



HR'S

CONTRIBUTION TO SUSTAINABLE BUSINESS

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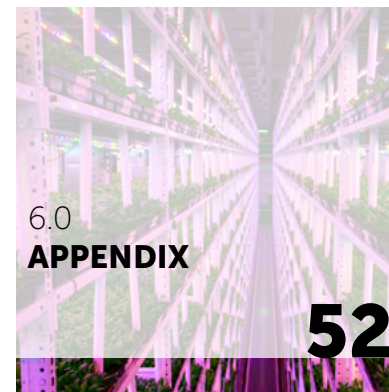
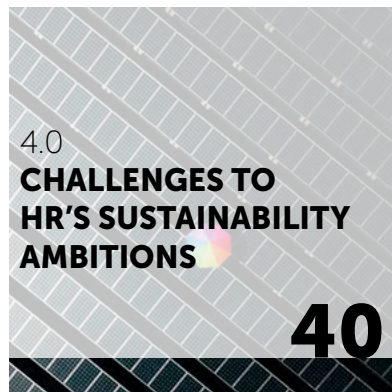
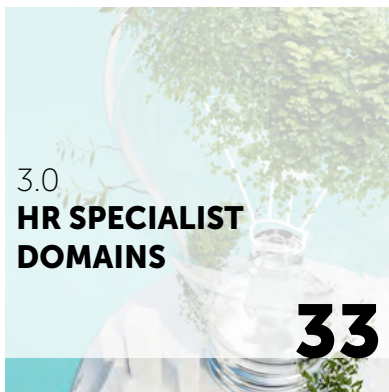
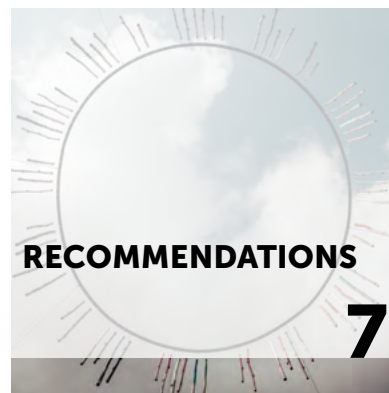
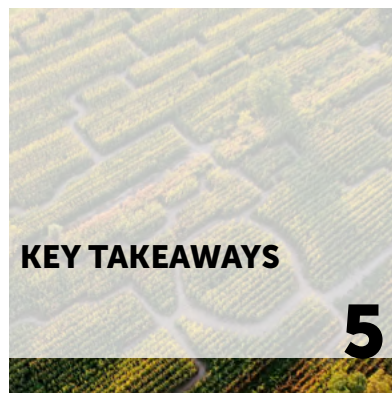
CORPORATE RESEARCH FORUM

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HR'S CONTRIBUTION TO SUSTAINABLE BUSINESS

Dr. Nigel Guenole and Gillian Pillans



ABOUT CRF

Founded in 1994, **Corporate Research Forum (CRF)** is a membership organisation whose purpose is to increase the effectiveness of the HR function, in order to drive sustained organisational performance, through developing the capability of HR professionals. Through more than 25 years of research and the expertise of our team, we have developed a deep understanding of the ways HR can contribute to business outcomes, what works, what doesn't, and in what circumstances. With a network of over 230+ leading organisations, we continue to grow as the respected focal point and knowledge source for improving corporate and individual performance.

We support our members in enhancing their personal capabilities and building organisational effectiveness, guiding them through topics relevant to success, identifying actionable insights and practical recommendations and facilitating networking opportunities. Our work helps organisations and the HR function make sense of the environment in which they operate, and develop capacity to deal with continuous uncertainty.

For more details on how your organisation can benefit from CRF membership please contact Richard Hargreaves, Managing Director, at richard@crforum.co.uk. Alternatively, please visit our website at www.crforum.co.uk.

ABOUT THE AUTHORS



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GILLIAN PILLANS is Research Director and the author of over 30 CRF research reports on a wide range of strategic HR topics including HR and business strategy, leadership development, talent management, organisation development and learning. Gillian has worked as a senior HR practitioner and OD specialist for several organisations including Swiss Re, Vodafone and BAA. Prior to her HR career, she was a management consultant with Deloitte Consulting and is also a qualified solicitor.

HULT EF CORPORATE EDUCATION COMMENTARY

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HR AND LEARNING AND DEVELOPMENT LEADERS CAN BE THE REAL CHANGE-MAKERS FOR ACHIEVING THEIR ORGANISATIONS' SUSTAINABILITY GOALS

Business leaders have become acutely aware of the wide range of complex and urgent global challenges linked to the climate crisis, as well as the frameworks to address them, such as the UN Sustainable Development Goals and the UN Climate Change Conferences (COPs). The implications for organisations are so great that more and more companies are integrating increasingly sophisticated and ambitious sustainability-related goals in their corporate strategies.

They are also having to figure out what it means for all different areas of business: who needs to do what? What does it mean for HR and Learning and Development leaders? How does it impact the company's people strategy?

As we approach the COP28 climate conference, Hult EF Corporate Education has been excited to contribute to this timely report surveying the latest thinking regarding HR's role in sustainability, and mapping out the future direction.

THE IMPORTANCE OF HAVING ONE OVER-ARCHING STRATEGY INCORPORATING BUSINESS, SUSTAINABILITY, AND PEOPLE GOALS

One important, core finding is that we will not get very far with disconnected and siloed business, sustainability and people strategies. An organisation needs one over-arching articulation of corporate purpose and a strategy that flows from that, with interconnected sustainability and people concerns embedded within it.

Core aspects of HR's contribution to achieving the sustainability components of a company's strategy are also set out in this report. These include several areas that often fall directly within the remit of HR, including safety, wellbeing, equity, diversity, and inclusion. Added to that are many areas where HR has a key role in enabling the wider organisation to achieve its broader sustainability goals.

HOW HR CAN INFLUENCE THE ORGANISATION TO ACHIEVE ITS SUSTAINABILITY GOALS: LEARNING AND DEVELOPMENT, PERFORMANCE MANAGEMENT AND CULTURAL CHANGE

Through learning and development, as well as recruitment and selection, HR can play a key role in helping build the knowledge, skills and mindsets needed – in other words, the overall capabilities of leaders across the organisation to achieve these goals. Other crucial areas for HR to influence include the role of performance management in making sure that reward schemes are aligned with achieving sustainability goals.

Finally, it is important to utilise HR's expertise around cultural change and the organisation development skillset – with many different types of activities that can help embed sustainability thinking and action as a norm in the organisation's culture.

HULT EF HELPS LEADERS TO BE EFFECTIVE CHANGE-MAKERS FOR SUSTAINABILITY WITHIN THEIR ORGANISATION AND SOCIETY.

In our work at Hult International Business School and Hult EF Corporate Education, we have led ground-breaking research around how business leadership roles are changing as a result of today's complex sustainability challenges, and the implications for learning and development.

This research has been informing our leadership development work with senior leaders, helping them enhance their skills to be effective change-makers for sustainability within their organisation and society. Through our practical, experiential, immersive and behavioural approach to corporate education, we aim to enable leaders to inspire, guide and galvanise, releasing the full and diverse capacity of all their people to be change-makers.

This report provides the insight and learning to enable HR and Learning and Development leaders to be change-makers themselves, helping their organisations achieve their sustainability goals and helping us all address the complex global challenges we face.

Matt Gitsham, Director of the Hult Sustainability Impact Lab, and Professor at Hult International Business School and Hult EF Corporate Education



HR'S CONTRIBUTION TO SUSTAINABLE BUSINESS



Sustainability is no longer a 'nice-to-have.' It is now a top priority for governments, businesses and society, and is increasingly demanded by employees. It is also becoming mandatory for companies, with net zero targets being enshrined in law and sustainability reporting becoming embedded in corporate governance regimes. In its widest sense, sustainability is about creating businesses that can endure and succeed over the long term and have a positive impact on society and the planet. To achieve this it needs to be more than just a 'bolt-on', becoming fully integrated into business strategy and organisational purpose.



Whether we are talking about the business strategy or the HR strategy, a key message is not to have a separate sustainability strategy for either the business or for people. The strategy should be one and the same. We report case studies where businesses secured their financial targets through sustainability, and examples where sustainability commitments in HR lead to better people related outcomes.



Since we last researched this topic in 2019, sustainability has become a bigger part of HR's role. Because it is a natural fit in many respects for HR to work on sustainability issues, we are seeing CHROs with dual responsibility for sustainability and serving in effect as Chief Sustainability Officers. We find that sustainability has become more deeply integrated into organisational and people practices and HR has an opportunity to become more proactive in helping organisations act sustainably.

KEY TAKEAWAYS



HR has a role to play across all aspects of the ESG (Environmental, Social, and Governance) agenda. In the environmental arena HR will need to ensure firms have the right skills and leadership to achieve their sustainability strategies, to meet their obligations around decarbonising operations and satisfy increasingly onerous reporting requirements. In the social arena HR will continue to contribute to building a sustainable and inclusive culture, a diverse workforce and in ensuring employee health, safety and wellbeing. In the governance arena, HR can ensure due process is followed in decision making and appropriate data are considered.



Looking ahead over the next five years, it is in the environmental arena where organisations will need to make the greatest shift. However, our research suggests that this is the area where HR is least well prepared to make an impact. HR needs to act now to understand the scale of the challenge, to identify the organisation and people implications of carbon net zero and incorporate this into people strategies. Actions HR professionals can take include becoming familiar with their organisation's materiality assessments and get closer to internal sustainability experts.



Four key responsibility areas where HR can help to deliver on sustainability goals include embedding ethical leadership (selecting and developing the right leaders), advocacy and positioning (keeping sustainability on the business agenda), equipping the organisation (getting the right skills and values within employees) and building a culture where all employees are committed to sustainability. Ensuring employee commitment, for the most part, is something HR professionals report being able to comfortably do.



All HR specialisms can contribute to sustainability because employees can be more sustainable in all areas of their work. Talent teams can select workers with sustainable values, learning can create paths to expertise in specialist domains, performance management functions can set sustainability goals, and compensation can use the full reward mix to motivate sustainable behaviour. Survey results indicate that HR is only part way there in using all the levers at its disposal.



To achieve sustainability requires collaboration between different areas of business, such as procurement, supply chain and sales where staff have to learn the best ways to educate customers on the environmental impact of business choices such as sustainable product packaging decisions. This will require considerable upskilling and expertise in organisation development, change management and building capacity for systemic change.



HR professionals should not wait to get involved. HR is a function that touches more parts of the organisation than most and therefore has many opportunities to influence behaviour and policies that relate to sustainability. HR practitioners also have relevant skills that are directly applicable (e.g. in diversity) and often these skills can be applied outside the firm into supply chains to ensure sustainability standards are upheld. However, there is considerable scope for HR to get more actively involved as 68% of survey respondents report they have only limited or moderate involvement in determining the sustainability strategy.



Expect some pushback and kinks in the road. Sustainability commitments are not always plain sailing. But they are increasingly required by legislation and regulation, and in the view of our community, the right thing to be focusing on. The pushback may be more intense if you are working in difficult economic climates or across geographies with different cultures and economic priorities. In these situations, HR will need to influence within its sphere and gradually try to widen it.



HR'S CONTRIBUTION TO SUSTAINABLE BUSINESS

- 1 Build your understanding of sustainability,** both in general terms and as it impacts your organisation specifically. Our research suggests that HR professionals are not as familiar as they could or should be with their corporate sustainability strategies, which makes it difficult for HR to make a meaningful contribution to this topic. The best place to start is your organisation's materiality assessment, which will set out your organisation's sustainability strategy and identify where your business has greatest environmental impact in its value chain. It will help you evaluate the ways in which HR can contribute to your organisation's sustainability strategy based on evidence not intuition. Also review your organisation's corporate sustainability reports and other relevant materials, including reports of competitor organisations or organisations you consider leaders in sustainability. Consider partnering with an external expert or taking an external course to build your knowledge.
- 2 Develop your sustainability network internally.** Sustainability requires a systems-level response across the organisation – no one department can deliver the sustainability strategy in isolation. HR's contribution to sustainability will also need to be delivered by leaders, managers and employees across the organisation. It is therefore important to develop partnerships and alliances across functions. The key action is to get to know your Chief Sustainability Officer or equivalent to understand their priorities and challenges and identify the support they need.
- 3 Incorporate sustainability into your people strategy.** Currently only 38% of organisations in our survey have sustainability goals fully or strongly integrated into their people strategy. Consider the main areas where HR impacts on organisation performance, and how a sustainability lens can be applied to each of these activities.

RECOMMENDATIONS

4 Treat sustainability as culture change. Becoming a sustainable business requires a system-level change, incorporating new business models, different ways of working and a fundamental shift in mindset: the assumptions and values that underpin how organisations are run. HR can build on its existing expertise in leading and supporting transformation by applying this to the sustainability agenda. One way is to equip leaders across the organisation with a transformation toolkit, for example by incorporating systems thinking into leadership development programmes or teaching methodologies such as user-centred design.

5 Consider the implications for specific elements of the people strategy.

- 1 Strategic workforce planning:** do you have a clear view of the skills required to deliver your sustainability strategy, where the gaps are between where you are today and where you need to be, and what actions are required to close the gaps?
- 2 Talent attraction:** what story do your employer brand and candidate communications tell about your organisation's sustainability strategy? How does the story line up with the reality of what you are doing as an organisation? Are you underplaying your achievements? Consider how your talent attraction strategy may need to be reworked to attract the right talent.
- 3 Learning and development:** is sustainability factored in to your learning needs analysis? Do you offer multiple learning channels according to the needs of different talent populations, for example general awareness raising for all employees and specialist learning tracks for experts? Consider who you might partner with to develop and deliver the relevant content and learning programmes.
- 4 Leadership development:** do your leadership frameworks or the selection and development criteria for leaders need to be updated to reflect the role your organisation expects leaders to play in championing sustainability? Do your leadership development programmes adequately inform and prepare leaders for their role in this area?

5 Talent development: how can you use sustainability as a vehicle for career development? For example, offering high potential future leaders the opportunity to lead on sustainability initiatives to develop strategy development, leadership and project management skills.

6 Employee value proposition: do you understand which elements of your sustainability strategy your employees care about most? Use your employee listening strategies and employee surveys to test employee engagement, monitor sentiment, gather feedback and adjust your EVP in response.

7 Performance and reward: consider how sustainability goals could be included in individual and leader performance objectives, and whether to link bonus payments to sustainability outcomes.

8 Policies and employee benefits: Consider how employee benefits can be made more environmentally friendly, for example incentivising use of public transport or reducing corporate air travel.

9 Organisation development: diagnose the degree to which your organisation culture supports or acts as a resistor to your efforts around sustainability. Identify 'keystone' processes or cultural tenets that sustainability efforts could piggyback onto in order to accelerate the impact of sustainability programmes. Bupa's Eco-Disruptive talent development programme (see [page 43](#)) is a good example of this.

10 Employee communications: consider the role HR can play in communicating the sustainability strategy to employees and creating a dialogue around sustainability within the organisation.

GLOSSARY

- + Circular economy**

A model of production and consumption which involves extending the life of existing materials and products for as long as possible.
- + Corporate Sustainability Reporting Directive**

A Directive in EU law which comes into effect in 2024 and will require that companies report and take action to achieve environmental goals.
- + Environmental Social & Corporate Governance (ESG)**

Factors considered by companies when examining their own sustainability and by others when working with firms.
- + GHG Protocol**

A comprehensive, global accounting standard for measuring greenhouse gas emissions, a successor of the UN Climate Change programme and Kyoto Protocol.
- + Greenhouse gases**

Carbon dioxide (CO₂), methane (CH₄), nitrous oxide, sulphur hexafluoride, nitrogen trifluoride, hydrofluorocarbons, and perfluorocarbons.
- + Greenwashing**

Use of deception to convince stakeholders that your operations and practices are environmentally friendly when they are not.
- + International Sustainability Standards Board (ISSB)**

A standards body established to create and develop sustainability-related financial reporting.
- + Materiality report**

An analysis of the alignment of a business and its stakeholders to prioritise issues that matter the most.
- + Net zero**

A situation where human-caused emissions are balanced by human-caused carbon dioxide removals over a given period.

- + Paris Agreement (Paris Accord)**

International climate change treaty that aims to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees.
- + Science-based targets initiative**

Initiative established to help companies set emission reduction targets in line with climate science and Paris Agreement goals.
- + Scope 1 emissions**

Direct greenhouse gas emissions over which your organisation has control, including manufacturing and emissions from agriculture.
- + Scope 2 emissions**

Emissions generated by electricity that your organisation purchases, creating an indirect responsibility for greenhouse gas emissions.
- + Scope 3 emissions**

Emissions from all other indirect means, including the use and disposal of goods and services you produce, goods and services you purchase, and travel.
- + Triple bottom line**

(TBL or 3BL) is an accounting framework that considers social, environmental, and economic factors when taking a broader perspective on business value.
- + United Nations Global Compact**

Non-binding United Nations pact to get businesses to adopt sustainable and socially responsible policies and to report on their implementation.
- + United Nations Sustainable Development Goals**

17 objectives designed to serve as a shared blueprint for peace and prosperity for people and the planet, now and into the future.

Glossary entries based on [Wikipedia](#) and [The Carbon Trust](#) definitions of key terms.



1.0 INTRODUCTION TO SUSTAINABILITY

“As the consequences of climate change and social inequality come to the fore, organisations will experience an inexorable push toward responsibility if they want to maintain optimal business conditions and their social license to operate.”

CRF REPORT 2019: RESPONSIBLE BUSINESS – HOW CAN HR DRIVE THE AGENDA?

Five years ago, CRF produced its first responsible business report. It defined responsible business as the responsibility a business voluntarily takes for its social, economic, and environmental impacts – i.e. core business behaviour and activities. CRF noted at that time that there was rising interest in the topic of responsible business following a re-evaluation of the role of business in fractured, rapidly changing societies characterised by high uncertainty.

We found a clear business case for responsible business, particularly where it resulted in positive outcomes in terms of customer attraction and retention. We concluded responsible business strategies should be built into the business, rather than bolted on as an afterthought. It was also clear then that one way to build the corporate strategy around responsible business was to focus on organisational purpose.

A coherent purpose recognises that there are important stakeholder groups beyond shareholders. Understanding stakeholders and their views was seen as critical to formulating effective responsible business strategies. The key roles of HR in contributing to this work were gaining leadership buy-in, collaborating effectively across functional boundaries, embedding the responsibility mindset into the organisational culture, and narrowing the gap between good intentions and actual practice.

When looking back at our findings 5 years ago, we see some elements of the responsible business agenda that remain unchanged. Momentum towards responsible business, now widely referred to as sustainability, has grown and is still building. This is exactly in line with the original report's prediction: *“As the consequences of climate change and social inequality come to the fore, organisations will experience an inexorable push toward responsibility if they want to maintain optimal business conditions and their social license to operate.”* There is continued recognition that infusing sustainability into daily operations is more effective than treating sustainability as an add-on or stand-alone activity.

As with five years ago, organisations today also report that communicating organisational purpose is very important to all elements of the sustainability agenda. HR continues to have an influencing role and works to embed sustainable cultures and narrow the intentions-behaviour gap.

While there are substantial consistencies, there are also areas of sustainability where the conversation around business sustainability and HR's contribution to it have progressed. Where the responsibility activities that businesses engage in might previously have been characterised as voluntary, this might as well be replaced today with mandatory. It is mandatory by regulation in many areas of the environment, social, and governance (ESG) agenda, with more legislation coming. The EU's Corporate Sustainability Reporting Directive, which comes into force in 2024, will significantly increase the reporting requirements for all large companies operating in the EU, requiring them to establish a baseline, set targets and report progress towards targets for both the environmental impact of their operations and the financial impact of sustainability matters. Other examples include Streamlined Energy and Carbon Reporting, Financial Conduct Authority TCFD reporting, the EU's proposed Corporate Sustainability Due Diligence Directive, Climate Related Financial Disclosure (CRFD) regulations, the UK Sustainability Disclosure Standards (SDS) and the Energy Savings Opportunity Scheme (ESOS). It is also mandatory in the eyes of workers, customers, and pressure groups, making the idea that firms might choose not to engage with sustainability unviable.

The other major change is the increase in the Environmental element of the ESG agenda. The Paris Agreement in 2015 created a legally binding commitment to limit the increase in global temperatures in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees, which requires cutting global carbon emissions by roughly 50% by 2030. In some countries commitments to net zero have now been enshrined in law. For example, countries including the UK, EU member states and the US have made commitments to reaching net zero by 2050. The actions required to deliver on net zero commitments will increasingly fall on companies. ESG policies have often been criticised for overly emphasising the 'Social' and 'Governance' elements at the expense of 'Environmental', and this will need to be addressed if ambitious decarbonisation targets are to be achieved. For some organisations, particularly in the most polluting industries, this will require a shift in the core business purpose towards aligning with a net zero and sustainable world, and potentially a completely new business model.

While the roles of HR in the previous report included securing leadership buy-in, our results from the current research indicate that for the most part, particularly in Europe, this buy-in is secured. HR professionals today see themselves in fact as assuming a leadership role when it comes to sustainability. There are even several interviewees in our sample who are Chief Human Resources Officers who also have responsibility for driving sustainability in the business. A clear message that comes through is that for HR to make a contribution, the efforts must be led by leaders passionate about sustainability.

This current report on sustainability and HR's contribution to it is based on interviews with 30 senior HR professionals with sustainability responsibility and a survey of over 100 CRF members. We describe the core aspects of organisational definitions of sustainability that go beyond broad but somewhat vague notions of 'doing the right thing'. We discuss the case for having responsibility sit with different common functions. We then explore HR's role in contributing to sustainability. These can be summarised with four themes: ensuring ethical leadership, advocacy and positioning, equipping the firm with skills and knowledge, and building a sustainable culture. We explore how each of the HR specialist functions contribute to achieving these overarching objectives with cases describing sustainability activity from each of the participating organisations.

1.1

WHAT'S BEHIND THE DRIVE TO BE SUSTAINABLE?

Sustainability has many interpretations that we will soon explore. We start here with the idea that sustainable business means meeting the needs of today without compromising the ability of future generations to do the same. Committing to sustainable business models is important for modern organisations. Even companies yet to embody a full commitment to sustainability are signalling their intent to do better.

The drive to be sustainable is seeing increased emphasis on asset productivity, which ensures assets are utilised efficiently, reducing waste, and minimising the need for additional purchases. This not only has financial implications, like being less capital intensive, but also promotes sustainability by ensuring a more efficient supply chain.

Sustainability is an integral part of broader business narratives that are based on moral criteria and also a quest for external recognition. Sustainability accreditations play a role in these narratives, imposing frameworks that organisations have to adhere to. These accreditations can bring valuable reputational benefits to firms that can meet the required criteria.

Companies are also having to respond to external pressures to demonstrate their commitment to sustainability, most significantly through changes to the corporate reporting regime. The UK Corporate Governance Code requires company directors to consider sustainability in their decision-making processes and requires specific disclosures with regard to this. From 2024, companies which meet certain criteria around turnover and employee numbers will be required to comply with the EU Corporate Sustainability Reporting Directive, which will significantly increase the sustainability reporting requirements for many companies.

Overall, according to Stahl *et al.*, 2020, the increased attention on sustainability is driven by factors that include:

- A drive from organisations' own employees to be sustainable
- External pressure groups demanding sustainability
- Younger generations searching for meaning at work
- Government standards in areas of environment, society, and governance
- Awareness that change is needed following corporate scandals.



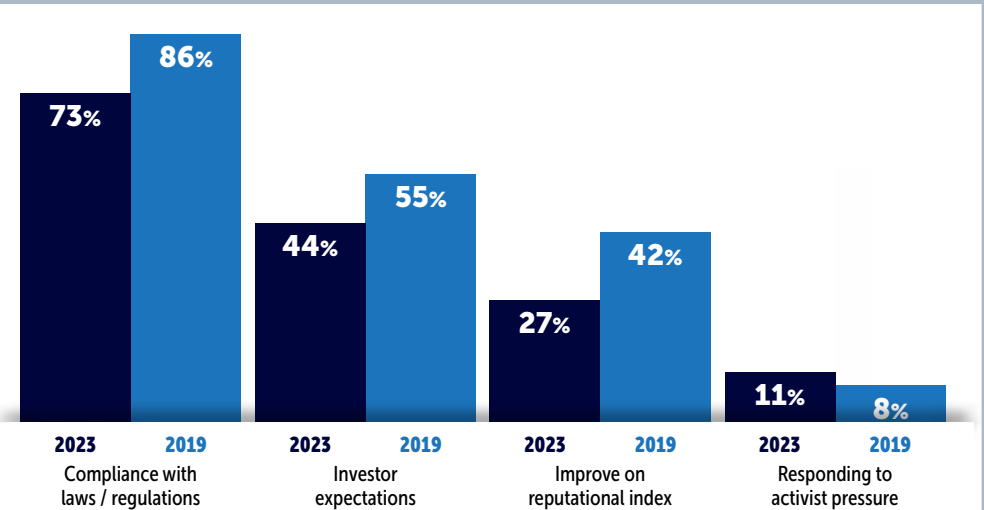
1.2 THEN AND NOW: COMPARISONS OF THE CURRENT AND PREVIOUS CRF SURVEYS

Several common questions between the earlier CRF survey five years ago and the latest survey reveal interesting patterns.

A driver frequently ranked high or the highest priority for sustainability efforts 5 years ago was compliance with laws/regulations, chosen by 86% of respondents. In the current survey this was chosen by just 73% of responses. While in the last survey 42% indicated they engaged in responsible business to improve on reputational indices, this was endorsed by just 27% in the current survey. A priority reflective of the 'business case' for responsibility 5 years ago, 'meet investor expectations' was ranked as a high by only 55% of respondents. This fell to just 44% in 2023. The lowest driver in terms of importance last time – responding to activist pressure – was ranked high by only 8% of respondents, and was similarly unimportant in 2023, when only 11% ranked it as high. Complying with laws, improving on indexes, and presenting a business case have all decreased in reported importance. This suggests that motives for engaging in sustainability are now less about immediate compliance and are becoming ingrained in business strategy and operating models, a view which is supported by qualitative evidence from our interviews.

FIGURE 1

Drivers of Sustainability – Comparisons of the Current and Previous Survey



Source: CRF Member Survey, HR's Role in Sustainable Business 2023

CASE NOTES: **BUNZL'S** SUSTAINABILITY STRATEGY IS A COMPETITIVE ADVANTAGE

Bunzl is a British multinational distribution and outsourcing firm. Diana Breeze, Group HR Director at Bunzl, described how the complexity of Bunzl's sustainability strategy has grown, evolving from a focus on removing single use plastics, one of the defining environmental challenges of our time, through to a broader sustainability strategy today based around four pillars. Breeze explained that the wider focus has enabled Bunzl to be on the front foot, turning elements of sustainability that could have required a defensive strategy into a strategic advantage. The four pillars of the Bunzl strategy are as follows.

- Investing in its people to ensure diversity, e.g. supporting females into top roles.
- Tailored solutions help clients eliminate single use plastics.
- Acting on climate change with new science-based targets and net zero ambitions.
- Responsible supply chains including supplier auditing by a 50-strong team.

1.3 CONSEQUENCES OF SUSTAINABLE BUSINESS PRACTICES

HR professionals often say they believe sustainability impacts talent related outcomes, but quickly caveat that they do not have tangible evidence. In response, here we report a summary from a recent review by Podgorodnichenko, Edgar & Akmal (2022) of the Human Resources literature on what is known and what is not known about sustainability and human resource management. The review identified areas of agreement and disconnect between academic and practitioner research. The disconnects were usually due to an absence of focus by academia or industry in a given area, rather than contradicting evidence. We review a selection of these findings related to talent acquisition, learning and development, and performance.

Talent acquisition

Organisational commitment to sustainability practices is important in talent attraction according to both the academic and practitioner literature, a finding which is borne out in our practitioner interviews. However, there is some nuance that comes into play where practitioners see it as universally beneficial while academics see it as more attractive to some groups, such as women and younger generations. For example, a sustainability agenda might be more appealing to women than men, suggesting a targeted approach to recruitment might be required. The impact of sustainable business practice on offer acceptance is also not completely clear. There was evidence in the review that the more positive outcomes occurred when hiring emphasised environmental sensitivity and corporate social responsibility related skills in the hiring process.

Learning and Development

In contrast to the attraction and hiring literature on sustainability, the review found there is comparatively little peer reviewed research on learning and development outcomes as they relate to sustainability. This is a little surprising given the importance of learning and development in up-skilling workers and maintaining organisational capability. It is also surprising given the extensive practitioner writing on the related topic of CSR (Corporate Social Responsibility), which emphasises the developmental benefits of CSR engagement, even that CSR engagement can substitute for traditional learning and development (e.g. skilled volunteering as opposed to unskilled volunteering where the benefits were less clear).

Performance

When it comes to performance of organisations, the practitioner literature advocates strongly that sustainability related HR practices (e.g. ethical labour policies) lead to higher organisational performance, broadly interpreted. The academic literature substantiates some of these claims, for instance, in areas like customer satisfaction, as well as individual and organisational performance. There is also peer reviewed literature to suggest that sustainability-oriented practices in HR contribute to the sustainability goals of organisations. In summary, HR processes that are sustainability oriented do appear to lead to better outcomes for workers and organisations in a variety of areas, with the practitioner literature being bolder in its claims than the organisational sciences.

CASE NOTES: ASSOCIATED BRITISH FOODS (ABF) ORIGINS OF SUSTAINABILITY

Associated British Foods is a very large, diversified international food, ingredients, and retail group. Associated British Foods' sustainability initiatives originated as compliance measures for example carrying out audits in Primark factories to ensure compliance with ethical codes of conduct and ensuring wastewater is compliant with local environment standards. The company had a sustainability focus even before ESG (Environmental, Social, and Governance) became mainstream. The company's foundation is built on being good a neighbour and maintaining ethical and environmentally friendly operations as it produces safe, nutritious and affordable food and good quality, affordable clothing. Sue Whalley, Chief People and Performance Officer, says *"From these compliance-oriented origins, well-developed materiality-driven individual business sustainability strategies now cover factors such as carbon reduction, environmental responsibility including measurement of emissions and wastewater, ethics in supply chains, ethical procurement practices, and governance and accountability procedures that put sustainability controls alongside financial controls. Non-financial data, reporting and assurance is gaining a significantly more prominent place alongside financial, not only to meet reporting obligations, but importantly to help us improve the businesses, reduce the carbon footprint and improve the lives of workers in our supply chains."*

CASE NOTES: JCDECAUX GIVING BACK TO SOCIETY

JCDecaux UK is part of the world's largest outdoor advertising company, with a business model that has sustainability at its core – the company was founded to provide bus shelter services to local authorities, paid for by the advertising carried on them. Today, its portfolio has expanded to include assets like on-street defibrillators as well as digital advertising screens that benefit cities, councils, transport and retail partners.

Angela Donnelly, Head of People Business Partnering and Operations, says that JCDecaux's founding family fundamentally believe that serving the community and operating sustainably are the right thing to do. It can of course also bring economic advantage when local authorities look for evidence of environmental and community initiatives as part of their tender processes. In Manchester, for example, JCDecaux's winning tender included support for a range of environmental and community initiatives in the city from tree planting to funding environmental and other charities and offering apprenticeships and career support to enable employment.

A significant part of the JCDecaux workforce carries out operational work installing, maintaining and cleaning the company's assets. This makes Health and Safety a key priority which, whilst not owned by the People team, is supported from a training perspective. The operational environment lends itself to practical steps such as using electric vehicles, cleaning bus shelters using collected rainwater, and closely scrutinising the percentage of products such as digital screens that are recycled. It also enables innovation such as the ability to monitor air quality using digital screens.

1.4 FACTORS AFFECTING DEFINITIONS OF SUSTAINABILITY

Precise interpretations of sustainability vary according to criteria such as the industry a business is in, the geographic location of its businesses, whether the business is in an emerging versus a developed economy, the maturity of the firm's HR function and sense of purpose, and whether the firm is focusing on its own sustainability agenda or providing sustainability services to others.

Industry effects on interpretation.

Industry affects interpretations, for instance, bottling firms focus heavily on water, while airlines focus on carbon.

Continental differences.

A North American versus European divide seems evident, with more encompassing definitions of sustainability accepted in Europe.

Economy level effects on interpretation.

Emerging economy firms highlight the tension between lifting populations out of poverty and meeting sustainability goals.

HR function maturity.

In more advanced HR functions, sustainability has a greater emphasis as many of the common HR challenges have already been resolved.

Sense of purpose.

Firms emphasising purpose in their employee value propositions frequently leverage sustainability commitments to attract and retain talent.

CASE NOTES: EY SUSTAINABILITY IN PROFESSIONAL SERVICES

Professional services firms are in a unique and influential position when it comes to sustainability, needing to hold multiple perspectives on sustainability in mind at any one time. One is the internal perspective, in terms of how sustainability impacts their business operations and employees, and the other is the external perspective, including clients, communities and wider stakeholders. Sarah Smith, Talent Director, Global Sustainability at EY, described this clearly.

EY's internal perspective includes the ambition for its own operations to be net zero by 2025. A seven-point action plan includes engaging with employees, suppliers and external stakeholders and targets relating to energy and travel. EY also drives progress toward the United Nations Sustainable Development Goals (SDGs) by having a broader societal impact through its global corporate responsibility programme (EY Ripples) and as a signatory to the UN Global Compact.

From an external perspective, companies are at varying stages of sustainability planning and activation, with industry sector, company size, services and products, policy and regulation amongst many factors influencing ambition and action. It means EY is often using its sustainability skills and expertise with clients at different stages of maturity in their journey, with the common anchor of ensuring plans are material and relevant to their business, and strategic objectives.

The internal/external perspective is reflected in the firm's approach to learning and development. On the one hand, EY gives all staff a grounding in sustainability to build their literacy and help them understand why organisations, including EY, need to change in order to be more sustainable. And on the other, for fee earning sustainability professionals who provide sustainability advisory services to clients such as climate modelling, regulatory reporting, decarbonisation strategy and implementation, the firm provides deeper technical training in relevant subjects and offers more specific career paths.

SURVEY INSIGHTS

SUSTAINABILITY INTERPRETATIONS

It is also possible to get insights into definitions of sustainability from a word cloud of the 108 respondents to the CRF survey. As might be expected, we see a particular emphasis on stakeholders, communities, and the environment.

FIGURE 2

Word cloud of sustainability term frequency from free text responses

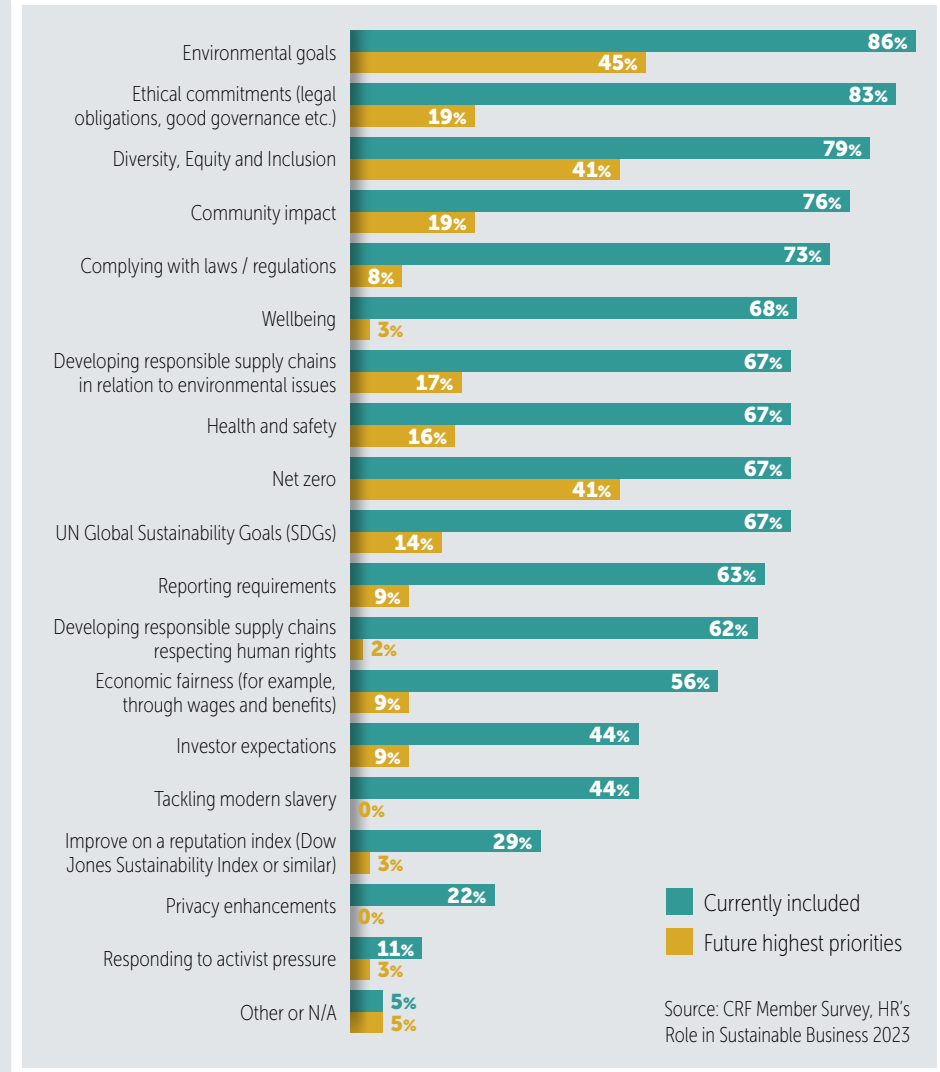


Figure 3 highlights the most and least frequently occurring categories addressed by sustainability strategies of firms. The most frequent categories are environmental goals, ethical commitments (legal obligations, good governance), diversity equity and inclusion, and community impact. Net zero was addressed by two thirds of sustainability strategies.

In a follow-up question, participants were asked what their priority areas for sustainability are in the coming one to two years. Results showed three clear priority areas for businesses in the coming years. These are environmental goals (45%), diversity, equity, and inclusion (41%), and net zero (41%).

FIGURE 3

Which aspects are currently included in your organisation's sustainability strategy, plan or approach? In the next few years, which areas will be the highest priority?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023

1.5 DEFINITIONS OF SUSTAINABILITY

There are many definitions of what sustainability means to businesses. This section will highlight that while broad general definitions exist in the academic literature, richer definitions emerged from our interviews with practitioners. Broad academic definitions have interpreted sustainability as operating according to principles that recognise the environment's limited regenerative capacity and protect its integrity, promote social equity and transparent relationships so that it is clear how wealth is dispersed, while also facilitating the more traditional business imperative of economic prosperity.

Various other multidimensional lenses on sustainability exist. For example, environment, social and economic concerns are sometimes referred to as the triple bottom line. Other frameworks including Corporate Social Responsibility (CSR), Environmental, Social and Governance (ESG), People, Planet, Prosperity (PPP), and also definitions that link firm sustainability goals to the 17 United Nations Sustainable Development Goals. These sorts of definitions are valuable in that they are general and reflect a sensible starting point for firms thinking about sustainability.

CASE NOTES: BUPA BIG S AND SMALL s SUSTAINABILITY

Bupa is a British multinational health insurance and healthcare company, which has made sustainability one of six pillars of its business strategy. Nigel Sullivan, Chief Sustainability and People Officer, has intentionally moved away from using terms such as CSR and to some extent ESG, believing these are subsets of the broader concept of sustainability. He says while the terms are unavoidable in some settings, they can be too narrow. Instead, he differentiates 'small s sustainability', which refers to conventional sustainability initiatives falling under ESG elements and 'capital S sustainability', which he uses to represent a broader vision of business that can endure and succeed over the long term, ensuring the company's longevity and viability. Bupa has been a business for 75 years, and his interpretation focuses on ensuring it will be here 75 years from now. This perspective is similar to that of Sally Uren, Chief Executive, Forum for the Future, who sees sustainability as being about organisational capacity. Sally says: *"the HR function is an incredible enabler of a sustainability strategy because of its direct impacts on skills and capacity building. Any sustainability strategy lives or dies on the ability of the organisation to understand it and act on it"*.

FINER GRAINED INTERPRETATIONS OF SUSTAINABILITY

Our interviews revealed that broad definitions of sustainability sometimes mask noteworthy variability in how firms themselves define sustainability. It was common for initial comments in answer to 'how do you define sustainability?' to focus on environmental factors, before elaborating to say that for their businesses, the concept encompasses a very broad range of criteria. Some of these criteria might fall clearly under traditional conceptions of frameworks such as ESG, and some which might not. We synthesised the list of the different elements of sustainability interpretations into themes that we present in the following section.

COMMON THEMES IN SUSTAINABILITY DEFINITIONS

Environmental Emphasis

- Green transition to broader environmental focus.
- Address ecological impact, build mitigation methods.
- Collaboration towards net zero and eco-initiatives.

Societal Impact and Human Connection

- Societal roles of business and workforce including human rights.
- Include diversity, inclusion, and wellbeing.
- Commit to community and colleague welfare.

Governance and Organisational Dynamics

- Transparency and integrity in decision making.
- Focus on and report appropriate key metrics.
- Foster resilience to shocks.

Circular Economy Principles

- Advocate for repair, reuse, and waste reduction.
- Procurement to ensure ethical supply chains.
- Adopt a circular business model for sustainability.

Purposeful Business Strategy

- The business's core purpose.
- Tying sustainability to the overarching business goals.
- Showing everyone how they contribute to sustainability.

Recognition and Progression

- Attaining external accolades via sustainable commitment.
- Employee value proposition around sustainability.
- Attracting investors through a sustainable ethos.

Safety and Compliance

- Prioritising both physical and mental health and safety.
- Adhering to local safety regulations and standards.
- Reducing absence and attrition with employee care.

"We don't do anything alone, it's through our ecosystem and stakeholders that we will achieve our carbon goals: our employees, consumers, clients, suppliers and even competitors."

PATRICK SOCHNIKOFF, GROUP SVP, CORPORATE AND SOCIAL RESPONSIBILITY

CASE NOTES: SODEXO
SUSTAINABILITY AS STRATEGY

Sodexo is a French food services and facilities management company that operates in 53 countries with over 400,000 people around the world. It is active in catering services, food services, and facility management services. The mission of Sodexo since its creation is twofold, according to Patrick Sochnikoff, Group SVP, Corporate & Social Responsibility: *"to improve quality of life of the people we serve and our employees and to make a positive contribution socially, economically, and environmentally to the communities we operate in."* Sodexo's focus on delivering results through sustainability is a key differentiator and way of gaining new business. A business strategy that competes on sustainability was Sodexo's strategy from the outset. It is by being sustainable that Sodexo achieves its financial results. For Sodexo, everything is about the plate. Food needs to taste good, be nutritional, and additionally, it must be sustainable. Sodexo is equally focused on what happens to food after the meal and has even identified, among other frontline employees, dishwashers as critical roles in reducing food waste in their restaurants. Their approach is visionary when you consider that these aims are 57 years old. Because 99% of its carbon footprint is scope three GHG emissions, the total carbon footprint is largely out of its direct control. Sodexo therefore works closely with all stakeholders in its ecosystem to influence its carbon footprint. Patrick Sochnikoff told us: *"We don't do anything alone, it's through our ecosystem and stakeholders that we will achieve our carbon goals: our employees, consumers, clients, suppliers and even competitors."*

1.6 HUMAN RIGHTS AND SUSTAINABILITY

Organisations today source materials and labour in their manufacturing processes and service delivery from a global workforce. In organisational sustainability strategies, addressing human rights issues affecting this global workforce is an important topic. This area includes confronting the challenges presented by modern slavery (e.g. forced labour, human trafficking). Human rights are tightly interlinked with the social and governance aspects of the sustainability definitions we have discussed.

Organisations are prioritising efforts to establish that sourcing is ethical, labour rights are protected, and modern slavery is eliminated. This is not only to comply with required laws, but also to stay ahead of new laws, and most critically, to ensure practices align with organisational values. Ensuring ethical practices within supply chains such as fair and safe labour practices can be viewed as applying the principles HR follows to stakeholders beyond the boundary of the organisation. There is a dual role HR can play in not only championing employee rights within the organisation but also in ensuring that sustainability and ethical practices flow through its external interactions, such as making sure individuals involved in supplier workforces are treated appropriately.

CASE NOTES: AVANTHA GROUP SUSTAINABILITY IN INDIA

Sanjay Sen, Group Human Resources Head at Avantha Group sees sustainability as a virtual perpetual cycle that replenishes resources without depleting them. He says it's about the balance between economic growth, society, and the environment. Progress in one area should not come at the expense of other areas. Part of the challenge, he says, comes from the competing pressures of sustainability and economic viability. *"If you've had a tough two quarters, when you say to the business let's improve an effluent treatment plant the business might say let's just drain away the effluent since it isn't toxic. We could do that to make sure we hit our half year numbers, but we don't because that's short of what we can do. We focus hard on maintaining the balance and making sure that economic growth is not at the cost of these other factors"*. The CEOs of Avantha businesses grapple with these issues daily. Sanjay says this situation is characteristic of the sustainability landscape in developing countries like India. There are many green shoots around sustainability, but it's still nascent, because as a country India is in a cycle of rapid development to lift the living standards of a huge mass of people. The aim is to lift these people up and, at the same time, not damage other areas. A good reminder to keep driving sustainability, he says, is that the generation that are being lifted up is the generation which is going to have to live with the consequences of decisions about sustainability today. A strong economic case for sustainability efforts can be very persuasive, he says.

CASE NOTES: ROLLS-ROYCE HUMAN RIGHTS PROTECTION

Rolls-Royce is a British multinational aerospace and defence company. Rolls-Royce's focus on Human Rights, the Energy Transition, including net zero commitments are central to its sustainability work. A cross functional team including Sustainability, Procurement, People and Legal lead the due diligence on the supply chain and work to understand, monitor, and track any potential human rights risks. Lucie King, Global Employee Relations Partner, Rolls-Royce, is closely involved with the human rights work, including participating in a cross-functional community of practice, and steering group for human rights. Together, their work examines Rolls-Royce's engagement with suppliers and risk mitigation e.g. fair pay and wages, appropriate working hours, and safe working conditions. Lucie believes that HR should be involved in sustainability, as the function not only holds the skills and capabilities required to enable a human centred and holistic approach for organisations, but also is a key functional partner and is able to influence and guide how an organisation engages ethically and sustainably in its external interactions and partnerships. Lucie advocates for HR functions to be jointly accountable, if not solely accountable for some of those areas.

CASE NOTES: VITA GROUP SCIENCE BASED TARGETS INITIATIVE (SBTI)

Vita develops, manufactures and markets flexible polyurethane (PU), Talalay latex and flooring products to create comfort, quality and functional solutions for its customers. Dave Kowal, former Chief People and Sustainability Officer, described how The Vita Group switched to completely green electricity in 2020, reducing its greenhouse gas emissions by around 40%. Additionally, The Vita Group set criteria for suppliers, mandating them to lower their greenhouse gas emissions to continue doing business with the company. This work was driven by their commitment to the Science Based Targets Initiative (SBTI), which facilitates companies in setting greenhouse gas reduction targets in line with what science says is essential to meet the goals of the Paris Agreement. Companies must produce comprehensive data regarding their Scope 1 and Scope 2 greenhouse gas emissions and a solid estimate of Scope 3 emissions is also essential. The data, targets, and progress, once analysed, is then validated by the SBTi.

SURVEY INSIGHTS

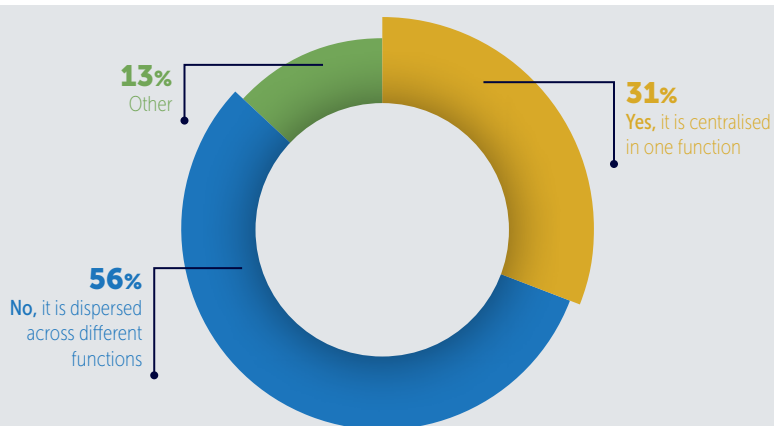
WHO'S RESPONSIBLE FOR SUSTAINABILITY?

On the one hand, ultimate responsibility for sustainability sits with the CEO. However, companies doing well emphasise sustainability should also be considered everyone's responsibility. Still, a decision must be made about how the CEO allocates responsibility. Choosing whether to centralise responsibility for sustainability in one function or disperse it across different or even all areas of the business is a core decision. Centralisation can ensure clear responsibility while not having a central function might lead to people thinking that sustainability is someone else's job. However, divorcing the responsibility for sustainability from the often highly technical functional areas that have the biggest impact on sustainability outcomes might not always be a wise move. In practice, the respondents to the CRF survey indicated that responsibility for sustainability is most frequently dispersed across different functions.

We have seen a number of companies appointing joint Chief HR and Sustainability Officers, i.e. combining people and sustainability responsibilities in the same role, and we were curious to discover how widespread this trend is. Our interviews indicated that while there were notable situations where it was the case that sustainability responsibility sat with HR, this was uncommon. Very few (8%) of responses indicated the CHRO has ultimate responsibility for sustainability. Most commonly, ultimate responsibility for sustainability was allocated to a Chief Sustainability Officer (28%), or the executive board (19%). In a follow-up question on where the most senior person with sustainability as the central focus of their role reported, the majority (66%) of responses indicated the CEO.

FIGURE 4

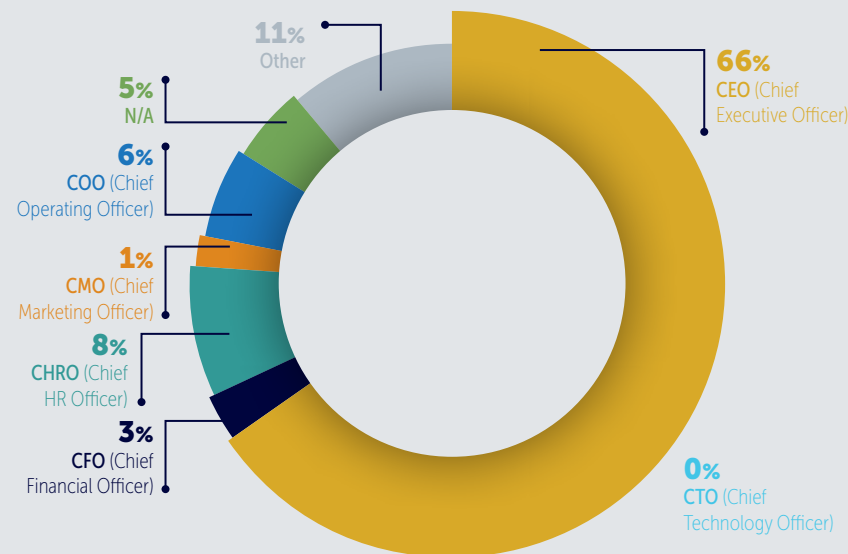
Is responsibility for sustainability at your organisation centralised?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023

FIGURE 5

Who does your most senior person with responsibility for sustainability report to?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023

1.7 WHERE SHOULD ULTIMATE RESPONSIBILITY FOR SUSTAINABILITY SIT?

Choosing where sustainability should reside within a business is not a straightforward task. While there's no universally agreed-upon location, several factors can influence this decision. Some argue that due to its overarching importance, sustainability should permeate every department, including commercial, manufacturing, HR and finance. This approach leverages the strengths of all disciplines, ensuring a more systemic approach.

Having sustainability sit directly with the CEO is another option that emphasises the strategic importance of the topic. In some cases, the nature of the business might dictate its place. For instance, a manufacturing entity might prioritise environmental aspects like infrastructure and waste management, while service sectors might lean more towards HR or financial metrics. A stand-alone function for sustainability offers clear accountability, but there's a risk of its significance getting diluted across the organisation.

The best answer ultimately might not depend on the placement of sustainability in the organisation but in ensuring that sustainability is granted strategic attention, adequately resourced, and deeply integrated into the company's operating model. With these points in mind, here are some of the reasons for having responsibility sit in common functional areas.

Human Resources (HR)

Placing sustainability within HR emphasises the social aspects of sustainability. This can be a useful approach because HR is a function that touches on most other areas. It may be a good choice in service-oriented businesses where the sustainability impact is primarily worker related. While the technical nature of some sustainability tasks might not align with traditional HR roles, remember there are important non-technical aspects to sustainability.

Procurement

A case for placing sustainability in procurement is that many sustainability challenges, particularly for companies with extensive supply chains, sits in sourcing materials, services, and products. Integrating sustainability into procurement ensures that sourcing decisions consider environmental and social impacts, even in some cases enabling firms to audit suppliers' treatment of their workforces.

Public relations and communications

Sustainability is sometimes placed in public relations and communications because communicating an organisation's commitment to sustainability can have significant brand and stakeholder engagement implications. Yet solely left in the hands of public relations and communications, there is a risk of focusing only on sustainability messaging rather than on real commitments.

Finance

Situating sustainability within the finance department ensures that environmental and social initiatives are directly aligned with an organisation's financial goals and risk management strategies. Integrating sustainability into finance also emphasises the economic importance and long-term financial implications of sustainable practices. Finance also has strong reporting capabilities that could be well utilised in sustainability reporting.

Marketing

Sustainability positioned under marketing emphasises the company's sustainability values to consumers. Leading sustainability efforts from within marketing allows a firm to communicate its commitments and credentials clearly to stakeholders. This is likely to resonate with sustainability conscious audiences. When led from marketing, firms may be able to more easily show sustainable practices are central to a firm's values.

Operations

Operations are the business activities that firms engage in to deliver products and services. The operations function of a business often has a large impact on sustainability outcomes, and for that reason, is sometimes a good strategic choice for sustainability. This is especially the case in organisations where the majority of a firm's carbon footprint comes from its immediate workforce and operations.

Regardless of where ultimate responsibility resides, as we will show, our research indicates that HR has a role to play in the sustainability strategies of businesses. From our interviews, we found that we could describe most organisations based on the breadth or scope of their sustainability operations and the maturity of their processes when it comes to sustainability. We illustrate this framework in Figure 6. Within this context, the role of HR can be viewed as one that contributes to moving the organisation from one quadrant to their preferred quadrant, or ensuring they remained positioned in the quadrant they are currently in. In the remainder of this report, we explore what HR can and is doing to achieve this end.

FIGURE 6

CRF Model of Business Approaches to Sustainability



2.0 SUSTAINABILITY AND HR

"I would love to see HR take the lead in advising on the workforce implications of the sustainability strategy – in particular leading the conversation around the capabilities and skills we'll need in 5+ years, and the implications for workforce planning."

SARAH SMITH, TALENT DIRECTOR, GLOBAL SUSTAINABILITY, EY

2.1 A ROLE TO PLAY ACROSS ALL THREE ESG FOCUS AREAS

While it is quite clear that sustainability, broadly defined, is an important responsibility today, it is not always clear what role HR plays in delivering sustainability results for business. The research findings we present in this section indicate that HR has a role to play across most areas traditionally considered as sustainability.

Interviews reveal that in the environment area, the HR contribution is primarily on enabling capability (e.g. building the firm's ability to attract and retain key talent and building sustainability skills) and ensuring engagement. In the Social area, HR has direct responsibility for workforce related outcomes in diversity and inclusion, health and safety, and social outcomes including human rights that sometimes extend beyond the boundary of the firm. In the governance area the responsibility of HR is commonly in ensuring that decision-making procedures used by organisational leaders that affect people and people related practices are fair and transparent and that they consider all and only the relevant information. Across all three areas, HR has a responsibility for messaging, ensuring that the workforce understands sustainability is a key business focus.

In terms of how HR delivers on this high-level agenda, we differentiate our general remarks about the objectives set for HR from the practices that HR engages in to help deliver on sustainability objectives. First, in this chapter, we will discuss broad objectives for HR with respect to sustainability, before discussing the practices that achieve these objectives in the following chapter.

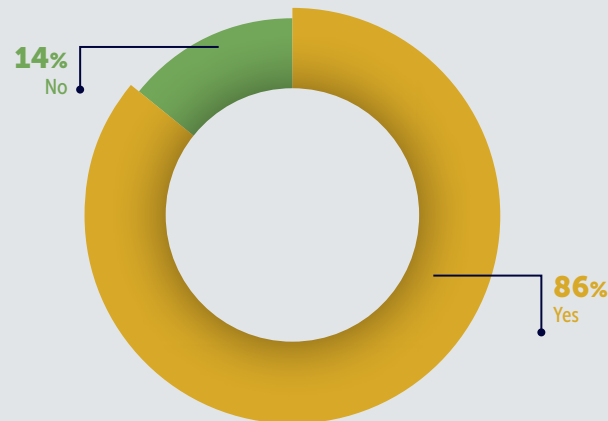
SURVEY INSIGHTS

KNOW YOUR CORPORATE SUSTAINABILITY STRATEGY

In the CRF survey, the majority of respondents (86%) indicated that their firm had a corporate sustainability strategy, and the minority (14%) indicated the firm did not have a corporate sustainability strategy. The interesting data point, however, in this chart is the proportion of HR responses that skipped the question. Over 40% did not answer. One interpretation is that HR professionals are not as familiar as they might be with their corporate sustainability strategies. If that is the case, it would complicate any efforts of HR to contribution to the corporate sustainability agenda. A recommended step for all HR professionals, therefore, is to become familiar with their corporate sustainability strategies.

FIGURE 7

Does your organisation have a formal sustainability strategy?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023

89%

of respondents to the CRF survey agreed or strongly agreed with the statement: *“HR makes a meaningful contribution to sustainability at our organisation”*

CASE NOTES: NICHOLS PLC ALIGNS ITS HR AND SUSTAINABILITY STRATEGIES

There are often implications of organisational strategies for HR strategies. For instance, strategies based on innovation require higher average skill levels and lower direct control of employees. Sustainability strategies similarly have implications for HR strategies. Christine Shillington describes such a case at Nichols, a British company known as the producer of Vimto, a fruit flavoured cordial. The Nichols Happy Future strategy for sustainability is driven by values around creating *“a happier place for our people and the planet”*. The people function plays a key role in evolving and embedding the sustainability culture. While it does not have ultimate responsibility, it does take a lead. Nichols 'Everyone Matters' strategy includes their people, their wellbeing, and their difference, and extends this to young people who most need support in local communities. Examples of this in action include running after school clubs in Africa where they teach children to surf and also mentor them. In the UK they work with local youth organisations to teach them about their business and support them with career mentoring.

2.2

ROLES HR CAN PLAY IN DELIVERING THE SUSTAINABILITY AGENDA

One point that stands out in conversations with HR professionals is that for HR to contribute effectively to the sustainability agenda, HR's approach to sustainability needs to be integrated with business sustainability strategy. This in turn requires a corporate strategy that emphasises sustainability. Further, even if HR does not have direct responsibility for all sustainability initiatives, there needs to be a shared ownership mindset.

This mindset ensures that sustainability is not viewed as the domain of one department but as a collective responsibility where HR plays a crucial role. How this happens will differ for different industries and organisation types. See box on [page 28](#) for how this happens at Brambles. Beyond this imperative, to contribute to the sustainability agenda, HR needs to meet four objectives.

1. Ensure ethical leadership

HR plays a role in ensuring that the company's leadership adheres to ethical standards. The function can influence not only employees but also upper management. Engagement from the board ensures sustainability initiatives have top-level support and resources, creating a smoother implementation process.

Ensuring ethical leadership means not only complying with what is legal, but also with what is ethical. HR ensures, at a high level, the wellbeing and welfare of all employees, from permanent staff to contractors and subcontractors. Ethical leadership also involves going beyond high-level imperatives and engaging with the practical realities of how HR can contribute, which we explore in the upcoming sections of this report.

2. Advocacy and positioning

HR professionals need to play a key role in communicating why sustainability matters to the business, both through formal internal communication channels and through the design of HR processes and services such as employee benefits and performance management. This involves highlighting the benefits and significance of sustainability, going beyond just the ethical implications. It's essential to frame sustainability as a strategic business decision rather than a moral one. Even if sustainability is not a current priority for a company, HR can play a pivotal role in agitating for change.

3. Equip the firm with skills and knowledge

HR should ensure that the company's sustainability efforts are highlighted during recruitment to appeal to potential candidates, especially the younger generation who may prioritise working for environmentally conscious companies. The idea is that talent acquisition can provide a competitive edge for companies who need to make their business more sustainable by attracting scarce talent.

After hiring, firms need to offer multiple learning channels that cater for different sustainability learning needs to keep skills current. The learning should cover foundational awareness about sustainability through to expert subject matter and describe paths from the first to the second. Learning records need to be aggregated and viewable by HR to enable a strategic view.

The learning should involve just-in-time learning for specific job demands as well as more formal, structured, longer duration learning as part of continuous professional development. A benefit of formal learning is the time required to learn is more often recognised and protected.

4. Culture and engagement

The appointment of executive leaders who combine the CHRO and CSO role, which we have seen in an increasing number of organisations, points towards organisation culture being a critical link between HR and sustainability.

HR plays a vital role in embedding sustainability into the company's culture. By ensuring every employee understands, values, and practises sustainable activities, HR can foster a corporate culture that prioritises long-term sustainability. A primary focus is to ensure employees are engaged, and sustainability can be a key driver of this.

Engaged employees, even if their main role isn't directly linked to sustainability, often derive a sense of purpose from their organisation's sustainability initiatives. One way that HR can build this culture is through its communications with employees, ensuring awareness of organisational priorities regarding sustainability is always in the forefront of people's minds.

CASE NOTES: **SMBC** REPORTING AND THE CHANGING REGULATORY LANDSCAPE

Sumitomo Mitsui Banking Corporation (SMBC) is a Japanese multinational banking financial services institution. Rebecca Ormond is EMEA Head of Diversity & Inclusion and Wellbeing at SMBC. She says she expects a lot of her future work will be determined by regulatory decisions about reporting requirements, such as the Corporate Social Responsibility Directive. One of the biggest challenges she says is the lack of clarity for many organisations in how to proceed in the face of changing regulation, even though there is a clear desire to increase reporting about diversity. An example of the uncertainty is that there can be a lack of alignment between varying reporting expectations across EMEA, as well as other existing legislation on areas such as data capture. There are quite significant restrictions on capturing personal data details in many European countries that are not the same as in the UK or US. SMBC is very responsible in adhering to GDPR, being careful about what data it collects and what it is used for, including how it is processed. There are things (e.g., race, ethnicity) that many organisations, including SMBC can't collect across EMEA, but might be expected to report on in coming years. Statutory reporting requirements change the landscape but until such a change occurs, it's difficult for organisations to fully prepare. One of Rebecca's key objectives is seeing what is coming around the corner in terms of legislation, and working out what organisations in her sector need to do to be prepared.

CASE NOTES: **TROPICANA** STRATEGIC AND OPERATIONAL OPPORTUNITIES TO INFLUENCE

Katey Howard, HR Leader at Tropicana Brands Group says that when it comes to HR's role in the sustainability agenda, the important elements are firstly around influencing, making sure that the agenda is visible and high up the priority list of leaders and employees. It might be as simple as educating employees about the implications of their choices from a sustainability perspective, such as eating blueberries in February, or more strategically, influencing the organisational footprint. For instance, she says some employers have moved from remote locations that require driving and car parks to central locations that are commutable by public transport or cycling schemes. The second element is around ensuring the right organisational structure and resources for a sustainability plan to be brought to life. What is clear is that people want to feel that they're part of an organisation that is sustainable or has a clear goal around sustainability and that they can personally contribute to that.

"HR has a direct and significant influence on the sustainability strategy because of our role in making sure there is talent in place to deliver against it: the skills and capabilities, and how the organisation is set up for success in terms of organisation design, decision making and accountabilities."

TONY VERBRAEKEN, EXECUTIVE VICE PRESIDENT HR, GLOBAL FUNCTIONS, SHELL

IMPORTANCE OF INTEGRATING BUSINESS AND HR SUSTAINABILITY STRATEGIES

Business strategies for sustainability have been categorised into four types. Reactive firms do not have a sustainability strategy, their HR systems processes suffer underinvestment, and employees are asked to give more than they get with negative consequences for workers and the triple bottom line. Compliers simply aim to meet their legal obligations, taking a short-term view. Employers offer limited benefits to workers who are closely monitored but aren't expected to do too much for sustainability in return. Analysers try to keep up with competitors, matching what they do, with employees being well-rewarded for performance that involves attention to environmental and social outcomes. Proactive firms embed sustainability into the way firms compete and are leaders. Firms over-invest in employees (for instance, via training, flexibility, etc.) because workers are so critical to their success.

SURVEY INSIGHTS

STRATEGIC APPROACHES TO SUSTAINABILITY

In the CRF survey, we asked respondents to categorise their firms based on their firms' approach to sustainability. We used the categories just discussed, but in addition, differentiated two forms of leadership in relation to sustainability, a global category, and a selective leadership capability where the firm emphasises sustainability leadership in a domain with specific relevance to their firm.

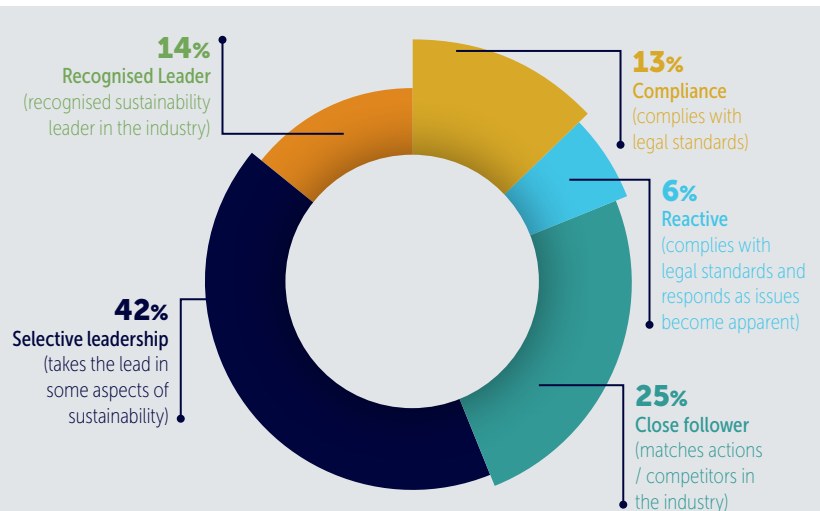
Results indicated that the most common organisational strategy was to be a sustainability leader in a specific area (42%), closely followed by matching what competitors were doing (25%). The least frequently mentioned strategies were reacting and basic compliance with legal standards (13%).

CASE NOTES: BRAMBLES INTEGRATING HR SUSTAINABILITY STRATEGY WITH BUSINESS STRATEGY

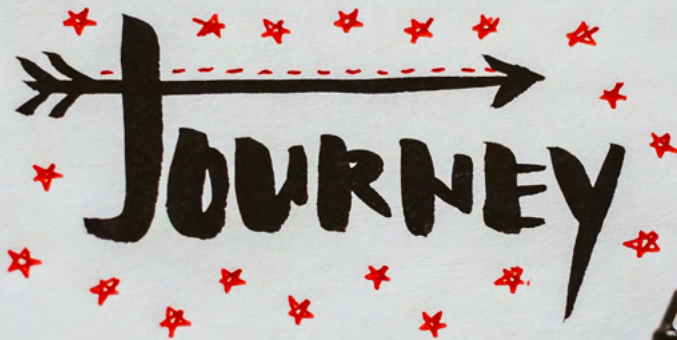
Brambles manages the world's largest pool of reusable pallets, crates and containers. Its business model focuses on transitioning customers from single use to reusable products, positioning sustainability at its core. Innovations such as digital tracking of pallets and temperature monitoring enhance this commitment, improving environmental outcomes by reducing waste, decreasing emissions, and slowing deforestation. HR accentuates this approach in recruitment and engagement, highlighting it is more than a pallet company – it is in fact one of the world's leading sustainable enterprises. Patrick Bradley said, *"this focus on sustainability, celebrated with numerous awards, is pivotal in talent acquisition, especially among the younger generation"*. To further embed sustainability in the Brambles culture, HR conducts periodic workshops and training to boost internal understanding of Brambles' sustainable practices, while also equipping sales and customer relations teams to articulate these efforts across varied customer segments. These are examples of how business and HR strategies are integrated and optimised.

FIGURE 8

Which most closely reflects the status of your approach to sustainability?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023



2.3 FORUM FOR THE FUTURE: A SYSTEMATIC WAY FORWARD FOR HR

The question for HR that remains for those getting started is how to move forward in a systematic way when it comes to sustainability. A structured approach is needed because while our evidence suggests HR has a clear contribution to make to sustainability, only 64% of survey respondents agreed or strongly agreed that the potential for HR to contribute to sustainability is well understood.

One thing that seems clear is that it is useful to know a business's sustainability strategy before one can say what a sustainable HRM strategy could be, because HRM strategies should be determined by the overall business strategy. It may also be the case that failure to hit business sustainability goals may partly be due to inadequate integration of HRM into the business sustainability strategy.

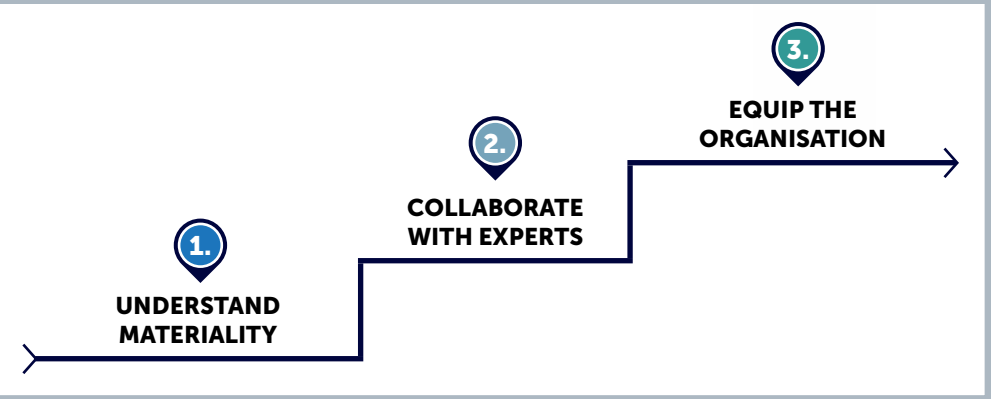
Beyond integrating these strategies, a central task for HR is signalling appropriate employee behaviours and shepherding employees to behave in desired ways. Based on conversations with Sally Uren, we produced a 3-point plan for HR professionals in organisations wishing to do this. The approach begins with a materiality assessment, emphasises collaboration with other departments, and then equips the organisation through hiring and development.

"You have to start with materiality, otherwise sustainability can end up being spread thinly like butter. You have to prioritise, and for us that was the intersection between the health of people and health of the planet."

NIGEL SULLIVAN, CHIEF SUSTAINABILITY AND PEOPLE OFFICER, BUPA

FIGURE 9

A Systematic Way Forward for Sustainability



1. Understand Materiality

The first step an HR professional should take is to review the organisation's materiality assessment. This assessment will detail the organisation's direct impacts on the workforce, environment, and local communities, such as carbon emissions, waste production and water use.

By understanding these impacts, HR can determine what areas of the organisation need the most attention from a sustainability perspective. The materiality assessment will help you answer critical questions based on sound evidence rather than intuition. For retailers, for instance, while there is a public focus on things like carrier bags, from a materiality perspective, this might not be as crucial as the sourcing of materials and paying fair wages.

2. Collaborate with Experts

Once you understand the organisation's main sustainability related impacts, HR needs to collaborate with other departments, especially if the main impacts are beyond HR's expertise. For example, if the primary impact is raw materials, then HR should work closely with procurement or sourcing who are likely to have greater direct knowledge and expertise in these areas.

HR sustainability experts should also reach out to the Chief Sustainability Officer or equivalent for a deeper understanding of these impacts. As sustainability strategies are often seen as the domain of the sustainability team, HR should engage with the sustainability team (where they exist) to ensure that sustainability is integrated across all organisational functions from a people perspective. Sally Uren, Chief Executive at Forum for the Future said: *"Your Chief Sustainability Officer will most likely be delighted to speak to you because they often feel left in their silo and that no one is really interested in their agenda."*

3. Equip the Organisation

HR should assess whether the organisation is equipped to deal with its most significant sustainability challenges. For example, if sourcing is a major concern, does the procurement team have the skills to understand and manage these impacts? HR can then take the initiative to provide training or resources to ensure these departments are well-equipped. From there, HR can identify the skills that you need to deliver your sustainability plan and determine whether these will be achieved by hiring or learning.

Recognising that younger generations place high importance on sustainability, HR should consider how the organisation's approach to sustainability can attract and retain talent. Where learning will be a key aspect of strategy, HR should provide coaching and training to help workers understand the nuances of sustainability better. There are professional development courses available, like those from the Cambridge Institute for Sustainability Leadership (CISL).

CASE NOTES: NATWEST MATERIALITY

Lauren Elliot, Purpose Framework Manager, says materiality at NatWest is the starting point for not only fulfilling its core sustainability objectives that relate to climate, enterprise, and learning, but also for monitoring the bank's performance against the UN Sustainable Development Goals. To do this requires a constant read on the changing needs of people and planet, which is at the heart of the NatWest approach to materiality. NatWest engages in regular multistakeholder sensing to understand needs across stakeholder sets, what's material to them and how this should impact strategy. Teams with deep relationships with diverse stakeholders run this process, engaging with, for example, sustainable banking NGOs and charities. While before Covid, products and propositions offered were mainly based on financial factors, now NatWest takes a more multistakeholder view that emphasises non-financial criteria for product and service propositions. In the context of the cost-of-living crisis and Covid, which amplified societal divisions, NatWest moved from an individual based view of financial wellbeing to reshape the way it thinks about people's savings (or lack of savings) and their likelihood of defaulting on various loans. Now a more holistic view is taken that recognises that financially healthy people may have portfolio careers, multiple jobs, new businesses, or even be job-sharing.

SURVEY INSIGHTS

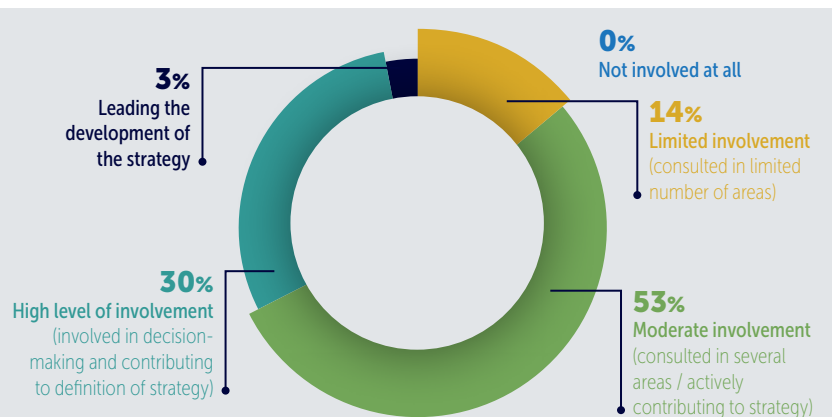
HOW MUCH IS HR INVOLVED IN DEVELOPING SUSTAINABILITY STRATEGY?

This section has highlighted that there is a lot that HR can do with respect to sustainability. However, the degree to which HR is actually consulted on issues related to corporate sustainability strategies is an unanswered question.

The CRF survey attempted to answer this, asking whether HR in respondents' organisations had either no involvement, limited involvement (i.e. consulted in a limited number of areas), a moderate level of involvement (i.e. consulted in several areas and an active contributor to at least one area), a high level of involvement (i.e. involved and contributing to sustainability decision making across a wide variety of areas), or were leading the sustainability strategy for their organisations. The most common response, from over half (53%) of participant organisations, was that HR had a moderate level of involvement in the organisations' sustainability strategies.

FIGURE 10

To what extent is HR involved in developing the sustainability strategy?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023



2.4 CHALLENGES TO OVERCOME ON THE ROAD TO SUSTAINABILITY

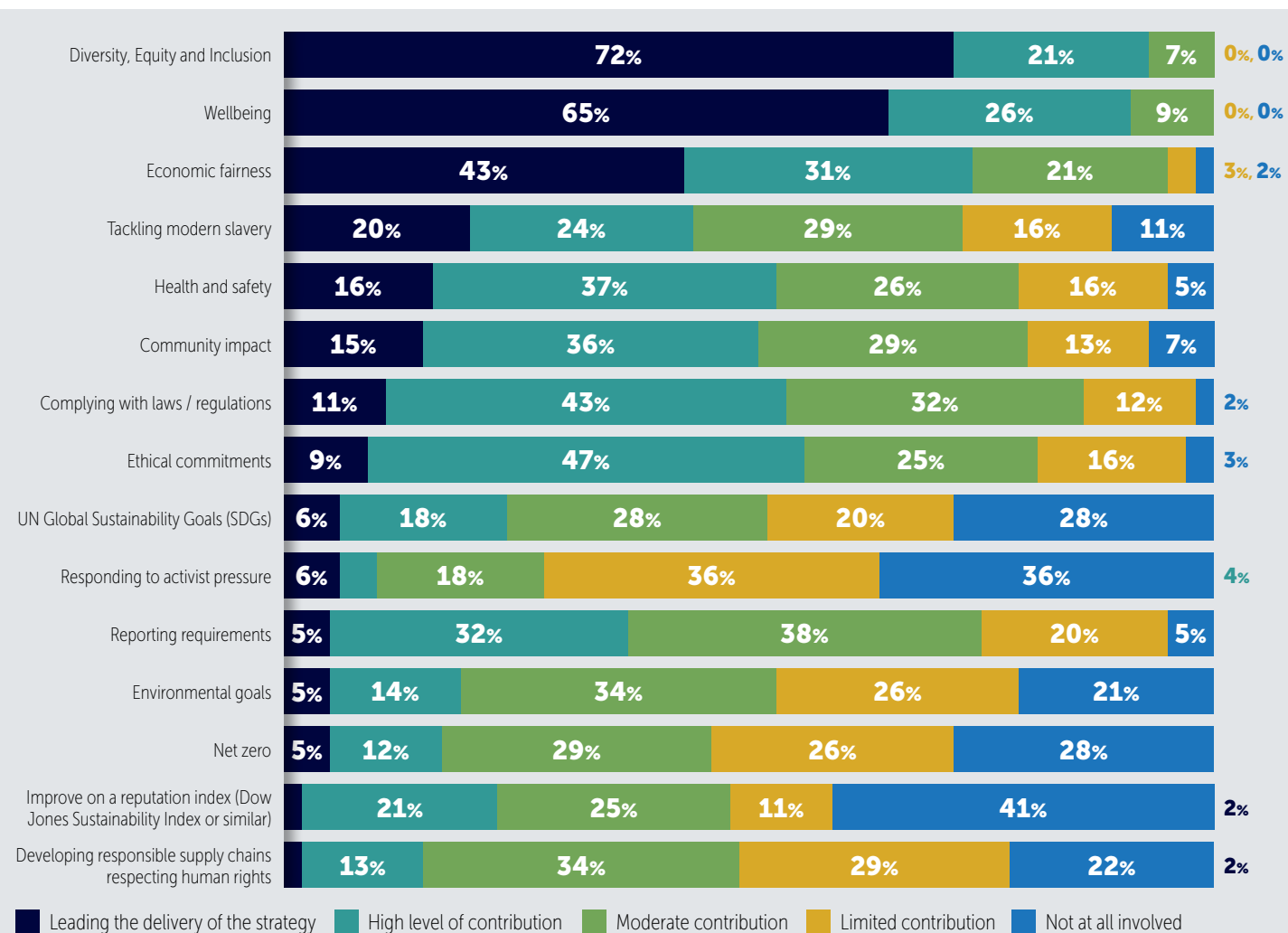
Despite the shift towards sustainability, there is low awareness regarding what best practice sustainability principles look like in human resources management and what their effects are and limited discussion of costs involved in adapting to sustainable Human Resource (HR) practices. In one case, at Danone, a CEO ousting followed too great a commitment to environmental and social principles alongside underwhelming economic performance. It is not surprising that there is considerable variability in the degree to which firms embed sustainability in their business and their HR systems.

What's more, challenges to building a sustainable business need to be overcome. Businesses often need to maintain consistent growth and meet the needs of many different stakeholders, only some of whom might be concerned with sustainability. With companies making many commitments to sustainability, an additional complication is accurate tracking by firms and those wanting to hold them to account. A longer-term perspective is often required and a clear strategy that explicitly links sustainability, business strategy and organisational purpose. It's also essential that the sustainability strategy is debated and agreed at the executive level, and there is visible, ongoing leadership commitment to action.

As might be expected, there is considerable variability in the amount that HR contributes to different aspects of each firm's sustainability strategy. This question reveals that HR frequently leads the diversity, equity, and inclusion aspects of sustainability (72%) and the wellbeing aspects of sustainability (65%). The areas where HR most frequently reported not being involved at all included work related to reputation indices, activist issues, meeting investor expectations, net zero and developing responsible supply chains.

FIGURE 11

To what extent does HR directly contribute to delivering the following areas of your organisation's sustainability strategy or approach?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023

We have seen that the overall objectives for HR when it comes to sustainability can be summarised in terms of ethical leadership, influencing and advocacy, equipping the firm with the capabilities it needs, and embedding sustainability in the culture. HR itself is typically comprised of specialist domains related to areas such as talent acquisition, learning and development, compensation and benefits, and performance management. We will next explore the opportunities for HR to make a material contribution with respect to sustainability in each of these areas.

Incorporating sustainability principles throughout these specialisms, and also at each point in the employee lifecycle, is likely required to ensure sustainability objectives are met. Taking an approach of incorporating sustainability everywhere as business as usual, rather than having a separate sustainability function, ensures HR specialisms are horizontally aligned (i.e. a coherent approach across all elements of the people strategy) and that the HR strategy is vertically aligned with the business strategy (i.e. that HR strategy aligned with business goals).

In this section, we examine what can and is happening in HR specialisms with respect to sustainability. We will see that there is opportunity to enhance the HR contribution to sustainability based on the CRF survey results. For example, less than half of respondents agreed or strongly agreed that sustainability is a consideration in everything that the HR function does. In this section, we also give examples of the sorts of activities that are occurring in each of the HR specialism areas.

3.0 HR SPECIALIST DOMAINS

"Without the engagement of HR it's really difficult to unlock the transformative potential of the sustainability strategy, and it's only quite recently that we've begun to understand the full potential of the HR function in that regard."

SALLY UREN, CHIEF EXECUTIVE, FORUM FOR THE FUTURE

CASE NOTES: **EASYJET** MUTUALLY REINFORCING HR PRACTICES

EasyJet's HR strategy emphasises a holistic and aligned approach to drive the sustainability and diversity agendas across the organisation. The strategy is underpinned by a focus on horizontal alignment among different HR specialisms to create a unified approach to sustainability-related goals. For instance, different HR specialist areas are working collectively to bring about mutual diversity related goals. A practical example of this is that there are coordinated efforts between compensation teams and the head of inclusion and diversity. A key focus here has been addressing gender pay disparities and ensuring balanced recruitment and promotion shortlists to meet gender representation objectives.

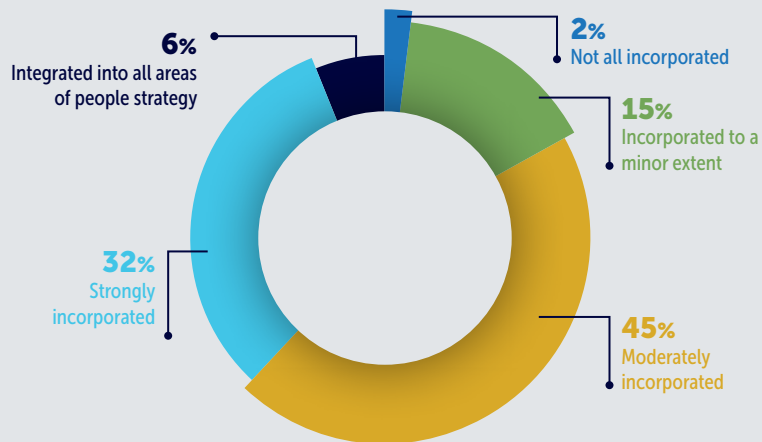
SURVEY INSIGHTS

ALIGNMENT BETWEEN SUSTAINABILITY AND PEOPLE STRATEGIES

The CRF survey shows there is substantial opportunity to embed sustainability into HR practices more broadly than is currently the case, with less than half of respondents indicating sustainability was incorporated strongly or incorporated into all areas of the people strategy. Furthermore, more than half of respondents indicated HR was not measured on sustainability or that they did not know if HR was measured on sustainability performance.

FIGURE 12

Are sustainability goals incorporated into your people strategy?



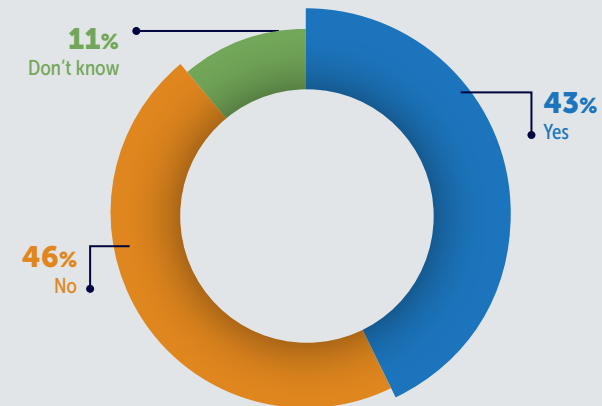
Source: CRF Member Survey, HR's Role in Sustainable Business 2023

"It's important that the centres of expertise who are focused on areas such as L&D, reward, inclusion and diversity and health and wellbeing work collectively and collaboratively, but also that we provide the right messaging and support to business partners so they can support their business leaders in delivering the agenda in a consistent and comprehensive way."

TIM TAYLOR, REWARD DIRECTOR, EASYJET

FIGURE 13

Does HR measure its performance with regard to sustainability?



Source: CRF Member Survey, HR's Role in Sustainable Business 2023



3.1 TALENT ACQUISITION

The talent acquisition function is responsible for attracting and hiring skilled workers. Talent acquisition is important for sustainability because it ensures that the organisation is hiring individuals with the right skills, mindset and long-term potential, especially if the company's mission has a sustainability emphasis. It's very important that the rhetoric of how the employer brand positions sustainability and what actions the organisation is really taking in practice match. If hired workers believe they are joining a firm with a sophisticated approach to sustainability and that isn't the case, there is a risk of short tenure, high turnover, loss of goodwill, damage to employer reputation and higher labour costs.

By emphasising their sustainability credentials in recruitment, companies ensure that they bring on board employees who are aligned with and committed to their sustainability goals. In the CRF survey 71% of respondents agreed or strongly agreed that sustainability is a core element of talent attraction strategies, while 59% agreed or strongly agreed that sustainability is a key element in their candidate attraction strategy. Sally Uren, Chief Executive at Forum for the Future, said: "Organisations who do this well tend to show up at places such as graduate fairs with their sustainability strategy front and centre. They also tend to build in questions about

"Today's graduates tend to be excited about sustainability, and we have to get the balance right in our employer brand between promoting the many opportunities to get involved in broader internal sustainability activity across our organisation, while being realistic about the immediate opportunities to deliver day-to-day sustainability advisory services."

SARAH SMITH, TALENT DIRECTOR – GLOBAL SUSTAINABILITY, EY

sustainability into their screening criteria, to test not only what applicants believe, but what actions they have taken in practice."

Interviews revealed consistently that sustainability credentials are an important drawcard in talent attraction, particularly among younger workers. Therefore, HR could look to increase the prominence of messaging around sustainability to attract talent and could measure sustainability related attributes in the hiring process to ensure new hires have the right skills and values. Talent attraction also offers a way to differentiate your organisation from competitors, for example, if you need to attract skills to meet a particular challenge such as digital transformation.

Amongst other talent strategies, it was most common to see organisations recruiting job candidates with sustainability related values or recruiting people with specific sustainability skills. It was less common to have a specific sustainability related competency, and surprisingly, less than half of organisations reported considering sustainability in job adverts and job descriptions.

59% of respondents to the CRF survey agreed or strongly agreed that sustainability is a key element in their candidate attraction strategy

CASE NOTES: TRIODOS TALENT ATTRACTION

Triodos is a Dutch sustainable bank that was established in the 1980s. Its mission is to make money work for positive social, environmental and cultural change by offering customers sustainable financial products. Sustainability was one of the founding tenets of the bank – it is written into its articles of association and underpins how it does business. For example, it offers mortgage products with lower interest rates for properties with lower energy consumption. The bank's ability to attract people who both share the bank's values and have the relevant technical banking skills is critical to the bank's continued growth and is an area where HR can make a significant contribution. *"We have to get the balance right,"* said Isabel Workel, Group HR Director. *"As a midsize bank we have to both comply with legal and regulatory requirements that demand increasing professionalisation, and also recruit people who fit with our mission."* In terms of the employer brand, HR has to manage the messaging around the trade-off candidates may have to make between sacrificing some salary and bonus and working for a values-driven bank. When engaging headhunters and in initial conversations with candidates it has open discussions about the fact that they may earn less, but they will be working for an organisation that is serious about sustainability. Candidates' commitment to the bank's mission is thoroughly tested in interviews. The interview process also explores the trade-offs candidates are likely to face as they balance the commercial and sustainability aspects of the bank's work. *"If you've worked for a large chemical or energy company all your career, it wouldn't necessarily preclude you, but you would need to demonstrate very clearly how you live out our values in your world outside of work,"* said Isabel.

3.2

LEARNING AND DEVELOPMENT

The learning and development function is responsible for ensuring the skills of the workforce remain relevant, updating capabilities of individual workers while maintaining a strategic view of the needs of the business. Businesses must engage workers in continuous learning and development programmes focusing on sustainability if they are to effectively implement sustainable practices.

Learning and development practices can include internal content but frequently firms report partnering with external sustainability specialists. Partnering with external organisations is particularly common when the training is for senior leaders in business, who sometimes go on formally recognised academic programmes as part of these partnerships. Overall, learning and development for sustainability appears to be a strength in HR's approach, with 78% of respondents agreeing or strongly agreeing with the statement 'We are committed to upskilling our workforce in sustainability knowledge and skills'.

Among the most common learning and development practices were running specific learning and develop programmes that upskill workers and also leadership programmes targeted as developing sustainability skills for leaders (See Arup box on following page). Less common than these two methods is partnering with external organisations to deliver sustainability learning and development activities, which just under half of organisations reported doing.

CASE NOTES: **ARUP** SUSTAINABILITY LEARNING

Hannah Tester has responsibility for ensuring 19,000 people at Arup have access to appropriate learning around Sustainable Development. The Arup Sustainable Development learning framework has knowledge levels that include being aware, knowledgeable, experienced, and expert. Awareness is for everyone, while subsequent stages of knowledge are for more senior levels and in more specialist roles. Learning content is curated from various sources, including formal courses developed internally, learning platforms like LinkedIn Learning and formal courses available via external partnership with organisations such as the Cambridge Institute for Sustainability. Learning paths are available for groups of employees, such as graduates, to move between the levels of knowledge. These paths are often non-linear, because particularly for leaders, the aim is not to give all the answers about Sustainable Development, but instead to empower leaders to find answers for themselves and their clients that meet Sustainable Development objectives.

CASE NOTES: **GALLAGHER** SUSTAINABILITY RELATED LEARNING

The business strategy at Gallagher has several pillars that include operational excellence, organic growth, people and culture, and mergers and acquisitions. ESG commitments are currently being mapped to each pillar of the business strategy. With this as context for employees, Francesca Campbell, Director of ESG, Inclusion and Diversity, says the aim for sustainability learning and development is for people to feel like they have the opportunities to upskill themselves. She wants people to feel that they have the opportunity to engage with different initiatives and ways of learning and ensure that they have the space to do that. For example, personal upskilling might involve watching the company's sustainability related VLOGs (video blogs). Learning is not formally mandated, but it is encouraged and is discussed as part of the performance review cycle, where managers get the opportunity to recognise those different activities that staff are engaging in or contributing to.

CASE NOTES: **MSD** PSYCHOLOGICAL SAFETY

MSD is an American multinational pharmaceutical company (known as Merck & Co., Inc., Rahway, NJ, USA in the United States and Canada). ESG criteria form a key element of measuring company performance at MSD. These performance criteria run throughout the organisation, and as such, show how every individual is contributing to broader organisational sustainability goals. Susannah Hodgson, Executive Director of HR, says a key focus for HR when it comes to sustainability is awareness raising. Through its communications with employees, HR makes sure the whole organisation understands what MSD is doing when it comes to ESG, emphasising this through the performance management process, where employees have goals with clearly mapped lines to the overall sustainability goals of the company. A key facilitator of creating a culture of sustainability has been to work on psychological safety: creating a 'speak-up' culture where people feel that they can raise concerns around topics such as ESG. For example, psychological safety programmes are run across the organisation to ensure colleagues feel comfortable in raising concerns and giving feedback.

CASE NOTES: **PRIMARK** COMMUNICATING WITH IN-STORE RETAIL EMPLOYEES ABOUT SUSTAINABILITY

Primark has a large retail staff with which it communicates regularly about sustainability, in spite of the difficulties of reaching retail staff across more than 430 stores in 16 countries. Sue Whalley, Chief People and Performance Officer at Associated British Foods, Primark's parent company, said while all colleagues might not be experts in every aspect of Primark's sustainability strategy, they are aware of the sustainability focus and culture. The induction for retail assistants includes sharing Primark Cares sustainability strategy aims and ethos with colleagues as soon as they join. Primark Cares is embedded in the stores: for example, repair workshops supporting customers and colleagues to love and wear clothes for longer are being rolled out and signage shows which products are made from recycled fabrics and sustainable cotton from the Primark Sustainable Cotton Programme which has trained some 250,000 cotton farmers in more sustainable methods involving less water and fertiliser.

3.3

CULTURE AND ENGAGEMENT

When a company's culture emphasises sustainability, it allows individuals to feel that they are contributing toward a larger, impactful goal, which is beneficial for society and the planet. To achieve this state, sustainability must be deeply embedded in the company's culture, influencing daily operations and decision-making processes.

One example of how this can occur can be seen at Dutch bank Triodos. The bank promotes its culture of sustainability by holding a weekly Triodos community meeting in each branch, where employees share stories of how they are applying its sustainability mission and values in practice in its operations. Another example is Avantha Group, which has repurposed quality circles, which were already in place within Operations, to focus on opportunities to reduce waste in the supply chain and improve sustainability. For example, one quality circle developed a solution that significantly reduced waste water in the production of gherkins, which led to both lower production costs and improved environmental outcomes.

Nearly two-thirds of firms reported embedding sustainability in organisational culture as a key goal. One way this happens is by regularly discussing sustainability efforts, achievements, and challenges within organisational communications, such as results presentations, and always linking organisational purpose back to sustainability.

Firms can also identify and focus on 'keystone' activities or processes that have an outsized impact on promoting sustainability, specific to their organisation, which in turn, drive more significant change throughout the organisation. An example of a keystone moment might be putting a sustainability goal in everybody's performance agreement. Using an approach that is already regularly used and well understood by all employees, like performance management, can lead to a greater impact on sustainability outcomes. Tools such as annual surveys provide insights into employee sentiment and existing employee listening and engagement platforms can be used to actively involve employees in sustainability conversations.

We often heard in interviews that firms have a culture that emphasises sustainability and that they do not need to work too hard to get people to think about sustainability. Culture, therefore, appears to be an area of sustainability where HR is doing well. Consistent with this message, 78% of respondents to the CRF survey agreed or strongly agreed that they were working to embed sustainability in their culture.

Utilising tools like pulse surveys can provide insights into how sustainability efforts might be correlating with employee satisfaction and engagement. Monitoring and analysing employee feedback can help refine strategies, ensuring that sustainability initiatives align with employee values and drive engagement.



3.4 PERFORMANCE MANAGEMENT

Performance management is a critical lever for HR. It is the means by which employees see how their work contributes to the overall goals of the organisation. It is also an important mechanism through which responsibility for work is distributed. If sustainability is a strategic imperative for businesses, it makes sense that workers have sustainability related performance goals.

This is commonly not the case, however, based on the results from the CRF survey. Under one third (31%) of respondents indicated that sustainability goals were written into objectives of workers and only half (50%) of respondents indicated leaders had sustainability goals in their performance objectives.

This is perhaps due to the lack of clarity regarding how sustainability fits into the day-to-day work of leaders and individual contributors. If this is the case, a sensible approach to take would be to start mapping this work. One approach suggested in this report is where CHROs sit with CSOs to work through the firm's materiality report and its implications for different work areas of the organisation.



3.5 COMPENSATION AND BENEFITS

The objective for compensation and benefits functions is to design and manage employee reward systems. Incorporating sustainability goals in compensation objectives means that employees are not only recognised and rewarded based on their immediate job performance but also on how they contribute to the company's sustainability goals. Reward mixes that include sustainability can motivate employees to consider the sustainability impact of their actions. However, the influence of sustainability on the reward mix is highly varied, with some organisations refraining and others heavily emphasising sustainability in the compensation mix via short and long-term incentives; some organisations do this for all employees, and some include it only for leaders. For example, Bupa's top 300 leaders have carbon targets built into their long-term incentive plans.

This may be because some organisations are relying on the intrinsic motivation of employees towards sustainability. Overall, just 31% of respondents agreed or strongly agreed with the statement 'The full range of available compensation is used to encourage sustainability', suggesting compensation plans are a potentially useful and unused lever that HR could use to influence sustainability outcomes. Just 48% of respondents indicated that they provide sustainability related financial incentives for leaders, a figure that dropped to just 31% when financial incentives for individual contributors in organisations is concerned.

Benefits is another area where employers can 'nudge' employees towards making more sustainable choices. For example, defaulting to sustainable investments in the company pension scheme. Many of the organisations we interviewed have either removed their company car schemes or mandated that only electric vehicles are offered. An example of novel sustainability related benefits is Triodos, the Dutch sustainable bank, which offers its employees mobility cards covering the cost of both commuting to work by train and private train travel. They also cover the cost of bike hire from stations. The cards also allow the bank to gather data on employee's CO2 emissions.

CASE NOTES: SHELL SUSTAINABILITY INCENTIVES

Tony Verbraeken, Executive Vice President HR, said Shell's approach to remuneration not only helps in meeting global energy transition goals but also drives behaviour within the organisation. Including business transformation measures in individual reward helps ensure that individuals understand how their actions contribute to the company's agenda and feel accountable for that. The mix of rewards used by Shell includes:

- **Short-term reward:** The company's scorecard, which determines bonuses, has 15% weighting related to the company's journey in the energy transition. Within this category, aspects like reducing operational emissions are considered and sales of lower carbon products. All employees, regardless of their position, have this energy transition component as part of their group scorecard.
- **Long-term reward:** For senior management, there's an emphasis on long-term performance related to the energy transition. This long-term focus makes up a quarter of the metrics for the year. The specifics are adjusted annually to ensure lessons learned in the early stages of the energy transition are incorporated and to ensure continued relevance to the strategy.

CASE NOTES: PAPER TAKES EQUAL OPPORTUNITY BEYOND THE BOUNDARY OF THE FIRM

Q Hamirani is the Chief People Officer at Paper, an education technology company based in the United States and Canada. Paper provides a strong example of where HR's expertise in diversity has been extended beyond a firm's traditional boundaries, incorporated into its strategic offering, and used to create community impact. Paper's mission is to build confidence in students for life all the way from kindergarten to grade 12. It aligns learning opportunities with skill needs for job opportunities in local communities. For instance, if a large company – say Tesla – is opening a manufacturing plant, Paper creates links between the employer and students to help them prepare them for job roles they might consider after leaving school. Paper informs students about job opportunities, highlights the skills students will need to secure jobs and how they can acquire them. Community focus is a core driver for Paper, and is an important vehicle for ensuring the business' core values of diversity and opportunity are threaded across the business strategy and communications.



3.6 DIVERSITY AND INCLUSION

If there is one area of the sustainability agenda that HR clearly owns it is diversity and inclusion. This includes setting and working towards specific representation targets, particularly for female and ethnic minority groups. HR is at the forefront of promoting diversity and inclusion within the company at all stages where employment related opportunities are being allocated.

The commitment to creating equal opportunities and driving towards meeting diversity goals is readily apparent in our interview and survey data, with organisations addressing challenges like gender pay gaps, recruitment, and promotion processes to enhance fairness and equity and enhance organisational inclusiveness. The CRF survey showed that implementing programmes to increase diversity was the most frequently engaged in HR practice related to sustainability by some margin. Over 85% of organisations reported implementing programmes in HR targeted at increasing diversity.



3.7 EMPLOYEE VALUE PROPOSITION

The Employee Value Proposition (EVP) is a cornerstone of the people strategy that is also an important driver of sustainability, through the way firms convey organisational values and practices related to sustainable and ethical operations, and how they develop and promote their employer brand. Considering how to weave sustainability into the various aspects of the EVP is an important element of HR's contribution to sustainability in organisations.

Organisations have recognised that employees take pride in affiliations with a reputable employer. Consequently, there's a shift towards being more explicit about how the support extended to local communities is driving sustainability in key areas. For instance, younger employees are widely reported to have a strong interest in sustainability, which aligns with global trends where younger generations are attuned to sustainability and corporate responsibility. Incorporating sustainability into the EVP can effectively serve as a catalyst in the broader sustainability agenda, specifically in areas related to community and diversity.

"What we have seen is how much you can increase your talent pipeline and ability to recruit and retain key people, especially as it's becoming a bigger issue for younger generations. Companies who aren't waking up to this are going to find their talent pool quite constrained over coming years. There is probably more that HR can be doing to agitate for change in this space."

PATRICK BRADLEY, CHIEF PEOPLE OFFICER, BRAMBLES

CASE NOTES: **BRAMBLES** UPDATING THE EVP AND EMPLOYER BRAND TO ATTRACT DIGITAL TALENT

Brambles' circular business model has made a big difference to its ability to attract critical talent. Patrick Bradley, Chief People Officer, said: *"Having sustainability embedded in our business model makes it compelling for our employees. If you're working for a palette company, it's not necessarily the most attractive proposition, but if you're working for a company with a clear mission and purpose of creating the world's most sustainable business, people become interested in working for you and it supports retention too."*

This had made a particular difference in the company's digital transformation. Over the last 18 months, the company built a digital centre of expertise with 300 new hires. These skills are in high demand in a competitive talent market, but the company redesigned its employer brand and employer value proposition to emphasise its sustainability credentials and position its attractiveness as an employer with a clear sense of purpose. *"While our sense of purpose as an organisation and our sustainability credentials were always there, previously you had to work that bit harder to access that information,"* said Bradley. *"We decided to make it much more front and centre in our employer brand and to find ways of explaining our business in a different way which emphasised its wider purpose and contribution both to the global supply chain and to sustainability."*

As a result, the company has seen a substantial increase in employee retention over the same period, as well as a positive impact on employee engagement. Brambles has moved from the median to an upper decile position on a benchmark for employee engagement. Average time to recruit has also fallen.

CASE NOTES: MERCER THE EVOLVING EVP

Dave Wreford, Partner at Mercer, interprets EVP to refer to reasons workers are attracted to organisations and stay in the firms they work for. He said early work on the EVP, was around creating flexibility and personalisation in the work environment and employment relationship. This grew into a wider focus on wellbeing and diversity and inclusion (D&I). In recent times, sustainability has become a critical aspect of the EVP reflecting the changing priorities internally but also broader societal shifts towards environmental and social awareness. Today ESG is a cornerstone of the EVP that is woven into diverse business areas from health and wellbeing to investment strategies. Furthermore, the company assists clients in navigating sustainability-related challenges, indicating a holistic and outward-facing approach to these issues. Organisations that embed ESG considerations into their operations and strategies tend to be more resilient, navigating through and recovering from shocks more effectively than firms that don't. Sustainability is not only an ethical choice but also strategically beneficial in creating organisational longevity and building resilience.

CASE NOTES: COSTA PEOPLE PROMISE

Jonathan Crookall discussed the three Cs of Costa's sustainability strategy: cows, cups, and community. The sustainability agenda, he said: *"is becoming increasingly important to our ability as an organisation to attract and retain employees, particularly when you have a demographic at the younger end of the scale."* Costa call it their people promise, which reflects not only the needs of employees but people who work with partners such as retailers, franchisees, bottlers etc. *"We want anyone who's representing the Costa brand to have a view of what we stand for and what we're looking to achieve from a sustainability perspective."* Highlighting its sustainability focus to workers starts with the design of customer facing processes and training of frontline staff, for example to encourage customers to buy a reusable cup or try a non-dairy milk and educating teams on why plant-based milks are more sustainable. One of the choices he says you have to make in investing in L&D around sustainability is whether you want to have deep, world leading skills in some key parts of your business such as procurement and supply chain, or do you want to have a wider but less deep level of awareness across the whole organisation? If you do the latter, then over time it pays back in every individual transaction and conversation that people have in their day-to-day work.



3.8 LEADERSHIP DEVELOPMENT

When it comes to leadership development, a key point to emphasise is that all levels of leadership, from the executive down, must take responsibility for sustainability. There is also evidence that the best sustainability leaders have a personal passion for the topic. HR first needs to provide an appropriate flow of such leaders, identifying who will fill roles that become vacated and ensuring that appropriate representation of gender and ethnic minority leaders are present. In this capacity, HR has a responsibility to enable all leaders with sustainability values and awareness through effective leadership development programmes, not just leaders with a specific sustainability focus.

Matt Gitsham, Professor of Business and Sustainable Development at Hult International Business School, has worked extensively in sustainability related leadership for many years. He says firms have been experimenting with innovative leadership development approaches for some time. For example, he recalls a banking organisation partnering with EarthWatch to place their leaders in climate research stations at least a decade ago. The aim of such efforts is to connect leaders to sustainability issues through first hand experiences.

“One of the biggest changes over the last three to four years is the level of competence required from all the directors sitting around the board room, particularly in terms of understanding your scope 1, 2 and 3 emissions. This is becoming increasingly material to your business performance.”

SALLY UREN, CHIEF EXECUTIVE, FORUM FOR THE FUTURE

LEADERSHIP CAPABILITIES FOR SUSTAINABILITY

Professor Matt Gitsham's work has highlighted how business leaders' roles have been changing as a result of organisational shifts around sustainability, and what implications this has for leadership skills and learning and development. Business leaders are increasingly realising that the scope of their leadership role has changed compared with the generation of business leaders that went before them, which has led to a new role leading change to embed sustainability within their organisations, and also leading sustainability transitions in the wider ecosystem around the organisation. This has brought a new set of leadership skills to the fore, which need development.

Four key aspects are particularly important for leaders with regard to sustainability. These can relate both to HR and other leaders taking a lead role in developing and executing the sustainability strategy. They can also be used to inform leader selection and leadership development initiatives related to sustainability. These are:

Passion for sustainability

Technical knowledge around sustainability issues, challenges and solutions

Understanding of the organisation's business context

Skills for understanding and leading change in corporate culture

The first of these, Prof. Gitsham emphasises, can be a dealbreaker for successful sustainability leadership. He has seen vast differences between the contributions leaders can make to sustainability when they care deeply about the topic, compared to when the leaders have simply been saddled with another responsibility.

CASE NOTES: **BUPA** TALENT DEVELOPMENT THROUGH SUSTAINABILITY

Bupa is in the third iteration of a future leaders' development programme – Eco Disruptive – which uses investment in sustainable start-ups as a springboard for supporting the development of future leaders. The programme teams up high potentials with start-ups in the sustainability space who they partner with over six months to help them develop their business and eventually pitch for a share of Bupa seed funding.

This is a global programme running across four locations in Australia, Spain, Chile and the UK over six months. During this period, participants work in teams to select the start-ups and get their business to a stage where they are ready to pitch for funding. Each of the four locations votes to select a regional winner. Bupa employees get to vote for a global winner at a 'PitchFest', with the winner receiving incubator funding.

Eco-Disruptive is both a sustainability programme and a way of identifying future talent and giving participants business responsibility. As well as supporting their start-ups, participants have to engage the whole Bupa organisation to gain the support of colleagues in voting for the projects. Since the start of the programme, Bupa has engaged with over 3,000 startups. Winners' products and services have been integrated into Bupa's supply chain, for example a startup that makes medical scrubs from recycled plastic bottles. Last year the winner was a company that makes bags from cassava root which are an alternative to plastic bags.

CASE NOTES: **SIEMENS ENERGY** GAME-CHANGING LEADERSHIP

The CEO of Siemens Energy has made it a centrepiece of the business strategy to become one of the world's leading sustainability companies, helping customers get to net zero by decarbonising the electricity supply chain. Siemens Energy's Game-changing Leaders programme supports leaders across levels from executive to front line leadership to develop a set of leadership attributes, specifying how they behave and what they are accountable for, that exemplify the challenges for leaders in the sustainability field. When asked for an example of a leader that exemplified the game-changing leader at Siemens, Dan Simpson, Human Resources Director, talked about a site leader at one of their gas turbine sites who is dealing with sustainability goals and economic pressures simultaneously. What made him different? This leader exemplifies a facilitative leadership style, engaging and focusing his leadership team without prescribing solutions, but instead encouraging collaborative problem solving and assigning accountability for delivering outcomes. This new leadership style emphasises using all available organisational resources and enabling others to achieve success, as opposed to older models where leaders were expected to have all the answers. Furthermore, it emphasises fostering a work environment that provides psychological safety, ensuring team members can speak up about issues or challenges without fear of repercussions.



3.9

ORGANISATIONAL DEVELOPMENT, CHANGE, AND SUSTAINABILITY

To drive sustainability, organisations need to first align their strategy, operations, and culture with sustainable principles. This can involve adopting environmentally friendly practices, creating socially responsible policies, and even rethinking business models. Aligning employee behaviours and mindsets with sustainability goals matters most. This can involve developing new skills and competencies, fostering a culture that values sustainability, and ensuring that employees at all levels are engaged with and committed to sustainability objectives. One method, discussed by Lauren Elliot at NatWest, is coaching provocation sessions.

Provocation sessions can be used to explore current practices and envisage future operational scenarios, stimulating individual and team thinking towards innovative future practices. To build worker engagement, the organisation should de-emphasise organisation-centric skill development and emphasise the individual benefits of skill and mindset development. Employees should understand how developing certain skills is beneficial for their personal career and future employability, not just the company's immediate needs. Whichever interventions are implemented, a critical component to this process is ensuring a shared understanding and purpose across all levels of the organisation.



3.10

WORKFORCE PLANNING

CRF has seen an increase in interest in strategic workforce planning over the last few years, with HR teams increasingly incorporating workforce planning as part of their business planning process and people agenda. Sustainability is an important consideration for businesses thinking ahead about their business and talent requirements for the next 3-5 years.

Key questions to consider regarding sustainability needs in the workforce plan include:

- What strategic capabilities will we need to execute our sustainability strategy?
- Should we create specialist roles and functions for sustainability, or should those skills be embedded in other roles? Examples of specialist roles that may be required include process engineering to optimise processes to minimise waste, experts in interpretation of legislation and reporting and technical roles such as water scientists.
- How do we identify and quantify the skills we already have? Where skills are embedded into existing roles, a challenge arises in that there is sometimes no strategic view of where sustainability skills reside in the organisation. This has led in several instances to organisations relying on informal knowledge and networks to resource projects requiring sustainability skills.
- What new capabilities will we need to build or acquire?
- Should we hire permanent resource or 'borrow' as needed?



4.0 CHALLENGES TO HR'S SUSTAINABILITY AMBITIONS

4.1 PEOPLE DON'T ALWAYS AGREE ABOUT SUSTAINABILITY

While this report has so far built the case that sustainability is a moral and business imperative, a point we believe to be true, it would be remiss of us not to highlight the potential challenges faced by organisations in their sustainability strategies and by HR functions in their efforts to contribute. Firstly, it is not uncommon for vocal minorities in organisations to speak up against efforts to promote diversity, arguing that merit-based opportunity is not always compatible with diversity initiatives. In other cases, global organisations might struggle to get programmes relating to diversity launched in markets where diversity is not favoured, or people believe such work would inflame tensions around historical grievances.

People also challenge the time and effort required to engage in some corporate activity related to the sustainability agenda, particularly when they may conflict with demanding business targets that they need to deliver in the short-to-medium term.

On the environmental side, organisations in some sectors are encouraged to invest in better technology, but some might believe that there is currently no commercially viable technology available to do this. Governments want firms to invest now but the benefits of doing so are not always immediately obvious. This is magnified for businesses that need to replace decades old equipment, as opposed to services firms that might need to focus more on changing behaviour rather than infrastructure. There are also complexities that come with business cycles. Even with all the right intentions it can be very difficult to follow through on some aspects of the sustainability agenda. There is even an example of a CEO ousting at Danone, the French foods brand, where Emmanuel Faber was reportedly dismissed for pushing too hard on the sustainability agenda in the face of underwhelming economic performance.



4.2 HR AS A DRIVER OF CONSENSUS

Crises such as the Covid-19 pandemic and economic recessions have underscored the pivotal role Human Resources (HR) plays within organisations. With an elevated presence in leadership teams, HR professionals are now navigating organisational challenges and influencing strategic direction when it comes to sustainability. Notably, the progression of Chief People Officers (CPOs), like Leena Nair transitioning from CPO at Unilever to CEO at Chanel, signals a trend in recognising HR's strategic importance at the top of organisations. With this recognition comes an opportunity to influence thinking on sustainability.

HR, given its unique organisational position, is ideally poised to make contributions to sustainability, particularly in areas like strategic positioning, employee engagement, employee value proposition, learning and careers. HR's role in leadership development also enables developing leaders with a more comprehensive understanding of sustainability challenges and opportunities relevant to each business.



4.3 CHALLENGES TO HR MAKING EFFECTIVE CONTRIBUTIONS

Nonetheless, HR faces substantial challenges in realising its sustainability-related ambitions. First, what is lacking is a clear definition and understanding of HR's global role in sustainability. This includes its responsibilities for communicating about sustainability internally and externally. Next, a more granular understanding of how this role differs across various areas of HR responsibility is required. However, this area is currently ambiguous and requires more detailed mapping of responsibilities and agendas. HR's strategic integration into the different areas of the organisation that focus on sustainability needs to be streamlined.

For this to occur, HR will need to meet several challenges. We will need to fill existing knowledge gaps, meet skill development needs, and adopt a mindset that it is imperative to weave sustainability into every area of the people function. HR must also consider whether to expand its vision beyond organisational borders, as some interviewees in this research advocated. If the benefit of sustainability were also, where possible, to be presented with a business case, not just as moral goals, sustainability commitment may be easier to maintain in difficult economic times. Demonstrating tangible benefits, from improved reputation to potential cost savings, is more likely to foster genuine organisational commitment.



4.4 EMBEDDING SUSTAINABILITY

Ensuring that sustainability is a focal point in HR practices and not an ancillary concern is critical. To do this, HR should establish explicit channels to ensure employee perspectives are recognised and factored into decision making. Employee forums and committees can be created that contribute to shaping the company's sustainability agendas. There is a need to understand and establish clear linkages between various elements of the reward mix and their impact on the organisation's approach to sustainability.

While the obvious focus for compensation might be on incentives, exploring other areas, like benefits and work-life balance, can be leveraged in the sustainability framework. HR should encourage continuous learning within HR itself that emphasises sustainability. We recommend that firms look at industries and organisations leading in sustainability and learn from their practices, possibly even hiring experts from these sectors. HR can engage with external entities or individuals with demonstrated sustainability track records. From there, they can adapt their strategies and insights to enhance internal sustainability practices. The most successful firms when it comes to sustainability emphasised such collaborations, partnerships, and knowledge-sharing.



4.5 OVERCOMING A KNOWLEDGE – PRACTICE DIVIDE

A disparity may exist in HR professionals' fundamental sustainability knowledge and the incorporation of that into organisational practices. To overcome this, HR can implement training and workshops to enhance HR's sustainability understanding, and align HR practices – such as recruitment, talent management, and employee engagement – with sustainability principles.

While sustainability teams might provide support, there could be a need for more direct knowledge and understanding within the HR team itself regarding sustainability. The integration of sustainability into the broader people strategy will likely necessitate developing knowledge about the topic and potentially the creation of specialised roles within HR that focus on sustainability issues.

4.6

MEETING SKILLS DEVELOPMENT REQUIREMENTS

There is an evident ambiguity regarding what skills and knowledge HR teams need to proficiently steer sustainability. HR should clearly delineate the roles within HR for sustainability initiatives and define the necessary skills and knowledge for each role. HR should engage in continuous learning and development sessions to build these competencies and ensure that HR professionals comprehend the business's most material aspects to effectively influence strategy.

HR teams might need to develop specific skills thorough experience in sustainability-related areas that may come via secondments. It is not fully clear what those specific skills or experiences might look like at the moment and these skills need mapping. A clear learning and development pathway would help HR professionals develop these skills effectively.

CASE NOTES: **bp**

ASSESSING HR CAPABILITIES: A SYSTEMATIC APPROACH

bp's sustainability frame covers its aims to get to net zero, improve people's lives and care for the planet, including short- and medium-term targets and aims. As part of that frame, Meryl Wingfield, VP of Sustainability Integration, is tasked with weaving sustainability into every facet of the company, enabling it to become a fundamental aspect of regular business operations. This is what bp calls 'embedding sustainability', and enables the delivery of their sustainability aims. She is taking a function-by-function approach to reviewing where to embed sustainability to have the biggest impact, based on an understanding of the company's operational dynamics. Insights were drawn from how change has previously worked within bp and 'keystone' processes or activities (i.e. activities that have a large impact on their environment) were identified and prioritised for embedding sustainability, based on their ability to significantly influence the company's operation and culture. She stresses the principle that sustainability should seamlessly integrate into regular business practices and not be perceived as an add-on. In respect to HR, she started by initially seeking examples of external best practices, which proved elusive. Consequently, an internal approach was developed, involving sustainability and HR jointly compiling a comprehensive list of areas where sustainability needs to be embedded. The current focus is predominantly on capability, culture, and incentivisation/recognition, in addition to Diversity, Equity & Inclusion and Wellbeing, which are included in bp's aims. These priorities will evolve as embedding matures.

4.7 HR PRACTICES LISTED IN SUPPORT OF SUSTAINABILITY BY SPECIALISM

Readers will likely be interested in an overview of the different examples of sustainability activities that HR is commonly involved in that came up in our interviews. On reviewing all content from our interviews and survey, we created a checklist of activities, programmes, and interventions that HR commonly engages in and grouped these according to the HR specialist areas. It should be remembered that sustainability is a complex topic that will benefit from being approached in a way that recognises the interconnections between different activities and stakeholders both within and outside the organisation. With this in mind, we present the checklist of reported HR related work areas in the table.

| | |
|---|---|
|  CULTURE | <ul style="list-style-type: none"> • Leader role modelling of sustainability • Reduced business travel / Telecommuting • Volunteering • Worker participation • CSR related project opportunities e.g. working for charity • Encourage low carbon internal travel |
|  D&I | <ul style="list-style-type: none"> • Diversity programmes • Neurodiversity awareness • Representative interview panels |
|  L&D | <ul style="list-style-type: none"> • Training programmes that upskill in sustainability • Consider sustainability whilst designing L&D strategies • Deliver sustainability training via multiple channels • Create sustainability related learning paths • Partner with external organisations to deliver sustainability training • Develop real life case studies for sustainability in your industry |
|  LEADERSHIP | <ul style="list-style-type: none"> • Identify and require sustainability related leadership capabilities • Encourage leaders to role model sustainability • Provide leadership development training and awareness in sustainability topics for leaders |
|  PERFORMANCE MANAGEMENT | <ul style="list-style-type: none"> • Embed sustainability in performance goals • Ensure sustainability related expectations of employees are clear • Performance reviews that emphasise the triple bottom line in |
|  POLICIES | <ul style="list-style-type: none"> • Conduct codes that emphasise sustainability • Extend workforce policies to supply chain • Establish policies regarding integrity and ethics |
|  REWARD | <ul style="list-style-type: none"> • Provide financial incentives contingent on meeting sustainability targets • Discounts on eco-friendly products • Provide subsidies for bicycles, electric and hybrid vehicles • Subsidies for green travel |
|  SAFETY | <ul style="list-style-type: none"> • Create commitments to minimising accidents • Provide safety related training |
|  TALENT ACQUISITION | <ul style="list-style-type: none"> • Job descriptions that include sustainability • Hiring people with values that reflect sustainability • Competency and value models that include sustainability • Only use travel for hiring when essential • Hire locally so workforce composition reflects the community • Ensure recruitment process are accessible • Create testimonials from employees about sustainability |

HR'S CONTRIBUTION TO SUSTAINABLE BUSINESS

- + This report, consistent with the predictions of CRF's 2019 report *Responsible Business: How Can HR Drive the Agenda?* shows that sustainable business is on the rise. Yet there is no single definition of sustainability that works well for all organisations. Organisations are tending to interpret their responsibilities broadly, whether that's by focusing on the UN Sustainable Development Goals, or by taking account of their stakeholders' needs across broad frameworks such as ESG or People, Prosperity, and Planet. There are various motives for sustainable business, but we are seeing the desire to do the right thing evolve into more of a requirement. The consequences for doing so are generally positive. Although we see pockets of resistance, the picture is more rosy in eyes of practitioners than academics. The consequences are seen as either positive or a necessary price to pay for acting as a responsible corporate citizen.
- > It is better to disperse responsibility for sustainability rather than centralise it, but you need to be able to coordinate areas for work streams (e.g. to know where the required skills are) and for reporting, which can be a complex topic. There is a case that overall responsibility could sit in several functions. The weakest case is possibly for Marketing or PR because it sees sustainability as more of a communications issue than an issue of changing the way business is actually done. There is a robust case for the Chief People Officer to have responsibility for sustainability, if only because of the extent of the workforce that HR engages with, but there are limitations as the role can involve a high degree of technical competence in some areas, depending on the nature of the business and industry. CHROs need to be well informed and ideally have a strong interest in the topic, as many we spoke to do. The business strategy should incorporate sustainability and the people strategy should clearly say how HR contributes to it.

5.0 CONCLUSIONS



HR is assuming leadership roles as well as convincing leaders of the importance of sustainability. In the social arena this is most obvious, with some suggestions that these practices can extend beyond the firm to suppliers. In the environmental area the HR contribution tends to be an enabling role in relation to talent and skills. In the governance area, HR can make sure the right decision-making procedures are followed and the right information is being considered. The key ways that HR gets these things done are by ensuring ethical leadership, advocating for sustainability to ensure it is top of workers' minds, equipping the firm with sustainability skills through hiring and learning, and embedding sustainability in the culture.



A key source of information for HR efforts is organisational materiality reports. These can be used to map roles and responsibilities in different functions and to ensure requisite skills are in place. The HR specialisms (recruiting, learning, performance management, compensation, etc) all have a part to play in the sustainability agenda.



HR cannot take responsibility on its own – collaboration is required. This was another theme from the original report. This collaboration should also include gathering regular input from employees on what the sustainability strategy should encompass. In a nutshell, ensuring ethical leadership, leveraging HR's strategic position (e.g. challenging other functions to step up), ensuring consistent employee engagement around sustainability and maintaining capability can create a pathway towards organisational sustainability. There are no doubt challenges as business and HR pursue their sustainability agendas. As we discussed in this report, none seem insurmountable.

6.0 APPENDIX

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