



Divides and Dividends: Leadership Actions for a More Sustainable Future

Technology

2022

Tech firms have a huge opportunity to infuse sustainability across business strategy—for people, planet and profit.

Sustainability is now *the* defining issue of our time.

Society, employees, investors, and consumers are looking to firms to curb their environmental footprint, prioritize DE&I, boost employee wellbeing, and positively impact the world around them.

The transition to sustainable business practices will demand a total rethink of strategy and operational models. The journey will not be easy. Hard decisions and complex trade-offs will be inevitable. Yet it can be done.

We set out the progress firms have made so far—and how leaders can accelerate their sustainability journeys, unlock commercial success, and build a greener, fairer future for all.



A global survey

We set out to understand the maturity of organization's sustainability journeys—and how ready leaders were to lead the agenda.

Who we asked

290

C-suite executives

604

Next-generation leaders

1945

Employees

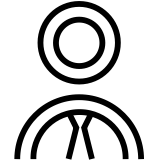
What we asked



Progress made towards sustainability

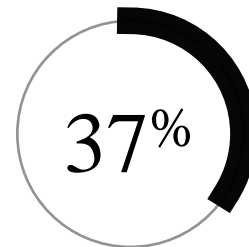


The barriers to sustainable business

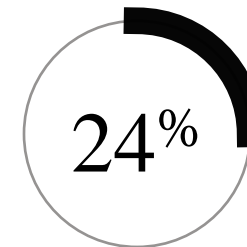


How prepared executives are to lead the agenda

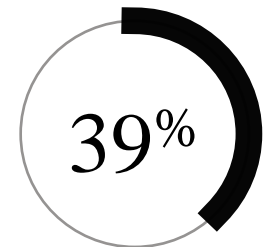
Distribution of respondents



Americas



EMEA



APAC

Sustainability has emerged as a critical topic in the tech industry



“Microsoft is **accelerating progress** toward a more **sustainable future** by reducing our environmental footprint, accelerating research, helping our customers build sustainable solutions and advocating for policies that benefit the environment.



“Salesforce is **taking responsibility for our environmental impact** by ‘bending the curve’ through emissions reductions, specifically in categories like work from anywhere, infrastructure, business travel, and supply chain. We have **reached net zero emissions** today by compensating for residual emissions across our value chain in FY22.”



“At Apple, we are optimistic about technology’s awesome potential for good. But we know that it won’t happen on its own. Every day, we work to infuse the products and services we make with decency and humanity. And **we strive to build the best products on earth while leaving the world better than we found it.**”



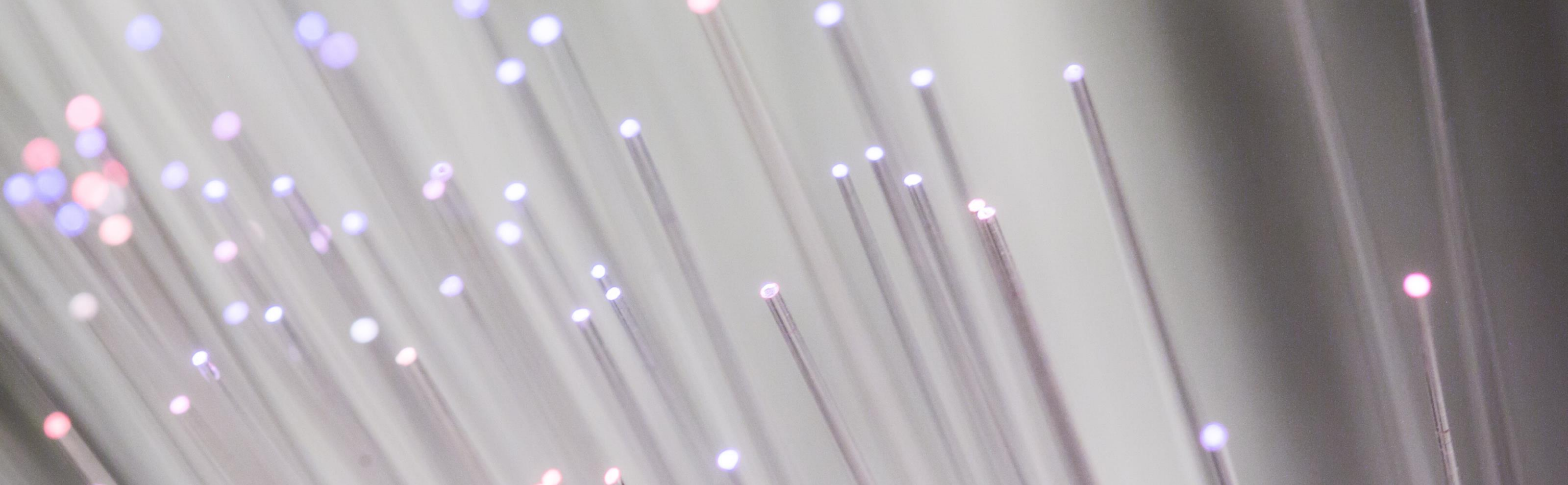
“We aim to be the world's most sustainable and just tech company — taking urgent action to combat:

- **Climate Change:** Drive toward a net zero carbon.
- **Human Rights:** Advance human rights, social justice, and racial and gender equality across our ecosystem, raising the bar for all.
- **Digital Equity:** Innovating holistic solutions that break down the digital divide that prevents many from accessing the education, jobs, and healthcare needed to thrive.

01

A radical opportunity

The sustainability advantage



A radical opportunity

The transition to sustainable business practices is no longer just the right thing to do. It is also the smart thing to do.

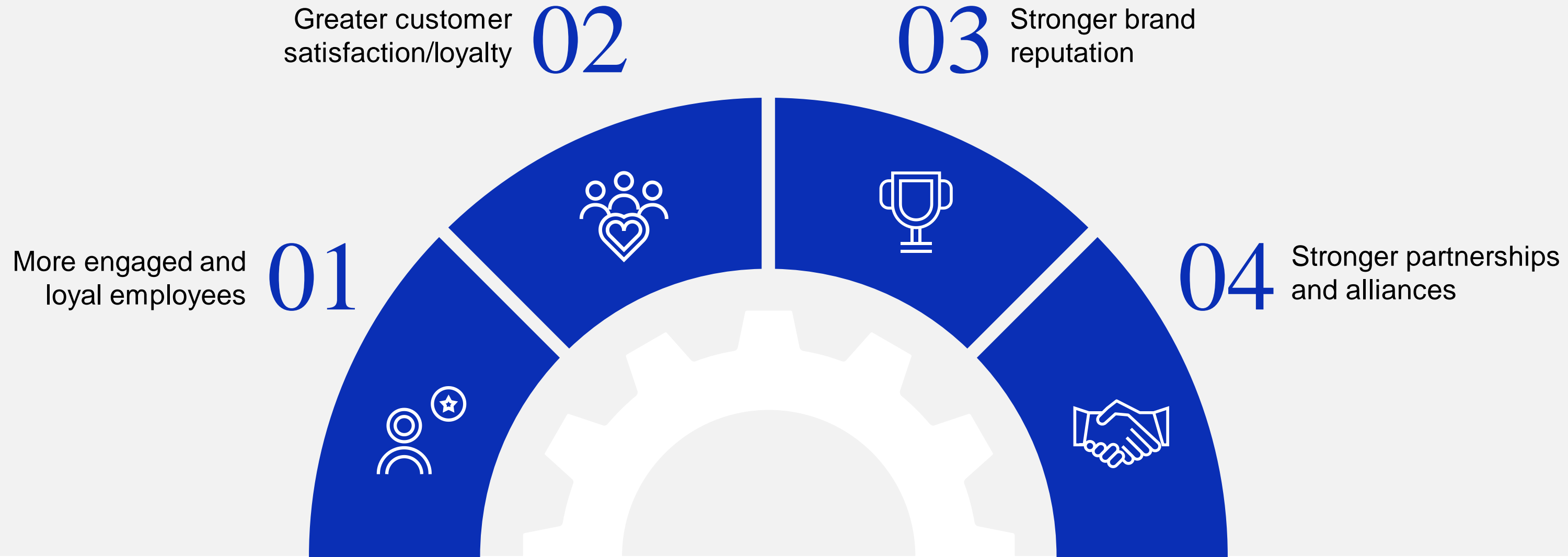
Significant commercial benefits await those who embed sustainability across business strategy—from faster innovation, to more engaged employees and customers, to faster top-line growth.

The question is whether tech firms are ready to unlock this radical opportunity.

Sustainability: A path to resilience and relevance

Tech firms expect myriad benefits from the transition to sustainable business practices.

How do you think your organization will benefit from future sustainability actions?



Key factors driving sustainability across tech companies

We believe several macro trends will drive continued growth of sustainability across the tech industry.

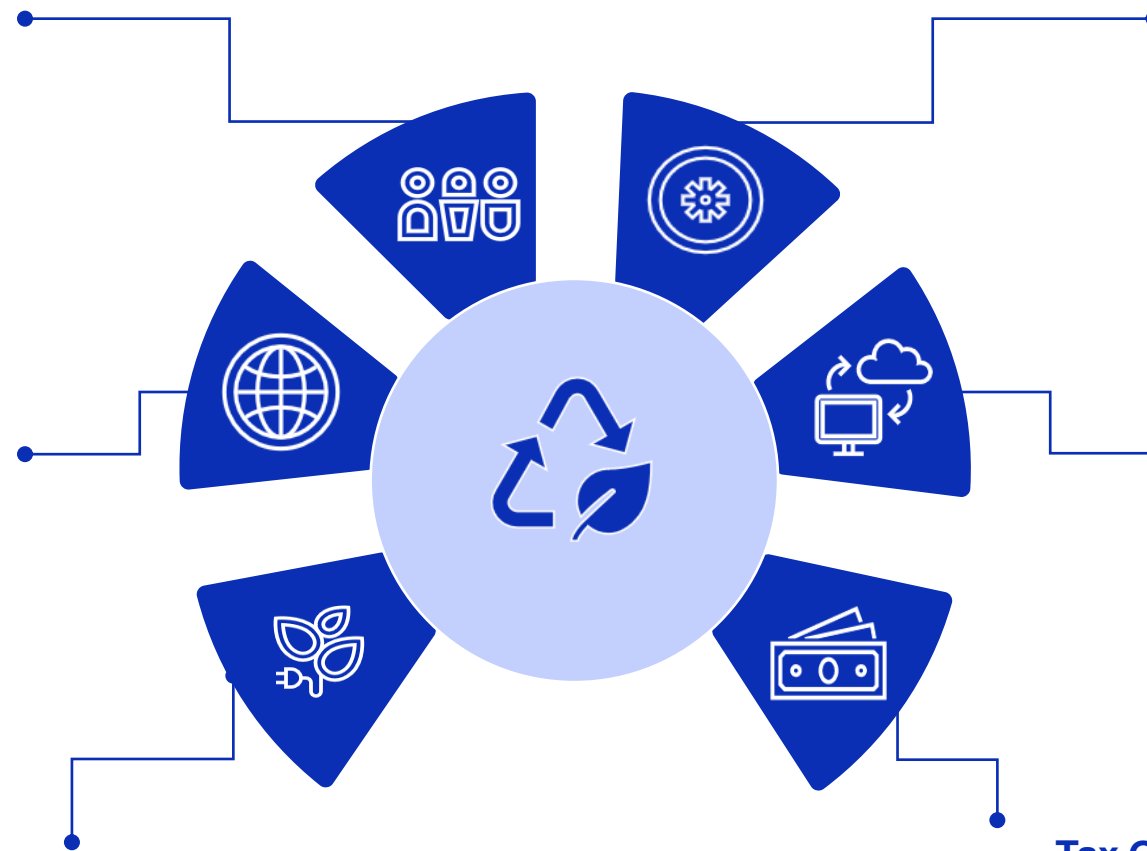
DEI

- Since the emergence of the tech industry, diversity has significantly lagged as only 25% of tech jobs are held by women and 83.3% of tech executives are white. Additionally, large companies within the industry have done little to address employee rights and have been accused of union-busting.
- Companies need to continue to address the current lack of diversity within the industry and work with their employees to ensure their rights are not being violated.

E-waste

- With the rapid production of new product lines across multiple tech companies, the issue of e-waste has increased over the past few years. According to the United Nation's Global E-waste Monitor (GEM), roughly 53.6 million metric tons of electronic waste were generated in 2019. As a result, some organizations, such as the EU, have taken action to standardize certain products like phone chargers.
- Companies should work to implement more recycling programs or focus on creating more multipurpose products to reduce waste.

Source: Deloitte, United Nations, Stanford, Berkeley, ActionAid



Data Center Carbon Emissions

- With the increased use of data, 3.5% of carbon dioxide emissions have come from information processing and transmission. However, studies show that current emissions can easily be reduced by 88% through better IT equipment and more efficient buildings that house the hardware.

Supply Chain Issues

- There has been significant competition for access to raw materials for tech companies to create semiconductors and other subcomponents needed for devices and infrastructure. As a result, this has caused conflict around the world with questions being raised on the availability and control of resources.
- Additionally, due to China's strict Covid policies, tech companies have been facing major bottlenecks resulting in slower production time.

Data Privacy

- Data misuse among tech companies has become an escalating issue with more companies tracking data and more personal information being stored online. As a result, data privacy has become a crucial metric when assessing potential companies to invest in. This type of investing (referred to as "responsible investing") has been forecasted by Blackrock to make up 21% of total funds by 2028.
- To combat this data misuse, the European Union has already implemented regulation policies.

Tax Gap

- Due to underdeveloped international tax regulations and a lack of tax laws within developing countries, large tech companies are entering new markets with access to new user data without properly compensating these countries. Studies show that these developing countries are missing out on roughly \$2.8 billion in tax revenue from these tech companies.

02

The story so far

Understanding the *real* state of progress today

Tech firms are at the early stages of their sustainability journeys

Sustainability is easy to talk about. But much harder to deliver.

Despite a host of net-zero commitments, and statements on DE&I, our research shows that tech firms are yet to make significant progress towards sustainable business practices.

Our research shows that many tech firms just see sustainability as a brand-management exercise. Yet sustainability is so much more than a reputational risk to manage.

Only when leaders see sustainability as a lever for value creation will they have the courage to unleash the total business transformation that sustainability demands.



Sustainability is not yet infused across strategy or operations

53%

of C-suite leaders say their organization has a **sustainability strategy** that's been acted on and clearly communicated.

43%

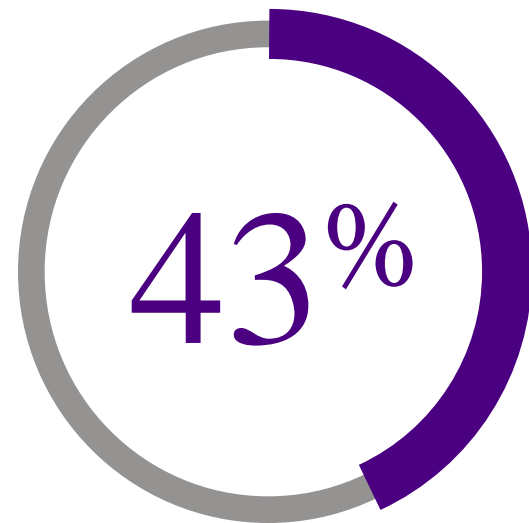
of C-suite leaders expect to make **significant/great deal of progress** embedding sustainability across strategy and operations in next 5 years.

Many tech firms still look at sustainability through a brand lens.

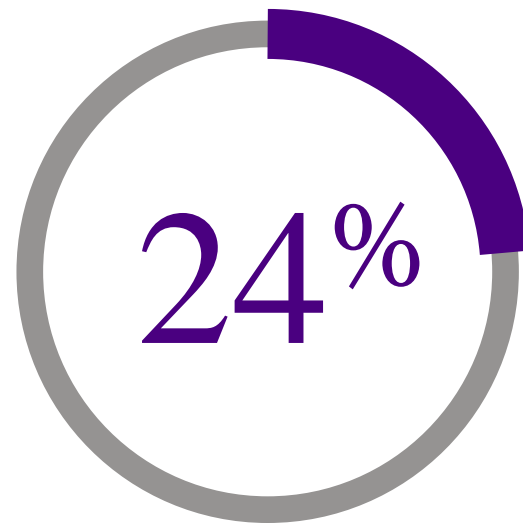
Tech firms are at the early stages of their understanding of the value sustainable business practices can bring their organization—and the world around them.

What is motivating your sustainability actions?

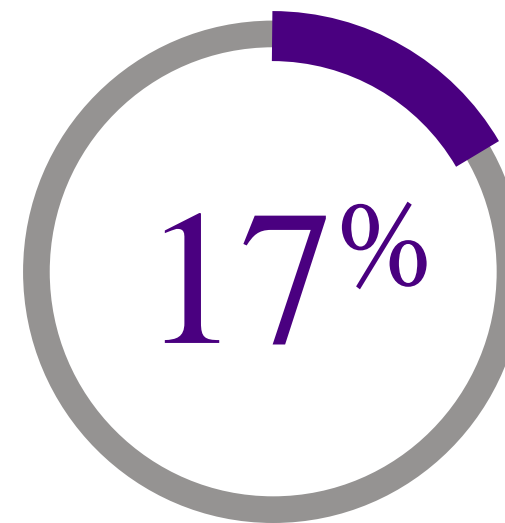
Brand management



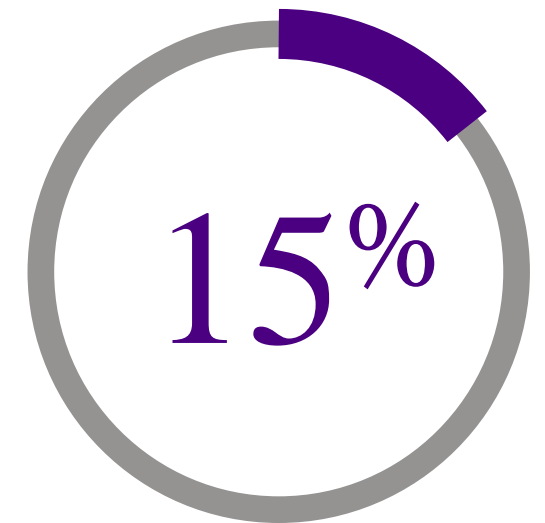
Value creation



Impact reduction



Risk avoidance



Top challenges

The path to sustainable business practices will not be easy. Tech firms are running into many challenges on their journeys.

What are the greatest barriers leaders face in making sustainability happen?



Slow changing company culture



37%



Organizational complexity/bureaucracy



40%



Short-term pressures from investors



32%



Lack of drive from senior leadership



31%



Lack of organizational investment



30%

03

The role of leadership

Go much further, much faster

Leadership + Culture = Action

Sustainability action starts at the top.

Without great leadership, tech firms will struggle to make progress towards sustainable business models and operations.

Unfortunately, our research shows many of the leaders at the helm of tech firms today lack the critical skills they need to galvanize action.

Yet there are encouraging signs that next-generation leaders coming through the ranks can help change organization's sustainability trajectories.

We set out how organizations can engage leaders today and tomorrow to foster a culture of sustainable leadership—and go much further, much faster.



Route to the top: recently appointed senior sustainability & ESG leaders across the tech industry

RRA analyzed the backgrounds of 30 senior ESG and sustainability leaders of tech companies in the S&P 250 and appointed in the last 18 months to gain further insight into the typical profile. Our data reveals that these leaders are predominantly **female**, overwhelmingly **hired into the company** versus being promoted into the role and bring **cross-functional** expertise to the position.



43%

of the newly appointed leaders are **female**, which contrasts with traditional male domination in other senior roles



23%

were **appointed externally**, reflecting the shift toward internal promotions into this role



5 years

is the average tenure of these leaders, with the majority joining in **2022**

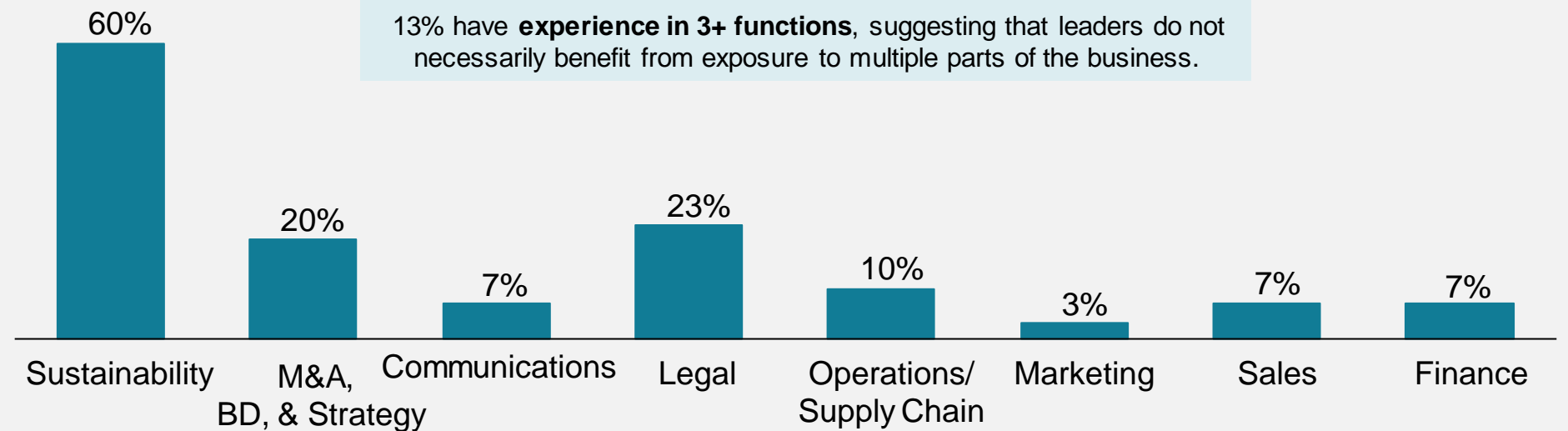


80%

of the companies analyzed have Chief Sustainability Officers

Senior sustainability & ESG leaders are likely to have experience across multiple functions, most often sustainability, corporate strategy, and communications.

% with prior experience in function



Leadership issues

Our research shows many executives lack the skills that are needed to embed sustainability across their organizations.

Attributes that C-suite respondents think their senior-most leaders display





Next-Generation Leaders at the Vanguard

48%

**of next-generation leaders have taken on
3+ job responsibilities in the past 2 years.**

Top actions:

- Changing internal processes
- Identifying new ways to make products/workplace more sustainable
- Creating or redesigning products/services to reduce their environmental impact

04

How we can help

Leadership actions

Sustainability must become a key part of what it means to be a successful leader—today and tomorrow.

Key actions include ensuring sustainability features in your selection, rewards, development, and succession practices.



Selection



Rewards



Development



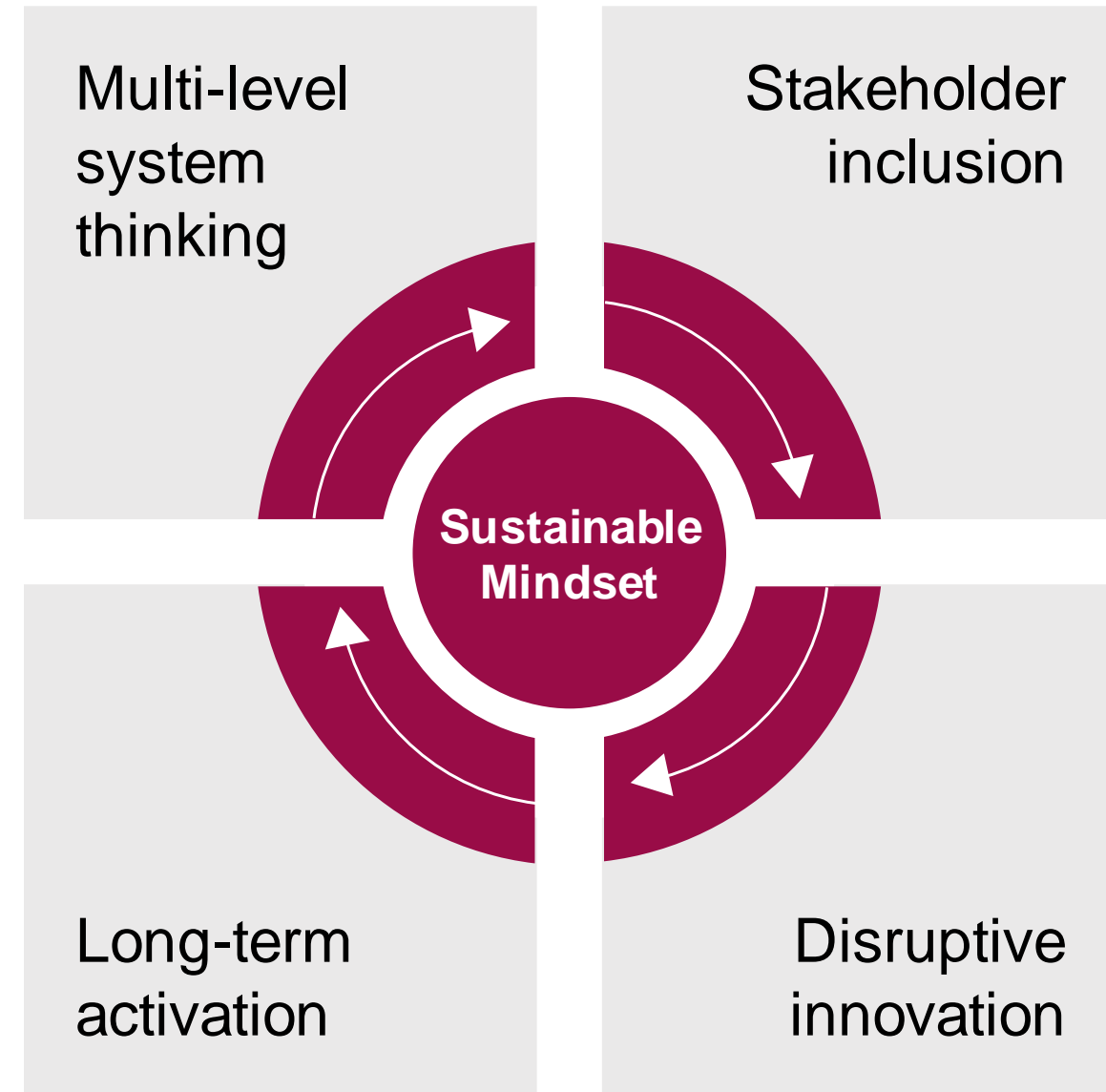
Succession

Skills to prioritize

RRA's Sustainable Leadership Model

The Sustainable Mindset

Purpose-driven belief that business is not a commercial activity divorced from the wider societal and environmental context in which it operates.



Skills to prioritize

RRA's Sustainable Leadership Model



How RRA can help



Board advisory

“My company’s board needs to understand stakeholder perspectives and embed a sustainability lens in their decision-making”



- Analyze stakeholder priorities and identify opportunities to strengthen board oversight of ESG risks and opportunities
- Assess strengths and weaknesses of board composition against sustainability strategy
- Assess board culture, structure, and director onboarding/education vis-à-vis sustainability strategy



Leadership advisory

“My company’s leadership needs to embed a sustainability lens into their team and organizational culture”



- Build a Top Team culture that equips it to engage with the complexities of sustainability
- Assess and develop sustainable leadership capability in executive teams
- Embed sustainable leadership into succession planning
- Use Culture Analytics to understand how culture can hinder or enable the sustainability journey



C-suite and board search and selection

“My company needs to embed a sustainability lens across our C-suite and board”



- Identify and assess CEOs, board and C-suite leaders for a sustainable mindset and leadership capability



Sustainability/ESG leader search and selection

“My company needs help identifying executives to lead our sustainability and/or ESG strategy, business units, or investments”



- Identify and assess Chief Sustainability Officers and Heads of ESG
- Identify and assess Sustainable Finance leaders
- Identify and assess leaders for sustainability-oriented business units