

GALLUP PEOPLE AND PLANET 5

The Will of the Workplace for Environmental, Social and Governance

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The People and Planet 5 Items

1 ETHICS AND COMPLIANCE

If I raised a concern about ethics and integrity, I am confident my employer would do what is right

2 DIVERSITY, EQUITY AND INCLUSION

At work, I am treated with respect.

3 EMPLOYEE DEVELOPMENT

There is someone at work who encourages my development.

4 WELLBEING AT WORK AND IN LIFE

My organization cares about my overall wellbeing.

5 ENVIRONMENT

My organization makes a positive impact on people and the planet.

ESG — What It Is and How We Got Here

“Doing business in more sustainable, inclusive and resilient ways is one of the crucial challenges of our time. We want to lead by example and ensure that we optimize not just for profits, but for progress for people and the planet as well.”

— Brian Moynihan and Klaus Schwab, World Economic Forum

ESG refers to environmental, social and governance criteria for evaluating organizational success beyond profit. It challenges leaders to move away from a sole focus on short-term profit to long-term sustainability and the interest of all stakeholders.

Ultimately, it is a redefinition of success in business — beyond wealth creation, toward making the world, the planet and its people — a better place over the long-term.

The Road to ESG Standards

Although the term has gained currency in the past year, the work toward cooperative international standards for sustainability and social responsibility have been decades in the making.

In the 1990s, corporate social responsibility (CSR) emerged as a conceptual framework to promote policies, programs and outcomes that define an organization’s societal impact.

In 1997, the Global Reporting Initiative (GRI) was created to establish criteria to hold organizations accountable for responsible environmental business practices.

In September 2020, the World Economic Forum published a report with input from CEOs of 120 companies, in collaboration with the big-four accounting firms (Deloitte, EY, KPMG and PwC). The report outlines a path for creating consistent metrics and reporting for sustainable value creation. Based on four pillars — principles of governance, planet, people and prosperity — the report presents 21 core metrics and 34 expanded metrics.

In 2021, the International Organization of Securities Commissions (IOSCO) called for the establishment of a sustainability standards board (SSB) to “improve the global consistency and comparability in sustainability reporting.”

What's Changed?

Until now, there have been many metrics for environmental sustainability and social benefit, but no unified international standard mirroring traditional accounting standards. Historically, these measures have been voluntary.

This new era for ESG will include international common standards for reporting and the inclusion of regulators, while keeping the corporate community in the conversation.

Ultimately, this movement in international business has been driven by growing awareness of our climate crisis, social unrest (such as was seen globally in 2020 as part of the Black Lives Matter movement), a new generation of unionization, growing mental health concerns, as well as high-profile corruption scandals in recent years.

Pressure also comes from investors, boards, employees, customers and governments. Many stakeholders are no longer satisfied with lip service. They want to see regular reports on topics such as carbon emissions and diversity. They want to know the concrete plans that corporations have in place to improve those numbers.

The Case for ESG

The argument for adoption of ESG initiatives by corporations has been strong for some time. Meta-analyses of over 2,000 empirical studies suggest consistent relationships between ESG responsibility and financial performance across time and geographies.¹

In addition, Gallup has discovered the new workforce demands an organization with high purpose when choosing where to work. This is especially true for millennial and Gen Z employees.

The COVID-19 pandemic in 2020 brought home another reason why ESG matters: organizational resilience. The future is likely to be highly disruptive to workforces and communities around the world. The health and wellbeing of employees, customers and communities are essential for a thriving business. Employers, now more than ever, have a responsibility for the health and wellbeing of their communities.

¹ Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210-233.

Gallup's Analytic Contribution

Is Gallup going to help my organization lower our carbon footprint?

Well, yes.

Truly moving the needle on these numbers requires people within your organization to change behaviors. Leaders can measure their organization's ESG impact, but ultimately, they must engage their people to tackle the challenges ahead. In short, if you and your people are not on the same page, measurement won't work.

Gallup has a deep understanding of what motivates employee behavior — what leads to true compliance, pushes them to go above and beyond, and drives them to create solutions.

For over two decades, Gallup analysts have reviewed 100 million records of employee data — the largest database of its kind — as well as academic reviews, reports and papers, and interviews with board members, executives, managers and individual experts.

Along the way, we've learned two important things:

- 1 Corporate culture plays the major role in the effectiveness of safety, training and diversity programs.
- 2 When ethical issues, scandals and malfeasance occur, **employees are the first the know** — long before leaders and the board.

For example, if your external communications say your organization is doing great things for the environment, **but your employees strongly disagree**, something is wrong. Recent corporate scandals prove that major ethical, social and environmental risks can be buried behind "good news."

Current discussions on reporting standards have focused on financial and accounting variables, such as diversity, pay equity, health and safety statistics, and employee training. While these are essential standards, subjective cultural elements are missing. The voice of the employee is missing.

Gallup's mission is to ensure the voice of the employee is included in ESG standards.

Examining data from several hundred items in Gallup's database aimed at the most important ESG content areas, *Gallup has identified five survey questions that are highly predictive of future behaviors and business outcomes.*

Gallup recommends every organization ask the following five items. Our research demonstrates these items should be the new global standard for the nonfinancial measurement of organizational culture for ESG reporting.

People and Planet 5

1 ETHICS AND COMPLIANCE

If I raised a concern about ethics and integrity, I am confident my employer would do what is right.

The culture of an organization's day-to-day operations reflects its reputation. Zero tolerance starts at the top because leaders' behaviors demonstrate what is acceptable for those throughout the rest of the organization.

Approximately one in five employees disagree or strongly disagree that their employer would do what is right if they raised a concern about ethics and integrity.

Only 42% of these employees report noncompliance when they see it.

2 DIVERSITY, EQUITY AND INCLUSION

At work, I am treated with respect.

Having even a small to moderate number of employees who feel disrespected at work is a warning sign that there may be more harmful issues in the organization.

Ninety percent of employees who disagree or strongly disagree that they are treated with respect at work say they have experienced some type of discrimination or harassment at work.

Disrespect at work costs from \$1.6 to \$2 million in discrimination and harassment settlements or losses per 1,000 employees.²

3 EMPLOYEE DEVELOPMENT

There is someone at work who encourages my development.

Achieving true employee engagement is about developing and maximizing the potential of every single team member. Two-thirds of employees who change jobs change companies rather than find a new job with their current employer.

The top reason people change companies is a lack of career development.

2 U.S. Equal Employment Opportunity Commission (2016). Select task force on the study of harassment in the workplace. <https://www.eeoc.gov/select-task-force-study-harassment-workplace>; Zheng (2020). Do your employees feel safe reporting abuse and discrimination? *Harvard Business Review*. <https://hbr.org/2020/10/do-your-employees-feel-safe-reporting-abuse-and-discrimination>

4 WELLBEING AT WORK AND IN LIFE

My organization cares about my overall wellbeing.

Today’s workforce wants their work to be more than a job — they want their workplace to improve their lives.

Employees who strongly agree that their organization cares about their wellbeing are five times more likely to be advocates for their organization as a great place to work.

They are one-third as likely to report burnout very often or always (10% vs. 34%).

5 ENVIRONMENT

My organization makes a positive impact on people and the planet.

Sustainability starts with organizations being good stewards of their own practices, resources and stakeholders. However, the true benefits of sustainability practices are realized only when they extend beyond organizational walls to affect society at large.

Organizations with better CSR reputations outperform peers on key financial metrics — 29% more successful on future financial metrics.³

³ Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3) 403–441.

Mapping the Voice of the Employee to ESG

	Principles of governance	Planet	People	Prosperity
<i>If I raised a concern about ethics and integrity, I am confident my employer would do what is right.</i>	✓	✓		✓
<i>At work, I am treated with respect.</i>	✓		✓	
<i>There is someone at work who encourages my development.</i>	✓		✓	✓
<i>My organization cares about my overall wellbeing.</i>		✓	✓	✓
<i>My organization makes a positive impact on people and the planet.</i>	✓	✓	✓	✓

What to Do Next

These five questions are Gallup's contribution to the science of ESG. We recommend that all organizations add these items to their current employee surveys, on their chosen platform.

These five survey questions:

- are written by Gallup experts and scientifically validated
- have been proven to be predictive of positive organizational outcomes
- allow for global benchmarking

Our intent is for these items to become the global standard for credible comparisons of nonfinancial ESG metrics related to the voice of employee.

We recommend the following for every organization:

- 1 Begin the journey now** — embrace ESG and the role your company should play.
- 2 Keep it simple** — Gallup offers five powerful items, not 500. The simpler it is, the easier it is to monitor and improve.
- 3 Start with what you can measure** — census your organization on these five items to get a baseline. This will tell you what to do first.
- 4 Begin with the CEO** — if it doesn't originate from the CEO's office, it won't work.
- 5 Change the culture** — ESG ultimately comes down to mindset and behaviors. Outcomes will not change by proclamation alone. They will change through the will of your leaders and managers — lived out through daily decisions your employees make.

Learn more about how to deploy the People and Planet 5 survey and connect with a Gallup expert.

[LEARN MORE](#)

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