



A BRAVER APPROACH TO SUSTAINABILITY

With the environmental imperative at the forefront of all our minds, there has never been more pressure for organisations to deliver a robust sustainability strategy and implement meaningful change. Leaders at the CEO Retreat highlighted key factors to consider in progressing planetary commitments



The goal of holding global temperatures to 1.5 degrees looks increasingly unlikely. It seems the pace of investment, innovation and policymaking remains too slow as temperatures continue to rise. At the same time, natural environments are being degraded and destroyed at an alarming rate. By any measure, the combination of climate change and nature loss is not sustainable.

While businesses cannot be expected to solve these problems in isolation, they are key players in the sustainability puzzle as CEOs and Boards with the right vision and courage can make a difference. Speaking at Criticaleye's recent CEO Sustainability Retreat, **Rachel Barton**, Senior Managing Director and Strategy Lead for Europe at Accenture, described the need for a change in approach within Boardrooms, governments and in the investment space.

"We need bravery in business to be able to balance long-term value and short-term in-quarter results," she explained. "This requires the City and the analysts to think differently about how they develop valuation. To do this, government will also need to help with how we account for stranded assets on balance sheets. These actions will help businesses create the investment capacity to fund a more sustainable future."

In the public markets, for example, announcing a big strategic shift might create short-term instability and is likely to be frowned upon by investors, which in turn can make Boards jittery, especially when activist shareholders are also on the prowl. In a poll conducted at the Sustainability Retreat, a third of respondents said their investors and shareholders were not prepared to back business model reinvention.

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Bhavesh Mistry

Rachel said: "I work with CEOs and executive teams and I generally see a desire to do the right thing, but making a bold move and reinventing their company, taking a short-term hit for long-term gain, brings risk and can hold people back.

"Why do something crazy that's not been done before? Why say: 'We are going to cannibalise our existing products and move entirely in the shortest possible space of time to decarbonise?'"

Bhavesh Mistry, CFO at FTSE 250 property giant British Land Company underlined the significance of addressing the environmental imperative in the real estate sector. He stated: "The built environment contributes to 40 percent of carbon emissions, so greener spaces are important for everything we do."

There is a recognition at senior leadership team level that greener sustainable alternatives need to be found. "We are pressing the industry to drive innovation. So, things like, how do we use and trial low carbon concrete? How do we use low carbon steel? Much of the energy transition is dependent on speed and innovation," said Bhavesh.

The connection between sustainability, social responsibility and impact was also highlighted. It's certainly something many organisations will have to pay closer attention to, especially with the disclosure requirements of the Corporate Sustainability Reporting Directive (CSRD) and the proposed Corporate Sustainability Due Diligence Directive (CSDDD/CS3D Directive).

According to **Bhavesh**, it's essential for Boards and senior leaders to be reflecting on how stakeholders are affected. He said: "How do we have a positive impact on our communities? We think about it in terms of employment, education, but also giving affordable workspace."

Fiona Ross, Chair of Córas Iompair Éireann, Ireland's public transport provider, noted that the pace is ramping up for independent directors in how they're examining and discussing issues relating to climate change, nature and social impact. "There is a recognition that we clearly have to do a better job on sustainability and climate change. It is a topic that comes up at every Board meeting," she revealed.

There is also an educational aspect to consider on Boards if they are to fully understand the issues under discussion, which may include both great opportunities but also >



significant risks. “Upskilling both NEDs and senior executives is of great importance,” said Fiona. “We have to acquire that which we did not grow up with and undertake the training that’s involved in helping us make difficult decisions and create the future.”

Joined-up Thinking

A recurring theme during the Retreat was the need for partnerships. **Rachel** commented: “No single organisation or government is going to be able to do this on their own, so collaboration is key. When you ask: ‘should business take the lead, or should it be policy?’ The answer is: ‘we have to do both.’ Businesses, governments and non-governmental organisations must work together to address the complex challenges of sustainability.”

Bhavesh made the point that a degree of humility is required from leaders, as the answers to solving some of the problems around decarbonisation are far from clear. “One of the things that I focus on is being humble with some of the more junior people on the team

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Fiona Ross

who, frankly, know a lot more than I do about today’s world and sustainability. I ask questions, seeking to understand. We bring them into the Boardroom to teach us what we should be thinking about and why it’s important.”

There is pressure from other stakeholders too. **Bhavesh** added: “Our customers want to know: ‘Are you investing in the public realm around this building and retail places for my staff to eat? Can they get there easily? What’s the sustainability credentials of what you’re building to help me hit my targets as an occupier?’”

It’s not straightforward, which is why progress will come down to CEOs and Boards showing bravery. It has to be about more than setting targets that others can execute on at a later date. Of course, that isn’t simple, with huge

sums needing to be invested at a point where access to capital is prohibitively expensive. And yet, fundamentally, the really big calls must be made now if change is to be meaningful.

Matthew Blagg, CEO of Criticaleye, commented: “This is a fiery business environment, where good leadership will thrive if it’s open, honest and can articulate stakeholder difficulties, such as with consumers, by being transparent about changes. Good leaders are also transparent about not knowing all the answers.”

With the right leadership commitment, collaboration and an appetite for risk taking, building a sustainability strategy that is woven into the fabric of strong business performance is achievable.

It’s up to CEOs and Boards to take the necessary risks and for investors to start listening. After all, neither want to end up with stranded assets.

Time is running out. ■

Thursday 14 December 2023

SUSTAINABILITY VIRTUAL ROUNDTABLE

THE KEY TAKE-OUTS FROM COP28

SPEAKER

Toby Siddall
Managing Director & Sustainability Lead, UK, Ireland & Africa, Accenture



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Featuring commentary from:

Rachel Barton
Senior Managing Director and Strategy Lead for Europe
Accenture



Matthew Blagg
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Bhavesh Mistry
Chief Financial Officer
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