

BLOG SERIES - BLOG 2

# The people aspects of climate risks and opportunities

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Welcome to the second blog in our series '[Managing the risks and opportunities of climate change](#)'. In our first blog '[Climate risk and technology: The state of the industry](#)' we took a closer look at the juxtaposition of the TMT sector as both a contributor to climate change and as a key factor in driving and facilitating the solutions that will make Net Zero possible. We also discussed how the industry is adapting, where the opportunities lie and who within the industry is leading. In this, our second blog, we will cover the people aspects of climate risks and opportunities: recognizing that TMT organizations are made up of people and, as such, the values, beliefs and actions of people within those organizations are intrinsic to making progress to Net Zero greenhouse gas emissions. We will also look at how TMT companies can engage and involve their people to make progress towards their climate goals and obligations.

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Tackling climate risk will require a holistic, enterprise-wide approach from TMT companies. An approach which puts people at the heart of the business strategy, becoming advocates and enablers to bring a climate lens to future strategy and operations. Climate is no different from any other driver of significant organizational change – TMT companies have to bring people with them. Successful, climate aware, organizations will be those who have built a culture that recognises the importance of climate and that addresses the concerns of its people in this regard.

The Tech industry is an extremely competitive playing field and having access to consumer and employee related data and extracting value from it is more important than ever. The business impact may be considerable for those that lag behind in terms of collecting, processing and analysing data. Data, however, does not exist in isolation, nor can it be leveraged without the right infrastructure.

As Nidia Martinez of WTW's Climate and Resilience Hub expounded in her 2020 [paper](#), "the complexities that surround the measuring of climate risk need to be harnessed and broken down, through the integration of scientific expertise and analytical capability, but crucially also with an understanding of human behaviour - how people assess, assimilate and make their own life choices. This means quantifying and articulating climate risk in a way that is less abstract and makes more sense, empowering individuals, companies and governments to understand not only the pieces that make up the climate puzzle, but also the available solutions and the part they can play." These points are equally valid today as we are entering 2023.



If we break that statement down, we can view the people risk implications of adaptive climate strategy from two perspectives and split them into four broad buckets for the TMT sector and business in general:

- Looking in: people strategies - **employees; training and upskilling challenges.**
- Looking out: understanding and communicating - **customers and investors; general population.**

**“Climate is no different from any other driver of significant organizational change – TMT companies have to bring people with them.”**

# Looking in: Employees



## WTW Insight:

### **'The power of culture in navigating climate-related risks and opportunities'**

*By Marisa Hall, Co-Head of the Thinking Ahead Institute at Willis Towers Watson*

People are your greatest asset in tackling climate change. While strategy can set ambitious targets for a climate resilient future, these have to emanate from a strong climate-focused culture that starts from the top of the organization and permeates through the whole employee population. This is because green strategies are not enough if the culture does not support and motivate implementation.

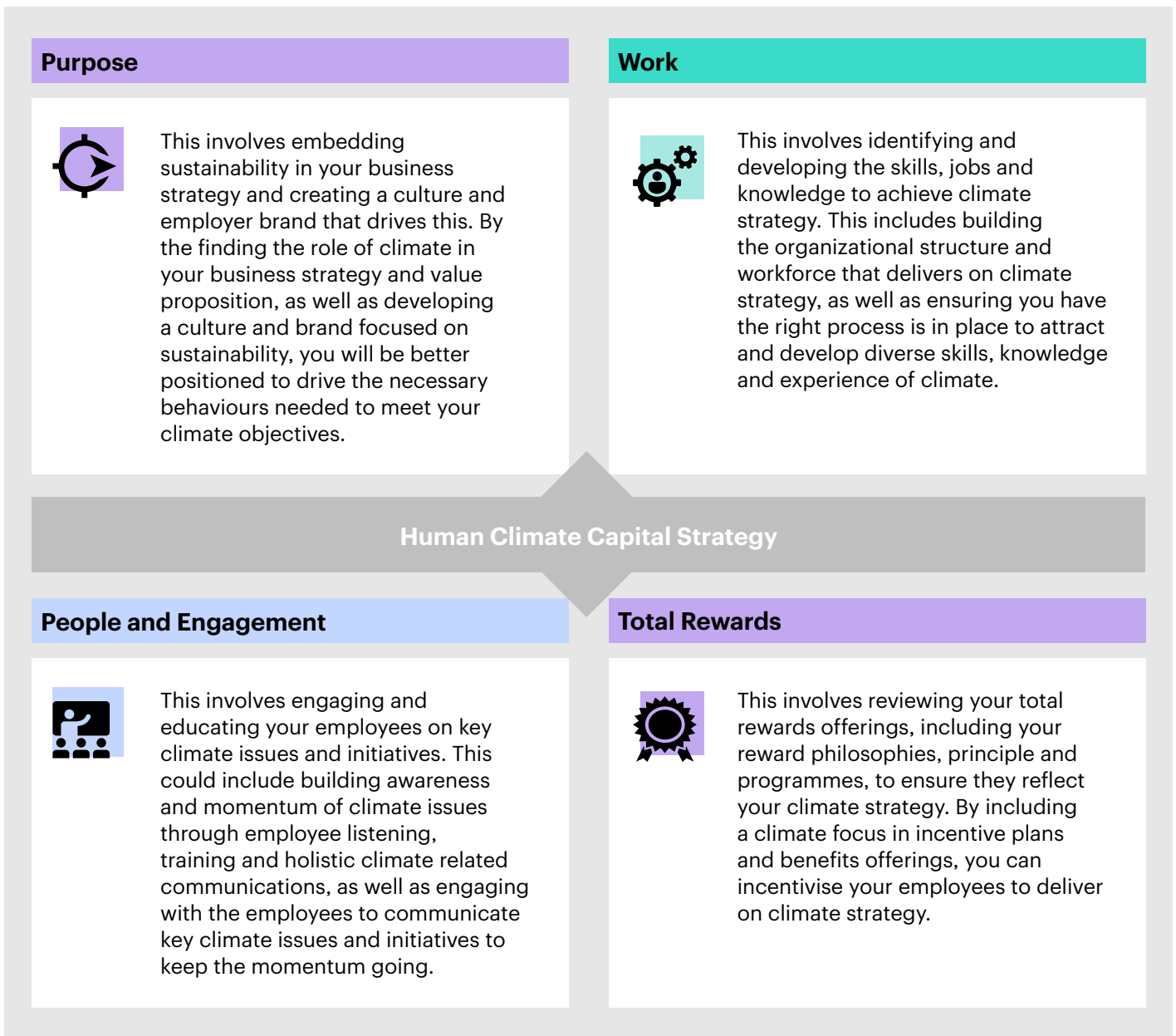
That means communicating and engaging with employees about new climate policies, practices and targets. It also means driving behaviour change. The kind of change where factoring climate risks and opportunities into decision making and operations becomes second nature to the organization and those working in it. As we have noted elsewhere, millennials are the most sustainability-conscious generation to date, and for the most part, they admirably prioritise purpose over profit. This trend was identified back in 2018 where research showed that the [millennial-heavy TMT sector workforce is strongly motivated](#) to work for companies that demonstrate these traits and actions. [2022 research](#) we have revisited for this blog confirms that this trend has continued.







The graphic below demonstrates a useful 4-dimensional model for the people-focused plans and actions needed to embed such change:



**Figure 1:** Purpose; Work; Rewards; and People and Engagement model produced by WTW Talent & Rewards team.

## Purpose



Organizations that effectively define a climate purpose tend to have a clear understanding of the role of climate in their business strategy along with the cultural and behavioural changes required to achieve the necessary change. As we discussed in our first blog, TMT companies are working to improve their own sustainability credentials with a number featuring prominently in a [recent ranking](#) of publicly traded companies that are developing solutions for the transition to a clean energy future. The leaders in the industry embed sustainability into the core values of the organization, with top-down role modelling from senior leaders and mechanisms for embedding employee feedback. Effective two-way communications will clarify how an organization's climate strategy plays out in day-to-day work roles and behaviours.

## People and Engagement



Companies leading on climate awareness have discovered the benefits of wider engagement with employees on climate, making sure they feel heard and involved — not merely informed. Listening strategies to understand which environmental issues are important to employees are taking on greater significance as a company's 'green' credentials become central to its brand perceptions and ability to attract and retain talent.

For an indication of the impact this kind of thinking is having on business in general, WTW's [2021 HR and Climate Strategy Survey](#) found nearly half (46%) of employers expect their employees to play a role in the delivery of climate strategy. Moreover, a third (33%) agreed that executive compensation should be tied to delivery of climate strategy, while 81% said it was important to integrate climate strategy in their employee value proposition. In her [November 2022 interview](#) with Where Women Work, WTW Director Holly Teal discussed the importance of engagement, inspiration and purpose at work.

## Work



Clear purpose and strategy are great starting points, but they must be backed up with an organizational structure and supplier network to deliver them. ESG is very much a people issue (and a people risk issue) because it influences individuals' decisions to join an organization, stay there and go above and beyond to help them succeed. Environmental, social and governance approaches also impact performance and growth. And, ultimately, organizations adapt and become sustainable through their people. More broadly, TMT companies making progress on the work dimension are identifying skills gaps and plugging them with focused training and recruitment whilst defining clear accountabilities for different roles, green champions or working groups. They are also thinking about the role and impact of the supply chain.

Current ESG efforts are focused on external stakeholders, leaving more work to be done vis-à-vis employees, TMT companies must do more to explore internal (workforce) opportunities afforded by sustainability. As we have discussed above, this aligns with the more purpose driven thinking demonstrated by millennials. For example, a review of [the ESG data in 25 leading mobile operators'](#) sustainability or integrated reports found that, while digital skills training is a KPI that mobile operators are tracking, it is externally and output-focused with the measuring of the impact on the workforce (as well as customers) still lacking.

Looking beyond the latest net zero targets communicated by companies or the growing prominence of environmental and social pledges within TMT, more concerted action is required if companies are to become more sustainable and unlock greater sustainability for others. Without defining how an organization can successfully function with an integrated climate purpose and action plan, a company may struggle to make headway.

## Total rewards



It's early days for companies using their total rewards offerings to achieve their climate objectives – [but momentum is building.](#)

Company leaders should review reward philosophies, principles, and programmes to ensure they reflect the value of climate in strategic planning. Furthermore, it is important that employees perceive senior executives as having 'skin in the game'.

[World Economic Forum \(WEF\) Climate Governance Guidance](#) Principle 6 states that the board should align executives' incentives with the long-term success of the business, including climate-related targets in executive incentive schemes.



### **WTW Insight:**

#### **Employees want to work for organizations that are part of a solution**

The need to manage climate risk and to support an orderly transition to a low-carbon, resilient economy is no longer solely a matter of conscience but a strategic and financial imperative. [According to WTW Director Holly Teal](#), studies show that employees want to work for an organization that resolves to be part of the solution for a better tomorrow.

In our 2021 [North America HR and Climate Strategy Survey 2021](#), 81% of employers in the U.S. say it matters to their employees that an environmental climate strategy is part of their value proposition. Results showed that almost all respondents agree that employees have a significant role in delivering a climate strategy.

Improving Employee Experience (EX) is a top priority for employers. According to the [WTW 2021 Employee Experience Survey](#), 92% of organizations expect to prioritize EX enhancements over the next three years. This figure is up from 52% prior to the pandemic. But, behind the headlines few have an integrated EX strategy or talent priorities that support such changes.

Additional perspectives from WTW colleagues on ESG and the people factor can also be found here:

[‘Your people are the advocates and enablers of your climate strategy’](#) – Jessica North and Hannah Summers.

[‘What the SEC’s proposed climate disclosure rules mean to HR and compensation professionals’](#) – Don Delves, Steve Seelig and Jonathan D. Weatherly.

# Looking in: Training and upskilling challenges



Expanding beyond targeted training programmes, leading organizations are investing in upskilling and reskilling programmes to ensure their employees, contractors and technology can do the green jobs of the future. The transition to net zero requires new and emerging skills and enhanced existing skills, such as detailed climate risk analysis and strong climate-led leadership.

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**Working with the business and potentially looking to the future operating model, companies should identify the knowledge and skills required for the transition in their organization and take action to fill any gaps.**

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## WTW Insight:

### Building a climate ready workforce

In July of 2021 WTW's Gaby Joyner, Grace Youell and Sarah Gledhill published an article titled ['Building the workforce that delivers on climate strategy'](#) where they explored why building a workforce with the right roles, knowledge and skills will be critical to address the climate challenge.

A [2022 article by McKinsey](#) outlined a four-step strategy to help enable the next generation of industry workers to deliver the net zero portfolio.

Both of these articles point out the employees want the results of their work to matter, and that working to combat climate change ranks highly on their list. Building a workforce with the right roles, knowledge and skills to help address this challenge will be critical to success and there is a compelling need for HR to act now. We fully expect this trend to continue.





# Looking out: Customers and investors

[Consumers are becoming increasingly influential](#) by stating a preference for products from companies that apply sustainability principles. While they may not yet always follow through with a purchase (depending upon pricing), they increasingly want to align with businesses that demonstrate a more thoughtful, multi-stakeholder approach to capitalism. 2021 [Global research](#), conducted by the Economist Intelligence Unit on behalf of WEF, found a 71% increase in searches for sustainable goods in the five years from 2016 to 2020, for example.

In the face of economic uncertainty and inflationary pressures, [research by Deloitte](#) indicated that, consumers are finding different ways to spend less, for example by choosing goods which are sustainable, durable and repairable. The question is, with economic uncertainty continuing, will these behavioural changes become permanent, or will consumers revert back to cheaper but less energy efficient products? We believe that consumers will increase for the sustainability approach as it is increasingly becoming clear that this is good for the end consumer as well as for business.

Studies referenced in our research, reach similar conclusions in suggesting that customers will (continue to) increasingly let their feet do the talking when it comes to the scrutiny of TMT companies' efforts on environmental impact. The investor community are already placing ever greater onus on strong communication, climate reporting and sustainability credentials. We will discuss this further in our upcoming blogs.

We believe climate related issues will provide considerable opportunities for enhancing customer engagement and wellbeing, supporting customer retention and acquisition going forward. There will be a growing role for technology providers in educating customers about the measures they can personally take to reduce environmental impact.



# Looking out: General population

Today [Climate is intertwined with corporate reputation](#) and TMT companies know, probably more than any other sector, how modern media and communications can rapidly fan the flames of potential reputational damage. Add to this an increasingly global and powerful environmental lobby and strong activist groups, and the need for TMT companies to enhance general societal wellbeing seems to us an important part of climate risk and opportunity assessment, alongside potential risk mitigation through insurance.

**“I have become convinced that climate change is the biggest threat to human rights in the 21st century.”**

[Mary Robinson, a former UN High Commissioner for Human Rights and Envoy on Climate Change](#)



## WTW Insight:

**Are businesses reputation risk ready?  
Good systems are not always matched by actions.**

Corporate reputations are slow to make but quickly broken. In our social media age, the range of risk factors and the speed at which they can evolve has increased. Environmental, social and governance (ESG) issues, from pollution to discrimination, are an increasing focus of regulatory and media scrutiny, and interlinked with reputation and public image.

[WTW's 2022 survey of over 500 global executives](#) considered ESG and reputation together when asking how organizations identify, assess, and manage risks.

From another angle, there are moves to define more clearly what does and doesn't constitute a sustainable initiative. Recent developments and proposals in the financial reporting of climate risks, such as those emerging from the [June 2021 G7 meeting of finance ministers](#), are moving towards calling out and preventing instances of greenwashing based on clearer definitions. Due to the increasing number of publicized greenwashing cases consumer scepticism has increased, unfortunately impacting brands (and therefore their reputation) that are genuinely implementing environmentally friendly practices. Greenwashing has two consequences:

- It misleads consumers.
- It doesn't bring about any improvement regarding the reduction of greenhouse gases and climate change.

The TMT industry has some history when it comes to greenwashing. In 2021, TCO Development, the organization behind the sustainability certification for IT products (TCO Certified), published its [‘Navigating the Sustainable IT Revolution – The critical role of independent verification’](#) report. The report concludes that it is nearly impossible for a single organization to manage the many IT procurement risks themselves and suggested that [40% of online environmental claims were found to be false or misleading](#). Transparency and verification are key to validating organizations' sustainable procurement efforts, and ultimately, maintaining their reputation. “It's critical that organizations get independent proof of environmental and supply chain impacts connected to the products they source. Reputations, stakeholder credibility and accuracy are on the line more than ever,” says [Clare Hobby, Director Purchaser Engagement, Global at TCO development](#).

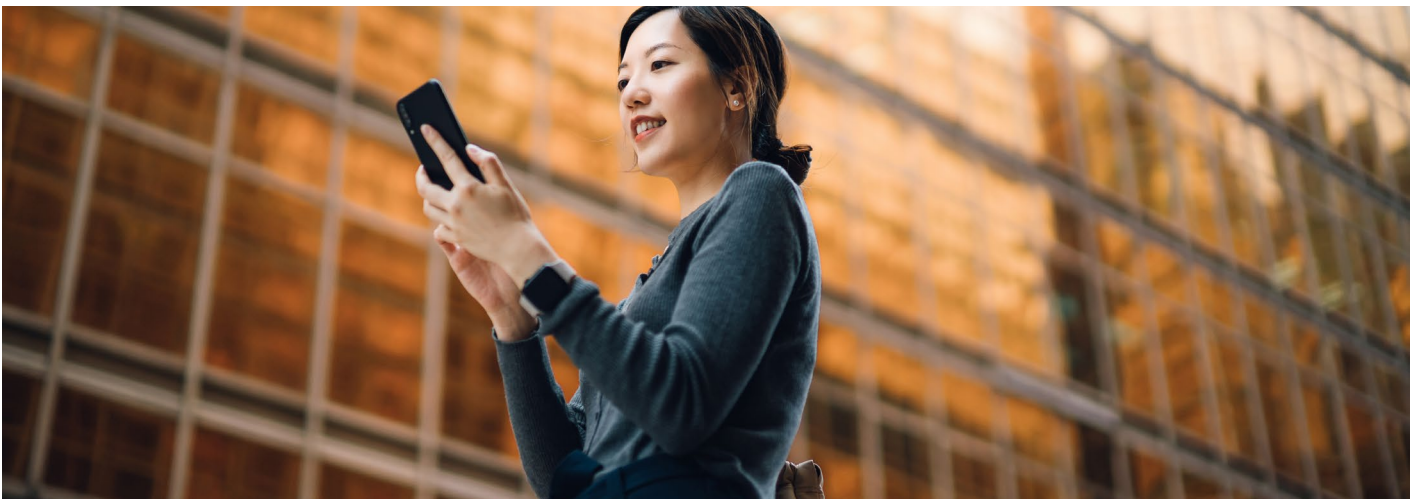
# WTW views and observations

As we discussed in some detail in our [2022 WTW TMT Futures Report – Workforce Transformation and the Talent Crisis](#), talent gaps have long haunted the TMT industry, particularly when it comes to the so-called ‘digital type’. While our report focused on technology talent in the broader sense, there are parallels to the talent gap that exists around climate. In November 2022, [Microsoft’s president Brad Smith](#) warned of the specific shortage of talent for tackling climate change. He suggested many businesses will fail to meet pledges to combat climate change unless they start training employees on sustainability. We believe this problem is set to worsen, as rapidly changing technology becomes more complex and expands to new areas of the business. Knowing that millennials will increasingly demand that their employers effectively address the climate challenges, tech companies are facing a double whammy here.

Companies often overlook or pay lip service to the importance of people in the context of organizational effectiveness and change management. To us, it is clear that as consumers, regulators, investors and employees increasingly demand proof of companies’ long-term climate-resiliency plans, people are the key to building and enacting them. Addressing climate risk and improving resilience is a transformational change that goes beyond managing risks and capital, extending to the heart of people policies and practices.

This is no time for dabbling around the edges of climate’s impact and influence on business culture, roles, engagement and rewards when the need is to establish a longer-term, sustainable climate purpose.

**“..., addressing climate risk and improving resilience is a transformational change that goes to the heart of people policies and practices in addition to how TMT enterprises manage risks and capital.”**





# Getting started

Managing change will certainly be a familiar concept to most TMT sector executives, but the key question in this context is: “Which actions will help us take our people with us on our climate journey?” Or in other words, how can business inspire employees to make a meaningful difference?

According to a [2021 global survey](#) from IBM Institute for Business Value (IBV), 71% of employees and employment seekers were attracted to more environmentally sustainable companies. A substantial portion of respondents went further and indicated they were prepared to accept a lower salary to work for (more) sustainable organizations.

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**For those not sure where to start, some key short-term priorities (and potential quick wins) could provide the initial impetus. These might include:**

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## A current state audit

Auditing existing environmental policies and practices across the business to tease out:

1. existing policies and practices,
2. key gaps in employee policies, available skills and external outreach in relation to climate goals
3. the key stakeholders forming part of overarching environmental governance.

## Employee listening

Employee listening techniques:

1. test employee awareness of the organization’s environment strategy
2. gives an understanding of employee attitudes and sentiments on pro-environment initiatives
3. highlight where employees view the organization’s gaps to inform roadmap development.

Techniques could be in the form of virtual focus groups, surveys, manager listening or through a strategy that incorporates a variety of these. The questions asked would be informed by the outcomes of the current state audit or could be used as an input to the current state audit.

## Incentive plans

To help communicate a powerful message to both internal and external communities, organizations should consider aligning their executive incentive plans to the company’s environmental priorities, indicating the company commitment to climate goals. Tying incentive rewards to the achievement of environmental metrics would not only incentivise executives but would also role model positive behaviours. For some organizations, tying executive pay to the fulfilment of environmental goals is, or will be, a regulatory requirement.

## Regulatory communications

As more governments and regulatory bodies move towards mandatory climate disclosures, organizations need to understand the process involved in complying with these disclosures. Communicating how the business can support the climate change agenda offers insurers the opportunity to convey confidence to all stakeholders, including the public at large, as part of building a market-leading brand image around climate.

## Hero projects that make a difference

Volunteering is an important aphrodisiac for any cause. Encouraging employees to engage with green initiatives can inspire the workforce to think big, firing their imaginations and helping them feel part of the wider solution. Leading TMT organizations have demonstrated action here, including encouraging staff to nominate corporate volunteering projects and to host volunteer days, with time off provided by the company to do so. To maintain momentum, these employers are also providing staff with regular updates, such as, for example photos of wildlife returning to forested areas and stories about the importance of preserving such ecosystems for future generations. For the climate cause to succeed, it is important for companies to encourage their employees to become custodians of the fight against climate change.

## A perspective from WTW's CEO

People, risk, and capital are the essential links connecting all dimensions of ESG and sustainability. People, for example, are at the heart of climate and resilience, wellbeing, diversity, equity and inclusion (DEI), and sustainability. Those that can engage their people in advancing their DEI and climate goals, while supporting employee wellbeing and resilience are more successful than companies that don't. Risk management captures and measures how ESG pervades an organization's operations as well as its potential costs of action and inaction. And capital not only encompasses sustainable investing, but also investment in programs – whether to support employees and communities or to mitigate risk.

**“ESG is the means through which we help organizations to achieve their purpose and sustainable success.”**

Carl Hess - CEO of WTW



# A topic worthy of debate

In September 2022, we [interviewed several WTW leaders](#) about what ESG means to them and the opportunities it offers – for our clients and the world. Our leaders agreed that a commitment to ESG is critical to business success and that metrics and data should underpin ESG strategy. In these interviews, Julie Gebauer, Global Head, Health, Wealth & Career, talked about the fact that ESG is very much a people issue because it factors into individuals' decisions to join an organization, stay there and go above and beyond to help them succeed.

Climate risks – and the opportunities associated with those risks – are in a constant state of flux. The physical impacts of climate change, shifting ESG and reputational pressures, the potential effects on the cost of capital and the employee value proposition that will help companies thrive through transition are among the factors shaping how TMT companies will need to respond. The third blog in the series, 'Facing up to climate-related risks and pressures' will (continue to) explore future climate-related business risks and opportunities for the TMT industry and a wide range of factors that will be important for the sector to be aware of.

This and the upcoming blogs in the series are all opinion based. Each blog concludes with our views and observations that are based on extensive background reading, the research findings and supporting data, interview feedback and the experience and expertise of both academics and WTW experts working within the TMT sector and the company's dedicated Climate and Resilience Hub.

Opinions, of course, are open to be debated. Indeed, we welcome this on a subject that transcends the TMT sector as a generational challenge.

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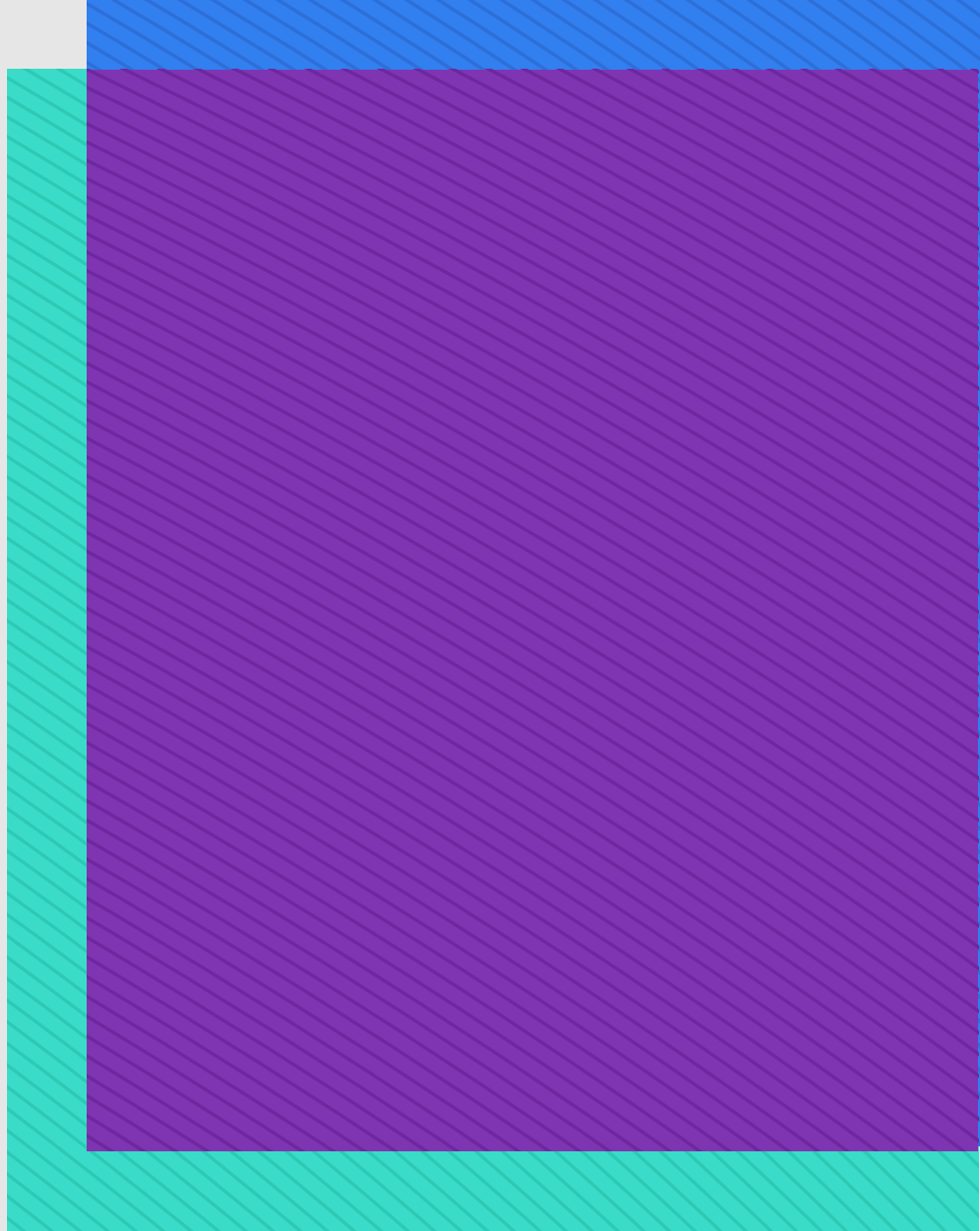
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