



# Introducing the Climate Strategy Officer Point of view

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# The emerging role of Climate Strategy Officer

To achieve the objectives of the Paris Agreement regarding an average temperature rise of 1.5 degrees centigrade, we must reduce our total carbon emission by 50 percent on a global scale before 2030. This calls for massive green transformations of companies' business models. Complex and long-term transformations.

Today, a growing number of large and medium-sized companies each face the necessity of formalising an organisational anchor for their green transformation – a role which holds the responsibility for this transformation. This may be an expansion of an existing Chief Strategy Officer role, a Sustainability role, a compliance role, a role centered around energy management, or it may be the creation of an entirely new role within the company.

Filling the new role as the anchor of a green transformation often requires a thorough understanding of the company's business needs and

operations as well as broad stakeholder management, both inside and outside the company. In the following Point of View, this new role will be referred to as the Climate Strategy Officer (CLSO), which must not be mistaken for the Chief Strategy Officer role (CSO), even though they share many similarities.

The CLSO is often accountable for the green transformation but not responsible for carrying the transformation into effect. Accountable means that the CLSO must ensure that the green transformation is implemented and that the CLSO can be measured by his/her achievement of this. Responsible means that other employees within the company have the real operational responsibility for actually implementing the transformation.

In addition, the new CLSO must be able to focus on several horizons at the same time as well as to create a followership inside and outside of the company in

order to conduct the transformation. This requires various competencies – and roles.

On the following pages, we have described seven roles that the CLSO must – to a greater or lesser extent – be able to take on in order to conduct a successful transformation.

The new CLSO can be anchored several places within the company. The most suitable place for the CLSO depends on the type of company as well as which of the seven roles the CLSO will primarily take on.

Finally, we describe four archetypes of CLSO functions as well as where and how a CLSO can be anchored within a company.



# The 7 roles of the CLSO

Filling the role as CLSO requires a broad suite of competencies. Based on Deloitte’s position as advisor to CLSOs, other C-suite roles and Sustainability managers – as well as our general advisory regarding ways to reduce carbon emissions while creating a financially sustainable business – we have defined seven roles that a (new) CLSO of a large or medium-sized company will take on.

Often the CLSO will take on several roles at once, and the roles may change over time. This poses a challenge to many CLSOs, as the varying roles present significant requirements for their competencies and their ability to prioritise and balance expectations around them.

The CLSO is central to bringing about a green transformation in a company. We see CLSOs taking on their roles in different ways depending on the specific situation of their company. The CLSOs who manage to adapt to the company’s particular situation and turn the volume of each of the seven roles up or down at the right time are the ones who help their companies take the greatest leaps towards a greener future.





## The Advisor

CLSOs must be able to set the direction for a business-driven climate strategy. They must be able to read the competitors' and consumers' positions and thereby the market potential connected with a green transformation. The CLSO must be able to read the risks arising from not initiating a green transformation. They must be able to read the management's and owners' ambitions – regarding both business and passion, read the employees' and the organisation's maturity regarding the pursuit of a new bottom line, read the political winds and how these may affect the company, as well as many other tasks.

This requires the CLSO to be in contact with many stakeholders as well as be able to orchestrate a process for the creation of a green transformation strategy and its subsequent implementation. Furthermore, the CLSO must draft decision-making points, including hard choices that the management must make.

The successful CLSO builds solid relationships with everyone on the CXO level – as these actors are core stakeholders for the creation and implementation of the strategy – and strong relationships with employees, key suppliers, key customers and politicians.



## The Lookout

A CLSO must always have an ear to the ground and be able to predict how customers, suppliers, competitors and politicians change their preferences in relation to climate change and sustainability, before the changes actually take place. For example, the CLSO must be able to spot climate- and sustainability-related trends in consumer buying behaviour and act on this, so products and production processes can be altered to fit the new requirements and desires. Reducing carbon emissions in the making of a product or switching from plastic packaging to another type of solution in the primary, secondary or tertiary packaging can take several years to plan and implement.

The CLSO should also be able to predict how competitors will position themselves in relation to climate change and sustainability and, based on this, assume a new role in the market and the competition for customers and suppliers. The CLSO must also be able to decode political signals and make changes to the business model accordingly, so the company stays ahead of new green regulation.

The successful CLSO has an eye on several horizons at the same time and manages to initiate the necessary changes with due care and diligence.



## The Subject Matter Expert

Determining CO<sub>2</sub> reduction targets as well as initiatives to achieve these poses a series of subject matter-specific questions. For example, formulating the CO<sub>2</sub> reduction targets requires that the existing CO<sub>2</sub> baseline has been drawn up, and setting targets that are in accordance with the Paris Agreement (for example science-based targets) requires specialist knowledge for the calculation of the CO<sub>2</sub> emissions and where in scopes 1, 2 or 3 the emissions should be accounted for. Another example might be the selection of new materials in the product or the product packaging, which requires knowledge regarding the quality, usability, chemical composition and safety of the material as well as knowledge regarding current and forthcoming legal requirements. A third example is that the CLSO must ensure compliance with current and forthcoming rules on everything from the environment, chemistry and waste to ESG-based financial products and ESG reporting. The CLSO will often only have access to very few employees who possess this specialist knowledge, and the CLSO will therefore need to possess certain knowledge across these areas.

The successful CLSO is able to use the subject matter-specific knowledge to develop concrete, usable solutions while at the same time connecting the subject matter-specific knowledge to the strategic direction at management level.



## The Assistant

The CLSO is often responsible for preparing presentations for the management team, the board and the owners to help them decide on the ambition for and the direction of the green transformation. The CLSO also contracts with external advisors in order to obtain subject matter-specific knowledge and build their own knowledge base.

Successful CLSOs are assistants to the management teams, the boards and the owners, as they prepare decision-useful briefings and drive the execution of decisions within the company.



## The Craftsman

The CLSO is often responsible for driving the implementation of a business-driven climate strategy. The CLSO must prepare an implementation plan, steer the company through the implementation, monitor the implementation in the various business divisions and functional areas, as well as assess the problems that might arise during the implementation. The CLSO must be a craftsman who turns the strategy into reality.

The successful CLSO leads projects and project portfolios and encourages all the relevant stakeholders to follow the plan.



## The Investor

Initiatives directed towards the core business often require financing in the short term and the medium term. This may, for example, be investments in sustainable energy that can be delivered in a steady way over many years (such as a Power Purchase Agreement), which initially incurs increased expenditure but may become a positive financial investment over the course of 10-15 years. It may also be making changes to the composition of materials in a product in order to reduce the carbon emissions, which may cause existing customers to leave. Or it might be investments in new solutions for transportation and logistics.

The CLSO must be able to prepare and present a business case that will convincingly illustrate the long-term commercial earnings from the investments – and if the suggested investment is commercially negative during the entire period, the CLSO must find another way to present a valid argument for why the company should make the investment anyway.

The successful CLSO prepares business cases with several bottom lines and always has a view to the financial bottom line.



## The Communicator

A significant part of realising a business-driven climate strategy is the internal and external communication. This aspect is new compared to the traditional role of someone responsible for a green transition. Often, the positive business case is contingent on the initiatives creating positive brand value that can be converted into capital by selling more products or more expensive products – or merely by still being able to sell products.

The CLSO therefore plays a part in ensuring that the climate strategy and related initiatives break through the sound barrier to customers, suppliers, owners as well as in society. For example, the strategy might contain flagship initiatives that can easily be communicated. Internally, the communication must engage employees so that they become part of the journey and so that potential value-creating earnings can be realised, such as higher productivity, increased employee loyalty or a greater talent pool to recruit from. Therefore, the CLSO is also tasked with continuously ensuring that communications and marketing are a baked into the green transformation.

The successful CLSO is able to incorporate marketing and HR perspectives into the strategy and its implementation in order to realise the desired value creation from customers, employees, suppliers and owners.



# Anchoring the CLSO role in the company

The anchoring of the CLSO in a company has significant importance for which of the seven roles the CLSO can and should use to drive the green transformation. If the CLSO is responsible for the development of new green products and new growth areas, the CLSO should refer directly to the C-level decision-makers placed close to the market-oriented part of the company. If the CLSO primarily focuses on risk mitigation and adherence to regulatory requirements regarding environment and climate, the CLSO should refer to the Chief Risk Officer, Chief Financial Officer, or Chief Operations Officer.

The anchoring of the CLSO depends on four archetypes of functions which the CLSO will use to exercise his/her authority:

- The portfolio function
- The subject matter expert function
- The business development function
- The compliance function.

The four archetypes are described in detail on the following page.

The CLSO is often anchored in an existing function which will then have its task portfolio expanded. This organic growth may have its advantages, as the function will often have similar or related tasks as well as an organisation and competencies in place. But there might also be disadvantages if, for example, the CLSO is to leverage new areas that require vision and new constellations for collaboration. It might also be hard to solve the task of developing the business in a more opportunistic direction, if the CLSO is anchored in a former compliance function focusing on risk management and regulatory compliance.

When anchoring a CLSO, a company should ask itself the following five questions:

1. What is our ambition for a green transformation?
2. Which strategic tasks must the CLSO focus on to realise our ambition?
3. Which decision-making structure and governance model are necessary in order to make the right decisions quickly?
4. Which competencies and resources are necessary?
5. Which systems and structures must support the function?

The answers to these five questions help set the framework for the anchoring of a CLSO. Ultimately, the decision must always be based on the specific situation of a company.



	The portfolio function	The subject matter expert function	The business developer function	The compliance function
Task	Set the direction for a corporate group with several business areas.	Assist the business with subject matter knowledge regarding the climate and the environment.	Set the direction for development of new products as well as new markets.	Ensure compliance with regulatory requirements regarding the climate and environment as well as minimise risks.
Roles	The Advisor The Helper The Communicator	The Subject Matter Expert The Craftsman	The Advisor The Lookout The Investor The Assistant The Communicator	The Lookout The Subject Matter Expert
Focus	<ul style="list-style-type: none"> <li>Develop the overall targets and strategy for carbon emissions for the entire group.</li> <li>Set reduction targets for business areas.</li> <li>Support the business areas with knowledge and a framework for developing their own reduction plans.</li> <li>Ensure coherence between the various plans from business areas and create an overall profile across the group.</li> </ul>	<ul style="list-style-type: none"> <li>Deliver subject matter insights to the Chief Operations Officer and Procurement.</li> <li>Perform subject matter quality assurance in relation to the development of more sustainable solutions, including sub-suppliers.</li> <li>Support the Chief Financial Officer with climate reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Drive the development of new sustainable products.</li> <li>Seek out new business opportunities (products and geographical markets).</li> <li>Support the business strategy as well as the ambitions of the Chief Executive Officer and the owners.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with current and future regulatory requirements.</li> <li>Identify and mitigate risks, especially with suppliers.</li> <li>Ensure accurate and compliant climate reporting.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Report directly to C-level decision-makers.</li> <li>Set requirements for business areas and other management levels.</li> </ul>	<ul style="list-style-type: none"> <li>Report to the Chief Operations Officer or other managers within operations.</li> </ul>	<ul style="list-style-type: none"> <li>Report to the Chief Executive Officer.</li> </ul>	<ul style="list-style-type: none"> <li>Report to the Chief Risk Officer, Chief Financial Officer, or Chief Operations Officer.</li> </ul>
KPIs	<ul style="list-style-type: none"> <li>Ability to set the direction for the group.</li> <li>Ability to create a followership within the business areas.</li> </ul>	<ul style="list-style-type: none"> <li>Ability to support the work of functional areas on climate and sustainability (procurement, production, logistics, transportation etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Ability to support creation of new turnover and seeking out new markets.</li> <li>Ability to brand and position the company.</li> </ul>	<ul style="list-style-type: none"> <li>Ability to ensure adherence to current and future requirements.</li> <li>Ability to reduce risks from suppliers or customers.</li> </ul>



# Contact



Deloitte is a leading advisor on how to manage climate risks and reduce carbon emissions in a financially sustainable way.

## Our commitment to a low-carbon economy

As the leading professional services firm in the world, it is our responsibility to help companies, institutions, governments and citizens transition to a low-carbon economy and a more sustainable future. Our global scale compels us to take action and accelerate the green transformation for the benefit of our clients, our people, our society, our planet and our business.

## How we can help you

We see climate risks as an opportunity to transform the way we produce and consume today and for companies to seize new market opportunities, as we transition to a low-carbon economy.

Our ambition is to help our clients reduce their environmental footprint in a financially sustainable manner and integrate green ambitions with financial realities and core operations. This is where the real change happens. This is the impact that matters.

We can help you imagine, deliver and run your future in a low-carbon economy. No matter where you are today on your journey.



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