


An aerial photograph of a dense, green forest with a winding asphalt road that curves through the trees. The road has yellow double lines. The overall tone is dark and moody.

CEO Leadership Redefined *Part 3*

CEOs must champion sustainability and lead with purpose.



In the face of global disruption caused by climate change, social volatility and geopolitical uncertainty, the actions that companies are taking to address these issues and make a positive impact on people and the planet have never been more important.

A host of a company's stakeholders – from investors and employees to customers and policymakers – are increasingly demanding that companies operate with greater transparency and purpose.

“Two of a company's most critical stakeholders, investors and professionals, are making it clear that the responsibilities of a CEO must include more than turning a profit in order to create long-term value for the business. CEOs need to lead with purpose and take ownership over sustainability strategies, which includes working to lower a company's environmental impact, making a positive impact on communities where it operates and creating a culture where all employees can thrive.”

For CEOs, this paradigm shift has fundamentally changed their job responsibilities, as identified in the [first installment of our CEO Leadership Redefined series](#). While historically a CEO's primary focus was to generate strong returns for shareholders, today CEOs are also expected to deliver long-term, sustainable value that goes beyond the bottom line and serves the interests of society.

In this third installment of our *CEO Leadership Redefined* series, we use our research of two of companies' most important stakeholders – working professionals and investors – to explore the role of the CEO in championing sustainability and leading with purpose.

Christine DiBartolo

Senior Managing Director,
Americas Head of Corporate Reputation

Sustainability must be high on CEOs' agendas and a key part of their ongoing engagement with stakeholders.

Both professionals and investors believe that sustainability must be one of the top priorities for CEOs, and they want to hear directly from business leaders on progress made in the realms of environmental, social and governance. When asked what issues they want CEOs to address that they are more concerned with now compared to before the start of the pandemic,

professionals and investors both selected sustainability as their second and third most important issue, respectively. While other executives may own aspects of sustainability, such as the COO overseeing emissions management and the CHRO overseeing employee welfare and engagement, the person with ultimate responsibility over a company's sustainability strategy must be the CEO.

Issues of concern that CEOs need to address:

Investors

1. Recovery from the COVID-19 pandemic (43%)
2. Increasing diversity, equity and inclusion in the workplace (40%)
3. **Sustainability (35%)**
4. Data security (35%)
5. Labor issues (34%)

Professionals

1. Recovery from COVID-19 pandemic (54%)
2. **Sustainability (34%)**
3. Labor issues (34%)
4. Ability to adapt to new or changing regulation (34%)
5. Ability to retain and recruit talent necessary to meet business objectives (33%)

“CEOs continue to face increased pressure from their stakeholders to be more transparent about how they are delivering sustainable value beyond the bottom line. Businesses must be thoughtful about the actions they are taking to make progress against their sustainability commitments, but also how they are authentically engaging stakeholders around these topics from the very top of the organization to effectively move the needle on reputation.”

Jess Roston

Managing Director,
Corporate Reputation



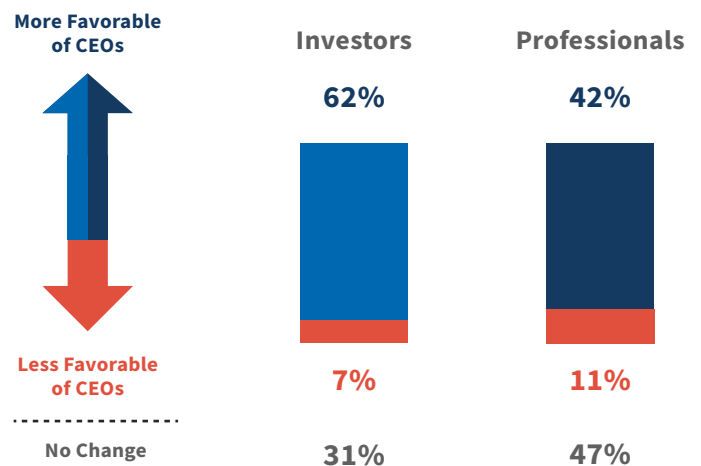
**Sustainability
Ranked Top 3**

It is critical that CEO's articulate clear, measurable goals for how they are creating long-term, sustainable value.



Setting goals to address climate change and sustainability gained CEOs more favor in 2021, especially among investors. In fact, this action gained CEOs equal amounts of favorability as their actions to address issues such as the COVID-19 pandemic. Defining sustainability goals not only provides employees and other stakeholders an opportunity to witness incremental progress, it also ensures CEOs can accurately assess their strategy and refine if goals are missed, removing any emotional element and relying on data-driven decisions.

Impact of setting environmental goals to address climate change on a CEO's favorability



“ The CEO embodies a company’s vision, strategy and purpose. They have the critical task of leading by example to drive authentic engagement and to secure the commitment of everyone within the organization. In so doing, a CEO also guides the strategy around sustainability and ESG and related decision-making, shaping meaningful metrics and targets that give employees across the organization greater clarity, purpose and accountability.”

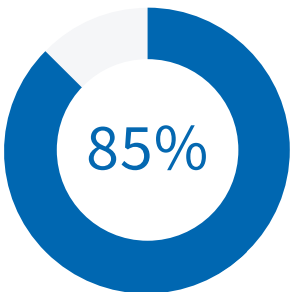
Alanna Fishman
 Managing Director,
 Corporate Governance & Activism

When it comes to goals to reduce a company's environmental impact, the buck stops with the CEO.

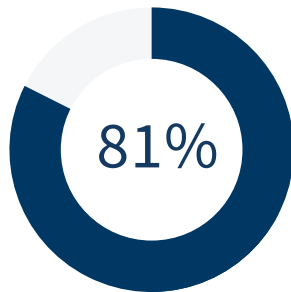


More than 80% of professionals (81%) and investors (85%) believe CEOs have a responsibility to work toward lowering their company's environmental impact. Given CEOs set a company's strategy, both from a capital allocation and workforce engagement perspective, they can directly influence how much time and effort goes to environmental impact initiatives.

CEOs have a responsibility to work toward lowering their company's environmental impact



of Investors Agree



of Professionals Agree

Stakeholders expect companies to have a clearly defined purpose and values.



When it comes to the information stakeholders expect companies to have publicly available, professionals and investors both believe a purpose statement and core values are the most important, followed by a company’s strategy and vision. Investors also want companies to produce a sustainability report to disclose their progress and potential risks across environmental, social and governance factors. This demonstrates that revenue is no longer the only metric for corporate value. Business leaders must also demonstrate how they are positively impacting society.

“ What was once considered a ‘nice to have’, disclosing sustainability information through a stand-alone ESG or CSR report, is now table stakes for business of all sizes. However, communicating about sustainability progress and goals can’t just be a once-a-year exercise. It must be part of an ongoing effort to demonstrate how a company is creating value for all of its stakeholders and making a positive impact on society.”

Elly DiLeonardi
 Managing Director,
 Corporate Reputation

Types of publicly available information they expect to see



TOP AMONG INVESTORS

1. Purpose/Mission, Values
2. Company Strategy and Vision & Sustainability Reports
3. Financial Information & Investment in Communities

TOP AMONG PROFESSIONALS

1. Purpose/Mission, Values
2. Company Strategy & Vision
3. Financial Information

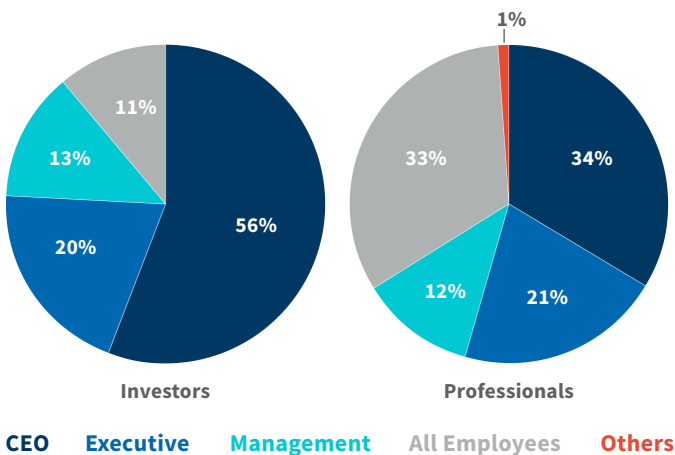
While every member of an organization is critical to achieving a company's purpose, CEOs are the person most responsible for upholding it.



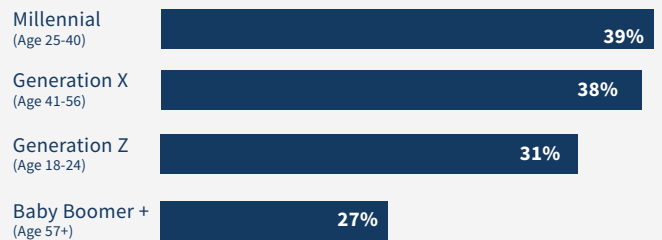
Investors overwhelmingly believe that a CEO is the most responsible for carrying out a company's purpose. Professionals are more split and believe the responsibility falls somewhat equally on the CEO and broader employee population. However, Gen Z and

Millennial professionals who are increasingly becoming the dominant generations in the workforce are more likely to say the responsibility falls on the CEO than the broader employee population.

Who is most responsible for carrying out and upholding a company's purpose?



Professionals by generation who say "CEO"



“It's not enough to have your purpose, values and vision available, they need to be authentic, differentiated and achievable for your organization. And most importantly, they need to be lived and expressed consistently in behaviors and decisions. That is how focus is achieved, connections are made and impact is realized.”

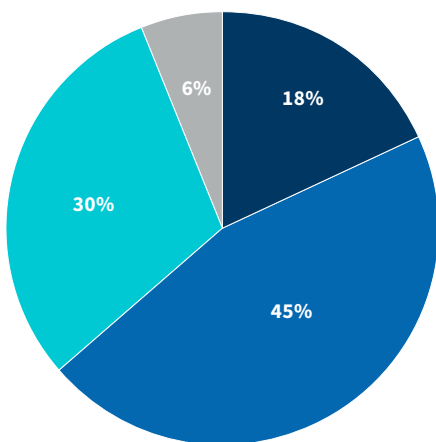
Alexandra Priola
 Managing Director,
 People & Transformation

Purpose should be the “North Star” guiding the CEO on when to speak out and take action on a diverse range of issues.

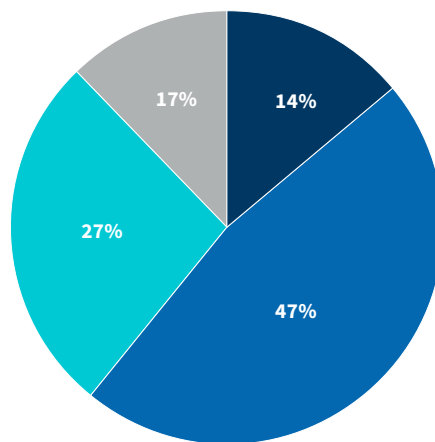
Increasingly, stakeholders are turning to companies for leadership as the boundaries between the political, social and business arenas blur. At the same time, CEOs and organizations have increasingly struggled to determine when and what they should speak out on when it comes to critical issues. According to professionals and investors, they strongly agree that when CEOs are considering speaking out on a particular issue, they should use the company’s purpose to guide their decision-making to ensure authenticity and protect their overall reputation.

By aligning *why* the company’s exists to what it stands for and the values it lives by, a CEO can more concretely connect with issues and topics that have a deeper meaning for the company and are perceived in a more authentic manner by stakeholders. When an organization lives by a clear purpose, and allows it to be the guide, it unifies the entire organization around decisions that are made at the top because it is connected to a central belief that all employees own.

CEOs should speak out about...



Investors



Professionals

Single priority issue that is driven by a company’s purpose

Diversifying set of issues in a relation to the company’s purpose

Any Issue regardless of the company’s purpose

CEO do not need to speak out on any issues

Conclusion

As companies and CEOs continue to navigate a rapidly changing business environment that demands greater transparency and purpose, ESG and sustainability strategies are driving operations, business outcomes and long-term value for stakeholders.

No two ESG and sustainability journeys are alike, which is why FTI Consulting works with organizations to identify, develop and execute bespoke programs to help our clients authentically and credibly mitigate risk and seize opportunities to secure their permission to operate. FTI Consulting's ESG and sustainability offering is organized by five key focus areas – starting with discovery and research – to align program priorities with overarching business objectives that ultimately strengthen an organization's ESG profile and position them for long-term business success.

<p>1</p> <p>Discovery</p> <p>ESG benchmarking, risk assessment and gap analysis, and identification of priorities.</p>	<p>2</p> <p>Program Development</p> <p>Strategy design and three-year program improvement roadmap.</p>	<p>3</p> <p>Program Implementation</p> <p>Full suite of services to improve ESG program.</p>	<p>4</p> <p>Messaging and Stakeholder Engagement</p> <p>Sustainability narrative, sustainability reports, and stakeholder engagement strategies.</p>	<p>5</p> <p>Continuous Monitoring and Guidance</p> <p>Monitoring effectiveness of ESG program against the ever-evolving ESG industry landscape.</p>
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ABOUT THIS SURVEY

FTI Consulting's Strategic Communications segment conducted a national survey across the United States among 1,012 employed professionals of companies greater than 250 employees, as well as 253 institutional investors. The survey was conducted online between September 10 and 28, 2021.

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