United Nations
Global Compact

European Chief Sustainability Officer Platform

Discussion Paper on the Strategic Dilemmas Shaping the Future of Corporate Sustainability

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The role of the corporate lead on sustainability has undergone a profound transformation. What was once often a peripheral function - often embedded within communications, public affairs, or human resources - has become professionalized and elevated to the C-suite. This evolution is far more than a shift in job title, seniority, or visibility. It represents the emergence of a fundamentally new profession. The early sustainability roles were often filled by “pioneers” or “activists” - individuals who championed ideas, disseminated concepts, and carried a strong vision for change. Today’s Chief Sustainability Officers (CSOs) are no longer primarily communicators or advocates; they are transformation leaders responsible for reshaping industrial processes, financial decision-making, workforce capabilities, and product portfolios in real time — often without established playbooks. Sustainability is becoming inherently strategic, shaping competitiveness, license to operate, and long-term value creation - and is now often embedded in core business decisions rather than positioned as a parallel workstream. Sustainability leaders are navigating an increasingly complex operating environment shaped by geopolitical shifts, technological disruption, economic volatility, regulatory change, and growing expectations from boards and investors.

At the same time, CSOs must, now more than ever, distinguish genuine sustainability signals from political noise. Short-term political cycles often obscure the medium- and long-term structural trends that shape markets, capital flows, and regulatory trajectories. Many companies now treat sustainability as a core component of their resilience and risk agendas, with Chief Finance officers (CFOs), Chief Legal Officers (CLOs) and Chief Risk Officers (CROs) integrating climate, geopolitical volatility, supply-chain exposure, and regulatory foresight into strategic planning. This shift is pushing CSOs to evolve their roles — building strategic foresight capabilities, navigating 3–5 year transition cycles, and positioning sustainability as a long-term value and resilience driver rather than a reactive compliance function. As the role has gained visibility and formal authority, CSOs and their equivalents now face unprecedented challenges arising from the convergence of regulatory, political, and economic pressures.

These pressures increasingly challenge - and in some cases undermine - CSOs’ ability to deliver long-term impact. CSOs are expected to help their companies navigate a highly complex environment marked by intensified investor scrutiny and rising stakeholder expectations, while simultaneously securing executive buy-in, translating sustainability into financial value, maintaining credibility in polarised markets, and ensuring long-term resilience and value creation.

The UN Global Compact’s Strategy 2026–2030 emphasises three priorities: equipping companies to act, catalysing collective action, and strengthening the business case for sustainability. The UNGC European CSO Platform supports this ambition by enabling shared learning and - critically - collective influence on EU-level debates.

This paper introduces five strategic dilemmas shaping the future of the CSO role and is designed to stimulate reflection and dialogue. By challenging conventional thinking, it invites sustainability leaders to reconsider how they position themselves, their work, and their influence—both within their organizations and across the broader business landscape—in a rapidly evolving context.

> This paper is authored by the UN Global Compact Regional hub Europe and is intended solely to provoke discussion and critical reflection. It does not represent the official positions or views of the United Nations, or the UN Global Compact participating companies and stakeholders.

Dilemma 1
Sustainability and competitiveness - opposing forces or mutually reinforcing?

The supposed trade-off between sustainability and competitiveness continues to dominate the political debate, but it rests on a false premise. Long-term value creation depends on sustainable resource use, stable operating environments, and strong stakeholder relationships. Treating sustainability as something external to competitiveness ignores these structural interdependencies.

Yet, even inside companies, sustainability is still too often framed as a cost centre, a compliance exercise, or a reputational hedge. Rarely is it positioned as a strategic driver of innovation, resilience, and market differentiation. Instead of being embedded into core business logic, it sits beside strategy, rather than inside it.

This is precisely where CSOs can shift the narrative. CSOs increasingly need to translate sustainability into the language of competitiveness: cost of capital, risk-adjusted returns, supply-chain resilience, talent retention, and long-term margin protection. This requires quantifying the cost of inaction, articulating value creation pathways, and reframing sustainability as a strategic investment rather than a regulatory burden. Companies that succeed do so by embedding sustainability into financial planning, product strategy, and operational excellence — not by treating it as a parallel agenda. Sustainability is not an additional layer placed on top of “real business”; it is how business is conducted in volatile markets, constrained resource environments, and increasingly regulated value chains. The task is to show that competitiveness depends on sustainability-driven decisions across operations, supply-chains, product development, capital allocation, and workforce strategy. Companies that decarbonise reduce exposure to volatile energy markets and future carbon costs. Those that build transparent, resilient supply-chains lower disruption risks and gain preferential access to capital. Firms that invest in workforce development strengthen productivity, retention, and capacity for innovation. These are competitive advantages, not reputational benefits.

To truly enable sustainability to become and also remain a source of competitiveness, companies require the right enabling conditions: coherent regulation, predictable policy signals, transition-finance frameworks, and incentives that reward ambition. Europe's challenge is not regulatory ambition but the failure to convert sustainability commitments into measurable competitive advantage.

Despite political volatility, long-term market signals remain strong. Investor demand for credible sustainability performance continues to grow, and new markets — from renewables to AI-enabled social impact solutions — are expanding rapidly.

> **The strategic dilemma for CSOs is clear: How can sustainability be positioned as the route to competitiveness — and how can companies avoid using competitiveness as a justification for weakening the very standards that underpin long-term resilience?**

Questions for Discussion:

- Where does sustainability sit in your company's real decision architecture — inside core processes or alongside them?
- Which decisions already rely on sustainability data, and where does it still function as an add-on?
- What is the cost of not integrating sustainability — in exposure to energy volatility, supply-chain fragility, regulatory uncertainty, or talent risk?
- How does leadership frame sustainability when competitiveness is at stake, and what would need to change for it to be seen as a competitive necessity?
- Which enablers (regulation, incentives, financing mechanisms, subsidies) would strengthen the business case for sustainability-driven investment?

Dilemma 2
Can multilateral standards still anchor corporate responsibility in a fragmenting world?

The international architecture that long anchored corporate sustainability is under strain. The authority of the UN, the reach of human rights mechanisms, and the legitimacy of global initiatives are increasingly challenged. Meanwhile, Europe has moved decisively toward mandatory regulation, with the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) fundamentally shifting the centre of gravity from voluntary principles to binding, enforceable obligations.

For over a decade, the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises have provided a common language for responsible business conduct across markets. The values and principles embedded in these frameworks — including a human rights–based approach, due diligence, and accountability — are key to making sustainability both credible and transformative, ensuring that respect for people, rights, and planetary boundaries underpins every aspect of responsible business conduct. They help companies navigate diverse jurisdictions, and align internal policies with internationally recognised standards. When multilateral consensus erodes, these foundations weaken. This raises the question: If the UN's moral authority is questioned, does the business case for social and environmental due diligence dilute?

Mandatory regulation addresses a long-standing coordination failure by creating a level playing field. But regulation alone cannot deliver ambition. Voluntary initiatives have historically provided the space for companies to innovate, exceed minimum requirements, and build advantage through shared learning and collaboration. The strategic opportunity lies in treating mandatory rules as the baseline - and using voluntary initiatives to push ambition, shape norms, and signal leadership.

The challenge is that voluntary frameworks depend on legitimacy. When major economies step back from global agreements on human rights and climate, companies find themselves defending standards that no longer command universal support. This is not just a moral challenge — it is a strategic one. A well-functioning multilateral system is essential for business: it underpins open markets, reduces legal fragmentation, stabilises expectations, and reduces the transaction costs of operating across jurisdictions. Without shared frameworks, companies face growing compliance burdens, regulatory inconsistency, political risk, and reputational volatility.

As geopolitical blocs diverge, companies risk building parallel sustainability systems that increase cost and complexity. Leading companies are responding by establishing “minimum global baselines” anchored in UNGPs and OECD Guidelines, while adapting implementation to local regulatory realities. With litigation and scrutiny rising, “strategic sustainability” becomes a guarantee of corporate credibility. This also includes engaging in positive lobbying: calling for long-term, stable policy frameworks that enable sustainable investment and innovation, and helping shape the markets in which companies operate. This approach reduces fragmentation, protects against political volatility, and preserves long-term alignment with international standards even when markets diverge. In this context, the business case for global cooperation becomes even more important. A level playing field across areas such as carbon pricing, CBAM implementation, supply-chain due diligence, data governance, AI standards, and capital flows is essential for maintaining competitiveness and reducing compliance fragmentation. Many of the markets shaping the next decade — from critical minerals to AI-enabled services — depend on cross-border interoperability and shared rules. Demonstrating the net benefits of multilateral solutions is therefore not only a normative argument but a strategic one: global interlinkages in data, natural resources, technology, and finance create value that no single jurisdiction can unlock alone.

Questions for Discussion:

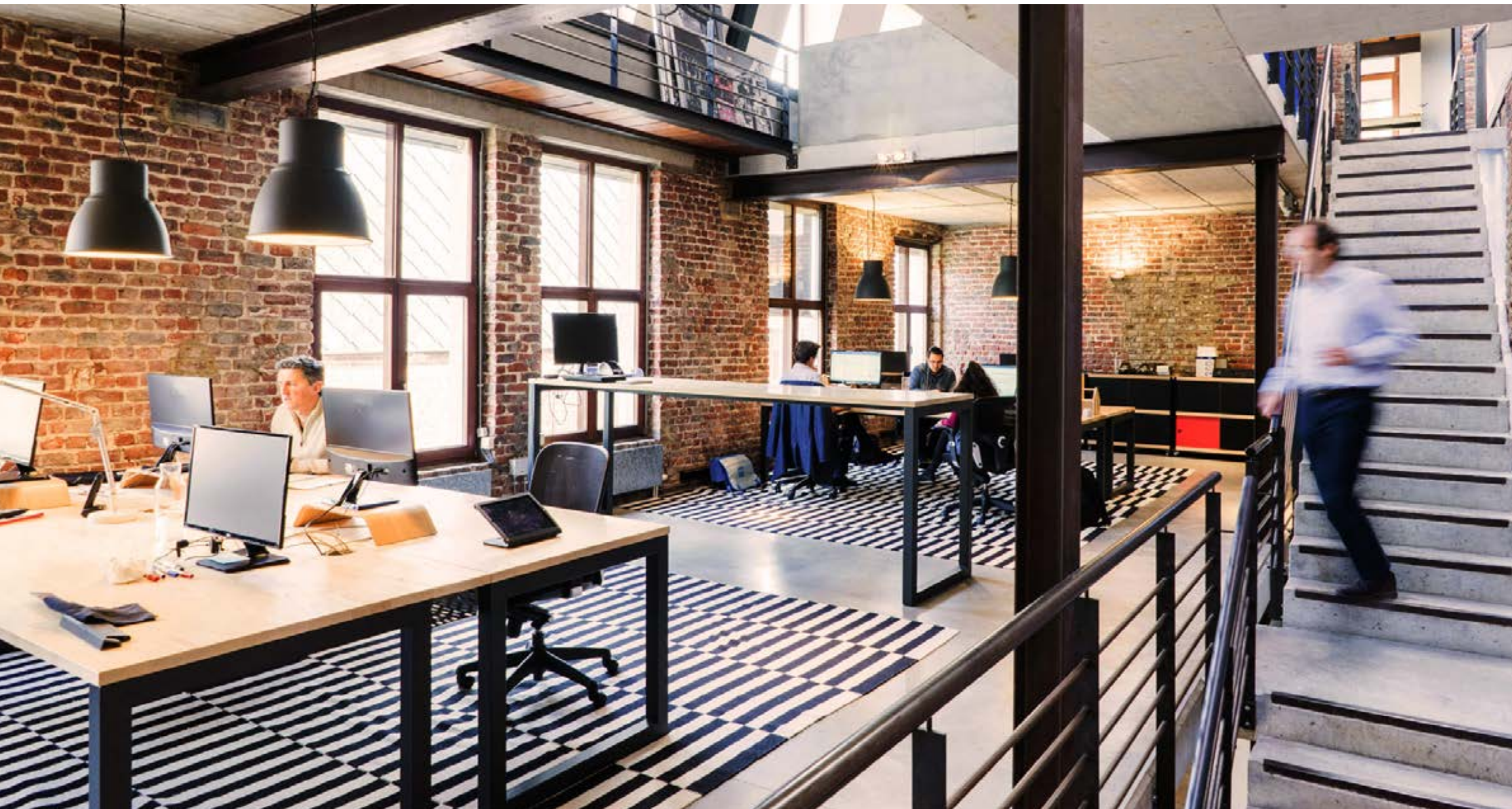
- How does your company use international standards as a common language for decision-making?
- What is the strategic logic for maintaining alignment with global principles when others don't?
- What happens when regulatory and voluntary frameworks no longer reinforce each other — and how will your company choose which expectations define its long-term positioning?

Dilemma 3
Are voluntary sustainability networks driving real change or sustaining the narrative of progress?

Voluntary sustainability networks were created to break the zero-sum logic of competition. Their promise: shared learning, pooled resources, and collective action on challenges too complex and resource intensive for any single company. The UN Global Compact was created with this ambition in mind, convening businesses, civil society, and the UN system around the UN Global Compact Ten Principles and the SDGs. In theory, voluntary commitment signals leadership. As more companies join, norms shift, expectations rise, and laggards face pressure to follow. When regulation later codifies similar requirements, early movers are rewarded for having built the capabilities and governance structures in advance. This dynamic creates a virtuous cycle: voluntary action accelerates regulatory ambition, and regulation raises the floor for everyone. Industry coalitions often illustrate this interplay. When companies know that regulatory requirements are coming, collaboration becomes the rational response. The prisoner's dilemma flips, and instead of competing over who can externalise most harm at the lowest cost, companies collaborate on how to meet emerging standards efficiently and credibly.

In practice, many networks risk becoming arenas for signalling rather than engines of transformation. Peer-learning platforms can drift into benchmarking exercises; best practice sharing often glosses over the reality that practices are rarely transferable across geographies, sectors, or governance structures; collective action platforms sometimes produce polished reports but limited operational change and real impact. Participation itself can become the product.

At the same time, geopolitical fragmentation is giving rise to a new generation of voluntary pre-competitive coalitions, not only to manage shared risks but to shape "new markets" and secure growth opportunities



in areas such as AI governance, critical minerals, clean-tech supply-chains, and next-generation energy systems. In these domains, voluntary initiatives can act as early-stage market-shaping mechanisms — setting proto-standards, aligning incentives, and accelerating capability-building ahead of regulation.

> **The uncomfortable question for CSOs is whether participation is genuinely advancing strategy and impact—or whether participation itself has become a proxy for progress. When membership becomes a reputational asset, the line between substance and optics begins to blur.**

Questions for Discussion:

- How are voluntary sustainability networks shaping real decisions inside your company?
- What is the strategic rationale for participating when others free-ride?
- How will your company navigate a future where voluntary and regulatory expectations diverge?

Dilemma 4
Does sustainability disclosure create accountability — or mostly visibility without real change?

Sustainability disclosure has become one of the defining features of corporate responsibility. Over the past decade, the expectations have shifted from “say something” to “show something”, and companies now navigate an expanding ecosystem of reporting frameworks, each promising transparency, comparability, and better decision-making.

But visibility is not the same as accountability. A human rights–based approach is key to sustainability because it anchors accountability in universal principles of dignity, equality, and participation. It ensures that disclosure is not only about data and frameworks but about real-world outcomes for people and communities affected by business operations. A company can disclose extensively and still fall short of meaningful sustainability performance. Much of today's reporting architecture remains oriented towards inputs - policies adopted, scope of operations, processes established, governance structures formalised - rather than outcomes such as emission reductions, improved working conditions, or restored ecosystems. Assurance is uneven, verification is partial, and selective reporting allows companies to curate narratives that feel complete but are not necessarily comprehensive nor support in driving actual positive impacts. For many organisations, the reporting cycle has become its own operating system. Sustainability teams spend increasing amounts of time collecting data, aligning frameworks, and preparing disclosures, while the harder work of embedding change across functions competes for attention. The paradox is familiar: the more sophisticated reporting becomes, the easier it is for reporting to stand in for performance. Targets can be published without credible transition plans, progress can be claimed through offsets or accounting choices rather than operational transformation.

Benchmarking, intended to drive improvement, can reinforce this dynamic. Companies optimize for the metrics that are easiest to influence, compete for "best-in-class" visibility, and prioritise short-term gains that fit reporting cycles over long-term shifts that require structural change. Disclosure becomes a mirror - but not always a lever. The burden is also unevenly distributed. Large companies can absorb the complexity of reporting; SMEs often cannot. This creates a sustainability landscape where those with the greatest operational impact may be least visible, and where supply-chain opacity persists despite growing transparency at the top of the value chain.

And then there is the rise of greenhushing: companies choosing to say less, not more, because they fear accusations of greenwashing or political backlash in markets where climate or social action is contested. When firms retreat from transparency, stakeholders lose visibility into genuine progress, and the system loses one of its core functions: shared learning for real impact.

Meeting stakeholder expectations is not only a compliance exercise but a strategic opportunity. CSOs need access to financial and ESG data to demonstrate to boards and executives that responding to stakeholder demands strengthens access to capital, protects the company's social licence to operate, and enhances long-term resilience.

> **The opportunity is to reposition reporting as a catalyst for transformation. Companies that treat disclosure as an input — not an output — use materiality assessments to prioritise capital allocation, redesign processes, and strengthen governance. Integrating sustainability data into enterprise systems and linking disclosures to operational KPIs can shift the balance from visibility to real change.**

Questions for Discussion:

- When did a reporting requirement last influence a core business decision — rather than simply document it?
- What is the strategic rationale for maintaining robust disclosure when others underreport or greenhush?
- How will your company navigate a future where disclosure expectations fragment across jurisdictions?

Dilemma 5
Do CSOs have the mandate to deliver transformation - or are they accountable for outcomes they cannot control?

One of the most uncomfortable questions in corporate sustainability is also one of the most fundamental: Do CSOs actually hold the mandate, authority, and organisational positioning required to deliver the transformation their role implies? In many companies, the honest answer is still “not really”.

CSOs are tasked with driving decarbonisation, human rights and environmental due diligence, circularity, supply-chain transformation, and stakeholder engagement. Yet the levers that determine success - capital allocation, procurement decisions, product design, market strategy - often sit elsewhere. Sustainability is expected to be company-wide and cross-functional, yet the CSO's authority is frequently narrow. The role carries responsibility without equivalent power.

As sustainability becomes inseparable from corporate resilience, the centre of gravity for decision-making is shifting. CFOs, CROs, CLOs and strategy teams increasingly shape sustainability-relevant decisions — from transition-finance planning to geopolitical risk assessments and supply-chain restructuring. This is pushing CSOs to evolve their roles: building strategic foresight capabilities, integrating long-term risk analysis, and positioning sustainability as a core component of enterprise resilience rather than a standalone function. In some companies, this is leading to merged or hybrid roles; in others, CSOs are becoming the internal architects of long-term risk and opportunity mapping.

Nowhere is the gap between responsibility and authority more visible than in supply-chains. Supply-chain sustainability is the front line of transformation, essential for resilience in the face of geopolitical and climate disruptions. CSOs cannot deliver this alone; they require cross-departmental collaboration and the authority to enforce sustainability criteria across procurement, operations, and supplier engagement.

Sustainability functions often sit outside core business units: procurement and operations teams may view due diligence as administrative overhead; finance teams rarely integrate ESG risks into investment decisions; and senior leadership supports sustainability rhetorically but deprioritises it when trade-offs emerge. The result is a familiar pattern: CSOs are accountable for outcomes shaped by decisions they do not control.

This creates a paradox. Externally, CSOs are the face of company sustainability commitments - the ones who speak at conferences, engage with stakeholders, and defend progress. Internally, they are often positioned as advisors rather than decision-makers. When targets are missed, reputational risk falls to the CSO; when progress is achieved, the credit flows to operational functions.

The deeper question is not whether companies value sustainability - most do, at least in principle. The question is whether they value it enough to embed it structurally: through governance, incentives, reporting lines, and resource allocation.

Emerging practice across European companies suggests several governance models that are proving effective in strengthening CSO influence:

- CSO embedded in the executive committee with shared accountability for capital allocation and strategic decisions;
- Embedding measurable sustainability targets directly into the key performance indicators (KPIs) used by core business functions, including procurement, R&D and finance;
- Cross-functional transformation offices co-led by the CSO and COO/CFO, aligning ambition with operational delivery;
- Board-level sustainability committees with decision rights, elevating oversight to the highest governance level.

These models illustrate what a realistic mandate could look like today — and where companies are pushing the frontier of CSO authority. Insights from national UN Global Compact networks show that "Transformational Governance" is emerging as a critical enabler of real sustainability performance. Transformational Governance positions sustainability not as a standalone function but as a structural driver of competitiveness and ethical conduct. It requires aligning corporate purpose, risk management, strategic planning, and process design with long-term value creation. Internally, it accelerates integration across all business functions — procurement, finance, HR, compliance, R&D, HSE, legal, and operations. Externally, it expands the company's stakeholder lens to include institutions, financial actors, suppliers, customers, and civil society, recognising that companies shape — and are shaped by — their broader ecosystem.

In this model, the sustainability function plays a guiding and collaborative role across the organisation, and the Sustainability Manager increasingly reports directly to the CEO. A transformational approach also requires the Board of Directors to assume explicit responsibility for pursuing sustainable long-term success. Embedding sustainability into board oversight, incentives, and culture is essential for ensuring that sustainability is not delegated downward but championed from the top. Yet only a subset of companies, particularly larger ones, are currently embracing this shift. The gap between ambition and governance maturity remains significant across many European companies.

Questions for Discussion:

- How is the CSO role shaping real decision-making inside your company?
- What is the strategic rationale for your current sustainability governance model?
- How will your company navigate a future where sustainability becomes inseparable from corporate strategy?
- To what extent is your company adopting a transformational governance approach? How are sustainability responsibilities embedded across functions, and how is the Board ensuring that sustainability is structurally integrated into corporate purpose, risk management, and long-term strategy?

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