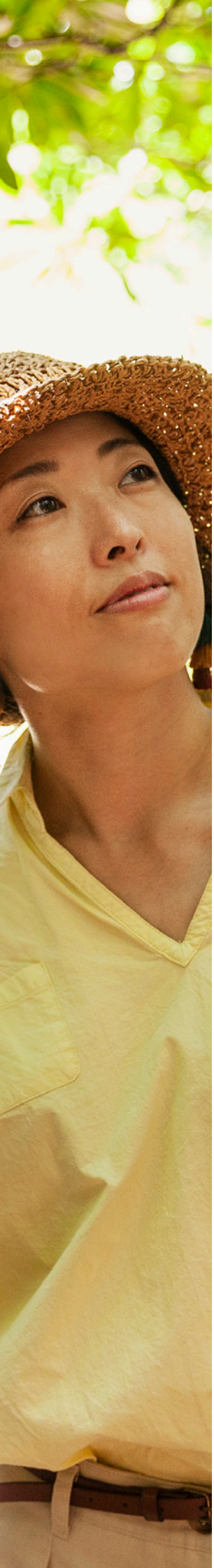
Mercer

# Sustainable at the core

## Seeding bright futures

welcome to brighter



# To nurture a brighter future for people and planet, we need to pick up the pace on sustainability. A conversation previously dominated by environmental and governance risk has become broader encompassing a strong voice on social concerns given the events since 2020.

The environmental, social and governance (ESG) agenda began to gain momentum with "G" in the wake of governance scandals such as Enron in 2001 and the global financial crisis just a few years later. Then came companies taking incremental steps to progress on "E", such as publishing sustainability reports and establishing departments charged with greening corporate action. Latterly, sustainability is increasingly included in target agreements of top executives (ESG metrics) and a slew of diversity initiatives and programs. While the "social" aspect of ESG has received less attention to date, emphasis is broadening from "E" (particularly net-zero pledges) towards a balance of all three components. What is clear is that there is no environmental sustainability without social sustainability, and vice versa.

Yet even as ESG factors have risen up the corporate agenda, the next decade will be critical to mitigating the threats we now face. Sustainable business means working towards lasting organizational resilience, in a circular economy, in alignment with the UN's Sustainable Development Goals (SDGs).

COVID-19 also made clear the interdependence of healthy societies, economies, and the environment. It exposed the glaring gaps and unmet needs (including precarious healthcare access and reduced job prospects) that weigh on many people's futures and shifted expectations. At the same time, the pandemic showed businesses what is possible and desirable in resetting the future of work agenda, from digitalization to flexible working, but anchored in stakeholder capitalism goals. So as organizations busily reinvent themselves, anticipating and fulfilling unmet social and environmental needs is emerging as a collective priority.

Organizations want and need to ensure sustainability is at the heart of business transformation — from company purpose, work standards and investment strategies to circular economy aspirations, environmental impact and supply chain standards. Despite COVID-19 disruptions, two in five organizations are continuing their ESG journey and one in five have even accelerated the shift towards an ESG and multi-stakeholder approach. One way organizations are doing this is by committing to the World Economic Forum's new work standards.

Pledges on heightened standards are just the start. The challenge is for organizations to live by these commitments day to day, office by office. How? By ensuring that these statements are the start of a journey towards becoming **sustainable at the core** — in other words, transforming to deliver every area of the business in line with sustainability principles. To do this, organizations need to ***embed sustainability into their DNA, establish people sustainability as a key part of the "S" in ESG***, and ***align towards stakeholder capitalism***.

# The pressure is on to take action on E, S *and* G

Sustainability as a principle of action is becoming more and more prevalent. The Global Risks Report 2021 clearly defines the challenges facing our world today with *climate-action failure* deemed among the highest-impact risks; meanwhile, *employment and livelihood crises* and *erosion of societal cohesion* are among the most immediate threats. These systemic risks fundamentally threaten the original goal of economic development and prosperity.

Economic, technological and reputational pressures risk a disorderly shakeout for businesses. With the threat of a large cohort of left-behind companies also comes the risk of jeopardizing the health and wealth prospects of people and their families. And recent experience reveals the need for more far-reaching change, notably the Black Lives Matter movement on social justice, the continued priority of Me Too and ensuring fairness in earnings opportunity for women and all diverse talent, the youth-led Fridays for Future movement on environmental stewardship and the Intergovernmental Panel on Climate Change's recent dramatic picture of the current state of global warming.

More scrutiny will soon follow. In global markets, governments and individuals cannot shoulder the burden alone, so pressure is building on companies to commit and show consistent progress. There has been a growth in regulatory and voluntary frameworks for organizations to report, assess and align their sustainability goals and commitments — although efforts are being made to harmonize frameworks, there currently are no common and consistent international standards about disclosure, classification or progress.

**45% of employees want to work for an organization known for protecting employees' physical, psychological and financial well-being[1]**

[1] Mercer. *The Future of Work: Global Talent Trends Report*, 2021.

## Sustainability is a collective endeavor

The multi-stakeholder agenda is inspiring institutional investors, consumers, employees and regulators to use the collective power of the purse, social platforms and even their feet to drive more sustainable business practices.

### Investors

- **$43 trillion** — or almost half of global invested assets, are pledged to meet a net zero emissions target as of August 2021[2]
- **> 90%** of studies on the connection between ESG factors and company financial performance show a non-negative correlation[3]

### Consumers

- **40%** — the amount by which executives' concern around customer demand for ethical products has risen in two years[4]
- **76%** of consumers would refuse to purchase a product if a company supported an issue out of step with their beliefs[5]

### Talent

- **55%** increase in employee morale from sustainability as a competitive differentiator[6]
- **25%** — companies most attractive to young talent have ESG scores 25% higher than the global average[7]

### Regulators

- **> 2,300** climate-related laws and policies in place globally[8]
- **> 500** sustainable finance policy instruments in place in the largest 50 global economies[9]

[2] Net Zero Asset Managers initiative. www.netzeroassetmanagers.org.

[3] Gunnar Friede, Timmo Busch, Alexander Basse. "ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies". Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2699610.

[4] Mercer. *The Future of Work: Global Talent Trends Report*, 2021.

[5] MCone. "Americans Willing to Buy or Boycott Companies Based on Corporate Values, According To New Research By Cone Communications." Available at: www.conecomm.com/news-blog/2017/5/15/americans-willing-to-buy-or-boycott-companies-based-on-corporate-values-according-to-new-research-by-cone-communications.

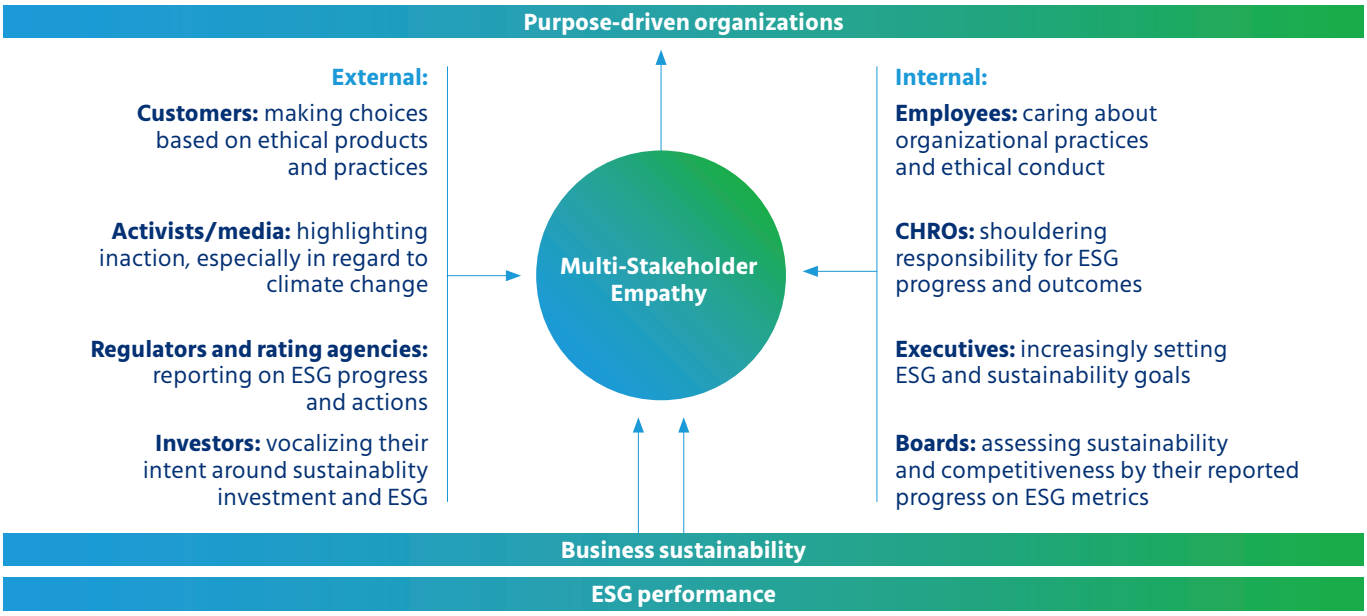
[6] HBR. *The Comprehensive Business Case for Sustainability.* Available at: https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability 2021.

[7] MarshMcLennan. "ESG as a Workforce Strategy." Available at: www.mmc.com/insights/publications/2020/may/esg-as-a-workforce-strategy.html.

[8] Grantham Research Institute. "Climate Change Laws of the World." Available at: https://climate-laws.org.

[9] https://www.unpri.org/sustainable-markets/regulation-map.

**Sustainable business is no longer an isolated, single sphere of responsibility, but rather a multi-stakeholder agenda and part of a collective social and environmental ecosystem.**




There are very good business reasons to adopt a sustainable mindset, too. According to Cyrus Taraporevala, CEO of State Street Global Advisors, ESG is "a matter of value, not values." Taking a broader and longer-term perspective on risk will lead to proactive ESG risk transfer and management. And new opportunities await: improved ESG performance can create competitive advantages, enabling innovation in products or services, disinvestments and investments, circular economy benefits and/or optimization of resources and infrastructure.

It's clear it is time to rethink responsibilities, but what is holding organizations back from becoming sustainable at the core? Often, several key ingredients are missing:

- Activities motivated by core beliefs, not reputational considerations
- A true balance of commercial and sustainability targets
- Sustainability driven top–down and incorporated into company culture, daily routines and decisions
- Senior leadership responsibility for ESG goals and ESG practices embedded across all functions, with bottom–up engagement and activity

## Sustainability: Powering reinvention

Sustainability is a critical component in the energy industry's reinvention. Even more than other sectors, the challenge for energy companies is how to shape and make progress on their sustainability story given their role as contributors to climate change. To stand out in the transition to a zero-carbon economy, progressive energy companies will have to focus with laser-like intensity on cultural transformation when shifting business models, changing portfolios to divest liabilities and acquire sustainable assets, and integrating the swathe of new skills (such as customer centricity) demanded by the organization's new direction. Ørsted, a Danish multinational power company, is one such organization that has shifted towards renewable energy. The transformation into a renewable energy company and the corresponding decarbonization measures of Ørsted and ERG have paid off with respect to the share prices of the companies: while revenue for renewables accounted for only 1% of ERG's group total in 2011, the return on investment made up for 25% of the total EBITDA.

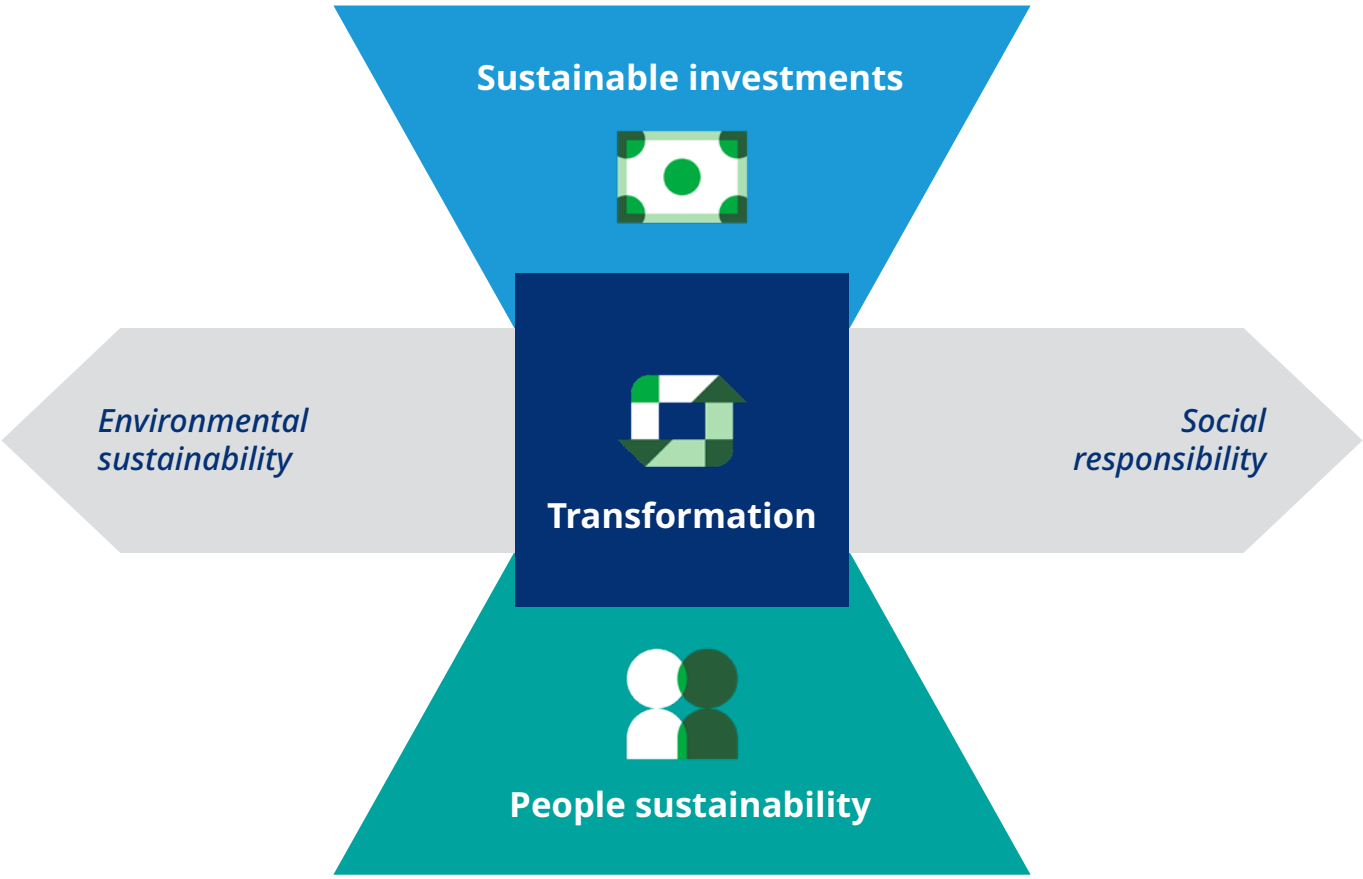
# Seeding bright futures: A decade of delivery

The UN's 17 Sustainable Development Goals (SDGs) set the framework to end poverty, protect the planet, reduce inequalities and advance prosperity by 2030. Organizations can select from among the priorities that are most relevant to their industry and geography based on what is material to the company to prioritize in terms of sustainability indicators. For example, the finance sector might be most interested in financing the green economy and promoting pay equity, and transportation companies may focus on waste reduction, while labor standards are key to the infrastructure sector.

To transform towards true sustainability, organizations must articulate their purpose or desired impact on people (customers and employees) and on society. It's vital that they make commitments and deliver on their ESG goals.

Companies that are sustainable at the core:

- ✓ **Embed sustainability into their DNA** in corporate purpose, culture and identity
- ✓ **Nurture people sustainability as a key part of the "S" in ESG** by treating people in their talent ecosystem in a sustainable and responsible manner
- ✓ **Align towards stakeholder capitalism** by using their investment strategy to advance sustainability targets for the benefit of multiple stakeholders, thereby attracting responsible investors



**[Building work sustainability] also meant trying to create more of a learning organization. Building new skills in a way that people are energized and empowered to learn. It's meant offering new career and redeployment opportunities, and building tools that are much more transparent.**

David Henderson, Group CHRO, Zurich Insurance

**As organizations' sustainability goals mature, there are opportunities and challenges across all functions. Boards and the C-suite are asking themselves:**

- **Who has responsibility at Board level? Does the governance committee have oversight of ESG as a whole, or is responsibility split between committees?**
- **Have we identified the organization's most pressing ESG issues?**
- **How are shifting ESG priorities impacting our reputation and share price?**
- **How can we stay ahead of evolving regulations and reporting requirements?**
- **How do we get recognized and certified for our achievements?**
- **How will we assess, benchmark and manage our ESG and sustainability progress?**
- **Have we set time-bound commitments to remain accountable?**
- **Have we identified which jobs throughout the organization have the highest impact on ESG performance? How are those jobs evolving to ensure they deliver?**
- **How are we consistently anchoring sustainability internally (e.g. executive compensation) and externally (e.g. tax and financial transparency) to achieve long-term impact?**
- **How are we bringing our people along on the journey?**

# Embed sustainability into your DNA

Embracing sustainability requires a paradigm shift. As a result, most organizations face a cultural challenge to make sustainability an integral part of their core beliefs and behaviors. Becoming sustainable at the core is first and foremost a transformational exercise.

Business transformation starts with making sustainability part of an organization's purpose. While that purpose can be aspirational, it must also be anchored in the business strategy, true to its identity, and achievable through the company's products, services and people. And that purpose has to be infused into the company culture to shape true sustainability. This means not only including sustainability in the organization's target future model and ESG certification to stay ahead of regulatory compliance, but also making sure daily decisions reflect sustainable principles, with continuous dialogue and assessment of sustainable behaviors.

To this effect, transformation must be rooted in people practices that drive and enable change. Consider whether embedding ESG into short-term and long-term incentives for executives may support the integration of sustainability into organizational operations. For example, nearly half (44%) of North American organizations use or are considering the use of ESG and pay equity and diversity, equity and inclusion (DEI) metrics in their incentive plans.[10] Yet practices vary significantly. The majority of companies have no link between executive pay and human capital management or DEI goals. At the other end of the scale, Hyatt, a hotel company, has made increasing minority representation at management level the sole metric in its long-term incentive awards, while GE ensures that DEI metrics are viewed alongside revenue and cashflow in monthly chairman meetings. For most companies, the right answer will fall somewhere in between.

### Employees are part of the solution

That said, embedding ESG goals must become a much broader exercise — it needs to cover and engage the entire workforce in the talent ecosystem. People need to know what the company is thinking on ESG and feel like they are part of the solution. Discussing and adapting people's objectives plays a very important role in translating sustainability into employees' behavior. All this can succeed only if the entire transformation is based on employee listening, co-creation, shared direction, transparency and trust. Not least, it should be an activating experience journey towards sustainability: engaging for true sustainability can be an emotional exercise that has the potential to unite people for a better tomorrow.

[10] Mercer. *North America Executive Rewards Year End Survey*, 2020.

# Nurture people sustainability as the 'S' in ESG

Becoming sustainable at the core means addressing the social dimension of sustainability within an organization, its business ecosystem, and the communities in which it operates. ***People sustainability means treating people responsibly, taking care of people's physical and mental well-being, and valuing talent for their contribution.***

People can only offer their best to the company, its clients and its customers when they themselves are well looked after. The experience of the pandemic has led many people to reassess their working lives — the grueling hours, the poor pay, the toll on their health. According to US Federal Reserve chair Jay Powell, people are "shopping carefully for their next job." After *cybersecurity*, a recent survey found HR and risk managers globally rank *talent attraction, retention and engagement* and *workforce exhaustion* as the most pressing people risks. People's confidence in being able to afford healthcare has dropped over the last two years: globally, 24% of the workforce are not confident they can afford the healthcare their family needs (27% in the US), according to Mercer's Health on Demand study. This is especially true in growth markets and among disadvantaged groups — rising to 34% among single mothers and 29% in Latin America. The "great resignation" is evidence of failing people sustainability.

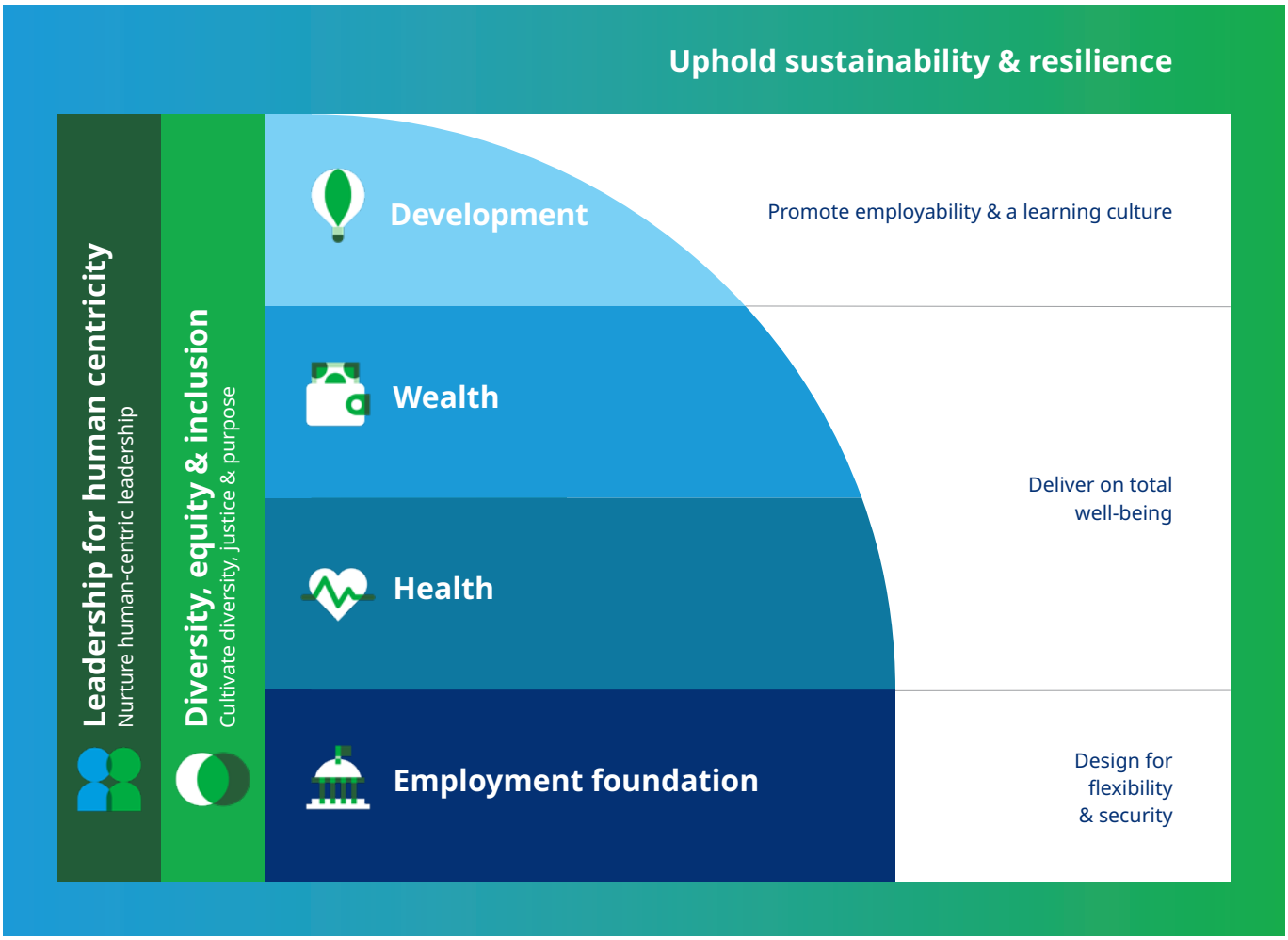
Responsible employers are making bold commitments to the World Economic Forum's new work standards[11] and feeding them into people strategies to not only make time-bound statements on their intentions around sustainable work practices, but also recognising that making progress is a collective effort. For example, Zurich Insurance has committed to reject unsustainable behavior, including rejecting seeking cheaper employment merely for financial gain; Stanley Black & Decker has a ten-point commitment to DEI and racial equity; and CitiGroup, a financial services firm, are committed to reducing the raw pay gap by increasing the representation of women and US minorities in senior roles. Companies leading the pack aspire to make a difference by, for example, working towards portability of benefits for all and cultivating alliances with peers for external redeployment. These heightened standards touch six key areas of action: design for flexibility and security; promote employability and a learning culture; nurture human-centric leadership; deliver on total well-being; cultivate diversity, justice and purpose; and uphold sustainability and resilience.

[11] World Economic Forum. "Partnership for New Work Standards." Available at: www.weforum.org/projects/partnership-for-new-work-standards.

### Seeding people sustainability

Making people sustainability the seed from which the business and its talent ecosystem flourishes is key to getting sustainability right. The "S" will look different for each organization depending on its workforce model. Still, the imperative extends through the entire talent ecosystem, from employees to gig workers, freelancers, partnership talent and workers in the supply chain.

**Organizations are rising to the challenge of building a healthy, resilient and equitable future of work by adopting New Work Standards. Mercer's People Sustainability Index can help you find out where you are, where you want to be, and help you build a plan and culture to ensure you reach your destination.**



### Employment foundation

Respecting basic human rights may seem self-evident, but doing so is a precondition of any employment relationship. The foundation of sustainable people management is providing jobs that allow people to earn a decent living and redesigning work to be more human centric. Already before the pandemic, 58% of organizations were redesigning to become more people-centric. In developing markets, it contributes to the fight against poverty. In more mature markets, it means job security, quality work, fair work conditions, assurance of equity, and a relentless focus on safety.

### Health

Health and well-being, both physical and emotional, is a major need. Some 70% of employers say they care about employee well-being — whether employees agree depends on the number of health and benefit resources offered. Companies are also looking at the strategies and tools they can deploy to support mental health. Leading companies are challenging themselves by asking:

- Do our global benefit offerings meet the diverse needs of our people and reinforce company values?
- Are our health and well-being programs equitable?
- Do our networks of medical providers reflect the composition of the workforce to mitigate against systemic bias?
- How can we better identify which employee populations are in need of health and wealth protection?
- How does our retirement plan investment strategy stack up?

**Many employers are embedding different digital health solutions into employee benefit plans. Playing a role in helping employees choose, access and adopt digital health and well-being can:[12]**

- **Open up healthcare prevention and treatment to more people**
- **Lower cost and improve quality**
- **Create a better employee experience**
- **Deliver flexibility**
- **Help the environment**
- **Provide a vital connection during future crises**
- **Support creation of healthy societies**

### Wealth

People's need for a decent, dignified life is a shared responsibility for employers and workers. Precarious pay models, although legal, are the norm rather than the exception in some areas. Given the impact of 2020 on wealth disparities, companies are thinking anew about protecting all workers' well-being, including benefits platforms for gig workers and data on hourly compensation. For example, Herman Miller combined a living wage initiative with a decent benefit effort. The American furniture manufacturer regularly reviews both compensation and benefits programs (including minimum standards on benefits such as parental support and health cover) to improve quality of life in every community where it operates.

Attention is also turning to a living pension or pension adequacy (will people have enough to live on in retirement?). Simply providing a pension plan does not always solve the problem of adequate income to sustain a decent life. Pension outcomes are often precarious as people live longer, interest rates remain low, and pension tax concessions erode in many cases. In the same way companies might test pay levels against a living wage, it is important to test pension outcomes against living pension levels. Redesigning later life, as well as offering access to pension savings plans aligned to ESG goals, represents the next level of maturity for people sustainability.

### Development

Ensuring employees' bright futures means supporting them to develop and progress, as well as realize their personal purpose. Personal development is part of the new work deal. Progressive organizations are embracing new work models based on skills and infusing them with heightened employment standards. This may include using technology to identify new career pathways at scale for a person to move from an at-risk position to an emerging role, for example. Leading companies are not only building internal talent marketplaces, but also engaging in external or industry consortia to ensure talent circularity through skilling/reskilling strategies and outplacement programs. For instance, Unilever has pledged to reskill or upskill all their employees by 2025 to further their careers, either within or outside the company.

[12] MercerMarsh Benefits. *Health on Demand: Delivering the Benefits Employees Want Now*, 2021. Available at: https://www.mercer.com/our-thinking/health/mmb-2021-health-on-demand.html.

**Diversity, equity and inclusion (DEI)**

Integrating DEI considerations, such as gender pay equity analysis and remediation, across all people practices is an integral part of people sustainability. Activist investors, like Arjuna Capital, are increasingly demanding evidence of a company's focus in this area, as disparities and inequities facing women and minority groups has widened the gap in health outcomes, financial stability and upward mobility. Companies are driving a more diverse agenda across their transformation plans: Starbucks has made diversity goals part of executives' bonuses, for instance.

Yet fostering diversity by increasing the representation of historically underrepresented groups is just one aspect of DEI. Equity and inclusion are equally, if not more, important. Equity involves regular, disciplined review of employee-level outcomes and associated actions to foster an environment where all individuals have equal access to opportunities, experiences, development and rewards. An inclusive organization is one where each person feels a sense of belonging. Happily, many companies see accelerating employability, social mobility and closing the wealth gap as part of their responsible employer remit — you can't have a diverse talent slate without nurturing diverse populations outside your workforce. Other strategies being deployed to meet these goals include train-to-hire platforms, gig worker equity monitoring tools, and targeted strategies to promote employability for certain groups. There is plenty to do. Over 80% of organizations say they are focused on improving DEI, but only half set formal, quantitative DEI goals and targets.

**Sustainability as part of the deal**

Mergers and acquisitions (M&A) impact sustainability performance, and careful consideration of whether the target deviates significantly from the buyer company's sustainability values (or not) is vital. The good news is that acquiring innovative start-ups can help accelerate sustainable transformation.

Companies must also think about the sustainable people practices they offer during and after M&A. Consider: What are you doing to assess your people risk pre-deal? Have you done your due diligence on the workforce policies and culture, employee skills and DEI benefit/liability you'll inherit? How are you planning to reduce flight risks and mitigate risk associated with talent post deal?

ESG in the M&A space is very much driven by the environmental aspect of the concept — but such a singular focus can destroy value. With increasing M&A appetite evident, deal considerations must include people sustainability, which is critical when people risks are what typically derail deal delivery.

# Painting the future

The owner and leadership team of global paint company Beckers Group wanted to make sustainability integral to the business and a source of pride for the organization. After ten years focused on environmental sustainability, the company decided to elevate their focus to include "S" as well. To achieve this, Beckers Group committed to big and bold goals for 2030.

The company realized that delivering on this ambition required sharing responsibility for sustainability throughout the company — they needed every function on board. Led by the CHRO, a cross-functional executive team set the company's 2030 goals and gained approval for the strategy from the board.

The company built a social roadmap focused on four topics to put the strategy into action. One topic, driven by HR, is their people plan — empowering employees. Through employee listening, it became clear that Beckers Group colleagues were very interested in sustainability. As a result, the company communicates regularly about sustainability activities and breakthroughs. They also make an effort to build on individuals' passion to contribute, even outside their core job responsibilities.

The three other topics required teaming up with colleagues from the business: well-being; diversity and inclusion; and community engagement. In this way, Beckers Group built a broad vision for people sustainability, co-creating this vision with all business functions to get the best outcome.

The impact is already clear. Beckers Group defined a list of KPIs for each sustainability stream (people / products / operations), reporting bimonthly to a sustainability council. Data from engagement surveys show employees' perception of progress on sustainability has risen by 10% in two years. Now, the CHRO will transfer responsibility for sustainability to the chief technology officer (CTO), given the significant potential in their product stream. Ultimately, Beckers Group believes sustainability-driven product innovation will lead to higher sales, proving that what is good for sustainability is good for business.

# Broadcasting their purpose

In 2020, a Canadian media company set out to redefine their employee value proposition (EVP) and total rewards strategy. The aim? To connect their mandate — being relevant to a diverse audience — to how they treat their employees and thus improve talent engagement, attraction and retention.

The company started by designing their future state EVP, with purpose embedded at the core. Through employee focus groups, leader interviews, and employee survey results, it emerged that the experiential elements of the EVP — notably silos preventing career development and environmental factors such as wellness — represented the biggest areas of opportunity. The company is looking at launching 14 initiatives and program enhancements to plug the gaps and meet employee needs.

The media company expects these initiatives will result in a clearly defined and inclusive EVP. The effort emphasizes the organization's intent to build an inclusive workplace where employees can be creative and authentic and have equal opportunities to succeed, while developing a workplace culture that fosters employees' careers and well-being.

# Align towards stakeholder capitalism

Being sustainable at the core requires companies to put their money where their mouth is. Sustainable investing is an investment approach that includes ESG factors and broader systemic issues — such as climate change and sustainable development — along with active ownership (stewardship). Trendsetters and advanced investors deliver performance through a long-term stakeholder-centric approach, integrating ESG to add rigor and depth to investment processes and risk management.

There is more to sustainable investing than simply excluding certain industries wholesale. Take the climate transition: it's important to consider which companies are adapting (and hence positioned to perform well in a zero-emission economy) and engage with those that are not.

Knowing where to start and what to prioritize can be difficult. Organizations don't invest in a vacuum. Every company has a unique set of stakeholders and values where investment alignment is required. Organizations want to prioritize risk and return, but also balance reputational considerations to align financial value and core values — by, say, ensuring pension plan investments are consistent with environmental and social goals. Tools such as Responsible Investment Total Evaluation (RITE) provide insight into how well companies, asset owners and pension plan sponsors are integrating ESG considerations into overall investment decision-making.

COVID-19 has also amplified the need for a strong governance model, effective execution and agility in periods of heightened volatility, particularly if organizations are juggling the disparate entities added during recent M&A deals.

Many pension plan sponsors are also being asked to do more with less: they have fewer dedicated resources, yet need a greater sensitivity to market changes. Technological disruption is changing the risk return curve rapidly in climate-related investments in particular, so even if investors integrated ESG two years ago, they need to reassess the portfolio today.

For some the answer is outsourcing. The market for outsourced chief investment officers (OCIOs) is "red-hot": some $2 trillion of global assets were managed fully or partially by OCIOs by the end of March 2020.

# Greening the portfolio

A US pension fund wanted to know how it was performing with regard to sustainable investing. A peer comparison with other funds' policies and practices on ESG and climate change revealed the pension fund to be mid-pack. In addition, the fund's Board decided to analyze their portfolio to screen for irresponsible companies, particularly on child labor and coal, something it had never done before.

Next the fund wanted to clearly articulate their values to inform investment policy and drive process and portfolio decision-making. Following a workshop with Board members, the fund developed a specific statement on ESG and climate change. As part of this, they agreed a position on how and when to consider exclusions, with the Board approving one exclusion. The fund also appointed a proxy-voting advisor and joined a collaborative engagement initiative. The result? The fund now benefits from robust governance procedures to implement effectively.

Getting on the pathway to sustainable investments requires investors to ask themselves:

- Have we established our sustainability, ESG and climate-change beliefs?
- Are sustainability, ESG and climate-change policies and governance in place? Are they reflected in an investment policy statement?
- Are investment processes (investment manager selection, monitoring, and reporting) aligned to a strategy?
- Are ESG factors informing portfolio construction and asset allocation?
- How visible is our commitment to ESG in our investment decisions? What opportunities are there for our people to get involved?

**Integration**

Include ESG factors in investment decisions, with an explicit approach to climate change transition and physical risks, which are portfolio-wide.

Aim:
Financial objectives
+ risk management improvement

**Stewardship**

Exercise active ownership/stewardship through voting and engagement with underlying companies and by engaging with policymakers.

Aim:
Financial objectives
+ financial system improvement

**Investment**

Allocate to sustainability themes or impact investments for new opportunities — for example, renewable energy, water and social housing.

Aim:
Financial objectives
+ positive social and environmental impact

**Screening**

Screen out sectors or companies deemed to be irresponsible or not acceptable to profit from.

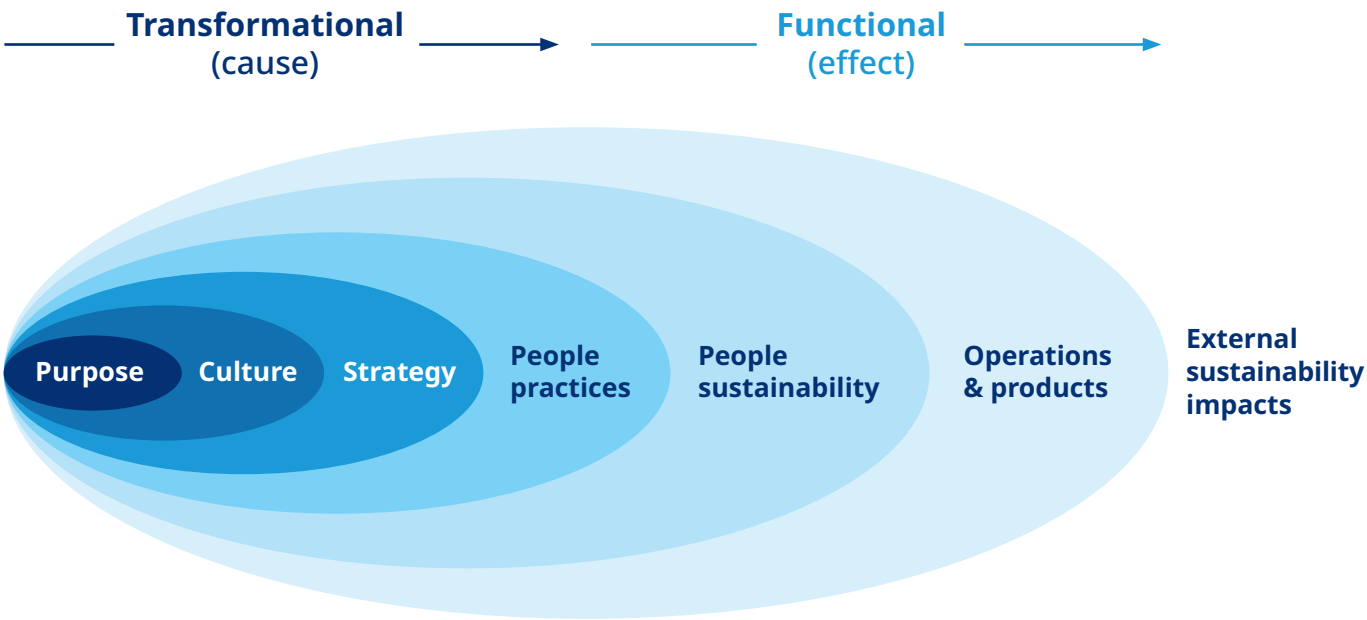
Aim:
Alignment with values/reputation/risk management or longer-term financial expectations

**ACT now**

Institutional investors are seeking ways to assess the companies they are invested in with respect to their commitment and ability to transition to a net zero economy. By applying analytics and advice, investors can construct a climate-resilient portfolio on a multi-year timeframe to transition to a 1.5°C climate scenario. Through Analytics for Climate Transition (ACT), investors can set portfolio investment baselines; assess portfolio opportunities; establish targets and produce implementation plans that can be integrated with strategy and portfolio construction decisions.

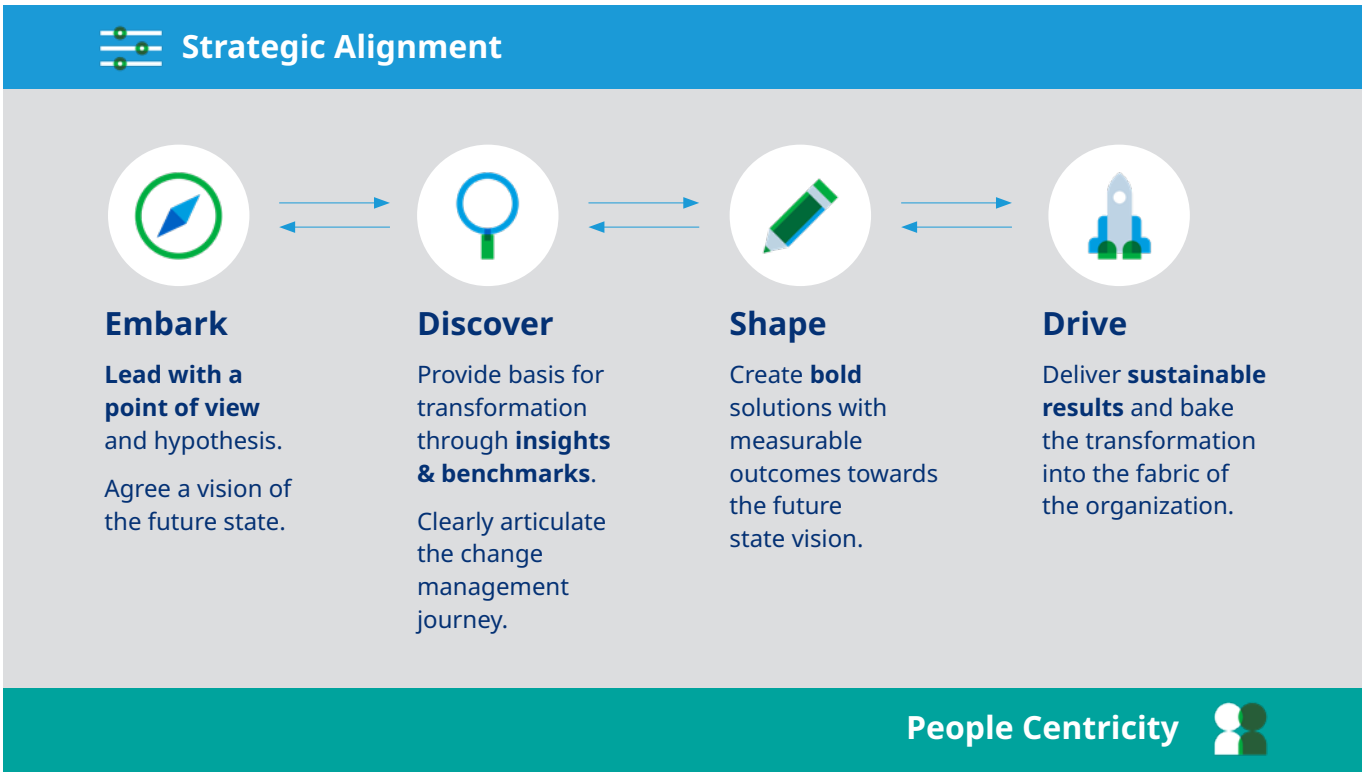
# Sustainability transformation starts now

With people and investments at the forefront of organizations' sustainability journey, it is crucial to maintain an ongoing dialogue to shape transformation together — across investors, regulators, customers and the talent ecosystem.




Putting sustainability at the core is about no less than a company's transformation. It starts with making sustainability part of the organization's purpose, transmitted through culture and strategy, thereby anchoring it into business strategy and people's daily routines. And it requires companies to make these changes achievable and measurable over an agreed timeframe. Building sustainable futures requires us to rethink the way organizations do business, organize themselves and work together. As a result, investors and leaders are pushing organizations to make more conscious decisions about the way they are designed and organized, to drive maximum impact. The decisions that organizations are making about their approach to stakeholder engagement, sustainability focus areas, structure and governance, resource management, and metrics and funding, are critical influencers of success in the sustainability agenda. Focusing on these transformational components of an organization sets the foundation to embed sustainability into leadership, people practices and operations.

### How to start transforming




### Time to raise the bar

In some quarters there is still a temptation to delay action and profound change for longer-term impact. But progressive organizations are being proactive — rethinking, reinventing and transforming to build sustainable futures for multiple stakeholders and generations to come. Walking the talk is fundamental, as superficial greenwashing can cause more reputational and financial harm than doing nothing at all.

Becoming intrinsically sustainable requires a reset of everything and engaging the workforce in the transformation. In return, companies will open up new business models, new avenues of competitive advantage, responsible investment strategies, and heightened work standards that together will ensure people and societies survive and thrive.

**If you are interested in speaking to Mercer or Marsh McLennan, we can share our expertise in:**

**Assessment — highlighting opportunities**
- ESG due diligence / risk assessment
- People Sustainability Assessment
- Pay Equity Analysis

**Transformation — consulting for genuine change**
- Strategy development for (people) sustainability
- DE&I strategy development
- Executive compensation and incentive systems for sustainability
- Sustainability Transformation consulting (Sustainability Culture transformation and HR Sustainability Services design)

**Investment — making an impact**
- Sustainable investments strategy
- Outsourced chief investment officer services

**Contact Us**

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