

How can boards bridge the gap between sustainability ambition and action?

Mind the gap

Boards globally confront the complex challenge of how their organizations can fulfill ambitious sustainability commitments despite systemic obstacles and economic and geopolitical headwinds.

The last decade has seen a period of global target-setting, with stakeholders looking to companies to declare their sustainability ambitions. Now these ambitions are firmly in focus as stakeholders expect them to deliver. Today, any gap between ambition and action undermines organisational credibility and exposes companies to accusations of greenwashing.

Many started their sustainability journey by completing easy wins. But now, faced with much more complex energy and resource systems, many have been forced to recalibrate targets and push out timelines. Yet, despite the challenges, some have maintained their ambitions or even increased them, continuing to ensure sustainability is an integral part of their business and investment strategy. So, how and why?

Unsurprisingly, leadership plays a pivotal role. Transformational CSOs are critical to drive change and generate measurable

impact. Focused on delivering financial performance, the CFO works to ensure the defensibility of sustainability investments, while the board stewards long-term business sustainability by protecting purpose and challenging the organization's ambition, including CEO accountability.

These distinct viewpoints collectively create the sustainability trifecta. Our interviews with this trifecta (CFO, CSO and Board) reveal four lessons for cross-functional collaboration and essential interdependent traits that drive actionable sustainable business outcomes.

Between February and June 2024, EY conducted in-depth individual interviews with the CFO and CSO (or equivalent roles) and a board member from six companies with demonstrated sustainability leadership. This group of sustainability leaders was curated to represent a balanced spread of geography, size, profile, sector and customers. Care was taken to include organizations from the Global South, not only developed markets.

Company	Headquarters
ABSA Group Ltd	South Africa
Asahi Group Holdings Ltd	Japan
eBay Inc	United States
Mahindra & Mahindra Ltd	India
SAP SE	Germany
Stockland Corporation Ltd	Australia

Read the article to uncover actionable insights that can transform your approach to sustainability.

Four lessons for cross-functional collaboration

Bust silos and foster inclusion:

Strategy and metrics must be co-created and socialized with all members of the C-suite, across functions, business units and geographies to break down silos and create buy-in. Sustainability topics touch every governance committee, and the full board must ensure that all relevant sub-committee inputs are considered to provide a comprehensive, not siloed perspective. The board's oversight role is to ensure the right people, with the right information are in the room and every voice is heard when decisions are made – active listening and collaboration are key.

Advice from board members	Advice from CFOs	Advice from CSOs
Explore how to evolve current governance structures and perforate committee silos to facilitate more dynamic information flows.	Consider how C-suite partnering across the organization would help quantify the upsides of sustainability to deliver shared outcomes.	Invest in partnering with the finance function at a strategic level, not just for data and reporting purposes.

Cultivate empathy and reflective listening:

Each of the three roles must understand the lens that the others apply to sustainability, what success means in their terms, and speak a common language – then listen carefully to sometimes differing views on the path to achieve the same goals.

Advice from board members	Advice from CFOs	Advice from CSOs
Listen for value creation stories both internally and externally, and how these are aligned and can be used to advance the purpose of the organization.	Explore how the finance function continuously evolves to meet the systemic challenges faced by the organization.	Cultivate deep listening with stakeholders, and find ways to distil this for the sustainability trifecta, to catalyse organisational change.

Embrace “multilingual” storytelling:

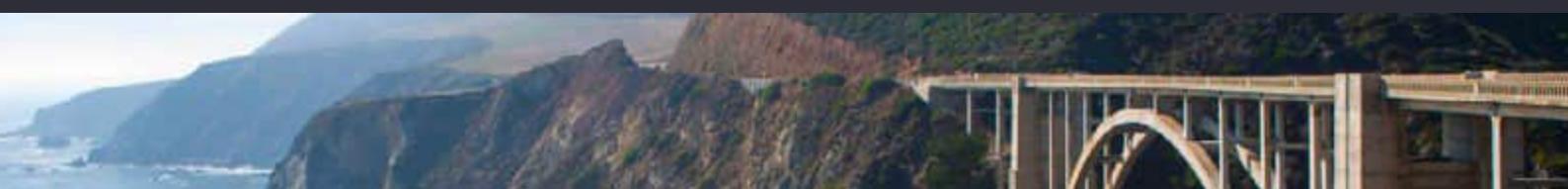
Together, these three roles must master the art of authentic storytelling for the organization's stakeholders – internal and external – using the language each responds to best. Purpose provides the foundation for storytelling; strategy that works back from a desired future state creates the motivating vision.

Advice from board members	Advice from CFOs	Advice from CSOs
Adopt a mindset of a “guardian of the organization's purpose” both for current stakeholders and intra-generationally.	Get clarity on how every number reported matters to the company, to investors, and to society – then communicate this to stakeholders.	Consider how authentic storytelling on sustainability will engage employees, and through this, you may find ways to also engage the board.

Momentum is key:

In a time when many companies are reconsidering the time and resources needed to achieve commitments, going bigger is not necessarily more impactful. True ecosystem collaboration, rather than in-house siloed efforts, provides the catalyst for acceleration.

Advice from board members	Advice from CFOs	Advice from CSOs
When it comes to bridging the gap between sustainability action and ambition, consider whether to go bigger, to go faster, or to partner for momentum.	Act as a custodian of the bridge between sustainability and the natural business activity, advocate for real commitments and metrics.	Consider what role technology plays in bridging the sustainability action-ambition gap.



Questions for boards to challenge the sustainability status quo

- ▶ How are you making the most of collaboration across your value chain? What ecosystem partnerships would drive greater impact and how could you design more inclusive decision-making structures that elevate the voices of all stakeholders?
- ▶ Imagine what your sector would look like in a regenerative economy, how would your current business model fit?
- ▶ In a fast-changing world, how would the board reorganize itself or embrace alternative governance (**EY Oceania**) models to be fit for purpose?
- ▶ Is your business sensing and responding to more eco-conscious, experience-based and sharing economy-oriented consumer preferences? Are you considering alternative business models? What other mechanisms would aid the transition?

Key questions faced by the trifecta

■ Sustainability or corporate strategy?

Complying or staying ahead of regulations and making progress toward sustainability and business goals can be challenging. How can we meaningfully integrate sustainability into our business strategy to gain a competitive advantage and create value for all stakeholders?

■ How do we communicate progress without greenwashing?

Greenwashing, cherrypicking and greenhushing are real reputational risks that carry short term financial and legal consequences.

■ How do we continue to fund sustainability initiatives?

Businesses can have sustainability integrated into the overall strategy and still find themselves with unclear ROIs and unfinanced projects.

■ How do we go farther faster?

Single projects and organizations working in isolation will not solve complex systemic problems and create the necessary conditions for businesses to thrive in the next 50 years and beyond.

Action for boards

Reimagine the use of technology as an accelerator and rethink business models:

- ▶ Support management in prioritizing opportunities to harness AI and disruptive tech while ensuring a tight relationship between operational gains, environmental impacts and ethical considerations.
- ▶ Push management to identify opportunities for growth and value creation - driving a bold program of sustainability transformation.

Rethink governance:

- ▶ Embrace representative stakeholder engagement to truly give the full range of voices (such as nature) a seat at the board table. The board, and particularly the chair, should consider structural builds into the way they govern. All this, underpinned by confidence in navigating the ever-changing reporting landscape.

Reframe time horizons and ROI:

- ▶ Develop business cases for medium- and long-term investments that meet the simultaneous imperatives of short-term performance and an era that requires major transformation. Understanding sustainable financing and incentives is key.

Expand your ecosystem:

- ▶ Cultivate and orchestrate external ecosystem partnerships in a pre-competitive manner with peers, and across your value chain to accelerate sustainability progress and upsides.



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