining the commercial ecosystem in which it operates. Grundfos moved to leverage its untapped cash reserves to pay suppliers on an earlier schedule than previously agreed. This decision is helping to keep those suppliers in business and ensure the resilience of Grundfos's supply chain through and beyond this crisis.

Denise Morrison **Independent Director, Visa;** **Former CEO, Campbell's Soup Company**

When Denise Morrison, then CEO of Campbell's, set out to develop their sustainability strategy aligned to the Company Purpose, she put stakeholder input at the heart of the design phase. She solicited input from a wide range of customers, suppliers and other stakeholders to understand what they saw as the most important parts of the journey from "farm to fork". This stakeholder feedback helped Morrison and her management team identify a number of sustainability themes to address, including sustainable agriculture, food safety and diversity and inclusion. The team then mapped the stakeholder-identified themes to the SDGs in order to identify the areas where they could make the biggest impact while also best addressing stakeholder priorities.

Farzanah Chowdhury **CEO, Green Delta Insurance**

When Farzanah Chowdhury became the first female CEO of Bangladesh's Green Delta Insurance Company she knew that women represented a significant, untapped market for financial services in her country. But after launching several products targeted at female customers, Green Delta found that demand was far less than originally anticipated — cultural norms in the traditionally conservative country made it harder for women to seek financial independence, often constrained by the need to ask permission from their husband or family. To address these constraints, Chowdhury developed Nibedita, an insurance scheme targeted at women that enables them to purchase a policy through a specialized app, eliminating the need to visit a brick-and-mortar location and empowering women to make purchasing decisions without the involvement of their family. The app also provides resources for women to educate themselves about financial concepts, access health and counseling services and even includes a panic button. Chowdhury's guiding philosophy has always been to add value not just in business, but in every sphere that touches her life. She strongly believes that empowering marginal populations, women and youth by ensuring their economic security through financial inclusion is a propellant to the world's development. Toward that goal, Chowdhury and her organization have leaned on the SDGs to transform risk into opportunity, innovation into outreach and actions into impact, with the aim to leave no one behind.



Peter Vanacker
President and CEO, Neste

Recognizing that the shift towards a more sustainable operating model cannot succeed as a solely top-down effort, Peter Vanacker, CEO of renewable fuel producer Neste, has made a concerted effort to leverage the perspective of front-line employees in his decision-making. Each quarter, all employees are encouraged to participate in the “Way Forward” survey, a series of 10 questions meant to gauge employee sentiment towards various aspects of the operating culture, including whether the company is spending enough time focused on its purpose. Roughly 80–90 per cent of Neste’s 5,000+ employees complete the survey each quarter. This provides Vanacker and his leadership with important input as to the priorities and concerns of one of its most important stakeholder groups. This has been critical in driving forward their business transformation towards renewables.

Paula Santilli
CEO Latin America, PepsiCo

Paula Santilli, PepsiCo Latin America CEO, is one leader who demonstrated courage to stay the course on an important decision. In 2015 Frito-Lay’s Doritos brand began a partnership with the It Gets Better Project, which aims to celebrate and support lesbian, gay, bisexual and transgender (LGBT) teens facing harassment. Santilli, who at that time led PepsiCo’s Mexico business, faced an important decision, whether or not to roll out the Doritos Rainbow chip campaign in Mexico. Despite concerns from colleagues who feared that the campaign might damage the brand in a socially conservative market like Mexico, Santilli pressed ahead, reinforced by her understanding of the data that showed that it would be well received by the young consumers that Doritos was target at. Her conviction paid off, the campaign was a huge success.

Ann Cairns
Vice Chair, Mastercard

When Ann Cairns assumed leadership of Mastercard’s international business in 2011, her team realized that there was a sizeable opportunity presented by the millions of potential customers who were excluded from traditional financial institutions.

Efforts that started in Africa spread around the world and were adopted by the whole company when the CEO made a commitment to bring the next half billion people into the financial system in 2015. Since achieving this they have now extended the target to 1 billion. Cairns understood that the commercial interests of the company aligned with the social interests of these millions of “under-banked” individuals. Creating financial products targeted at these populations would expand the company’s addressable market while strengthening the customers’ financial security and reducing barriers to participation in formal markets. While the commercial benefits of these strategic investments may take years to fully materialize, this type of long-term thinking from Cairns has enabled Mastercard to push ahead with its sustainability strategy, confident in both the financial and social returns it will eventually yield.

THE PATH FORWARD: EMBEDDING SUSTAINABILITY INTO YOUR LEADERSHIP CULTURE

In order for CEOs and board members to effectively drive the transformation needed to integrate sustainability into business strategy and operations, they must embed it in the leadership culture of their organizations.

To do this, organizations must make it clear that a sustainable mindset and the four leadership attributes critical to future success and viability — multilevel systems thinking, stakeholder inclusion, disruptive innovation and long-term activation — are requirements to be a senior leader.

As our analysis shows, sustainability mindset and acumen is only a requirement in 4 per cent of executive and non-executive appointments today; however, organizations

have demonstrated a strong ability to shift their leadership profiles in response to other market dynamics. Digital experience or acumen has quickly become entrenched in executive searches, being a requirement in one third of searches now, while diversity is a requirement in over half.⁷

The best organizations are taking concerted steps to embed sustainability into the frameworks and processes that drive how leaders are selected, promoted, rewarded and developed. This provides a powerful signal from the top that the leadership team will back its commitment to sustainability with real decisions about current and future leaders.

To set your company up for success:

SELECTION

Ensure boards and CEOs apply sustainable leadership potential and track record as key criteria when selecting senior leaders

SUCCESSION

Embed conversations about sustainable leadership potential into your succession management framework and succession planning

REWARD

Integrate sustainability into the objectives, incentives and remuneration of board members, CEOs and executives

DEVELOP

Make sustainable mindset and leadership attributes a core focus of leadership development and crucible experiences

7. RRA analysis

CONCLUSION: SUSTAINABLE LEADERSHIP = FUTURE SUCCESS

The COVID-19 pandemic is painfully exposing the existing and persisting challenges in our societies and economies as set out by the Sustainable Development Goals. It has made it abundantly clear that there is an urgent need for a new type of business leadership — one that makes the long-term sustainability and resilience of our world a top priority, leaving no one behind.

The sustainability pioneers we have studied are amongst the more progressive leaders out there. They have worked hard to drive the synergy between successful business and sustainability. But they also recognize that sustainability is not a destination, but a journey. They understand that they can and must build on the successes they have had to date, but that they should not rest on them.

Expectations of CEOs, executives and board members are changing. If the leaders we studied have made one thing abundantly clear, it is that sustainability is a leadership issue and imperative to long-term success and it requires the right mindset and leadership attributes. It starts at the top, but it must become part of the fabric of the organization. To achieve this, it is critical for organizations to embed sustainability into their leadership frameworks and processes. CEOs and boards need to be ambitious in driving a new vision for leadership and they need to develop and foster sustainable leaders in their ranks. This is not a matter of hiring a single individual to own sustainability. The systemic challenges the world faces today mean that sustainable leadership cannot be confined to a small minority; it requires companies to cultivate leadership at all levels. This is not something that can wait, it is not a conversation for tomorrow, it is a conversation for today.

Two critical questions must be on the discussion agenda for executive and non-executive leadership teams:

1

Do our leaders have a sustainable mindset and leadership attributes?

2

Does our leadership culture actively prize sustainability as imperative for the long-term viability and success of the organization?



“For me, it is commonsense that if you are going to live in the world and take from this world, you also need to put back in.”

Rice Powell
Chair and CEO, Fresenius Medical Care

“Our employees have a lot of ways to express their opinions. Over the last year or so, our younger employees in particular have reported back that [a focus on sustainability] has motivated them.”

Brad Smith
President, Microsoft

“The most successful sustainable leaders have a strong personal belief that this is good for the people, the planet and for the profit. The new leader understands that we have only one planet with limited resources, with urgent climate and biodiversity challenges, and that growth must be inclusive for a better life. Driven by the impacts on its business and the value chain, the leader has to embed sustainability in the company’s business strategy owned by business leaders and the front line.”

Ilham Kadri
CEO and Chair of the Executive Committee, Solvay

“As soon as candidates come up with one-liners, I switch off. But if something meaningful happened to them and they built on that experience time and again, year after year, they have my interest.”

Peter Blom
Chair and CEO, Triodos Bank

“I think 2019 was a crossroad where some of these issues really came to the fore, especially climate. We are in a different territory and we can all see it. We need to change the tone, listen more, learn more and be willing to stay in a difficult dialogue with our stakeholders around these issues.”

Helge Lund
Chair, BP

“Visa has quadrupled in size in terms of employees in the last 10 years and a growing number of that base is millennials, which is a very purpose-oriented demographic. Our purpose is our north star and helps us attract great talent who want to create shared value for our business, their communities and the world.”

Alfred Kelly Jr
Chair and CEO, Visa

“If you are from a big city, then you have to go by the facts and figures about climate impact. You can’t see it as Manhattan or Delhi look almost the same over the years. If you are from a small town, you actually experience climate change and impact on the surroundings firsthand, over the years.”

SP Shukla
Group President, Mahindra & Mahindra

“With my CEO role comes responsibility to do the right thing.”

Manon van Beek
CEO, TenneT

SDG IMPLEMENTATION FRAMEWORK

DEEPEN YOUR INTEGRATION OF THE SUSTAINABLE DEVELOPMENT GOALS:

This report has focused on personal leadership and the important role of CEOs, board members and executives in driving the business transformation required for the Decade of Action. To further support leaders on their journey to deepen integration of the Ten Principles and SDGs into business strategy and operations, the UN Global Compact has developed an SDG Implementation Framework.

Building on research and engagement with companies pioneering action on sustainability, the Framework provides a roadmap to a strategic and integrated approach to the SDGs and serves as a foundational element of SDG Ambition — the initiative of the UN Global Compact to challenge and support companies in being more strategic and transformational in how they run their businesses to deliver on the 2030 Agenda.

Learn more about SDG Ambition [here](#).

ANCHORING AMBITION IN STRATEGY AND GOVERNANCE	DEEPENING INTEGRATION ACROSS OPERATIONS	ENHANCING STAKEHOLDER ENGAGEMENT
PURPOSE <ul style="list-style-type: none"> ■ In Articles of Association ■ In vision/mission statement ■ In company values 	PRODUCTS AND SERVICES <ul style="list-style-type: none"> ■ In development and innovation processes ■ In supply chain management and across procurement ■ In Total Quality Management System 	REPORTING AND CORPORATE COMMUNICATIONS <ul style="list-style-type: none"> ■ To investors and shareholders in financial statements ■ In non-financial statements and third party reporting ■ In public relations and communications
GOVERNANCE <ul style="list-style-type: none"> ■ On board agendas and committees ■ In board competencies and diversity ■ In executive recruitment and incentive 	PEOPLE MANAGEMENT <ul style="list-style-type: none"> ■ In performance management and remuneration ■ In training and learning ■ In company culture and communications 	SALES AND MARKETING <ul style="list-style-type: none"> ■ In all brand and product promotion ■ In all customer engagements ■ In consumer education and behaviors
CORPORATE STRATEGY AND GOALS <ul style="list-style-type: none"> ■ In ambitious goals and targets integrated into a balanced scorecard ■ In innovative business models ■ Integrated in unit business strategies 	CORPORATE FINANCNE <ul style="list-style-type: none"> ■ In key business investments ■ In allocation of capital and financial strategy ■ In managing risk and revenue 	PARTNERSHIPS AND STAKEHOLDER RELATIONS <ul style="list-style-type: none"> ■ In forming alliances to accelerate impact ■ In relationships with communities and stakeholders ■ In ensuring social license to operate

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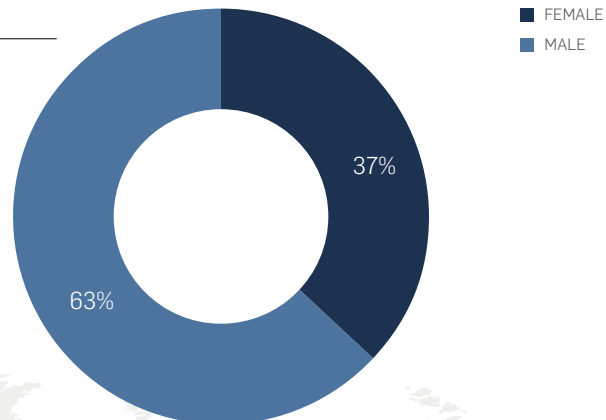
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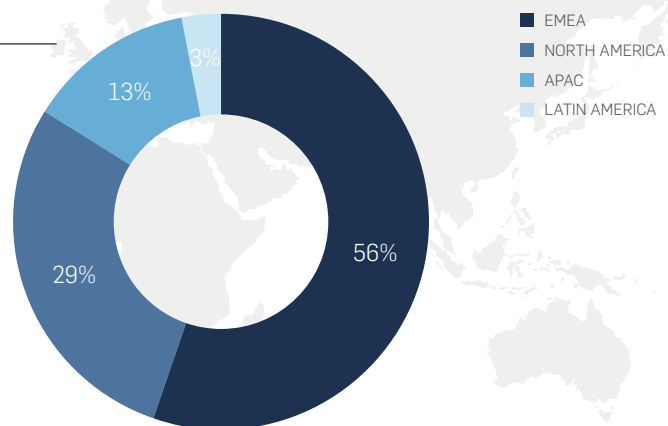
Chair and Founder, Broad Group

APPENDIX: STUDY PARTICIPANT BREAKDOWN

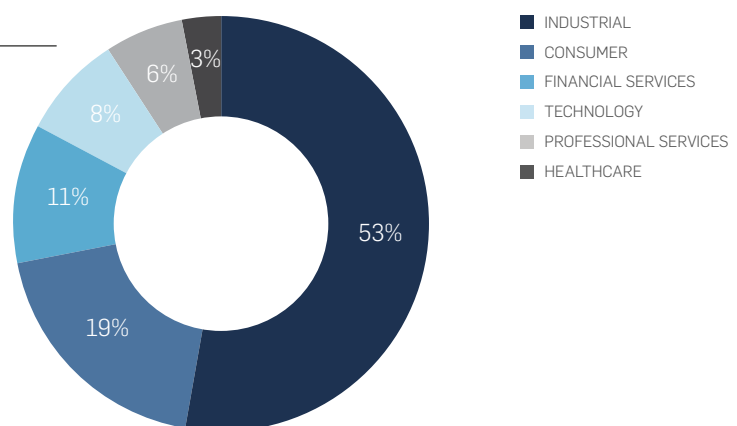
GENDER



REGION



INDUSTRY



THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



HUMAN RIGHTS

1.
Businesses should support and respect the protection of internationally proclaimed human rights; and
2.
make sure that they are not complicit in human rights abuses.



LABOUR

3.
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4.
the elimination of all forms of forced and compulsory labour
5.
the effective abolition of child labour; and
6.
the elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

7.
Businesses should support a precautionary approach to environmental challenges;
8.
undertake initiatives to promote greater environmental responsibility; and
9.
encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

10.
Businesses should work against corruption in all its forms, including extortion and bribery.