



Navigating ESG

A Practical Guide for Human Resources

ESG Risks, Opportunities and Stakeholder Expectations



The ESG Imperative: HR as the Catalyst for Change

Stakeholders are paying increased attention to environmental, social and governance (ESG) topics, driving companies to consider:

Their own ESG narratives and how their existing performance and future strategies compare to peers. How can human resources (HR) connect corporate ESG goals to their core mission of talent attraction, development and retention?

The evolving regulatory landscape, reputational risks (including employee and customer sentiment) and investor expectations. How can HR get in front of change and proactively transform ESG risks into opportunities that will make their organization more resilient and adapted for the long-term?

How HR teams can optimise their people strategies when attracting, developing and retaining talent — including fostering an inclusive and diverse workforce.



Advanced analytics, advice and solutions from Aon give our clients the clarity and confidence they need to **make better decisions** to protect and grow their business. For HR leaders, this includes translating ESG imperatives into actions that enable workforce resilience, talent retention and wider people strategies. Aon solutions also help ensure the alignment of those people strategies with ESG priorities.



HR's Opportunity: Many ESG Drivers are Linked to Employees

Organisations across the globe are working to understand and address evolving ESG expectations. Emerging research shows that, in addition to being an ethically sound pursuit, ESG also supports business resilience and growth, attracts and retains top talent, and strengthens company performance relative to peers:

87%

87 percent of investment managers **surveyed in 2021** believed that the focus on ESG issues would increase over the next 12 months. Research by **Accenture** found that more than half of UK customers want companies to take a stand on issues of sustainability, transparency and fair employment practices.

64%

A **survey of Millennials** found that 64 percent will not take a job if their employer does not have a strong corporate social responsibility (CSR) policy, with 83 percent more loyal to a company that helps them contribute to social and environmental issues.

As a result, stakeholders like **investors, customers, regulators** and **employees** are placing increased importance on ESG performance and transparency, driving businesses to accelerate their own strategies to connect promises with action.



Embedding ESG Into Your People Strategy

Staying on top of ESG topics such as cybersecurity, climate change and human capital management — while supporting inclusion and diversity — can mitigate future risk and help organisations’ boards, C-suites and HR teams to make better decisions.

HR’s role in the ESG ecosystem is vital. ESG topics are important to employees and the talent pipeline, and for building a healthy, **resilient workforce**. This makes HR’s role in interpreting and meeting these needs crucial to every organisation.

With this in mind, a natural entry point into the strategic ESG conversation for HR departments is to focus on the ‘people’ aspect and how to embed ESG into the various levers they can action across the employee experience.



Attract

- Recruiting and hiring strategy
- Pre-hire assessment solutions
- Competitive new-hire compensation
- Incentive programs

Develop

- Performance management
- Career pathways and opportunity
- Succession planning
- Employee training and development

Retain

- Wellness programs
- Benefits and leave policies
- Pensions
- Culture and inclusion
- Equitable compensation

Driving ESG Policies That Deliver Positive Impact at Scale

You are almost certainly already enacting some ESG policies. However, to make a difference you need to identify the ESG investments (in both time and money) that deliver the biggest impact at a corporate and individual level. What resonates most with the priorities of your employees, customers and other stakeholders?

HR is likely to be on the receiving end of ESG-related questions, including:

- What is the organisation doing to reduce its carbon footprint?
- How responsibly is my retirement fund or pension being invested?
- What is our societal contribution? How are we helping locally, regionally and globally?
- How are we sourcing benefits to attract and retain the diverse talent we need to succeed?
- How equitable is our pay?
- What HR metrics do we disclose?
- What governance is in place to ensure diversity and inclusion?
- How responsibly are we engaging suppliers and vendors? To what ESG and sustainability standards are we holding them?
- What are our policies covering issues such as mental health and maternity? What about diversity, equity and inclusion (DE&I) issues such as transgender rights?
- How can I be more involved? What can I do as an individual to make a positive impact?



Your HR Team Is Central to ESG Success

HR teams are uniquely placed to transform corporate ESG goals into actions and results. You have the power to embed ESG across your people agenda and to activate the workforce in pursuit of those goals.

Consider:

- Attraction and retention: are you reaping the rewards of an **inclusive and diverse workforce** that can drive positive change for your business?
- Are your employees equipped with the **right knowledge and tools** to confront the challenges of climate change now and in the future?
- How you can close your skills gaps in response to the changing business landscape, enabling your employees to support the **transitions required to more sustainable businesses**
- Whether your **reward** and **hiring** strategies support your inclusion and diversity efforts as well as environmental objectives. How do your **pre-hire assessments** and onboarding processes fit with your inclusion and diversity goals and environmental objectives?
- Workforce resilience; how diversity, equity and inclusion can support a **more resilient workplace**
- How **incorporating sustainable investment** into your pension options can increase engagement and drive change at scale
- Whether your policies covering topics such as **flexible working, mental health** support, **pay** and continuous learning are consistent with and adequately integrate your ESG objectives
- HR's role in influencing such strategies as electrified fleets, sustainable corporate travel and support for **healthy lifestyles and diets**

Through a solid understanding of the ESG challenges your organisation faces — and the opportunities they can present — HR can help drive the C-Suite agenda for ESG concerns, and act as the catalyst for organisational change.



Adopting a Structured Framework to Support ESG

Aon has adapted globally approved frameworks such as the **UN Sustainable Development Goals (SDGs)** to a corporate setting, reducing complexity and helping HR teams take immediate action and demonstrate impact to stakeholders and employees.

Helping You Develop an ESG People Strategy

You can develop your ESG people strategy by using a series of building blocks, starting with a solid foundation and tailoring your approach to your unique circumstances and needs. It doesn't matter where you are on the ESG journey as long as you **make a start**; Aon can help.



No-Regret Actions

For All Company Sizes and Industries

- Pensions aligned to sustainable, climate-friendly funds
- Basic education about ESG (e.g. climate change); encourage whole-company education, from the board level to junior-level employees
- DEI strategy developed and activated across the organization
- Employee listening: what are employees' thoughts concerning ESG?
- Sustainable supply chain management, notably around benefit vendors and others
- Basic compliance and ESG disclosures

Tailored Actions

Adapted to Company Profile and Industry

- Mapping policies and programs to UN SDGs to assess sustainability and identify gaps
- Company impact analysis relative to emissions analysis and industry type
- Development of ESG people strategy aligned to SDGs and impact analysis
- Employee communication and campaigns to nudge behavioral change and raise ESG awareness
- Measurement and tracking of ESG progress

Looking Beyond

Take Care of Your Own and Others

- Evaluation of opportunities to make a community impact
- Assessments of peer groups, learning networks and companies and NGOs that can strategically link with your organization
- A comprehensive strategy that mines the entire organization for ESG insights

Aon offers an extensive suite of diagnostic tools, advisory expertise and market-leading solutions that can make all the difference when it comes to fulfilling ESG objectives and activating them across your organization. Aon experience and support have proven to be invaluable for HR directors and teams, empowering you to translate ESG aspirations into actionable goals and to show measurable evidence of ESG achievements.

Aon meets companies where they are, providing expertise and advice, proprietary data and innovative solutions to enable companies of all sizes, industries and maturities to advance their ESG strategies.





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