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# The role of the CHRO in shaping ESG strategy



As ESG rises up the corporate agenda, the role of the CHRO is simultaneously critical yet somewhat ill-defined. In this CHRO briefing we use the best available evidence to explore points including:

- The link between ESG and financial and organizational performance
- Tying ESG to business strategy and overcoming tensions between profit and sustainability
- The role of people practice and the CHRO in taking meaningful positive action around ESG.

## Key insights

### ESG has been rising in importance for organizations over recent years and is increasingly seen as business-critical.

ESG has been rising in importance for organizations over recent years and is increasingly seen as business-critical. The drivers for this include more attention and interest from key stakeholders like investors and regulators. Institutional investors expect firms to report on a growing number of people and culture metrics, from EDI to employee engagement, and existing and incoming regulation (the EU's Corporate Sustainability Reporting Directive, starting from May 2024, for one) puts more pressure on businesses to transparently report on a range of social and human capital metrics.

Internally, sustainability is becoming ever more important as a talent attraction and retention tool. One global IBM survey of 16,000 people found 67% of respondents would be more likely to apply for a job at a company they viewed as environmentally sustainable, and 68% more likely to accept a role at such a company.

With that context in mind, Senovis has curated the top ESG insights from a range of credible and evidence-based resources. Here are our topline insights to help CHROs play a leading role in shaping ESG strategy – and read on for summaries and links to the most relevant, thought-provoking and useful content...

- CHROs are playing a more prominent role in ESG, seeing this both as a tool of strategic influence and a driver of internal and external value. One McKinsey survey finds 43% of CHROs are spending three-to-five days per month on ESG matters, with 7% spending more than five days a month on it. However, much remains up for grabs with untapped potential to be realized (due in part to the fact some companies overlook the 'S' in ESG). Several academic papers refer to the need for more research on the link between HR and ESG.
- As one academic paper says, there is a difference between 'symbolic' and 'substantive' ESG efforts.

Substantive efforts are integrated, strategically aligned and embedded. For impact, ESG should be used as a strategic tool, moving beyond more philanthropic or 'CSR' type activities (investors, after all, expect to see long-term returns). This requires CHROs to think deeply about how to align people strategy with ESG, and ensure that HR policies and processes support rather than undermine ESG goals. Executive reward that includes triple-bottom-line objectives is one of the strongest levers for this.

- Some firms, board and leadership teams continue to experience tension when balancing sustainability and profitability. However there is academic evidence to suggest a link between an integrated, strategic and long-term focus on sustainability and more stable, strong financial performance, as well as links between purpose and performance.
- While ESG is becoming more important and a critical C-suite agenda item, accountability can remain unclear. Has the CHRO got a role to play in thinking about how ESG feeds into job design and accountabilities, including at executive level? Linked to this is the need to consider the impact of green technologies and the shift to a net zero economy on skills and workforce planning.
- The 'S' in ESG can be overlooked as social factors are less clearly understood, defined and measured than environmental sustainability. Whereas firms know the metrics and expectations around environmental factors, 'social' can be harder to get a handle on. CHROs have a role to play in bringing clarity to the 'S' and identifying impactful, outcomes-based measures to focus on. CHROs should orient themselves externally, making sure they consider the impact of the organization on external stakeholders and communities as much as focusing on the more 'obvious' workforce metrics like EDI and employee satisfaction.

# Academic paper round-up

## The value of skills-based volunteering

**In brief:** This paper explores the benefits of using skills-based volunteering as a strategic tool. It finds that when organizations embed volunteering programs that are aligned with strategic and ESG goals, they can reap benefits including a positive impact on skills development, improved performance, enhanced ethical culture and improved talent attraction. The key is making sure volunteering programs and goals align with corporate strategy and are strategically driven, driving benefits for both the organization and the partner non-profit.

**What it means:** CHROs should ensure volunteering programs are embedded through development and talent plans, ensuring skills are leveraged for maximum impact and building a culture of learning and innovation – as well as giving back.

[See Source](#)

## How CSR impacts how your people feel about work

**In brief:** This research explores how corporate social responsibility (CSR) activities impact people's emotional connection to their organization. It finds that CSR perceived as authentic and meaningful leads to increased pride and feelings of 'organizational embeddedness', which can decrease turnover. CSR should be integrated into organizational and core values to maximize pride, and authenticity and alignment are key. Separate research has also found meaningful CSR activities correlate with higher levels of employee motivation, satisfaction and loyalty, enhancing productivity.

**What it means:** Given the perception of CSR activities comes out as more important than the actual activities themselves, CHROs should consider the role of internal communications, and monitoring and responding to employee feedback around CSR.

[See Source](#)

## Leading HR for the common good

**In brief:** If businesses have a responsibility to contribute to solving global sustainability challenges, including those around social factors and human rights, then what is the role of HR? This paper posits the concept of 'Common Good HRM', a sustainable approach to HR practice which prioritizes collective good over (or at least equal to) organizational goals. For HR professionals, this approach requires taking a more external approach and thinking 'outside-in' (considering the problems faced by society as much as the business itself).

**What it means:** CHROs should consider how HR practice can contribute to solving some of society's biggest challenges (such as job insecurity, in-work poverty and poor working conditions in supply chains). Consider the values embedded across the HR lifecycle and see part of HR's role as supporting employees and leaders to contribute to sustainability.

[See Source](#)

# Academic paper round-up

## Does purpose really = performance?

**In brief:** This study sets out to find whether there is a link between purpose and financial performance, linking Great Places to Work data with stock market performance. It finds that while purpose alone is not enough to influence financial performance, there is a link between organizations with high levels of purpose and high levels of clarity and future financial performance. This is particularly the case when middle managers feel a strong sense of purpose and clarity, showing the critical role of those at this level.

**What it means:** CHROs should remember that purpose alone is not enough: managers and employees need clear direction and resources. The critical role of middle managers makes a case for focusing development investment opportunities at this level, with a focus on purpose and clarity.

[See Source](#)

## Taking a multi-stakeholder approach to HRM

**In brief:** HR has a vital role to play in embedding ESG efforts, but the potential has not yet been realized. This could suggest a lack of HR strategic influence, or that a firm is 'greenwashing' its activities. The more substantive (as opposed to symbolic) a company's ESG efforts, the more likely HR is to be involved. To seize the opportunity, CHROs need to take into account 'doing good and avoiding harm' through a multi-stakeholder view, rather than focusing myopically on shareholder value.

**What it means:** CHROs should consider how to link specific HR practice to ESG goals. For example: link green behavior to performance and reward, embed long-term, triple-bottom line-based incentives for executives and design talent management with ESG in mind, through integrating volunteering programmes and embedding purpose and long-term thinking into management development.

[See Source](#)

## The impact of sustainability on processes and performance

**In brief:** Investigating the link between sustainability, corporate governance and performance, this research finds firms with high sustainability practices display governance mechanisms that go beyond the prioritization of shareholder value. These firms also have lower stock volatility, suggesting sustainability practices (the strategic integration of sustainability into governance and process) are aligned with strong, stable financial performance. (This paper was published in 2014. While the findings remain relevant, the context and rhetoric – if not always action – around how firms address sustainability has moved on considerably.)

**What it means:** Sustainability should be fully integrated into strategy, viewed as complementary to financial success. Governance frameworks should be reviewed to ensure sustainability metrics are included, the firm should aim to build long-term relationships with stakeholders including investors, and employee wellbeing should be seen as a key pillar of sustainability.

[See Source](#)

# Reports round-up

## The role of the CHRO in ESG

by The HR Policy Association

**In brief:** With ESG a growing C-Suite issue, CHROs are taking more responsibility for integrating it into business strategy. As 'stewards of a company's social capital', 63% of (US) CHROs are either responsible for leading ESG or part of a C-suite ESG committee. Given the desire for more human capital reporting CHROs are playing a bigger role with investors. With CEOs increasingly expected to take a public stance on social issues, the role of the CHRO as CEO-confidant takes on a fresh dimension as HR leaders help CEOs navigate this challenge, ensuring alignment between external messages and corporate strategy.

**What it means:** CHROs must develop an external lens, shaping internal and external approaches. Top priority ESG areas for CHROs are: risk mitigation, talent, diversity and pay equity, brand management and public perception, environmental stewardship, supply chain management, and community involvement and support.

[See Source](#)

## HR's role in net zero

by CIPD

**In brief:** Economies around the world are transitioning to net zero, aiming for a 'just transition'. This transformation will have a major impact on the labor market, meaning CHROs and HR teams need to take a leading role, with green skills seen as a pillar of HR. Organizational change, workforce planning and skills development are key to making the transition a success for businesses, individuals and communities. Workforce buy-in will determine the success or failure of any green initiative and changes to processes and the introduction of new technologies must be delivered in a people-centric, values-driven way.

**What it means:** CHROs should embrace sustainability as an HR issue, championing it throughout the organization, and approach workforce planning for net zero through a just transition lens with good work principles at the heart.

[See Source](#)

## Embedding wellbeing into ESG strategy and reporting

by Deloitte

**In brief:** Accountability around wellbeing has moved from nice-to-have to business-critical, but many organizations struggle around embedding a coherent wellbeing strategy and reporting meaningful metrics. Too many wellbeing metrics focus on lagging indicators and are limited to health and safety. Rather, CHROs should focus on linking wellbeing to ESG (for example, there are links between climate change and wellbeing) and moving from reactive interventions to proactive approaches and investment. HR, IT, sustainability, risk and real estate functions must work together to develop an integrated approach that sustains a culture of wellbeing.

**What it means:** CHROs should build a robust wellbeing strategy across three pillars: work design (including flexible working, technology, autonomy and workload), workforce (ensuring benefits, programs and policies support wellbeing), and workplace (providing access to physical workspaces and remote work policies that support wellbeing).

[See Source](#)

# Reports round-up

## Building ESG into executive pay

by PwC

**In brief:** More organizations are building links between ESG goals and incentives. Doing so helps ensure strategic alignment, signals to investors and other stakeholders that ESG is taken seriously, and can manage tensions between environmental transformation and profitability. PwC finds 40% of FTSE 100 companies have an ESG performance measure or underpin (or both). The weighting of ESG measures is higher in LTIPS than bonuses, reflecting the long-term nature of ESG. The LTIP link is most prevalent in industries where ESG is business-critical (eg extraction sector) or where there's higher levels of scrutiny (eg financial services).

**What it means:** Consider five principles when identifying ESG measures to link to incentives: keep it strategic (linked to a goal the firm is already pursuing); consider whether to focus on input (eg new programs) or output (eg carbon reduction); ensure you can measure it and use external validation to reassure investors; keep it simple (use an existing internal KPI); and look beyond executives to embed ESG priorities throughout the business.

[See Source](#)

## Creating greener workplaces

by International Labour Organization

**In brief:** Enterprises have a major role to play in tackling climate change. This report takes a global view of how, through organizational, sectoral and regulatory activity, enterprises can go green. While large, multinational companies have huge carbon footprints to address, HR policies and processes must not be ignored. Workers must be involved in the transition from a high- to low-carbon economy, with firms ensuring opportunities for good work throughout the supply chain and addressing skills mismatches. On a workplace level, there are practical steps HR teams can take to encourage green behavior.

**What it means:** CHROs should think about how workplace practices impact the environment. Look at areas like how work is organized (linking remote and flexible working to climate impact), sustainable transport and disincentivizing car use, sustainable consumption (including energy and food options), and training managers around green processes.

[See Source](#)

## How people really feel about sustainability

by IBM Institute for Business Value

**In brief:** This survey of 16,000 global consumers finds 51% of people feel environmental sustainability is more important to them than it was 12 months ago. This has major implications for businesses in considering how to balance profitability with sustainability, connecting with a more purpose- and planet-driven consumer base. More than two-thirds of respondents say they are more willing to apply for and accept jobs from firms they consider to be environmentally sustainable. And 34% who have changed jobs in the last year accepted a pay cut to work at a more sustainable organization.

**What it means:** Firms should create an open culture around sustainability, encouraging new ideas and ways of working even if they might negatively impact the bottom line, and collaborate externally to boost impact.

[See Source](#)

# Articles round-up

## Sustainability is about your workforce too

By Josh Bersin in *Harvard Business Review*

**In a sentence:** Incoming European sustainability regulation puts 'people sustainability' under the spotlight, meaning HR, EDI and ESG must come together to design an integrated, measurable people sustainability program. *"The enactment of these new regulations signals a new era in which it's time to extend the concept of sustainability to include similarly critical issues with the workforce — an idea I call people sustainability."*

[See Source](#)

## The role of functional executives in ESG

by McKinsey

**In a sentence:** While every executive across the C-suite reports spending more time on ESG (43% of CHROs spend three-to-five days a month on it), accountability for specific topics remains unclear, which may lead to unrealized value and impact. *"For most ESG issues, no consensus has yet emerged on which function should take the lead... This suggests that many organizations would benefit from greater role clarity in allocating ESG responsibilities."*

[See Source](#)

## Don't forget the 'S'

by Accenture

**In a sentence:** As firms progress their ESG strategies, social issues risk getting overlooked; this is shortsighted and leadership teams must embed social sustainability, seeing it as a source of growth and innovation. *"Empower individual departments to measure social outcomes and show clear ties to business outcomes such as growth, employment, customer access, procurement and cost of capital."*

[See Source](#)

## Leading the 'S' in ESG

by CIPD

**In a sentence:** While HR has a clear role to play leading the internal social aspects of ESG (such as EDI), CHROs must also look outwards to consider how the organization can connect more effectively with the communities and ecosystems in which it operates. *"A disconnected approach dilutes the value that could be created for both parties through a more focused and defined strategy for community engagement."*

[See Source](#)

# Articles round-up

## Responding to ESG backlash

By Andrew Winston in *Harvard Business Review*

**In a sentence:** It can be tough to navigate the fragmented yet loud 'anti-ESG' movement, so firms should consider how to respond to four groups: vested traditionalists, social conservative, authentic critics and political exploiters. *"Some people will be unhappy either way, so do what fits the values of the company and what seems right. Be consistent. And don't give in to bullies..."*

[See Source](#)

## How HR is leading on ESG

By Egon Zehnder

**In a sentence:** CHROs are becoming integral to embedding sustainability efforts across businesses, tying them practically to people practice and employee experience in everything from recruitment and retention to wellbeing and EDI. *"[HR] can be an 'integrating force' across all a company's departments. This can create the system-wide change needed to reinvigorate an entire business for a new era of stakeholder commitments."*

[See Source](#)



# Three questions for CHROs to consider

**01.** What is my role, both formally and informally, in shaping and leading ESG strategy across the organization?

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**02.** How aligned are our HR practices to our ESG strategy, and are there any areas of people practice and policies that risk undermining ESG goals? How can we strengthen the alignment between people, ESG and business strategy?

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**03.** How clearly, consistently and compellingly are we communicating around ESG to our workforce and external stakeholders, including investors and regulators?

Senovis provides CHROs with a uniquely tailored single source platform of evidence-based content and peer to peer connectivity enabling CHROs to further influence and impact organisational performance.

# Appendix

Below is a complete list of the sources referenced in this paper, plus links.

## Academic papers

Dempsey-Brench, K., & Shantz, A. (2022). Skills-based volunteering: A systematic literature review of the intersection of skills and employee volunteering. *Human Resource Management Review*, 32(4), 100874.

Ng, T. W., Yam, K. C., & Aguinis, H. (2019). Employee perceptions of corporate social responsibility: Effects on pride, embeddedness, and turnover. *Personnel Psychology*, 72(1), 107-137.

Mirvis, P. (2012). Employee engagement and CSR: Transactional, relational, and developmental approaches. *California Management Review*, 54(4), 93-117.

Aust, I., Matthews, B., & Muller-Camen, M. (2020). Common Good HRM: A paradigm shift in Sustainable HRM?. *Human Resource Management Review*, 30(3), 100705.

Gartenberg, C., Prat, A., & Serafeim, G. (2019). Corporate purpose and financial performance. *Organization Science*, 30(1), 1-18.

Stahl, G. K., Brewster, C. J., Collings, D. G., & Hajro, A. (2020). Enhancing the role of human resource management in corporate sustainability and social responsibility: A multi-stakeholder, multidimensional approach to HRM. *Human Resource Management Review*, 30(3), 100708

Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management science*, 60(11), 2835-2857.

NB: Academic papers may be behind a content gate. Comprehensive summaries for all these papers and many more are available to Senovis clients.

## Reports

ESG and the role of the chief human resources officer, HR Policy Association, 2019.

Putting people professionals on the road to net zero, Zemanik, M, Chartered Institute of Personnel and Development, 2023.

Wellbeing: A new cornerstone for ESG strategy and reporting, Deloitte, 2022.

Bringing ESG into executive pay, PwC, 2020.

Greening enterprises: Transforming processes and workplaces, International Labour Organization, 2022.

Balancing sustainability and profitability, IBM Institute for Business Value, 2022.

## Articles

Sustainability is about your workforce too, Josh Bersin, *Harvard Business Review*, Sept 2023.

Turning ESG aspirations into results: The role of functional leaders, McKinsey, Nov 2022.

Don't forget the 'S', Accenture, Sept 2023.

Connecting with Community: How to lead the 'S' in ESG, CIPD, May 2022.

ESG is under attack. How should your company respond?, Andrew Winston, *Harvard Business Review*, Dec 2022.

How HR is leading the charge on ESG and social impact, Egon Zehnder, April 2023.

