

Breaking
Barriers *to*
Sustainability

Paving the way forward

Navigating the complexities
of sustainable performance

International Executive Search
and Advisory Partners

proco
Group

Foreword

Senior Leaders across our markets are all navigating increasing complexity.

The barriers and challenges faced are already complex and interconnected, resulting in unprecedented innovation of strategy, business models, operations, supply chains and functions to meet demands and remain competitive. Adding to the pressure are the increasing demands to satisfy and align commercial and sustainability goals, creating solutions that drive sustainable performance and success.

With a vantage point across the major value chains, at Proco Group, our role as an executive search & advisory partner is to empower our clients to navigate the sustainability landscape with confidence: reaching the best individuals, making informed strategic decisions, and uncovering new possibilities for their organisations.

In sharing the insights gleaned and lessons learnt from operating in and partnering with organisations focusing on breaking barriers to sustainability, we hope to facilitate cross-industry and profession knowledge sharing to help you pave a way forward in your own organisation and career.



Chris Powell
CEO, Proco Group



Introduction

What were once described as 100-year floods and heatwaves are now taking place at such an alarming frequency, that the word 'unprecedented' is no longer relevant.

The devastation experienced around the world and the resulting economic losses of \$313 billion in 2022, has created a compelling imperative for individuals, businesses, industries and governments to take action: transforming the perception of the time we have available and propelling us to a point where action on sustainability is no longer a choice, but a necessity.

The warming of the land, atmosphere and ocean as a result of carbon emissions affects us indiscriminately: as citizens, consumers, shareholders, executives, board members and decision-makers in business. This collective impact of the effects of temperatures, which in 2022 were 1.55° F warmer than the 20th

century average, means that it is increasingly difficult to identify discrete groups that do not see climate change, emissions and sustainability as relevant to them. This raises the reputational and financial risk to organisations that fall behind or are still on the start line in this area.

Combined, these factors mean that the intersection of sustainability and organisational excellence has evolved. It is no longer an optional path down which companies can take an ad-hoc journey for short-term tactical marketing or communications purposes, before retreating. It is now a driving force for businesses across the world as the scope and intensity of regulation expands hugely, bringing with it new levels of transparency to aid valuations by stakeholders from consumers to shareholders to downstream customers.

Connected by sustainability

Impact across the entire value chain

And as the consequences of carbon emissions and resource depletion grow, companies in commodity, industrial and consumer markets inevitably find themselves at the nexus of sustainability and fiscal responsibility.

These markets are connected by sustainability. In part this is because its challenges are a systemic issue that cannot be confined to any one sector, but more specifically it is because their supply chains, resource dependencies and environmental impacts are shared to a greater or lesser degree.

In addition, they face comparable challenges in balancing resource dependence against conservation, profit against responsibility and managing their global against their local impacts. And similarly they must all negotiate the

challenges of supply chain complexity and evolution, fast-moving regulation and changing stakeholder, customer and consumer demands.

Against this complex backdrop, organisations must also manage their performance against both sustainability and financial targets, while navigating the evolution of forces that drive the sustainability agenda. Doing these things well is a prerequisite for growth, relevance and value.

Complexity and pressure

Balancing the 3 p's: people, profit, planet.

But urgency and necessity do not equate to simplicity. The pressure for financial performance is unrelenting.

This represents not only a challenge but an active paradox, since investment in sustainability processes and goals on any time horizon has the potential to cost more than it returns in the short term. Organisations must manage quarterly reporting cycles against emissions reductions targets that are measured in years, with key dates going out as far as 2050. And do so with an awareness that the world reached its warmest ever average temperature in July 2023.

As the consequences of climate change and resource depletion become more and more palpable, it requires companies to take a path that safeguards their financial performance while making significant strides towards sustainability at a variety of points across their supply chain. Finding and staying on that path in this complex terrain means that companies will need to have people with exceptional knowledge and skills in critical roles.

At Proco Group, we're seeing the pressure this complexity is creating for senior individuals responsible for the success of our major value chains, driven by external forces and internal barriers.

External forces shaping the sustainability agenda

The movement towards sustainability is underpinned by a myriad of compelling forces, each of them playing a pivotal role in shaping the landscape for businesses across the commodities, consumer goods and industrial supply chains.

01 Regulatory pressure

Evolving regulations, such as the Corporate Sustainability Reporting Directive (CSRD) and the SEC Climate Disclosure Rule, underscore a profound shift in the regulatory landscape. These mandates not only require transparency, but also encourage public scrutiny through audited benchmarking and standardized reporting, pushing companies to elevate their sustainability efforts and creating tools for valuation.

02 Consumer awareness

In the midst of the climate crisis, individuals are making increasingly discerning consumption choices, particularly during periods of economic prosperity. Consumer preferences now lean heavily towards products and services that align with sustainability values, catalyzing businesses to enhance their eco-friendly offerings. Increased transparency as a result of regulatory pressure will heighten this effect.

03 Economic realities

The challenge is on for senior leaders to develop strategies, business models, supply chains and systems that satisfy shareholder, stakeholder and sustainability commitments. This balancing act, amidst prevailing economic conditions, is stimulating innovation in resource allocation, urging businesses to explore novel avenues for optimising both profitability and environmental impact.

04 Geopolitical dynamics

The geopolitical landscape has shifted as a result of deglobalization, war, economic competition, and the formation of political blocs, presenting both opportunities and complexities in global sustainability endeavors. Navigating these dynamics requires operations, supply chains and strategies to be able to rapidly adapt to change – with rapid decision-making a core capability of any organisation and function, without losing focus on sustainability targets in the short-term.

05 Supply chain stress

While supply chains are instrumental in achieving sustainability targets, they grapple with distinct pressures, particularly concerning Scope 3 emissions and the environmental impact of sourcing and logistics. Competing effectively and sustainably, means addressing these challenges with a mindset and approach that enables collaborative solutions and supply networks within and across industries.

06 Technological advancements

Emerging technologies hold the potential to revolutionise decarbonisation initiatives, compelling companies to establish a foothold in cleantech and climate tech. Investing in and adopting these technologies not only aids environmental goals, but also positions businesses at the forefront of transformative industry changes. Managing digital transformation and grappling with embedding technological advancements like AI isn't new, but integrating this with sustainability strategy does add to the complexity and priority of investments and requirements.

07 Circular economies

Harnessing the principles of circular economies presents a potent strategy for decarbonisation. However, this approach demands not only innovation in product design and material usage, but also the scaling of new ecosystems and processes to facilitate the seamless flow of resources within closed loops.

08 Carbon markets

The influence of carbon markets on sustainability strategies is contextual and evolving. Firms are driven to develop robust trading capabilities to effectively navigate these markets, optimising opportunities for carbon credit trading and emission reduction investments, thereby maximising both environmental impact and financial gain.

Internal barriers to progress

While the external factors shaping the sustainability agenda are significant, we are seeing individuals and organisations grappling with internal challenges that affect their capacity to bring about meaningful change.

These barriers are deeply rooted within the operational fabric of businesses and the landscape in which they operate, requiring a strategic approach, operational excellence and high-performing people to solve them.

Resource limitations: Despite the heightened urgency for sustainability, Chief Sustainability Officers are often hindered in their pursuit of substantial change, either by a lack of financial resources or a low level of capacity to address the potential emissions savings and efficiencies within the supply chain. They may have the name without the power, or the title without the technical back-up.

Organisational readiness: The preparedness of organisations, to operate optimally in a sustainable context, will determine their success or failure. Regrettably, many businesses lack the necessary structures, processes, and mindsets to build and integrate sustainability into their operations. This lack of readiness creates barriers that hinder the efficient adoption of sustainable practices.

Absence of a blueprint: The absence of a standardised approach to sustainability implementation presents a significant challenge. Without a clear blueprint for action, companies may interpret sustainability in diverse ways, leading to fragmented efforts and uneven progress. The lack of a guiding framework, multiplied by the diversity of businesses within the supply chain, complicates the execution of coherent sustainability strategies.

Paralysis by reporting: The introduction of stringent reporting requirements is crucial for transparency and accountability. But it can also have the unintended consequence of stalling progress. While organisations grapple with compliance demands and capturing and reporting data, the focus on actionable sustainability initiatives may wane, risking stagnation in that journey.

Cultural shifts: Despite growing awareness, sustainability remains a peripheral concern within many organisations, whose main motivator is shareholder returns. This disconnect creates a challenge in the form of the cultural shift that is required to embed sustainability principles into the core of business operations. Navigating this shift demands effective change management strategies and internal marketing efforts to garner buy-in and generate momentum from functional leaders.

Marketing driven approaches: Relying largely or solely on marketing campaigns to address sustainability challenges is futile. Such approaches lack substance, fail to generate tangible results, and can create material reputational risk. For lasting progress, sustainability must be deeply integrated into business strategies and practices rather than treated as a marketing angle, communications tool or optional, reversible extra.

Complex political landscape: Political considerations can introduce complexities that affect the sustainability agenda. Anti-woke sentiments, conservative opposition and shifting policies can create a challenging environment for businesses seeking to align their operations with sustainability goals. Negotiating this landscape requires a proactive approach to engage with political dynamics constructively.

Diverse mindsets and priorities: From the board to employees and across different layers of management, there is a diverse range of mindsets, priorities and perceptions about sustainability. Bridging these gaps and fostering a united commitment to sustainability requires effective communication, education and a shared understanding of the benefits.

Breaking Barriers to sustainability

To navigate these internal challenges and propel efficient movement toward sustainable performance, we are seeing several strategic options becoming apparent and being considered by organisations and individuals across the industries we focus on:

01 **Baseline assessment projects**

Often the first step leaders are taking, involves assessing the organisation's existing capabilities across talent, practices, processes and systems. This assessment serves as a foundation for designing effective sustainability strategies, tailored to the company's unique context. We're seeing an increased demand for internal benchmarking projects for our clients, in preparation for restructuring and senior hiring across our specialist functions to support sustainability agendas.

02 **Customised carbon footprint reduction**

We're seeing organisations employ a portfolio approach, adapted to the specific circumstances of each company, to facilitate the reduction of carbon footprints while aligning with financial goals. This approach enables businesses to identify early efforts that balance financial performance and sustainability objectives.

03 **Organisational restructuring**

Companies are exploring varied organisational structures to optimise sustainability and commercial strategies. Within and across each industry, we're supporting clients to explore and identify strategies for senior hires and team build outs as each structure brings unique benefits depending on the organisation's objectives and culture.

04 **Robust programme management**

Organisations are looking for individuals who can establish robust sustainability programme management capabilities, essential for the smooth execution and integration of sustainability and commercial initiatives. Individuals who can work across silos to effectively manage sustainable performance, ensure that sustainability remains a core aspect of business operations whilst adapting to the need to change and transform to remain competitive.

05 **Enterprise Risk Management (ERM) Integration**

Integrating sustainability into existing ERM frameworks provides a holistic strategy for addressing sustainability risks. This integration facilitates a more comprehensive understanding of how sustainability affects various aspects of business operations. We're seeing risk management

06 **Strategic build vs. outsourcing decisions**

Deciding whether to build internal capabilities or rely on external capability is a pivotal consideration. This choice should align with the organisation's long-term sustainability goals and financial viability.

07 **Cross-industry collaboration**

As a business, our teams are working collaboratively across industries and markets as clients are increasingly benchmarking and hiring talent from industries that have advanced sustainability practices. These individuals can bring diverse perspectives and innovative ideas that have been successful in other sectors, fostering cross-industry knowledge transfer.

What does this mean for senior leaders across the value chains?

The changing landscape has significant implications for senior leaders across the value chains. Here are some of the key capabilities we're seeing a rise in demand for:

Commerciality: Senior leaders across each function need to have a strong understanding of the commercial aspects of the business, operations and supply chain. They need to be able to make sound financial decisions that support the overall business goals.

Digitalisation and Data analytics: Senior leaders need to understand the impact of digitalisation across the business. They need to be able to identify and implement digital solutions that improve efficiency, visibility, sustainability and resilience. In addition, there is an expectation of capabilities in understanding and adopting new technologies and core skills in collecting, analysing and interpreting data to make informed decisions.

Macroeconomic and geopolitical awareness: Senior leaders need to understand the impact of macroeconomic and geopolitical events on their business, industry and function. A strong understanding of ESG (environmental, social, and governance) regulations is increasingly in demand. Organisations are seeking individuals with the experience of developing and implementing strategies that minimise the environmental impact of operations, products and supply chains and promote social responsibility.

Risk management: Senior leaders need to understand the risks of decisions or not making decisions, across functions. They need to be capable of developing and implementing risk mitigation strategies to protect their business and to be able to make good decisions even when they do not have all the information they need.

Connectedness: Senior leaders need to be lifelong learners and well connected. They need to stay up-to-date on the latest trends, regulations and technologies within and across industries and professions.

Transformation and change management: Senior leaders need to be able to drive transformation and change in their organisations. They need to be able to create a culture of innovation and agility that is responsive to the changing environment.

In addition to these key areas, senior leaders also need to have strong leadership skills. They need to be able to build and motivate teams, set clear goals and make sound decisions. They also need to be able to adapt to change and think strategically.

The Road Ahead

The challenges of sustainability are complex and increasingly pressing. To move forward, senior leaders in commodity, industrial and consumer markets must address both external forces and internal barriers to change.

We're here to support individuals and organisations within and across industries, regions and professions, with the insight and senior talent to help them identify and adopt strategic blueprints and understand the intricate dynamics of sustainability. Together we can navigate this complex terrain and thrive in an era where sustainability and financial performance are no longer at odds, but intricately connected components of success.



Perfectly placed to help
you navigate complexity

International Executive Search and Advisory Partners

For organisations and senior professionals, who are navigating the complexities of operating in the commodity, industrial and consumer markets.

Our focus on industries, regions and professions across major value chains, means we're perfectly placed to help you make insight-driven strategic decisions, create new possibilities and secure hard to find individuals.

Our core markets



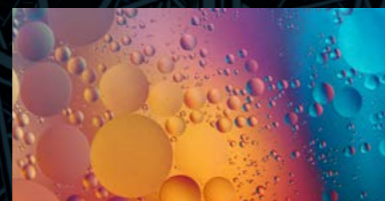
Commodity markets

- > Low carbon energy
- > Liquid fuel
- > Metals and minerals
- > Agriculture



Industrial markets

- > Paper and packaging
- > Chemicals and materials
- > Automotive and mobility
- > Industrial equipment



Consumer markets

- > Consumer goods
- > Retail, fashion and apparel
- > Food, beverage and ingredients

Client Services

The network and knowledge
to make your vision a reality

Our executive search and advisory services create a powerful source of competitive advantage, enabling you to align business and talent strategy to achieve extraordinary results.

Our focus on industries, regions and professions across major value chains, means we're perfectly placed to assist you navigating the complexities of operating in the commodity, industrial and consumer markets.

Advisory and intelligence

The depth of our market intelligence enables you to align your business and talent strategies and make insight-driven strategic decisions that help you compete successfully.

- > Talent scan and succession planning – identify, develop and understand the talent landscape both inside your organisation and your competitors, to create a robust strategy and pipeline for critical positions.
- > Leadership assessment and benchmarking – Ensure you have individuals with the strongest potential for driving future growth. Build high-performing teams and nurture a strong organisational culture.
- > Competitor and compensation intelligence – discover how your competitors are working, how they attract and retain top-performers and the strategies you need to adopt to maintain a competitive advantage.

Retained Executive Search

Where the competition for outstanding people is fierce, we minimise the risk of hiring and securing hard-to-find individuals in demanding, critical roles.

Partnering with you on retained search projects, with full confidentiality should you require it, we refine your search strategy, enhance your position within your target market and secure the ideal individual for your business.

What our clients expect:

- > A search strategy that achieves their objectives.
- > Access to a diverse network of globally mobile executives.
- > Representation to enhance market position and reputation.
- > The right level of client confidentiality and control throughout every project.

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