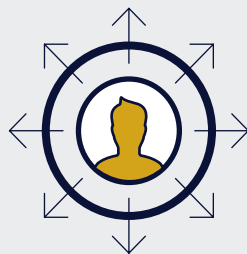


# CRF COMMUNITY BRIEFING PAPER

## **HR DIRECTORS**

### **HR's Role in Sustainability**

March 2022



**crf**  
CORPORATE RESEARCH FORUM



CRF's next HRD Community event explores **HR's Role in Sustainability**. This Briefing Paper introduces some of the issues that are arising as HR Directors seek to help their organisations understand and address the challenges around sustainability. The purpose of the paper is to support debate and discussion at the roundtable meeting on 24<sup>th</sup> March, 2022.

## **SECTION 1: WHAT IS HR'S ROLE AND RESPONSIBILITY AS ORGANISATIONS GRAPPLE WITH THE SUSTAINABILITY AGENDA?**

'Sustainability' is a broad term that may – or may not – encompass both environmental and social aspects at a given organisation. The commitments and emphasis at a given organisation are likely to influence the shape and scope of HR's role.

### **ENVIRONMENTAL SUSTAINABILITY**

Does sustainability belong in the people function? We are seeing a rise in roles that fuse people and sustainability, but what does that mean in practice?

One view is that integrating people and sustainability strategies is very helpful, simplifying things for the business and allowing it to focus in a different way. In fact, integration is essential for the purpose-led organisation, allowing it to articulate and achieve purpose across its product, operations, and people.

Another view is that environmental sustainability is a complex, fundamental shift that will require businesses to re-engineer what they do and how they work. In one HR leader's words, "De-carbonisation is the biggest pivot since the Industrial Revolution. How do you make concrete, steel, how do you produce food without using carbon?".

If a business's commitments to environmental sustainability go deeper than greenwashing, it will find itself in a highly technical space. External reporting requirements are complex, and scrutiny is high. Do the skills to do this type of work exist in the average people team?

As one HR leader put it:

"The environmental space, in terms of measures, in terms of the commitments governments are making, has really moved on. It's a minefield – a very technical area. As technical as actuarial or deep Reward. You can't just pick it up and run with it. I've had to hire a couple of deep experts to help. There is definitely a people element to other aspects of sustainability, such as the social, but in my view there is not a special place for the people function particularly, as compared to any other function, when it comes to hardcore environmental



## QUESTIONS FOR DEBATE:

1. What is the appropriate scope of HR's role in driving environmental sustainability in the business? What are the risks? What are the opportunities? What and how can HR contribute?
2. The emerging Russian sanctions situation will inevitably have an impact on the environmental sustainability focus in the near term, and will also impact thinking on alternative energy sources in the near/mid-terms. Therefore, should corporate sustainability agendas be more aggressive, cautious, or other?

Another key area in which Group HRDs can have impact – which does not require technical knowledge – is to challenge the speed of progress. Most of the issues on pace are to do with the level of investment of time and resources, and also how much of a shorter-term hit to profitability Boards are willing to take. These are more subjective than technical decisions.

sustainability. If the profession thinks it's another string to their bow, it's not. We are going to be found wanting, because we are not qualified to do it."

If HR's role in sustainability, at least with respect to its environmental aspects, is more modest, what then might it look like?

One useful framing is to think about the business's environmental sustainability aspirations in terms of three pillars: how the business 'lives' sustainability in its products and/or services, how the business reaches its sustainability goals in its own operations, and how the business activates the employee base in support of those portfolio and operational goals.

From this perspective, HR has a key role to play in the third pillar – activating the employee base to support the business's sustainability goals. This could include:

- Acting as the organisation's ambassador, shaping the organisation's culture with respect to this remit.
- Raising awareness of and engagement with the organisation's aspirations. This includes communicating aspirations and fostering understanding of the issues and how they are being addressed.
- Acting as an interface, communicating to business leaders what colleagues care about and expect of the company with respect to environmental sustainability.
- Activating the employee base to do its part to drive sustainability forward. For example, one company calculated the carbon footprint of its employees and found that it was six times that of the company's operations. HR then led the work on how to help employees do their part for environmental sustainability by understanding and working to reduce their own footprint.
- Ensuring Reward is aligned. For example, one organisation has introduced a new long term incentive plan, in which one of four key result areas directly links executive pay to the company's progress on carbon reduction targets.
- Supporting leadership. If leading sustainability is an important future leadership capability, HR will have an important role in supporting organisational leaders to build it.

## SOCIAL RESPONSIBILITY

There is less debate about HR's role around the 'social responsibility' part of sustainability. As companies shift toward more of a social enterprise agenda, the people function has a very important role to play as a fundamental enabler – or disabler – of an organisation's social impact, which in turn critically impacts employer brand, attraction, retention, and engagement.

Some argue that the pandemic has accelerated the sustainability agenda generally, and the social part of that agenda in particular. The pandemic has exacerbated the already existing trend of increasing social inequality, and how employers treat their people came under the microscope over the course of the pandemic. There is some evidence that employees and consumers are increasingly willing to 'vote with their feet' when it comes to organisations' social impact, both internally on their own people and externally on broader society. Key aspects of HR's role around social responsibility include:

- HR's responsibility for the infrastructure. As one HR leader put it: "If the organisation wants to be seen as a leading contributor on indices, such as the Bloomberg Index, it has to make sure its internal HR practices are ethical, impactful, and ESG-aligned." For example, how does the organisation bring new and different talent into the business? How are health, safety, and wellbeing handled? Are incentives appropriately aligned to goals around social impact?
- One of the areas where HR can have the greatest impact is in how the processes for selection, development, promotion, and so on are designed – for example, designing processes to reduce bias and/or to encourage participation of a broader range of socioeconomic groups. CRF's reports: [\*Creating an Inclusive Culture\*](#) and [\*Resourcing: How HR's Core Competence Is Evolving\*](#) take an in-depth look at the practical issues around HR process design.
- Articulating purpose (see more on this in [\*Section 3\*](#)).
- Contributing to putting governance in place to ensure the organisation is doing what it says it is doing.
- Understanding how different dimensions of social responsibility combine to create a socially responsible company, and the scope of HR's role across dimensions. This is a departure from the older style of treating such

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dimensions independently. Dimensions may include those related to internal stakeholders (health and safety; equality, diversity and inclusion; fair labour practices) and those related to external stakeholders (community engagement, public advocacy).

## GENERAL POINTS

HR leaders that we spoke to for this paper made the following additional general points about HR's role in and responsibility to the sustainability agenda.

- Sustainability starts at the ExCo level. This is the only path to truly hardwiring it into the organisation's strategic agenda. If HR is the only person advocating for it, it will get nowhere.
- To successfully engage the ExCo, HR leaders looking to get involved in the sustainability agenda need to think hard about what impact HR can have and how that will be achieved. HR's contribution should be articulated in terms of principles and actions, and then presented to senior leaders to obtain buy-in.
- 'The basics' are the 'ticket to the game' with respect to being recognised as a responsible business, and HR is key to delivering those basics. As one HR leader put it: "If you don't get the basics right, the rest of it is irrelevant. If, for example, you are hurting colleagues on the shop floor, then going on about ESG is a nonsense. Organisations have to start by looking after their own people, inclusivity, health and safety – these are basics. And HR has a huge role to play in this."
- Authenticity is critical. Internal actions must match up with external claims. At the same time, there is increasing pressure on businesses to set very ambitious goals and to commit to achieving those goals in very tight timelines. Therefore, it is important to be realistic and transparent about where the organisation is at, to avoid overcommitment, and to constantly communicate updates or changes to the plan. As one HR leader put it: "You have to be authentic about where you are; not just make claims to tick boxes with investors and consumers."
- Organisations generally, and the HR functions within them, need to recognise what they are, and are not, in

control of. For example, with respect to environmental sustainability reporting, there are Emissions Scopes 1, 2, and 3. Scope 1 includes direct emissions from company-owned or controlled sources. Scope 2 involves indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the company. Scope 3 includes all other indirect emissions that occur in a company's value chain, and are outside the company's immediate control. While targets and actions can be set for Scopes 1 and 2, Scope 3 is more elusive. Recognising and being transparent about the limits of what the company can achieve is crucial.

- The Edelman Trust Index has shown a now multi-year trend in which trust is higher for businesses than governments. In today's post-pandemic, geopolitically unstable world, uncertainty and lack of direction are higher than ever. Businesses have a great opportunity to leverage society's trust by stepping up and contributing purposeful products and services, providing meaningful work, and being part of the social and environmental solution. Businesses, and the HR functions within them, are pushing an open door, which wasn't always the case. This is something to be celebrated and grasped. As one HR leader put it, speaking of HR's potential role in sustainability: "HR should be front and centre, championing this because of its multiple benefits – for talent acquisition and retention, for communicating with impact, for developing a sense of purpose and cultural empathy. If we outsource or abdicate this responsibility, we're missing a huge societal tide. HR should be at the front of this, not running at the back of the parade."



## EMPLOYEE ACTIVISM ON THE RISE – WHAT CAN HR LEADERS DO?

Employees speaking up and engaging in political debate and activism at work is on the rise. Nelson Phillips, Professor of Technology Management at the University of California, Santa Barbara, has shared with CRF some of the key reasons for this:

- The increasingly polarised and uncivil nature of public debate.
- The move of political positions from ‘matters of opinion’ to core parts of individuals’ identities.
- An increasing lack of civility in public discussion at a societal level that spills over into corporate discussions.

In Phillips’ words, “Employees are demanding to be heard, they are asking hard questions, and they are protesting loudly when they don’t like the answers they hear. And this has moved far beyond familiar issues like pay and promotions to new and emotionally charged topics like racism, climate change, and abortion. The idea that politics should be kept out of the workplace is dying, if not already dead, and firms and their leaders need to be ready for this change or face the consequences.”

HR leaders may be expected to lead the organisation’s engagement with and response to employee activism. So where can HR leaders start? Phillips recommends the following:

- Work to develop top management sensitivity to the changes that are underway. For example, by sharing ‘what went wrong’ case studies and ensuring the topic is on the agenda in management discussions throughout the organisation.
- Incorporate into leadership development as a standard part of effectively managing communication within the organisation.
- Create an employee voice and activism crisis team that is available to respond when these situations begin to develop. A team with the right mix of PR and HR skills and knowledge to take on these problems when they occur can save precious time when an internal crisis is brewing.
- Ensure channels exist for employees to raise questions and concerns and for proper answers to be provided. It is better to be on top of and able to manage discussions than for them to be going on without management involvement and leadership.
- Ensure that senior leaders are leading on these issues, not simply reacting. Leaders need to model good practice in listening but must also proactively raise issues before they are raised by employees. This means that there should be no ‘elephants in the room’ that no one can talk about. Instead, leaders need to have the courage to raise these issues appropriately and make sure that positive and well-crafted positions are taken and clearly communicated.

## SECTION 2: WHAT ROLE ARE HR LEADERS PLAYING IN CONNECTING EMPLOYEES TO THE SUSTAINABILITY AGENDA?

### QUESTIONS FOR DEBATE:

1. What is HR's role with regard to meeting employees' demands around sustainability and facilitating their involvement in the agenda?
2. In more conservative organisations, how can HR leaders edge senior business leaders forward, realistically, to be more adventurous in this space?

We asked the HR leaders that we spoke to for this paper to share some of the work they have done to support / drive their organisation's sustainability agenda.

- Swiss Re, the global (re)insurance and risk knowledge company, co-created an iterative activation campaign – NetZero You2 – to drive employee engagement with the organisation's environmental sustainability goals. Among other features of the initiative, employees are able to access an app that helps them assess their own carbon footprint and take steps to reduce it and provides access to high quality carbon removal certificates. The campaign created a compelling story that employees can buy into and act on. The company has seen tangible benefits in employee engagement, and the campaign has supported its external branding.
- Swiss Re has also done work around articulating purpose at the individual, team, and organisation levels. To support the group's purpose of 'We make the world more resilient', the EMEA HR team developed 'Our Little Book of Why', creating a compelling purpose-led narrative across divisions. At the individual and team levels, people created their own personal purpose statement, in concert with an external coach, and then shared that statement in a team setting. They explained their purpose and their journey to that purpose, then team members shared their advice and views, which created a bonding moment centred on human connection and better understanding of colleagues' motivations. This initiative had a massive positive impact on employee engagement and client satisfaction.
- Nichols plc, the soft drinks company, is connecting employees to its sustainability agenda at the cultural level. Key actions include:
  - The creation of a decision-making criteria toolkit for employees. There is often a tension between the 'right thing to do' from a commercial perspective as opposed to a sustainability perspective. The toolkit offers decision-making criteria to ensure that sustainability is part of the decision-making process. This also drives healthy debate and is supporting a cultural shift, so that over time apply a sustainability lens will become a more natural way of doing things.
  - Quarterly team briefings in which updates are shared by those working on 'Happier Future' (sustainability) projects, in order to build awareness and foster engagement.
  - Incorporating 'Happier Future' objectives into everyone's performance plan. These objectives will vary – volunteering in the community, working on a company project around social mobility, or holding a partner to account for gathering data on supply chain integrity are three examples – but everyone will have one.
  - A 'Switch Off' campaign to build awareness and make sustainability very real for people.



### **SECTION 3: WHAT ROLE DOES PURPOSE PLAY?**

#### **QUESTIONS FOR DEBATE:**

1. What is an organisation to do when it wants to pivot toward purpose / sustainability, but its competitors do not?
2. How are organisations 'operationalising' purpose – linking and living purpose in a way that drives business decision-making and performance, rather than just being noise?

There is some agreement that purpose has an important role to play in driving an organisation's work around sustainability, and that HR has a leading role in articulating purpose internally and externally.

The HR leaders we spoke to for this paper made the following points about purpose.

- There is robust research linking attraction and retention to purpose. Those businesses with a strong sense of purpose, particularly as connected to broader societal impact, simply do better at attracting and retaining talent. HR's role is to create and communicate a compelling message around the organisation's purpose, and to find ways to activate that purpose culturally and in the practical day-to-day. But it is easy to underestimate just how much effort is needed to link purpose with daily aspirations.
- Some organisations are 'lucky', in that they have been purpose-driven from inception. Evolving an already-existing purpose is often easier than trying to create and retrofit purpose into a different paradigm.
- It is more difficult for some organisations to pivot toward purpose, or sustainability more generally, than it is for others. In some industries, competitors don't care and are not prepared to pivot. For example, organisations that are dividend-driven and operate in a 'dirty industry' are likely to face an enormous challenge in reinventing themselves.
- It is essential that internal actions match external messages around purpose. As one HR leader put it: "There must be a congruent link between what your people are living internally and what you tell the outside world is your purpose. You can't just get one or the other right; they have to be connected." As with translating purpose to daily actions, ensuring that the internal and external are in sync can take an enormous amount of effort.
  - If the purpose is not authentic, emotionally resonant, and a daily lived experience, it will have a detrimental impact of employer brand and the Employee Value Proposition.
- Not only must internal actions and external messages around purpose align, but organisations need to consistently link their 'lived purpose' across their own operations, their client proposition, and their employee base. This is a very effective way to reinforce purpose, demonstrate authenticity, and drive change.

- Purpose without great performance is just noise. But great performance without positive purpose, in today's world, is a risk that can endanger a business's permission to operate. As one HR leader put it: "Purpose without strategy is only half the coin. Words are not enough. At the same time, investors are more conscious than they ever were on social and environmental sustainability. But the world is still messy and they aren't mutually exclusive. Both financial performance and attention to sustainability are expected."
- Purpose can easily become overly wordy, complicated, and hard to adapt in multilingual contexts. In fact, one HR leader disclosed that only one time in his career has he been at an organisation that had a "simple, strong, clear purity of purpose that drove business decisions in a purist way." This organisation's purpose drove a pure line of sight and thinking throughout the entire organisation. It may be that genuinely purpose-led organisations are the exception, not the rule.

## PARTICIPANTS

Thank you to the following for sharing their insights and experiences on this topic.

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**Nick Lakin**, Group Director of Corporate Affairs, Kingfisher plc

**Christine Shillington**, People and Sustainability Director, Nichols plc

**Nigel Sullivan**, Chief Sustainability and People Officer, Bupa

## RELATED READING

CRF. 2021. **Employee Voice and Activism – Why Is It on the Rise?** Article. <https://www.crforum.co.uk/research-and-resources/hrd-briefing-2022-employee-voice-and-activism-why-is-it-on-the-rise>

CRF. 2021. **Summary Notes: HR Directors' Community Exchange Forum – Employee Voice and Activism.** Post Meeting Notes. <https://www.crforum.co.uk/research-and-resources/summary-notes-hr-directors-community-exchange-forum-16-june>

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