

CHIEF SUSTAINABILITY OFFICERS AT WORK

HOW CSOs BUILD SUCCESSFUL
SUSTAINABILITY AND ESG STRATEGIES

Chrissa Pagitsas

Apress®

Chief Sustainability Officers At Work: How CSOs Build Successful Sustainability and ESG Strategies

Chrissa Pagitsas
Washington, DC, USA

ISBN-13 (pbk): 978-1-4842-7865-9

ISBN-13 (electronic): 978-1-4842-7866-6

<https://doi.org/10.1007/978-1-4842-7866-6>

Copyright © 2022 by Chrissa Pagitsas

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

Trademarked names, logos, and images may appear in this book. Rather than use a trademark symbol with every occurrence of a trademarked name, logo, or image we use the names, logos, and images only in an editorial fashion and to the benefit of the trademark owner, with no intention of infringement of the trademark.

The use in this publication of trade names, trademarks, service marks, and similar terms, even if they are not identified as such, is not to be taken as an expression of opinion as to whether or not they are subject to proprietary rights.

While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Managing Director, Apress Media LLC: Welmoed Spahr

Acquisitions Editor: Shivangi Ramachandran

Development Editor: Chris Nelson

Coordinating Editor: Mark Powers

Copyeditor: Kimberly Burton-Weisman

Cover designed by eStudioCalamar

Distributed to the book trade worldwide by Apress Media, LLC, 1 New York Plaza, New York, NY 10004, U.S.A. Phone 1-800-SPRINGER, fax (201) 348-4505, e-mail orders-ny@springer-sbm.com, or visit www.springeronline.com. Apress Media, LLC is a California LLC and the sole member (owner) is Springer Science + Business Media Finance Inc (SSBM Finance Inc). SSBM Finance Inc is a **Delaware** corporation.

For information on translations, please e-mail booktranslations@springernature.com; for reprint, paperback, or audio rights, please e-mail bookpermissions@springernature.com.

Apress titles may be purchased in bulk for academic, corporate, or promotional use. eBook versions and licenses are also available for most titles. For more information, reference our Print and eBook Bulk Sales web page at <http://www.apress.com/bulk-sales>.

Printed on acid-free paper

To my husband, Lee, and our sons, Cosmo and Felix

Contents

About the Author	vii
Acknowledgments	ix
Preface	xi
Introduction	xv
 Part I: Consumer Goods, Hospitality, and Entertainment	 I
Chapter 1: Beatriz Perez: <i>Senior Vice President and Chief Communications, Sustainability and Strategic Partnerships Officer, The Coca-Cola Company</i>	3
Chapter 2: Ezgi Barcnas: <i>Chief Sustainability Officer, Anheuser-Busch InBev</i>	19
Chapter 3: Pia Heidenmark Cook: <i>Chief Sustainability Officer, IKEA</i>	31
Chapter 4: Virginie Helias: <i>Chief Sustainability Officer, Procter & Gamble</i>	43
Chapter 5: Marissa (Pagnani) McGowan: <i>Chief Sustainability Officer, PVH Corp.</i>	55
Chapter 6: Jyoti Chopra: <i>Chief People, Inclusion and Sustainability Officer, MGM Resorts International</i>	71
Chapter 7: Emma Stewart, PhD: <i>Sustainability Officer, Netflix</i>	85
 Part II: Technology, Telecommunications, and Professional Services	 101
Chapter 8: Kara Hurst: <i>Vice President, Worldwide Sustainability, Amazon</i>	103
Chapter 9: Steve Varley: <i>Global Vice Chair – Sustainability, EY</i>	119
Chapter 10: Sophia Mendelsohn: <i>Chief Sustainability Officer and Head of ESG, Cognizant</i>	129
Chapter 11: Brian Tippens: <i>Vice President, Chief Sustainability Officer, HPE; President and Executive Director, HPE Foundation</i>	137
Chapter 12: James Gowen: <i>Senior Vice President, Global Supply Chain Operations and Chief Sustainability Officer, Verizon</i>	153
Chapter 13: Kevin Hagen: <i>Vice President, Environment, Social & Governance Strategy, Iron Mountain</i>	161

Part III:	Energy, Building Materials, and Equipment Manufacturing	175
Chapter 14:	Katherine Neebe: <i>Chief Sustainability Officer and Vice President, National Engagement and Strategy, Duke Energy; President, The Duke Energy Foundation</i>	177
Chapter 15:	Olivier Blum: <i>Chief Strategy & Sustainability Officer, Schneider Electric.</i>	189
Chapter 16:	Scott Tew: <i>Vice President, Sustainability & Managing Director, Center for Energy Efficiency and Sustainability, Trane Technologies</i>	199
Chapter 17:	Frank O'Brien-Bernini: <i>Senior Vice President, Chief Sustainability Officer, Owens Corning</i>	207
Part IV:	Financial Services, Investment Management, and Commercial Real Estate	223
Chapter 18:	Elsa Palanza: <i>Managing Director, Global Head of Sustainability & ESG, Barclays</i>	225
Chapter 19:	Yulanda Chung: <i>Managing Director, Group Head of Sustainability, Institutional Banking Group, DBS Bank</i>	241
Chapter 20:	Heidi DuBois: <i>Head of ESG, AEA Investors LP</i>	253
Chapter 21:	Marisa Buchanan: <i>Managing Director, Global Head of Sustainability, JPMorgan Chase & Co.</i>	263
Chapter 22:	Cynthia Curtis: <i>Senior Vice President, Sustainability Stakeholder Engagement, Jones Lang LaSalle</i>	271
Chapter 23:	Steve Waygood: <i>Chief Responsible Investment Officer, Aviva Investors.</i>	281
Chapter 24:	Michelle Edkins: <i>Managing Director, Investor Stewardship, BlackRock;</i> Alexis Rosenblum: <i>Chief Corporate Sustainability Officer, BlackRock</i>	297
Index		321

About the Author



Chrissa Pagitsas is a senior executive and advisor to global companies, philanthropies, and non-profits on the intersection of sustainability, environmental, social, governance (ESG) and business. She is a trusted board member and sought-after public speaker on how to catalyze business transformation through sustainability.

Chrissa was the driving force behind several market-transforming innovations in green financing, including issuing the first green commercial mortgage-backed security (CMBS) in the United States, creating a standardized energy audit for the commercial real estate market, and developing the US Environmental Protection Agency's

ENERGY STAR 1 to 100 score for Multifamily Housing.

Recognized as a "Global Green Bond Champion" by the Climate Bonds Initiative, Chrissa served as the first vice president of ESG at Fannie Mae. She launched and led Fannie Mae's Green Financing Business, which under her leadership became the largest issuer of green bonds globally. Chrissa has developed sustainability strategies for large real estate asset managers, advised clients on renewable energy solutions, and delivered financial management software solutions for utility companies in the United States and Europe.

Chrissa holds an MBA from the Darden School of Business, University of Virginia, and a BA from Johns Hopkins University. She lives in Washington, DC, with her husband and sons.

Contact information and more available at www.chrissapagitsas.com.

Acknowledgments

The idea to write about leaders in sustainability became this book thanks to the support and encouragement of many family members and friends.

My deep thanks to my husband, Lee, who encouraged me throughout the writing process and crossed the finish line with me. Thank you to my sons, Cosmo and Felix, for many hugs at my desk and invitations to take a break and play. Thank you to my mother, Efi, who showed me what a determined woman could do in her life and career. Thank you to my sister, Elpi, whose ability to reframe challenges is inspirational. Thank you to Laurie for teaching me to think like an artist.

A heartfelt thank you to my friends from many parts of my life who cheered me on, including Kate Canale, Christine Davies, Gina Rajpal Felton, Erica Malkasian, James Shockley-Temple, and Katie Tower. Maria Barker, Christine Bohle Boyd, and Karyn Sper—thank you for helping me capture my story and why it was important to write this book.

An incredible group of colleagues helped build the green financing business and ESG strategy at Fannie Mae. I thank the Green and ESG teams, the multifamily business, corporate teams, and executive leadership for saying yes to new ideas, changing processes, and more over the last decade.

Thank you to the leaders in sustainability and ESG who agreed to be interviewed for this book. They not only shared their time but their ideas, passion, and vision for a more sustainable future. I am grateful that I can share their stories with you. An additional thank you to the people at each company, from assistants to marketing to legal, who helped finalize their CSO's chapter.

Thank you to Chris Nelson for his expert guidance on chapter development and narrative, Kim Burton-Weisman for her keen eye on copyedits, Mark Powers for strong project coordination, and Shivangi Ramachandran for the green light to write this book.

Preface

Behind a fire station and across the street from a jazz club in Cambridge, Massachusetts, there was a simple, brick apartment building. It had baseboard heating, a coin-operated laundry in the basement, and not much more. While growing up there in the 1980s, money was tight. My mother made sure my sister and I turned off the lights as we left a room and put on a sweater if we complained about the New England winter. Hot summer nights meant catching a cool breeze through open windows along with fire truck sirens and jazz music. Every dollar spent on the electric bill was a dollar lost toward our groceries and schooling.

Little could I have imagined that thirty years later, I would devote myself to helping millions of other families to live in more energy- and water-efficient apartment buildings, spend less on their utilities, and be comfortable in their homes in summer and winter. Figuring out *how* to do that would eventually lead to the writing of this book.

As a consultant to utility companies in the early 2000s, I began to observe a shift in the energy and commercial real estate industries. Real estate developers were adopting energy-efficient construction, installing solar panels, and reducing their energy demand from the traditional energy grid. This new intersection of business and the environment changed the direction of my career. I went from programming energy price forecasting systems to evaluating the viability of methane biodigesters in emerging markets and advising asset managers on the sustainability strategy of their commercial real estate portfolios.

In 2010, Fannie Mae hired me to start a “green initiative” for their multifamily business, returning me to the world of apartment buildings. My mission was to find a way to transform their core product, a commercial mortgage, to become “greener.” The question was, how does one “green” a mortgage for apartment buildings? Not only did these green mortgages have to maintain profitability and low credit risk, but I was adamant that they also had to improve the quality of housing and lower the energy and water bills for low- and moderate-income families.

How did we begin to make apartment buildings more energy- and water-efficient? A partnership with the US Department of Housing and Urban Development led to the piloting of multiple green mortgage products and the issuance of the first commercial green bond. To integrate sustainability principles into the existing loan underwriting process, my team and I created a

standardized energy audit report that an energy engineer could deliver quickly and a lender could understand and underwrite to. It also satisfied green bond investors' demand for rigor, consistency, and transparency. I partnered with peers across internal departments, originators at primary lenders, and stakeholders at industry associations to put new green mortgage products in the hands of apartment building owners. Together, these approaches catalyzed a transformation across the multifamily commercial mortgage value chain. As of year-end 2021, Fannie Mae had issued more than \$100 billion in green bonds backed by green mortgages.

Over this same time, awareness and agreement had risen exponentially that business and civil society needed to act to combat climate change and social issues, thanks to the steadfast efforts of activists, non-governmental organizations, and the private sector. New frameworks such as the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) had been established to treat environmental data with the same rigor as financial data. And investors in the United States and Europe began to ask questions about companies' environmental, social, and governance performance, or more commonly known as ESG. ESG was being adopted as a strategic approach to assess a company's purpose, risk management, and value, married with qualitative and quantitative data. Recognizing this shift in the market toward ESG, I raised the imperative to launch an enterprise ESG strategy with Fannie Mae leadership. In 2019, I became Fannie Mae's first ESG officer. I thank Fannie Mae's leadership for taking this leap of faith and continuing to drive the company's ESG transformation today.

As I built these strategies at Fannie Mae, I would turn to my peers leading sustainability, green financing, and ESG strategies for advice. We traded stories about what worked—and what didn't—when integrating sustainability into the core services and products of our respective global firms, how to secure the yes to pilot new technologies, and more. I realized that we most frequently talked about *how* to implement successful sustainability and ESG strategies, not *why*. We had all answered *why* we had to act to meet humanity's critical challenges, such as climate change and racial inequity. The fact that my peers held senior executive positions at global organizations meant that their executive leadership and boards had answered the *why* question, too.

The unanswered *how* questions we discussed were complex, and their potential answers differed depending on the industry. How do you accelerate the positive environmental sustainability and social impact at a company with billions in revenue and operating across multiple continents? How do you overcome internal inertia to launch new pilots or retool a process? How does the executive management team maintain focus on decades-long ESG goals when challenged by present-day quarterly financial targets? How do companies in different industries, from financial services to food and beverage, prioritize

the issues material to their diverse stakeholders, from regulatory bodies to farmers? How do chief sustainability officers lead differently than their C-suite peers? What is the future of business when seen through a sustainability lens?

Continuing global social, economic, and health crises told me that, now more than ever, companies and their leadership would need and want to know the answers to these *how* questions about ESG and sustainability. So, in 2021 I sought the answers with the help of twenty-five executives from Fortune 500 companies and globally recognized brands in diverse industries. This book, *Chief Sustainability Officers At Work*, captures our conversations about the *how* of sustainability and ESG, and at times, we even revisited the *why*.

For simplicity, I use the term *chief sustainability officer*, or CSO, as an umbrella term for senior executives of sustainability, heads of ESG, and managing directors of sustainable finance. However, there is no such thing as a cookie-cutter CSO. Their professional experience spans procurement to marketing to think tanks, and they lead their company's sustainability strategies from London, Singapore, and Hong Kong to New York and Seattle. Not surprisingly, these executives are frequently entrusted with responsibilities beyond sustainability, such as enterprise strategy, stakeholder management, procurement, human resources, philanthropy, and more.

Yet, as I asked these executives how one leads a credible, scalable, successful sustainability and ESG strategy, I heard five themes repeated often: *priorities*, *patience*, *products*, *process*, and *partnerships*. Eventually, five complete answers coalesced around the themes and echoed my experience building and leading a green bond business and an enterprise ESG strategy.

- Know the *priorities*.
- Invest in *patience*.
- Integrate with *products*.
- Catalyze *process* and systems change.
- Forge new *partnerships*.

CSOs *know the priorities* of their external and internal stakeholders. With that knowledge, they focus their company's resources on them to drive environmental and social impact and financial value. Katherine Neebe of Duke Energy crystallizes the questions that every company must answer as it embarks on a sustainability journey: What issues matter to the company, and to which issues does the company matter? Even when the stakeholders are many, and their opinions are diametrically opposed, it's important to listen and identify how to authentically address them, as Michelle Edkins and Alexis Rosenblum at BlackRock point out.

CSOs must innovate to create the techniques, tools, and technologies to close the gap between what's possible today and their ambitious ESG goals for 2030 and beyond. But the level of innovation needed to close the gap requires CSOs and their companies to *invest in patience*. It may take years for the new solutions to be scalable, profitable, and impactful. Ezgi Barcenas and the executive management team at Anheuser-Busch InBev made that investment when they concurrently approved ambitious ESG goals and a new accelerator program to pilot and scale sustainable innovations.

How do CSOs make progress on ESG strategies in the meantime? By *integrating ESG and sustainability principles within new and existing products*. Virginie Helias at Procter & Gamble showed the power of this answer many times, whether developing a Head & Shoulders bottle made from recycled plastic or launching an education campaign for consumers to use cooler water in their washing machines and save energy.

CSOs *catalyze changes in processes and systems* to manage their risks and create positive outcomes. At PVH, Marissa (Pagnani) McGowan and her team changed the auditing process for thousands of garment factories, allowing PVH to better understand where they produce their clothing, support their workers, and increase environmental efficiency. At the macro level, Steve Waygood of Aviva Investors, raises the need to redefine the role of the G20, the United Nations, and the Organisation for Economic Co-operation and Development to better support humanity and the planet.

Last but not least, CSOs told me about the importance of *forging new partnerships*. Kara Hurst of Amazon credits public-private partnerships, such as The Climate Pledge and the Lowering Emissions by Accelerating Forest finance (LEAF) Coalition, for amplifying the call to action on climate change and implementing solutions to solve it.

Together these executives paint a picture of what it is to be a chief sustainability officer and what it takes to know *how* to address sustainability, not just *why*. These are timeless lessons for any leader, but especially for those seeking to forge a new sustainable and impactful way of doing business. Whether you are an experienced sustainability professional, joining a new ESG team, or a “non-sustainability” leader determining what sustainability means for your business line, these lessons will help you navigate opportunities and the road ahead.

Our planet is in desperate need of leaders like these CSOs. Once you know *how* to lead a successful sustainability and ESG strategy, I hope you join us.

—Chrissa Pagitsas
February 1, 2022
Washington, DC

Introduction

This book contains twenty-four in-depth interviews with chief sustainability officers (CSOs) and senior executives leading sustainability and environmental, social, and governance (ESG) at Fortune 500 firms and globally recognized brands. Each chapter captures rich conversations between the executive and the author on the intersection of sustainability and business.

These executives play a central role in their company's long-term growth strategies by stewarding the environmental and social impact of core products and services. The CSOs are navigating how to address climate change and social injustice while regulatory frameworks and investor expectations continue to shift. They give a glimpse into the future of sustainability and business and what motivates them daily to tackle our world's greatest challenges.

Whether you are a sustainability professional, member of the board of directors, or leader in your company's business lines or operations, this book will help you navigate this new sustainable way of doing business. The CSOs reveal how they successfully partner with their peers across the company and with public and private entities externally, a critical skill for any business leader.

In each chapter, CSOs share their companies' sustainability and ESG goals as of year-end 2021. Over time, the goals will likely change as they expand their company's ambitions, however, the lessons they share on how to lead enterprise strategies are enduring. Likewise, the technical language and the practice of sustainability and ESG are quickly evolving and broad. Throughout these chapters, the executives use different words for the same or similar concepts, such as *greenhouse gases* and *carbon emissions*. To maintain each interviewee's unique voice and stay true to the strategy they lead, these terms have not been standardized.

Who Should Read This Book?

- CSOs and ESG leaders and their teams
- C-level executives and board members

- Business leaders partnering with sustainability leaders and teams
- Sustainability and ESG consultants
- Students studying sustainability and business
- All others who interface with sustainability and ESG functions in their roles

What the Reader Will Learn

- How CSOs lead sustainability strategies at global billion-dollar companies to create positive environmental and social impact and financial value
- How the business landscape may change over the next five to ten years as a result of sustainability and ESG
- How to partner with internal peers and boards of directors to integrate sustainability into core business products and services
- How to navigate a moving regulatory landscape while creating meaningful and authentic partnerships with external stakeholders

Sample Questions

Each CSO was interviewed about their views on business and sustainability strategy, the broad field of sustainability, ESG, and sustainable finance, and their leadership approach and management style. The following questions provide an overview of the questions asked, although no two interviews were alike. Each conversation between the executive and the author generally lasted an hour and was edited for clarity and readability.

Strategy

- How do you accelerate a company's positive environmental and social impact and create value at a global company with billions in revenue?
- How do you overcome internal inertia to launch new pilots or retool a process?
- Who is ultimately responsible for the success of the sustainability strategy?

- How does the executive management team balance ESG goals with target dates of 2030 and 2040 with quarterly financial targets?
- How do companies in different industries, from financial services to food and beverage, prioritize issues material to their diverse stakeholders, from regulatory bodies to farmers?

Sustainability, ESG, and Sustainable Finance

- What are the primary pillars of your company's sustainability, ESG, or sustainable finance strategy?
- What ambitious goals have been set to address climate change and greenhouse gas scopes 1, 2, and 3 emissions?
- How do you use reporting frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB)?
- What role do the United Nations Sustainable Development Goals (UN SDGs) have in your company's strategy?
- How are financial services institutions helping clients in traditional energy and fossil fuel industries transition to a low-carbon future?
- What are the implications of the agreements made at the UN Conference of the Parties (COP) held in Glasgow in 2021?
- How do diversity, equity, and inclusion intersect with a sustainability strategy?

Leadership and Management

- How do chief sustainability officers lead differently than their C-suite peers?
- Where does the sustainability team sit within the organization, and why was it placed there?
- How has your role changed since you came into the position?
- What skills and experience do you look for when hiring people to join your team?

- What is your philosophy and approach to leadership as a senior executive?
- What were pivotal moments in your career that altered your approach to business?

Learn from these executives' hard-won experiences and become ready to lead your business into a more sustainable and equitable future.