

Driving Your ESG Journey — Moving From Practical to Tactical

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It's common for companies, no matter where they sit on the proverbial "ladder" to address environmental, social and governance (ESG) risks, to become overwhelmed with making and measuring progress. Businesses are struggling to keep up with climate-related disclosure requirements and other types of regulations, to maintain and perhaps most significantly, to sync with the moral obligations of our time in a pressured and competitive market.

When we work with clients on their ESG journey we often discuss moving from a practical to a tactical approach. A practical approach means addressing the most material first steps in your proverbial ESG "ladder" to relieve this sense of feeling overwhelmed. For example, have you identified governance entry points to ground your approach, enhance your current ESG initiatives, and offer clarity of purpose? Start by identifying your company's purpose and the core values that you want to communicate to your customers and the marketplace. Consider some of these core questions:

- How is diversity, equity and inclusion woven into your human capital management? For more information on this topic, we recommend reading our guidebook: [Driving Positive Change Through Diversity, Equity and Inclusion](#)
- How are you addressing challenges your company has identified organizationally and logistically to move the needle on ESG oversight? Read more in our article: [Changes Are Coming to Board Oversight of ESG, HCM and DEI. Is Your Board Ready?](#)
- What have you already committed to in the market to prepare for ESG market drivers? Consider whether adding ESG metrics to executive pay plans makes sense for your organization. Learn more in our article: [As More Firms Add ESG Metrics to Executive Pay, Best Practices are Emerging](#)
- How can your company position itself to proactively address regulatory requirements versus scrambling to react to pressing issues, such as climate transition? Read more in our alert: [From the European Union to the United States, Companies Prepare for New ESG Disclosure Rules](#)

Once you are grounded in identifying and transparently addressing the first ESG risks through a proactive approach, the next steps in your ESG ladder are the most important in the journey. This includes moving into a tactical approach. Tactical means digging into what being accountable to ESG business integration really means

in all verticals of your company. What is working that you should build on and what needs to change? Measure where you are today and compared to peers to get grounded in the data. Perhaps you are farther along in some areas, or more aligned with peers than you thought. Knowing what is important to your employees, customers and the communities in which you operate is key. Understanding these drivers will help you navigate your path.

This process is where the ESG ladder analogy comes in. Moving to a tactical position often results in two steps forward and three steps back. For example, your firm may have put into place a logical auditing system in your supply chain, but now your auditors don't have access due to unforeseen circumstances. Consider the COVID-19 pandemic that caused so many businesses to feel under-resourced and ill-prepared when it came to employee health and wellbeing, supplier relations, workplace safety and much more. This is an uncomfortable place but planning and implementing a solid ESG foundation means your company is better suited to face these challenges. Look around, evaluate market drivers, and remap the ESG climb.

Break down each ESG factor across business lines. With board-level oversight securely in place (or getting there), how are you employing talent to measure and track business unit progress against goals in diversity, equity and inclusion; human capital management; climate transition and the circular economy? The key to ESG integration is empowering people and resources with the agility to move up and down the ladder. To access informed leadership (governance), diversify and support HCM and supply chain allocation (social), and reverse engineer effective cross functional Solutions (environment). What works in one business line might not be a perfect fit for another. Yet synergistic solutions based on measurable outcomes form the basis of solid systems management. Creating a zero-waste circular economy program across facilities doesn't happen overnight. Ensuring diverse talent in the supply chain takes concerted evolution in the procurement-business-technology change management process. Be encouraged, this is a normative valence shell bounce. Stay in ESG orbit with data and tangible milestones to help you stay the course.

Replicating good solutions across business lines takes informed and empowered leadership. The common denominator to address overwhelm is to recognize patience and agility can coexist as your company climbs this tricky ESG ladder. Both, in fact, are necessary for the adaptive ascent.

Next Steps

Aon's global governance and ESG advisory services have the expertise to help your company move up the ESG ladder, pivot to tactical change and ultimately make transformative and sustainable decisions. To speak with one of our experts about this topic, please write to humancapital@aon.com.

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