

The social aspect of ESG



How do you unlock the value of a sustainable workforce?

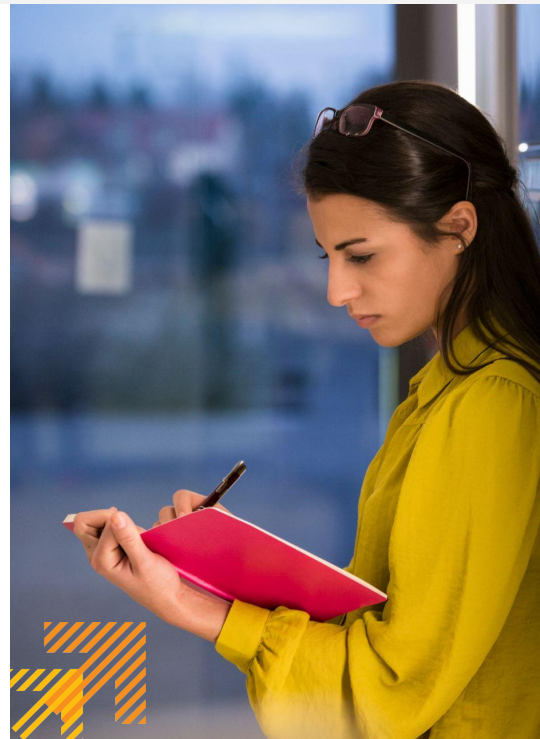


ESG is an acronym familiar to investors and professional services companies like PwC, but it is perhaps not always that well-known in the wider corporate community. It stands for Environment, Social and Governance, three factors to analyse and communicate about the sustainability and societal impact of companies.



Why is ESG important?

Investors look more and more at a company's performance against these three factors, as they are increasingly seen as indicators of the future ability to create long-term value and sustainable returns for a diverse group of stakeholders. Leading companies view ESG issues as a business imperative and no longer a nice to have. They manage risk while capitalising on opportunities, including a vision for the future, setting themselves up for the prosperity and longevity of the organisation.



What is the 'S' in ESG?

The environmental aspect of ESG is well understood. We are all aware of the need to reduce our consumption of natural resources, to recycle more and reduce carbon emissions. But we are perhaps less familiar with the social element of sustainability.

It includes:

- Labour practices and human rights
- Workforce health and safety
- Human capital development
- Diversity and inclusion
- Equal pay and opportunities
- Employee engagement and retention
- Talent attraction and training
- Corporate citizenship/philanthropy

This list is not exhaustive and not all topics are of equal importance or relevance for every organisation, socially or financially. It is up to boards to define what is important and find the best way to balance the interests of its stakeholders and communicate their intent.

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Why is the social aspect of ESG important?

People are central to the success of organisations, their value chain and society. In addition, the way companies treat their people across the value chain is coming under increasing scrutiny. It only takes one badly treated employee, supplier or customer to create a movement against your company, with potentially serious consequences on reputation and financial losses.



What is the challenge for companies?

- Ensuring an engaged, skilled and healthy workforce across the value chain
- Having the ability to measure, manage and disclose reliable people metrics across the value chain



What are the benefits of a sustainable workforce?

- Creates both financial and non-financial value (human and social capital)
- Makes a critical contribution to a company's business performance and competitive advantage
- Provides a licence to operate and strengthens stakeholder relationships
- Mitigates risk

How PwC can help

To have a deeper discussion about how this matter could impact your business, get in touch with our People and Organisation specialists. They can help you find ways to create and unlock the value of a sustainable workforce.

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