



**Exploring the Intersections of Human Resources and Environmental, Social & Governance Virtual Working Groups
January 18 & March 1, 2023**

In these CAHRS working groups, General Electric Chief Human Resource Officer Kevin Cox, Head of HR Strategy, Talent & Culture Laura Cococcia, and Joseph R. Rich '90 Professor of Human Resource Studies Diane Burton, led two 90-minute discussions around how companies, and in particular, CHROs, are evaluating the role of HR in Environmental, Social & Governance (ESG) in the context of their organizations.

The two working groups consisted of CHRO participants who engaged in candid discussions, observing "Chatham House Rules." A representative from the University of South Carolina joined the second session.

Working Group Overview

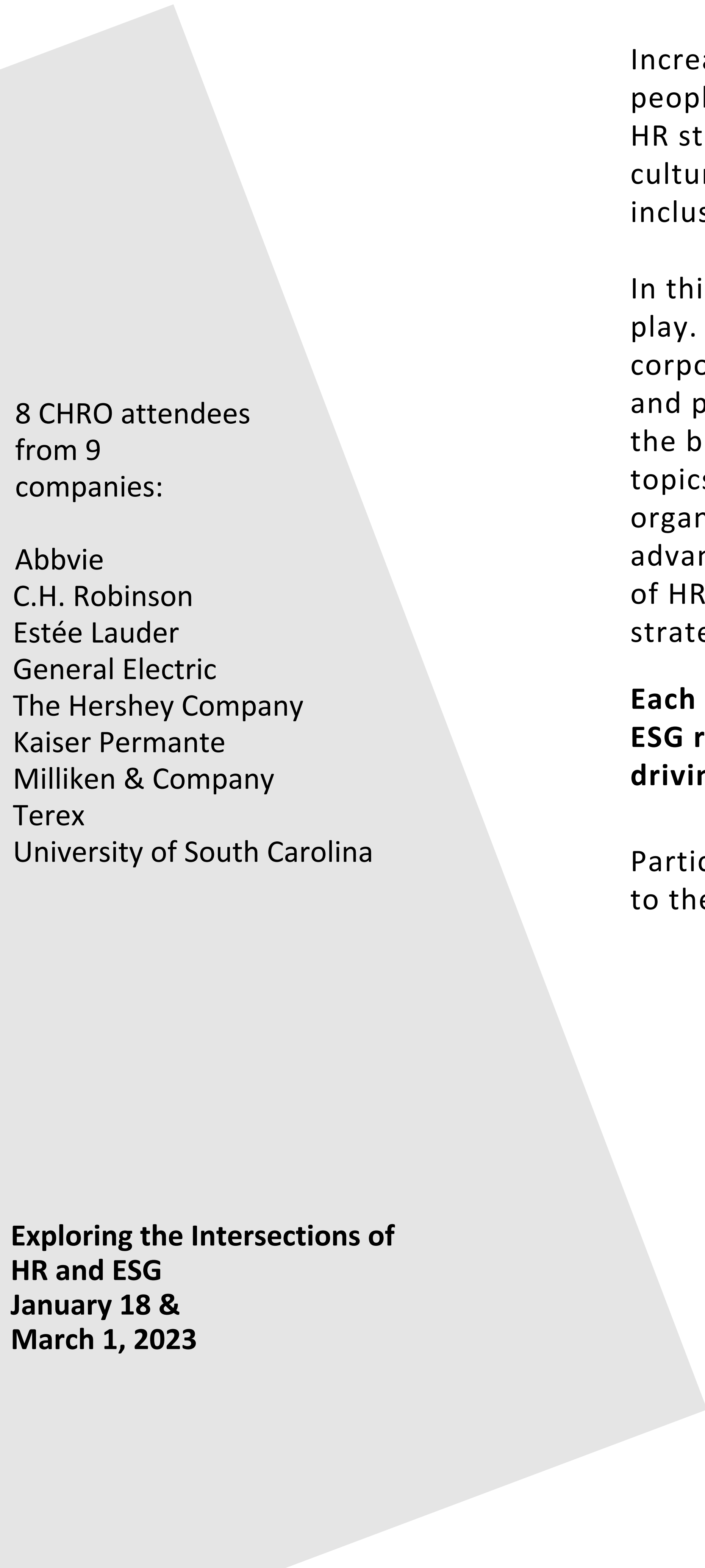
Increasingly, organizational ESG efforts involve ensuring that impacts to people are assessed and improved as a company does business. ESG and HR strategies often intersect around employee engagement. Topics like culture, climate change, business ethics, and diversity, equity, and inclusion (DE&I) matter to employees and prospective candidates alike.

In this way, the CHRO and the HR function have an important role to play. HR has always been at the core of the employee experience, corporate social responsibility (CSR), and governance, owning practices and process across a broad range of topics within the "S" of ESG and the broader ESG ecosystem. Thinking ahead, as the interest in ESG topics gain momentum among stakeholders, HR is positioned to help organizations take stronger steps to not only meet, but to strategically advance ESG goals. The two working groups discussed the intersections of HR and ESG topics, identifying areas where CHROs can influence ESG strategy, aligned with their company contexts.

Each working group started with a discussion around accountability of ESG responsibilities, organizational capabilities, and opportunities for driving impact of ESG priorities in the coming two years.

Participants answered the following discussion questions, as they relate to their organizations.

1. Recognizing the responsibilities in organizations for ESG is multidisciplinary, how are these responsibilities mapped within your organization to drive accountability? From your vantage point, is this accountability mapping working or do you see room for evolution?
2. How are you currently driving capability building related to ESG and/or sustainability in your organization? Examples could be – but are not limited to – board engagement, training/upskilling, hiring external specialist talent or designing specific communications strategies.
3. What are you seeing as the greatest opportunity to drive impact with your organization’s ESG priorities in the coming two years?



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This discussion was followed by an overview of research commissioned by GE about the role of the CHRO and ESG. The resulting conversation can be summarized by five collective key takeaways, which were aligned across both working groups.

ESG is growing in prominence in the board room and with CEOs. As more time and attention is spent on ESG topics, HR leaders are increasing their focus here.

The working groups discussed the imminent opportunity to integrate ESG into company boards in several different ways. ESG topics can span across several existing board committees, such as Compensation and Nominating and Governance. While ESG topics may not align perfectly to traditional board structures, there is an opportunity to explore approaches to incorporating ESG into governance. The working groups also discussed how CHROs can add value to board conversations by acting as “sense makers,” as well as “upskilling” board members on ESG topics, aligned to company strategy.

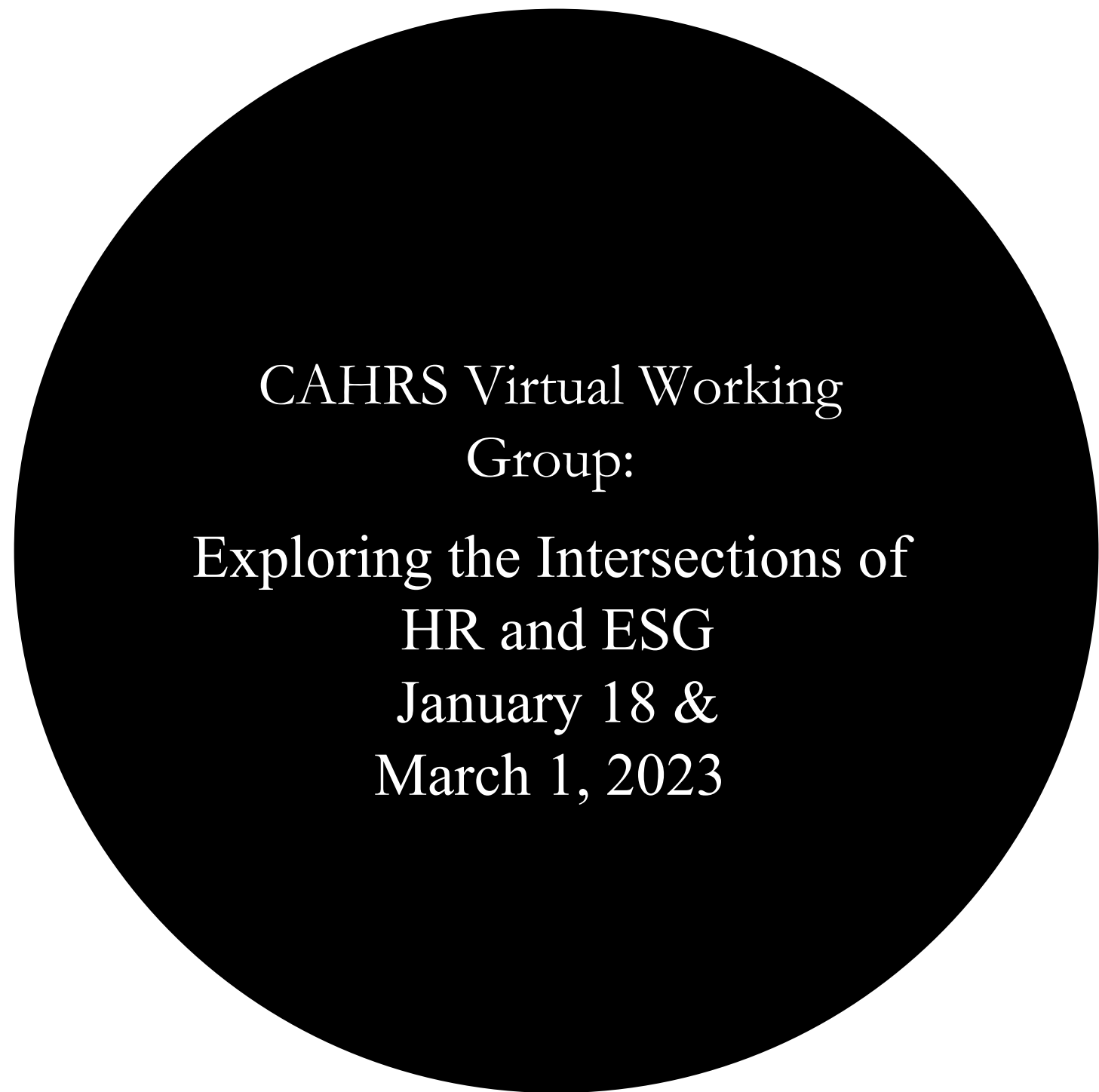
ESG accountability is most often federated, usually governed by a cross functional council that meets regularly. In a few cases, there was a singular owner.

The working groups discussed how the subject of ESG is large, covering a significantly wide range of topics. Additionally, given their remits, these topics exist across a variety of functions – from Environmental Health & Safety and HR, to Legal.

Across participants, there were a variety of examples of ownership of ESG. Some CHROs noted that ESG was governed by cross-functional groups, while others noted singular accountability, most often through a General Counsel, Chief Sustainability Officer, Chief ESG Officer, CHRO, or, in one member company, a Chief Health Officer. If singular accountability for ESG within an organization isn’t practical, companies can consider implementing a council that meets on a regular basis. That being said, in the event a company chooses to implement a council, the working groups discussed that it could be helpful to name one person who is ultimately responsible for decision making. In most organizations, this is not the CEO, but a different member of the senior leadership team.

Given increasing stakeholder interest in ESG topics, there are several approaches to measurement and accountability within organizations, however there is no widespread adoption of a common practice.

The working groups discussed how accountability for ESG topics can come from a variety of measures. Examples include operating metrics and compensation modifiers. Similar to other subjects of the business, ESG should operate with accountability for action and impact. In one member company, DE&I metrics were integrated into bonus compensation. In another, a safety metric was added to compensation plans.



This Summary Report was prepared by Diane Burton and Laura Cococcia for participants of the "Exploring the Intersections of HR and ESG" Virtual Working Group.

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The working groups also discussed the importance of reporting and data given increasing stakeholder interest on company ESG initiatives. One participant discussed how their customers were increasingly heightening their ESG standards as a prerequisite for doing business. Another mentioned the increasing complexity of disclosure requirements, and that they were considering introducing a focus group for ESG data.

CHROs have the opportunity to move from “defense” to “offense” with regard to ESG communications strategies to better engage current and prospective employees.

The working groups discussed how, more recently, companies are pivoting from a defensive, “we had to do this,” approach to ESG topics, to a more offensive approach. This could mean storytelling the company’s ESG efforts, enhancing the EVP, or aligning organizational brand to ESG. Participants discussed the importance of the marketing and communications function in driving these narratives with employees and HR was often noted as a key partner here. Participants also agreed that this was a key to capability building, which was discussed separately.

Additionally, several participants noted the increased attention that candidates are paying to their company ESG priorities, one highlighting how environmental responsibility and inclusion were the top two questions they get from candidates in the interview process. This is supported by existing secondary research which notes that current and prospective employees are basing their career decisions on purpose and impact.

Most participants agreed that ESG priorities should be aligned to the company strategy and context. This included making sure there is an intentional, focused, conversation around where ESG fits and connects with business strategies. As an example, member companies whose products have environmental impacts will have ESG priorities largely aligned to the “E”. Similarly, companies whose employees are primarily female, or who operate in the healthcare industry, may have priorities largely aligned to the “S”. Similarly, companies whose employees are primarily female, or who operate in the healthcare industry, may have priorities largely aligned to the “S”.

CHROs have an opportunity to drive ESG capability building as a part of the organizational agenda.

The working groups discussed how there is an opportunity to build ESG capability in the HR function and broadly across the organization. In particular, the groups noted that implementing sustainability leadership roles, like the Chief Sustainability Officer role, is one of the primary ways to increase capability within the organization. One participant noted their priority this year is to upskill company leadership around ESG, while another discussed how their company is leveraging junior reverse mentors.