

# The Path To Net Zero: Leading The Way With Your Workforce

**Most organisations have environmental, social, and governance (ESG) considerations high on their strategic agenda, as they seek to play their part in the road to a 'Net Zero' future.**

Although it is encouraging to see corporates leading these initiatives, the pathway to a Net Zero future will be defined by the actions of the many and not the few. Businesses will need to make targeted interventions across their business functions and every individual will need to make deliberate choices to play a part in decarbonisation. In this article, we look at the role that employee reward and policy can play in reaching Net Zero ambitions.

In the last two years we have witnessed disruption to where, when and how we work, at a pace unprecedented in recent history. Employers have been adjusting to significant change in their workforces and workplaces. As part of their response, employers have taken opportunities to look at their broader workforce policies, including how their workforce is rewarded and what choices are available as part of their reward. They have also looked more broadly at the policies they set to guide the behaviours of their employees in their day-to-day work.

At the same time, organisations and governments around the world have been focusing on how they can 'build back better' following the COVID-19 pandemic, including how they can keep some of the gains made from a Net Zero perspective.

In November 2021, world leaders came together at the COP26 summit in Glasgow, and around the world organisations have been setting corporate objectives and targets as they embark on their own journeys to Net Zero. In organisations that have set such targets, the question is now "how do we bring our Net Zero ambitions to fruition, and what is the role of each business function in that journey"? Leaders in Net Zero are now realising that to optimise their progress towards their ambitions, there is an opportunity to bring together business functions across their organisations including in HR, Reward, Global Mobility and Tax.

## The Net Zero Workforce

In order for organisations to succeed in achieving those ambitions, they will need

a workforce which is appropriately skilled, engaged and motivated to bring them to life. Indeed, some are predicting that every workforce role in the future will incorporate sustainability into its remit to some degree.

Additionally, the workforce is increasingly calling out corporate responsibility credentials as a key consideration when choosing a prospective employer. In order to be an employer of choice and gain access to top talent in an increasingly competitive talent market, organisations are considering ways in which they can enable employees to live their purpose at work.

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that support sustainability. Through their corporate buying power, and by accessing tax incentives available for certain employee benefits, they can make personal change more affordable for employees. By researching and determining a selection of optional benefits for employees, they are removing the barriers of time and effort when it comes to personal change and making it easier for employees to make a difference. This will be attractive to many in the workforce who may be increasingly time challenged and financially stretched, who are keen to do the right thing. In doing so, employers are also potentially improving attraction and retention rates too.

The recent focus on providing more sustainable choices to employees at work has included focus in some key areas, including core reward changes and travel-related reward options and policies, as well as some other emerging reward offerings.

## Sustainable Reward Trend #1: Core Reward Changes

Core, contractual components of the reward package can be the most challenging to change, due to the legal steps that must be taken in order for such changes to be made. However, following the disruption to working life as a result of the pandemic, many organisations are already reconsidering their core reward packages which creates an opportunity to 'build back better' when it comes to incorporating sustainable changes or options. One popular area of focus is on employee pension arrangements. Given the significant sums invested in pension funds, there is a major opportunity to consider how the funds are invested and how aligned those investments are with the wider sustainability objectives of the organisation. Deloitte, for example, announced in 2021, that it was introducing a new sustainable default pension fund for all of its 35,000 pension plan members in the UK, with £1bn of investment moving into the fund, and many other employers are adopting similar changes.

## Sustainable Reward Trend #2: Travel Related Benefits And Policies

An area of change that is proving popular with employers relates to employee travel, and related benefits and policies. Generally, there remains a desire to bring teams together in person for some collaboration

opportunities and to promote personal connections between teams and external contacts, especially after an extended period of travel and social restrictions that, in many cases, prevented working together in person. Many businesses are realising the opportunity to reduce financial costs as well as reducing their climate impact by making sustainable changes to travel policies, considering their preferred suppliers, classes of travel permitted by the policy, and at a more fundamental level, guidance to support their employees in choices about when travelling is the right choice, versus virtual collaboration methods.

Attention is also being placed on global mobility, identifying opportunities to decarbonise global mobility programmes and employee travel policies. While global assignees typically comprise a small proportion of an organisation's workforce, their climate impact is often disproportionately high. Examples of updates to policies include providing allowances for using 'greener' transport options, for example, public transport allowances, as well as changes that reduce waste and shipping associated with international assignments. Global mobility teams, like many other business functions, are holding their suppliers to account to make their services more sustainable in order to secure a place as a preferred supplier. Data analytics is also being deployed to enable businesses to understand their employee travel patterns, enabling better informed choices around decarbonisation for both employees and employers, and then using data to assess the impact of any changes made.

Employers are also investing in reward options for employees to reflect changing attitudes to modes of travel, as well as to enable employees to reduce their own emissions in their personal and work-related travel and commuting. Employers are implementing 'cycle to work' schemes, providing discounted car subscription and bike hire schemes, as well as car charging facilities at work and at home, and public transport subsidies. Cash allowances can be made instead of the traditional company car allowances, particularly popular with those employees who have decided that they no longer wish to travel by car. For those employees who are not yet ready for life without a car, there's an opportunity for employers to enable their employees to access the beneficial tax regime associated with electric company cars. Accessing cars through a salary sacrifice arrangement where the employee gives up part of their salary in return for a brand new, insured and maintained, electric company car, can enable employees to access savings, compared to a private car lease or purchase, of up to 50%<sup>(1)</sup>. Some employers also choose to reflect a saving as a result of the arrangement. Care is required in the planning and implementation,

in order to ensure that the salary sacrifice is effective and take up can be maximised.

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### Sustainable Reward Trend #3: Emerging Offerings

Post-pandemic, many employers have been thinking more creatively about the rewards options that they might choose to invest in for their workforce. Some are exploring ways in which they can provide information to their employees to support them in more sustainable personal choices and change, as well as using their corporate buying power to reduce the cost of such changes for employees by accessing discounts and lower cost flexible benefits. An example of emerging offerings in the market relates to an understandable focus on employees increasingly working from home. Employers have been considering whether they can offer access to opportunities for employees to obtain solar panels or insulation at home, or electric car charging points. The tax exemptions related to sustainable reward and benefits are generally focused on travel-related items as it stands. It will be interesting to see how the tax landscape may adapt in the future as governments focus on their sustainability objectives for society.

### Opportunity For Action

So, what steps can HR, reward, tax and mobility teams take in order to play their part in aligning their business functions to their organisation's Net Zero objectives? The following steps are a good starting point for those who wish to get involved:

#### Get Net Zero Workforce Literate

- Research and read material that is available both within and outside your organisation and become familiar with key terms and targets
- Understand what Net Zero means for your organisation - what are the key objectives and how could you make a difference in your role?

#### Engage With Your Stakeholders

- Identify the 'owners' of Net Zero workforce across your organisation – what are their roles, and what are they trying to achieve?
- Engage with senior leadership and obtain buy-in where needed. Consider articulating how you/your function can enable their objectives.

#### Understand Current State

- Review existing documentation (policies, processes and communications) to understand what is and is not being done to achieve a Net Zero workforce
- Conduct stakeholder interviews to understand areas of optimisation, as well as future ambitions
- Conduct external benchmarking (where required) to understand position of comparator organisations.

#### Reference:

(1) Based on Deloitte whole life cost analysis comparing a diesel company car to a battery electric vehicle based on 36-month contract term for a higher rate taxpayer travelling 10,000 business miles per annum, and based on typical company car tax rates and private lease prices at the time of writing.



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