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FACTSHEET

NET-ZERO

THE ROLE OF HR

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INTRODUCTION

Net-zero is becoming a new buzz term. What does it actually mean? "Net-zero emissions refer to the overall balance of greenhouse gas emissions (GHG) produced and GHG emissions taken out of the atmosphere. In other words, net-zero describes the point in time where humans stop adding to the burden of climate-heating gases in the atmosphere."[1] Achieving net-zero therefore involves both reducing the amount of GHG produced as well as finding ways to neutralise or balance what is still produced.

We are hearing a lot about Net-zero at the moment because it becomes relevant in relation to the 2021 United Nations Climate Change Conference, also known as COP 26 (the Conference of the Parties to the United Nations Framework Convention on Climate Change), scheduled to be held in the city of Glasgow, Scotland from 31 October to 12 November 2021. The Conference will consider actions needed to further implement the Paris Agreement of 2015, which recognised that climate change represents an urgent threat to human societies and the planet, and thus requires the widest possible cooperation by all countries and other stakeholders. 190 countries in the world committed themselves in Paris to actions designed to limit greenhouse gas emissions and to meet all the associated challenges posed by climate change. South Africa signed the Agreement in April 2016 and therefore has a set of obligations which are termed Nationally Determined Contributions (NDC). In signing the agreement, the South African Minister of Environmental Affairs noted that "The main objective of the Agreement is to limit the global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees. The recognition of the 1.5 degrees target is of central importance to South Africa as an African and developing country that is highly vulnerable to climate change."

In preparation for COP26, South Africa recently released its revised NDC, which contains ambitious targets for reducing the country's greenhouse gas emissions. South Africa is often given as an example of a poor performer in this context, being ranked around the 12th highest in the world, due to the high proportion of coal used in electricity generation. However, because of the relatively small size of the economy, the country actually emits only 1% of global emissions, compared to China's 36% and the USA's 15%. But when measured per capita of the population, South Africa emits well above the global average at 8.2 metric tonnes of carbon dioxide per person compared to the global average of 4.7. Figure 1 below, published in the Mail and Guardian 6th August 2021, shows the comparisons for coal-based CO2 emissions per capita.

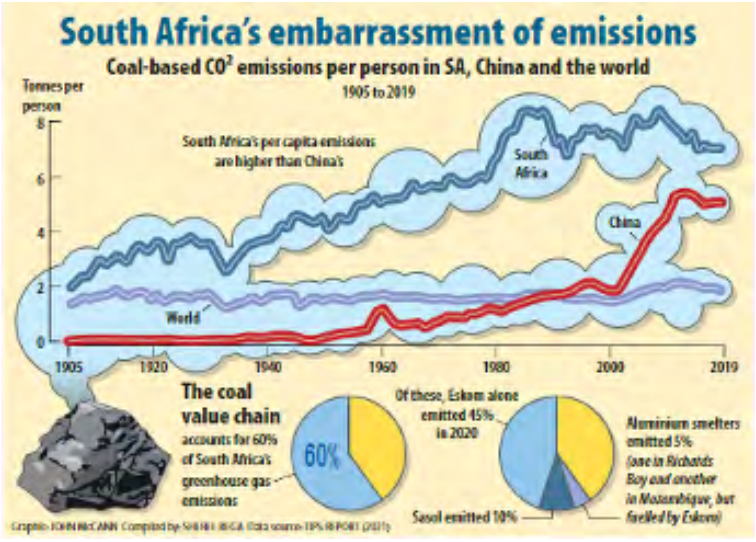


Figure 1 South Africa's coal-based emissions

1. *https://plana.earth/academy/what-is-difference-between-carbon-neutral-net-zero-climate-positive/*

This is concerning, given the under-development of much of the South African economy and the low levels of average living standards, which should theoretically mean less energy consumption.

As the following graphic shows, various economic sectors contribute to the worrying levels of greenhouse gas emissions, and this indicates the broad scope across which mitigating actions will be needed:

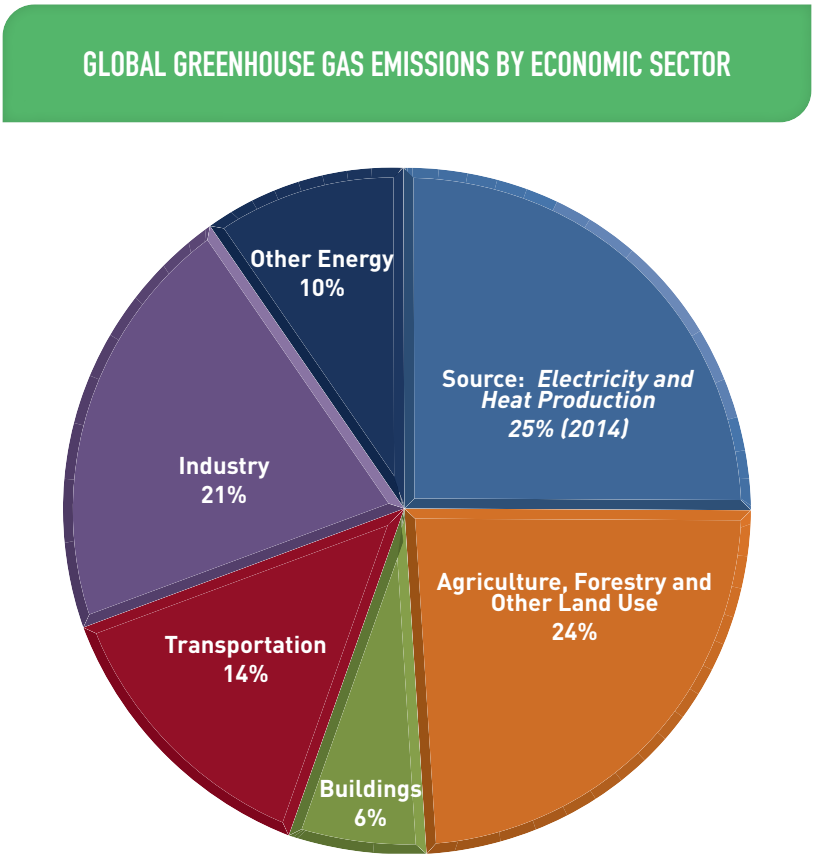


Figure 2 Global GHG Emissions by Economic Sector globally

Source: *IPCC (2014)*

Follow this link to see comparative figures for South Africa ***https://ourworldindata.org/grapher/ghg-emissions-by-sector?time=latest&country=~ZAF***. The South African Government published a Greenhouse Gas Inventory Report in August 2021 using data from 2000 to 2017, the latest available. This report showed a rising trend in emissions from the energy sector, and a large increase from the waste sector (landfill sites). Emissions from agriculture, forestry and land use declined, due to better land use and increased planting of trees.

THE SCALE OF THE PROBLEM

The effects of climate change include extreme weather events, for example, floods, very hot heat waves, and, in the case of South Africa, probable extended droughts. As these become more prevalent, more people are now realising that something needs to be done quickly. Professor Francois Engelbrecht is quoted in Daily Maverick of 10th August 2021 as saying: "What is important for us in southern Africa is at 2°Cof global warming, risks of multiyear droughts are substantially larger than at 1.5°C of global warming. That's a very important message for us. Multi-year droughts are the number one climate change risk that South Africa faces in a changing climate."

This Mail and Guardian graphic (13th August 2021) illustrates this point further:

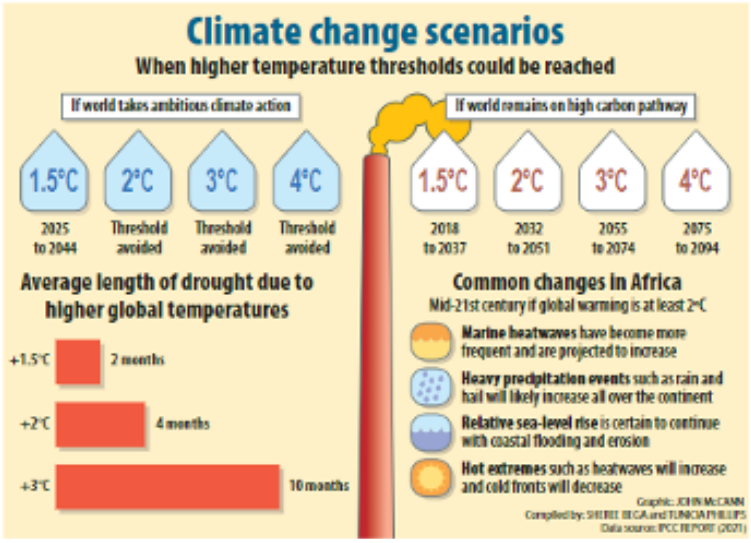


Figure 3 Climate Change Scenarios

However, the scale of what needs to be done is immense. Coal-fired power stations have to be phased-out as quickly as possible, to be replaced with wind and solar power. Whole methods of transportation of goods and people will need to found, industry will have to design new production processes, and agriculture will have to radically change farming methods. The South African National Climate Change Response White Paper was produced almost a decade ago, in 2012. The White Paper sets out measures for adaptation and mitigation in the various sectors, but presumably will be updated in the near future. The nature of responses to climate change also involves the concept of the Just Transition (see SABPP Fact Sheet May, 2020[2]) to ensure that people's lives and livelihoods are improved rather than destroyed in the process – for example, reskilling workers in the coal industry to the alternative energy industry.

2. *fact_sheet_may_2020v004-min.pdf (ymaws.com)*

Governments and economic entities such as commercial organisations and the financial sector have not yet really accepted the trade-off of short-term financial implications (such as investment and reduced profits) that will be needed to prevent long-term climate problems.

A global Net-Zero Tracker has been set up by MSCI, a research firm which looks at risks and returns for large investors. This Tracker measures how much of global carbon emissions are produced by 9 300 public listed companies (99% of global stock markets), and how they are making progress towards net-zero. This Tracker is showing that little progress has been made since 2013, and if current trends continue, the rise in global temperatures of above 1.5°C will be reached as soon as 2026.

In the latest Climate Disclosure Project (CDP) questionnaire responses, the following is quoted: "In a 2019 analysis of 500 of the world's biggest companies by market capitalization (G500) CDP found just under a trillion dollars (~US$970 billion) at risk. Over half of these risks were reported as 'likely / very likely / virtually certain' and are likely to materialize in the short- to medium-term (around five years or earlier)." (***https://www.cdp.net/en***)

There are indications that there is a positive movement in this regard, with some large local and international financial institutions adopting lending policies which disfavour capital investments in climate damaging infrastructure such as coal-fired power stations. The CEO of Eskom has highlighted his view that it will be impossible to source financing for Eskom from here on if coal is not phased out rapidly. But change in other areas, such as transport systems, is incremental rather than drastic (for example, bringing in electric buses rather than redesigning transport systems).

The Nedbank CEO, Mike Brown, highlighted the scale of the challenge by saying "For SA to achieve net-zero by 2050, the energy sector will have to decarbonise fully, while many other important sectors, such as transport and heating, will need to electrify." (Business Day, 20th August 2021)

At an individual level, people are going to have to change their behaviour, particularly in the developed world. For example, in the US it has been calculated that substituting electric cars for petrol-driven cars will actually add to the problem unless people drive less. In California, their net-zero targets translate into, for personal car use, "something like, for someone who commutes by car, taking transit one day a month, or riding a bike one day a month, or carpooling one day a month. Those are all fairly straightforward options, but it needs to be convenient and it needs to not be seen as taking away or curbing people's ability to get around." The post-Covid world of more remote working may have contributed towards achieving this change for some people, but in the less developed parts of the world this is not an option for the majority of the workforce.

"We must change almost everything in our current societies. The bigger your carbon footprint, the bigger your moral duty. The bigger your platform, the bigger your responsibility. Adults keep saying 'we owe it to the young people to give them hope'. But I don't want your hope. I don't want you to be hopeful. I want you to panic. I want you to feel the fear I feel every day. And then I want you to act. I want you to act as you would in a crisis. I want you to act as if our house is on fire. Because it is"

Greta Thunberg,
Speech to the World Economic Forum in Davos, 2019

RESPONSES AT ORGANISATIONAL LEVEL

Climate change, or more broadly, environmental sustainability, is one of the major factors that should be considered in formulating any organisation's strategy, looking for risks of continuing "business as usual" (for example, the risk of water shortages) and opportunities that could arise from incremental or significant shifts in the external context (for example, major increases in logistics costs across the supply chain which could open up opportunities for local suppliers). Harnessing technology to improve sustainability is probably one of the biggest opportunities for most sectors and organisations.

In guidance issued in August 2021, the Institute of Directors South Africa lists as the key principles for a governing body to consider in relation to climate change as:

- "Organisations are exposed to risks arising from climate change, particularly physical risk and transition risk. How the organisation experiences these risks depends on firstly, how these risks materialize and secondly, what actions are taken to mitigate them. Physical risk arises from the impacts of climate change. The response from Governing Bodies will mitigate or potentially lessen the risks, but the risks arise regardless. Transition risk arises outside the organisation.

- Governing Bodies have a critical role to play in responding to climate change which is an imperative and no longer optional.

- Governing Bodies must ensure that business strategy and decision-making include a broader, integrated consideration of social, economic, and environmental (including climate change) performance and impacts. This incorporates an assessment of externalities (see below), as well as determining risks and opportunities for both the short and long term.

- Insofar as environmental and climate change reporting and performance is concerned, Governing Bodies should consider the principle of 'externalities'. In simple terms, externalities refer to societal costs not included in the cost of production resulting in costs that do not reflect the true impact on society or the environment.

- While accountability remains with the Governing Body, responsibility for the management and monitoring of risk and impact must be delegated to management with defined indicators and targets to measure and assess performance.

- Governing Bodies should make every effort to mitigate their organisations' contribution to climate change (reduce the organisation's impact on the drivers of climate change).

- The Governing Body should ensure that the organisation is transparent about its response to climate change and disclose quantitative and qualitative information which could affect a user's decisions, irrespective of whether a common reporting framework exists or not." [3]

The South African National Business Initiative (NBI) recently released a report "Decarbonising SA's Power Sector". This report concludes that, with sufficient investment, a low-emissions pathway can be adopted and this would in fact create about 200 000 more jobs by 2035 than the existing South African government Integrated Resource Plan. The NBI is working on reports for other sectors of the South African economy, to be released over the next few months.

3. ***King_Committee_Guidance_paper_on_the_responsib.pdf (ymaws.com)***

There are a few existing examples of focused attention to net-zero. In the retail sector, Woolworths has stated that it will rely only on renewal energy sources by 2025, and will ensure that all its private label fashion and home products are designed to be reused, repaired, repurposed or recycled. Stated objectives include:

- Food waste: By 2025 zero food waste will go to landfill from Woolworths' operations, with the retailer aiming to redistribute 100 per cent of edible unsold food to those who need it most.

- Packaging: By 2023, 100 per cent of packaging on Woolworths' own brand products will be widely recyclable, reusable or compostable. As part of Woolworths' ongoing program to reduce plastic waste and improve recyclability across its own brand packaging, it's removed 1,320 tonnes of plastic through redesigned packaging in the last two years.

- Deforestation: The Group has committed to net zero supply chain deforestation for high-impact commodities in its own brand products like palm oil, timber, pulp and paper, and packaging by 2025.[4]

In 2012 already, Imperial Car Hire reported significant decreases in how much water the company used to wash cars and other operational activities. The company gave several case studies of how it was achieving this.[5] Avis also embarked on major efforts to save water and in 2018 was able to report that "Since 2007, Avis embarked on a journey to save one of the world's most precious resources; water. Avis has managed to save over 149 million litres of water per annum." [6]

In an example of taking the entire supply chain into account when considering environmental impact, Tiger Brands has measured carbon emissions across the supply chain and found that 5.5 times as much carbon is emitted in its upstream supply chain compared to its own operations. It is now working through its BBBEE supplier development processes to invest in achieving improvements in emissions. (Business Day, 21st July, 2021)

However, it is the view of shareholder activists that the tempo of organisational responses is much too slow. Tracy Davies, director of Just Share, commented recently in connection with Sasol (one of the world's top 100 corporate GHG emitters) that investors are too cautious, giving the company "as much time and flexibility as it wants. It is looking increasingly likely that our only hope for significant change is to immediately embrace every kind of green energy, just-transition-based initiative we can lay our hands on. Corporate commitments must be followed by unprecedented action, now." (Business Day, 12th August, 2021)

4. ***Woolworths Group to be powered by 100% green energy by 2025 in move set to help grow renewable sector - Woolworths Group***
5. ***Imperial Holdings Limited - Sustainability Report 2012 - Our water usage (overendstudio.co.za)***
6. ***Our road to sustainabilty | Avis South Africa***

SABPP RESEARCH INTO THE ROLE OF HR PRACTITIONERS IN 'GREEN HR'

Clearly therefore, the organisational response to the net-zero challenge is a strategic issue, and as such, HR practitioners would be expected to contribute to formulating the strategic response, with special focus on the people related issues involved.

The SABPP conducted research in 2012 and published a report entitled Greening Organisations – The Contribution of HR to Walking The Talk On Green Issues. The overall conclusion of the report was that:

"HR professionals and the HR function tend not to be strategically or operationally involved in environmental sustainability, although HR professionals can easily identify many areas in which they can help to create and support appropriate strategies, policies and programmes. The range of practices which the HR function uses to support people management in the organisation can be utilised also to support environmental sustainability. Attitudes of future leaders indicate clearly that this will be a key focus area in the future.

Taking the concept of environmental sustainability one step further in the final section of this report, the proposition is examined that current people practices can themselves sometimes be wasteful of human potential. The focus of leaders and human resource managers should be to maintain and improve performance of people as well as adding value to the quality of work-life and environmental management practices."

The research also showed that there is often a mismatch between stated intentions and actual practice (as deplored by the shareholder activists quoted previously).

TO WHAT EXTENT DO POLICIES, PROGRAMMES AND PRACTICES MATCH THE ORGANISATION'S STANDPOINT ON GREEN SUSTAINABLE PERFORMANCE ISSUES (HOW MUCH DO SENIOR MANAGEMENT "WALK THE TALK")?

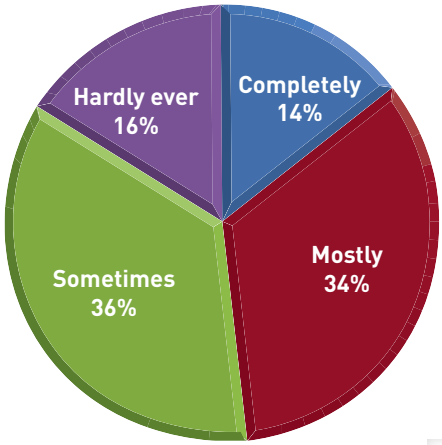


Figure 4 Walking the Talk

The full potential of employee engagement in supporting the organisation's intentions is often not realised, as shown in the following graphics:

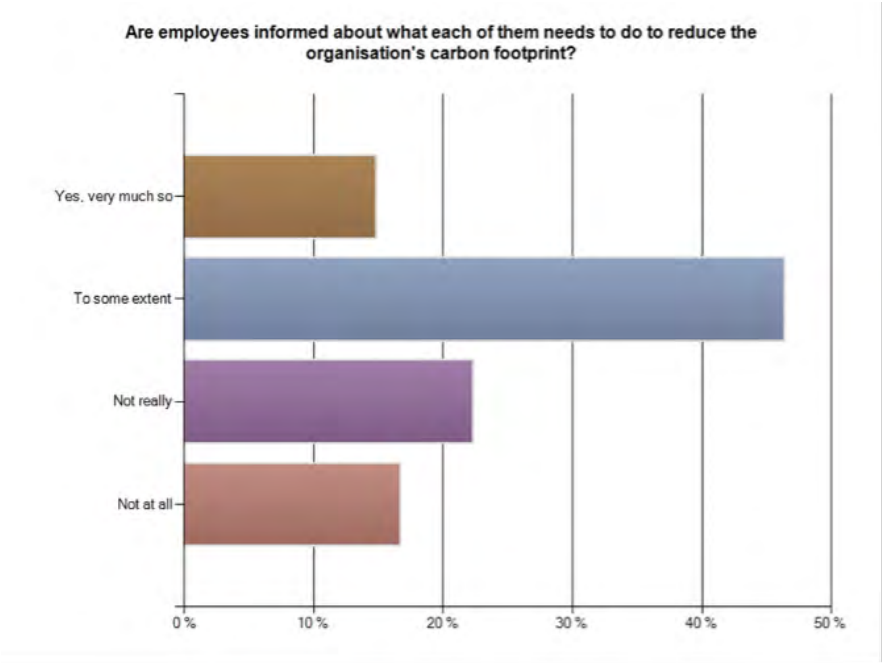


Figure 5 Employee Communication

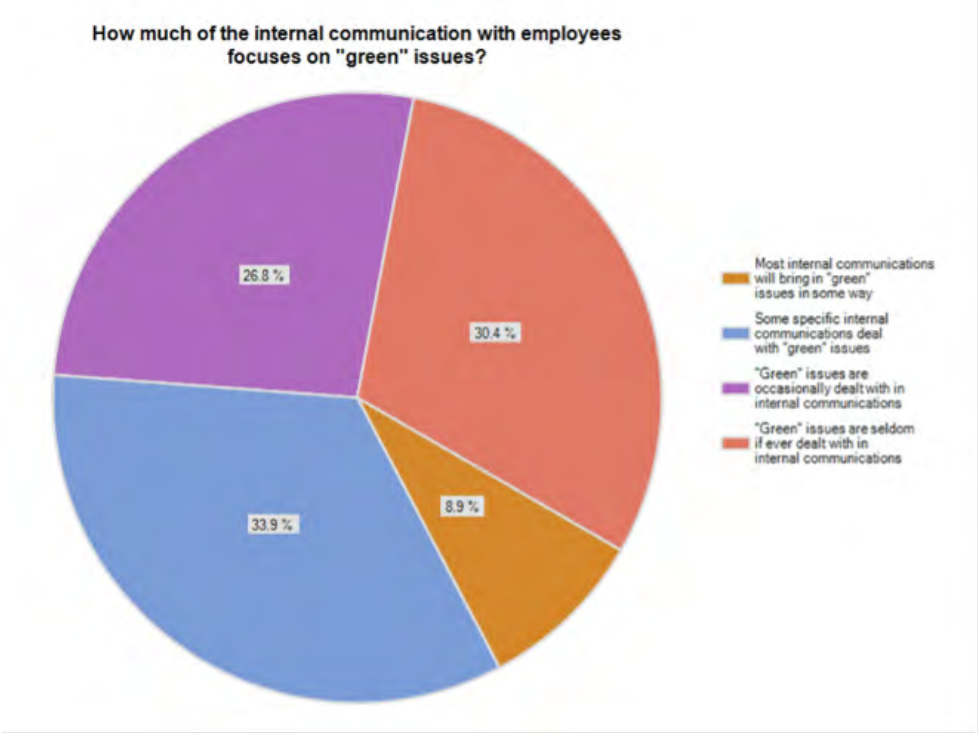


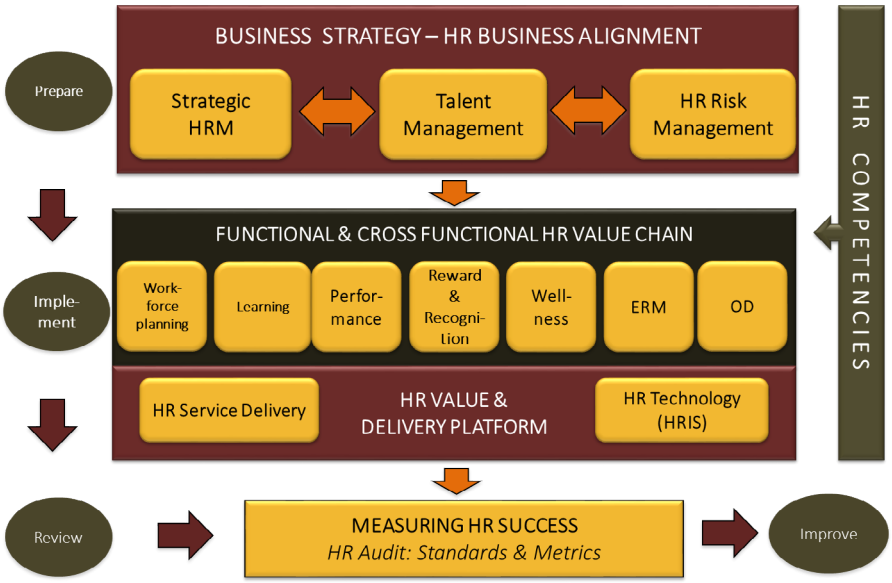
Figure 6 Communication on green issues

Participants in the survey showed a strong belief that HR practitioners could and should play a role in so-called 'green' issues:

ANSWER OPTIONS	RESPONSE PERCENT
HR should be very involved at strategy and policy making level in "green" issues	**55.8%**
HR should be asked to put forward specific programmes or initiatives to help support "green" strategies	**67.4%**
HR should assist in translating the impact of environmental factors to the performance sustainability of the organisation, its customers and suppliers	**41.9%**
HR should support "green" issues through a limited number of processes such as internal communication or recruiting specialist environmental management positions	**39.5%**
HR should be asked to participate in the same way as all other departments, for example on waste management, water and energy reduction	**53.5%**
HR should focus on their own efficiencies and people recycling and performance waste issues	**37.2%**
HR should be part of the business of "green" issues because we have a responsibility to our employees, customers and suppliers	**51.2%**
HR has a responsibility to manage the carbon footprint of the organisation	**20.9%**
HR should not be involved at all	**0.0%**

GUIDANCE FOR HR PRACTITIONERS FROM NATIONAL HRM STANDARDS AND THE COMPETENCY MODEL

SABPP HR SYSTEM STANDARDS MODEL

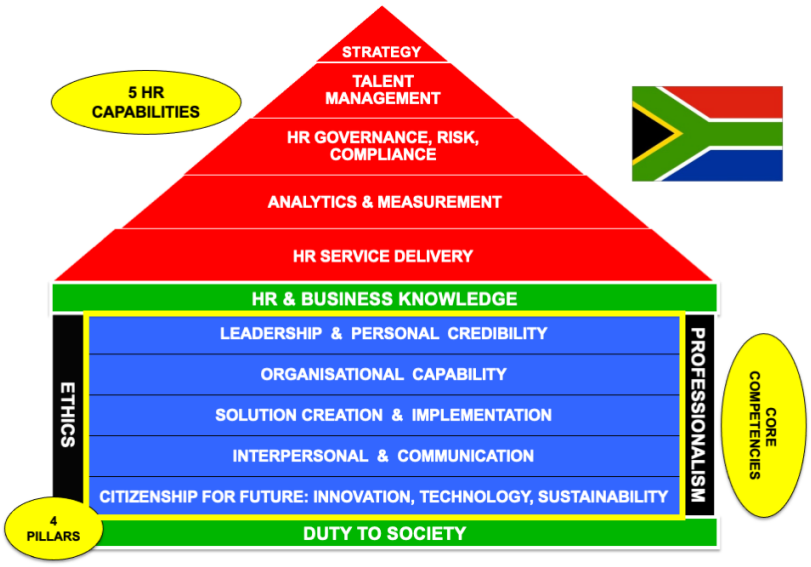


STRATEGIC HR MANAGEMENT	The strategic scanning of the external context of the organisation must include consideration of the 'net-zero' challenges. HR policies and programmes should be designed to deliver on the organisation's climate change mitigation plans.
TALENT MANAGEMENT	The long-term talent supply and demand will be affected, and the leadership capabilities required to lead towards a net-zero future must be identified.
HR RISK MANAGEMENT	A careful analysis of people risks which will be exacerbated by the climate crisis is needed and mitigating actions planned for.
WORKFORCE PLANNING	Skills obsolescence, new skills required and actions to take these into account must be planned for.
LEARNING AND DEVELOPMENT	Awareness of employees on climate issues needs to be developed. Skills development for new ways of doing things will be needed.
PERFORMANCE MANAGEMENT	Alignment of KPI's and performance targets to the organisation's climate strategy is essential.
REWARD AND RECOGNITION	Careful design of remuneration structures and short- and long-term incentive schemes is needed to ensure alignment with the climate strategy.
EMPLOYEE WELLNESS	Implications of climate changes on issues such as heat and water availability both at work and at home, and transport to and from work must be considered in employee wellness programmes.

EMPLOYMENT RELATIONS	Proactive engagement with employee groups on the implications of climate change and the organisation's response will assist in ensuring a positive employment relations climate. This would include the 'just transition' issues.
ORGANISATION DEVELOPMENT	The core of OD is linking employee engagement with the purpose of the organisation. In relation to the mitigating actions the organisation will have to take for climate change, the role of OD in communication and sharing meaning with employees is central.
HR SERVICE DELIVERY	The methods used by the HR function to deliver service to managers and employees should be designed to assist the climate change mitigation strategy.
HR TECHNOLOGY	New research is demonstrating the possible adverse effects of data-heavy technology (power consumption of large cloud servers as an example).
HR MEASUREMENT	Trends in Environmental, Sustainability and Governance (ESG) reporting will impact on how the HR function collects and reports on relevant data.

Each organisation will be able to identify additional, more specific items under each of the HRM System Model elements and this will guide the HR programme of action.

Specific competencies that have been identified in the Citizenship for the Future core competence in the National HR Competency Model include:



INNOVATION	Creativity – the ability to invent, explore, imagine new approaches, frameworks, or solutions; ability to stimulate ideas in self or others
	Networks effectively inside and outside organisation to find new ideas
TRIPLE BOTTOM LINE	Understands developments in sustainability concepts
	Can apply the triple bottom line and sustainability concepts to organisational culture and processes
	Advocates for people issues in balance with social and environmental issues in the organisation

STRATEGIC AND TACTICAL ACTION OPTIONS FOR HR PRACTITIONERS

The Chartered Institute of Personnel and Development (CIPD) in the UK issued guidance on the role of HR during July 2021[7] and stated:

> "HR practitioners have the potential to play a significant leadership role in implementing all aspects of environmental sustainability through their policies and procedures."

The guidance recommends the following:

- Evaluate what the organisation is doing or has planned – ask
    - What environmental sustainability steps does your organisation already have in place?
    - What does the organisation do well? How could environmental sustainability be integrated?
    - Where are the gaps that could be filled by HR?
    - Which other parts of the organisation could HR work with to achieve its environmental sustainability strategy and plans?
- Recruitment and selection:
    - Incorporate sustainability practices into job design
    - Refer to knowledge requirements in relation to environmental sustainability in your person specifications
    - Provide flexible work opportunities for employees
    - Use green credentials as an attraction tool
- Performance management:
    - Incorporate environmental sustainability into the competency framework
    - Refer to environmental sustainability objectives and targets in the appraisal or performance development process
    - Support your organisation's environmental sustainability values and actions through the reward, pay and benefits strategy

7. ***Guide to environmental sustainability | Guides | CIPD***

- Learning and development:
    - Include information about the organisation's environmental sustainability performance and employee requirements in the induction process
    - Train all employees in environmental issues relevant to their role
    - Integrate environmental sustainability into the content of learning and development programmes
    - Embrace environmentally friendly learning and development methods in the organisation
- Leadership and engagement:
    - Demonstrate senior leadership's commitment to environmental sustainability
    - Leaders should take accountability for the organisation's environmental performance
    - Use environmental sustainability as a workforce engagement method
    - Build environmental sustainability into organisation culture and put it into action.

The SABPP's Green HR report cited above contained very specific recommendations from the survey participants on the roles that could be played and actions that could be taken, as follows:

POLICY DEVELOPMENT

Through policies and standards

CULTURE DEVELOPMENT

Ensure the people behaviours determined through the strategy become part of the company's culture.

EDUCATION, TRAINING AND COMMUNICATION

Through implementation of ISO and maintaining this certification at all work areas.

Create awareness about Institutional/Organisational strategy and that matters to them.

Training

Preach and promote green tips and initiatives. Introduce environmental publications and communication bulletins/ magazines.

RECRUITMENT AND SELECTION

Recruit and employ individuals with environmental initiatives

ALIGNMENT OF PERFORMANCE MANAGEMENT AND REWARDS

Set Organisational goals, set objectives and measure performance against goals

By making sure that environmental management is one of the key deliverables in terms of business strategy. Make sure that these deliverables are clearly communicated and understood including the means of achieving them. Performance management assessments should also include environmental management key indicators whereby there's on-going monitoring and evaluation on this during the performance cycle year

Identify suitable practical cost-effective KPIs and how they can be measured

Rewards and recognition – performance targets and bonuses

MONITOR COMPLIANCE

Compliance issues

WELLNESS

A healthy environment will lead to healthy employees and healthy employees deliver quality services/products.

SUPPORT/LEAD INITIATIVES

Initiate and reward recycling activities by employees at all levels of employment.

CONCLUSION

It is thus clear that every organisation needs to put itself into a position where it has a clear understanding of the climate change issue in general, how it impacts in the short-, medium- and long-term on the organisation, and what mitigating actions need to be included into the strategy and business plan.

HR needs to align itself to this and consider in particular the impact on people and the contribution that each employee can make. HR must work toward empowerment of all employees with the knowledge and skills to make the required contribution, and find ways of engaging employees' hearts and minds in the issue.

HR has a strategic, tactical and operational role to play, bringing to the table all the HR programmes and practices that are in place.

EARN 1 CPD POINT

This fact sheet was written by:

Dr Penny Abbott:

SABPP Research and Policy Adviser

FURTHER READING

South Africa the 12th biggest source of greenhouse gases? Yes, but that's not the only measure that matters (polity.org.za)

https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data

https://www.bloomberg.com/news/articles/2019-09-23/electric-vehicles-alone-won-t-stop-climate-change

https://www.carbontrust.com/resources/carbon-footprinting-guide

https://greeneconomy.media/president-cyril-ramaphosa-receives-recommendations-from-the-presidential-climate-commission/

https://ourworldindata.org/co2/country/south-africa#total-greenhouse-gas-emissions-how-much-does-the-average-person-emit-where-do-emissions-come-from

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