

# ESG:101

By Monica H. Khetarpal & Laura A. Mitchell

May 9, 2023

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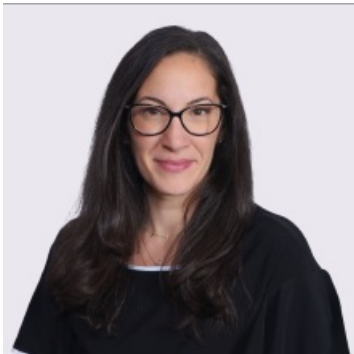


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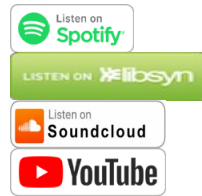
Environmental, Social and  
Governance (ESG)

## Details

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Stakeholders are demanding that public companies demonstrate how they plan to incorporate ESG priorities into all facets of their businesses. But what is ESG?

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## Transcript

### Alitia Faccone:

Welcome to Jackson Lewis' podcast, We get work™. Focused solely on workplace issues, it is our job to help employers develop proactive strategies, strong policies, and business-oriented solutions to cultivate an engaged, stable, and inclusive workforce. Our podcast identifies issues that influence and impact the workplace and its continuing evolution and helps answer the question on every employer's mind, "How will my business be impacted? "

Stakeholders are demanding that public companies demonstrate how they plan to incorporate ESG priorities into all facets of their business. But what is ESG? On this episode of We get work™, we discuss ESG's origination, why people are talking about it, and how ESG can help employers demonstrate their commitment to strengthening their relationships with employees.

Our host today are Laura Mitchell and Monica Khetarpal, principals in the Denver and Chicago offices of Jackson Lewis. Laura leads the firm's ESG group and partners with her clients to evaluate, set, achieve, and monitor their organizational, culture, and human capital goals. She works with companies across all industries to realize this vision for her client's ongoing success. Monica, a member of our ESG and DEI services groups is a co-leader of Jackson Lewis' Asian-American Resource Group, DEI liaison and mentoring coordinator for the firm Chicago office, and co-leader of the firm's higher education industry group.

Laura and Monica, the question on everyone's mind today is, "What is ESG and how does it impact my organization? "

### Laura Mitchell:

What a fabulous question. I think since we launched this group about six months

ago now, that is probably the top question that we are hearing in lots of different circles, is, "What exactly is ESG? What am I supposed to do with it? What do I have to do? What should I be doing?" So I'm really excited, Monica, to have this chance today to really demystify ESG and talk about what it is. And I think really the ultimate conclusion is it depends. ESG can be really whatever you want it to be, whatever fits your organization. So I thought it might be helpful for our audience just to talk in kind of technical terms about really what ESG started as and then move us into what it is today because it's something very different than what initially ESG stood for a number of years ago.

**Monica Khetarpal:**

Yeah, I totally agree, Laura. The letters themselves stand for environmental, social, and governance. But honestly, it's not a new concept. We've been talking about things like corporate responsibility for years. And so what it really is, what it breaks down to is a set of principles that you create so that your operations are in line with your values. And it's really important also to not pigeonhole what that means, think broadly. In terms of how it has evolved, more recently, we're looking at more specific things when we talk about ESG now that we've drilled it down into the environmental, the social and the governance, but the root of it still is about corporate responsibility. What are you doing to make sure that you're not leaving an undue impact on the environment? What are you doing for your employees, for your customers? And how is your internal governance aligned with your corporate values? That's really all it's about.

**Laura Mitchell:**

Yeah. And I think really for organizations who are embarking on their ESG journey or maybe even reevaluating what ESG means for them, corporate responsibility, kind of what their company values are, it's really important not to get kind of pigeonholed and really think that ESG has got a clear definition. For example, environmental. There's so much talk around sustainability and carbon footprint and environment. But for some organizations, that actually could mean the environment that you're creating for your employees, whether it be heat standards under the OSHA guidelines, or actually a safe workplace when we're talking about threats of violence. So really think broadly and creatively. And because ESG, the space is not heavily regulated right now in a lot of areas, organizations can take those liberties to really define it how they want to and make it work for their organization. I think one of the really big takeaways, and we were at CCC presenting on this just a couple of weeks ago-

**Monica Khetarpal:**

That's right.

**Laura Mitchell:**

... was

The fact that ESG is not just for woke companies. In actuality, it really is, as you said, it's an alignment with your organization's values and principles and how you want to govern and what you stand for. There are not being values imposed upon

you. Your shareholders may have questions for you and may ask an organization to do certain things, but there's no requirement that a company take a specific stance on anything. So I think really for all the takeaways of everything that we talk about today, the most important one that I want folks to write down is you can make ESG what you want it to be for your organization.

**Monica Khetarpal:**

It's also for all different types of organizations. So it's not just for publicly traded companies. It's not just a tool for investments. We are seeing startups, we are seeing nonprofits, we're seeing higher education taking concepts from ESG and implementing it into their own best practices, their own policies. And yeah, they're absolutely doing it in their own ways according to their own values. And as you know, I do a lot of diversity, equity, and inclusion work. We have clients from across the spectrum doing it their way. And I think that's really important and really impactful.

**Laura Mitchell:**

Mm-hmm. And I think where organizations are on the journey really depends on where they are as an organization. Are they a startup? So they're just starting out, so they're just developing these principles. Or did they start as an organization based on values and principles? So it's already clearly defined who they are and how these policies are going to align. So I think it's been so much fun just talking with individuals from different organizations, seeing where they are on this journey. I think one of the other big questions that I'm getting is, "Why should we do this?" There's some pushback from leadership potentially. Or a question within an organization is, "Why? Why ESG? Why today? Why does it matter?" So what are your thoughts around that, Monica?

**Monica Khetarpal:**

Yeah, there's all these constituents and stakeholders that are demanding ESG. So we see it from customers, they want to shop and purchase from companies that are aligned with their values. We see it from clients, same sort of thing. We have seen push from board members who believe that their organization should take certain stances. We've seen it from students in higher education. We've seen it across the board. And it's in the zeitgeist right now.

We're really at a crucial point where you can't do nothing. That is the only thing that you can't do. Yes, there's push and pull. There's also some push against these concepts. So you really have to sit back and think, "Okay, what am I going to do and how? Where do I want my organization to go?" Because there's all these different groups who are looking hard at what you're doing and there are lots of ramifications if you don't pay attention. And if you're not responsive, you can lose clients and customers. You can have attrition and morale problems within your employee population. You can have reputational issues. And in a worst case scenario, you could have a crisis situation if something comes up. And you can find yourself in lawsuits or in the media if you don't have a strategy in place that aligns with where you want to go.

**Laura Mitchell:**

Yeah, I think that, again, to keep it simple, it's just a business imperative these days. You have to be thinking about ESG, how it impacts your business not only from a customer standpoint, as you mentioned, but from an employee standpoint, and the future of the organization. When we're talking about recruiting strategies and looking about building a workforce for the years to come, these things matter. They're not going away. And so organizations, the smart ones who really have an eye on being a going concern are building these principles now in such a way that they can be flexible, but that they are developing that identity. Because we know from this great migration that I've been calling it of workforce that workers today are going to work for employers who are aligned with their values. And so companies, to your point, can't not share their values. They can't have an identity because you're going to lose or not attract top talent that way.

**Monica Khetarpal:**

Yeah. That really goes to something that we see come up a lot, which is generational diversity. And now Gen Z and millennials are firmly in the workplace. I mean, millennials have been here for a while. But even Gen Z is firmly in the workplace. And they have a different set of values. They have different requirements and demands from their employers and also from the companies that they patronize, the places where they donate, the schools that they attend. And so it is, it's exactly what you said, it's an imperative to pay attention to that, to respond to that. It's shifting ground. This is changing all the time. And so if you don't start with that base of where do we want to go, who are, what are we going to do, there's really no way to respond to those demands. And that's what ESG is, is sort of your guidepost.

**Laura Mitchell:**

Mm-hmm. I think that that's right. And I think for a lot of organizations just starting, it's really a big hurdle because there's so many questions that come up, "How do I actually start this?" And for me, it starts with making sure you have stakeholders at the table, and I mean internal stakeholders. So you don't want to just develop your ESG policies and principles or even define your values and your goals without having the right internal representation. And that would be someone from legal, from the C-suite. You want to make sure that you have communications and operations there, and diversity and HR. So really those different components of your organization that will have a perspective and insight into this should have a seat at the table, and that can become unwieldy. So again, you want to have a thoughtful approach to make sure that you have clearly defined objectives, setting out what you want to accomplish. But I think that the longevity and the success of an ESG program is really hinged upon who has input from the outset.

**Monica Khetarpal:**

Yeah, it's interesting because it's almost like the governance of ESG, right?

**Laura Mitchell:**

Mm-hmm.

**Monica Khetarpal:**

You need to decide all of those areas that you mentioned, legal, HR, ops, communications. They all need to work together on this, but there's such overlapping areas here. And so I think it's important to get on the same page early on, define who owns what, and create a culture where you're collaborative about this and all working towards the same goal, the same mission, the same values. And that's going to take you in the right direction and keep you on the right path as things change. We've seen so much change in recent years based on good and bad events that we've all witnessed in the media. That has caused shifting demand from clients, from employees, from customers, from everyone. And you have to be able to respond to that. And your organization has to be able to pivot, but always guided by those values that you set in the beginning.

**Laura Mitchell:**

Yeah. And I know it can be overwhelming for an organization to sit down and be like, "Oh, we have to come up with an ESG strategy." I think one piece of advice is you don't have to solve everything all at once. You can-

**Monica Khetarpal:**

That's right.

**Laura Mitchell:**

... actually identify an area or two or something that you want to take a stance on or a policy or a value and focus on that. You do not have to eat the entire apple at the first bite. I think that that's really something to think about because there is so much enthusiasm and momentum and energy around ESG. And I feel like if we rush to it, then that may cause more problems down the road than actually taking a thoughtful approach to it. You have to be responsive, and we can't not do anything as we talked about, but I do think that we can be kind of measured in our approach. Now, certainly if you're getting stakeholder pressure and consumer pressure or employee pressure, that's going to drive and dictate what issues you're going to have to address first potentially. But I do think it's really important to understand that you can kind of triage or you can issue select what you're going to address at first off.

**Monica Khetarpal:**

So one of the things that people often start with is, "Where am I now?" Which starts with data oftentimes. And I know you're much more of a data person than I am. Laura and I have our respective spheres, which makes us work very well together. But can you talk a little bit about collection of data and why that's important and also why you got to be careful with it a little bit too?

**Laura Mitchell:**

Yeah, exactly. I think one of the biggest pitfalls we see folks fall into initially is they just want to collect all the data that they possibly can. And then we get into

analysis paralysis where there's so much information that we don't actually know what it's telling us, and more importantly, how we can use it to our own benefit. But the one thing about data collection is especially in this sphere when we're talking about diversity information or pay information, it's highly sensitive and confidential and actually protected under the law in certain instances. So having those controls as to who's going to have access to this information and clearly defining what we're doing with it is going to be really important for managing that risk going forward and making sure that we don't fall into that category of no good deed goes unpunished where we have all of this information, it becomes widely disseminated, and then now we're faced with a potential class action or private plaintiff litigation on our hands.

So again, part of your project plan at the outset is what information do we have readily available? What information would we like to get? And what are we going to do with that and how do we actually want to collect and protect that information? One of my favorite parts just about ESG is the intersection of all these different practice areas. So now we're talking about data privacy and then we're talking about data analytics and all of these other areas. So I'm really excited for all of these intersections in this area.

**Monica Khetarpal:**

I was going to say we need to add it to the list of places and groups that need to come together to create a solid ESG plan-

**Laura Mitchell:**

Exactly.

**Monica Khetarpal:**

...for any organization, large or small.

**Laura Mitchell:**

Yep, for sure. And we do have in this series a podcast that actually talks about data and data security and the intersection between that, the things that you need to think about in that space as well. So definitely IT needs to have a seat at the table.

**Monica Khetarpal:**

Absolutely. Well, I'm very excited to continue this work with you.

**Laura Mitchell:**

Absolutely.

**Monica Khetarpal:**

I really see ESG as the intersection of sort of the right thing to do and also the business smart thing to do, which is really fulfilling. I know we both have such a passion for this area, and I feel very grateful to work in this space.

**Laura Mitchell:**

Yeah. And I'm so thankful that you joined me today. Hopefully we helped demystify ESG a little bit and looking forward to-

**Monica Khetarpal:**

Just a little.

**Laura Mitchell:**

Yeah, just a little. Looking forward to the next podcast in our series.

**Monica Khetarpal:**

Sounds good. Thanks, Laura.

**Laura Mitchell:**

Wonderful. Thank you, Monica. Talk to you later.

**Alitia Faccone:**

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