

ESG: Crucial for businesses to engage employees, especially Gen Z

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With Generation Z starting to populate the workforce, issues such as the environment, diversity and inclusion, and privacy are more important considerations to them than to their predecessors.



Source: © 123rf [123rf](#) With Generation Z starting to populate the workforce, issues such as the environment, diversity and inclusion, and privacy are important considerations

Employees, such as Gen Z, are important stakeholders in businesses. Environmental, Social and Governance (ESG) is a crucial element that stakeholders can use to engage with businesses.

Against this backdrop, it becomes essential for employers to consider what ESG looks like in the workplace.



9 Steps to embrace diversity and inclusion

Nimmita Maharaj 18 Oct 2023



Environmental

For an employer, the environmental aspect of ESG would mean assessing the business's impact on the environment, creating policies, and adopting practices that promote sustainability.

Such policies and practices should, among other things, reduce greenhouse gas emissions, and promote efficient use of energy and the sustainable use of natural resources.

The environmental element would also involve addressing and mitigating occupational risks that can arise from exposure to hazardous substances, poor air or water quality, inadequate pollution and waste management, and other environmental factors.

This approach would simultaneously ensure adherence to regulations like the Occupational Health and Safety Act 85 of 1993 (OHSA).

Adopting such policies and practices is not only good for the environment but employers can derive incentives and allowances for taking environmentally friendly action and implementing measures to combat issues such as climate change.

In terms of the Income Tax Act 58 of 1962, a business can derive allowances and incentives for investing in the use of renewable energy and energy efficiency savings, among other things.

Social

The social aspect of ESG is the biggest consideration for employers as it deals with the relationship between the employer, their employees and the society at large.

- **Diversity and inclusion**

In our multicultural society, diversity and inclusion are imperative in the workplace. In the South African context, diversity and inclusion are promoted in the Constitution and legislated in terms of the Employment Equity Act 55 of 1998 (EEA).

The EEA sets out the framework for promoting diversity and equity in the workplace by providing equal opportunity and fair treatment in employment.

This is achieved by eliminating unfair discrimination and implementing affirmative action measures to redress the disadvantages in employment representation experienced by designated groups. This is done by mandating employers to design employment equity plans to achieve reasonable progress towards employment equity.

Failure to adhere to EEA requirements may result in fines and reputational risks.

- **Prevention of harassment and bullying**

Early last year, the Code of Good Practice on the Prevention and Elimination of Harassment in the Workplace (the Code) came into effect.

The Code places an obligation on employers to take proactive steps to eliminate and prevent all forms of harassment in the workplace, beyond just its employees, but also of customers, suppliers, contractors, and any other persons having dealings with a business.

This the employer ought to do by conducting assessments, implementing policies, and procedures related to harassment, and training employees on the issue of harassment in the workplace.

Failure to do so leaves employers vulnerable to being held vicariously liable for the harassment perpetrated.

- **Fair labour practices**

Employers need to ensure general fair labour practices in the workplace as guaranteed by the Constitution and adherence to other legislation such as the Labour Relations Act 66 of 1995 and the Basic Conditions of Employment Act 75 of 1997, which give effect to fair labour practices.

- **Occupational Health and Safety**

In the terms of the OHS Act, employers have an obligation to ensure and promote the health and safety of their employees through policies, procedures, and practices.

Included under the umbrella of health and safety, and a growing global health concern, is the issue of mental health.

Employers can promote mental health care awareness and provide access to mental health resources.

Once an employer becomes aware of mental illness or vulnerabilities suffered by an employee, they must take action and thoroughly investigate the matter, and reasonably accommodate the employee, as failure to do so would amount to unfair discrimination.

Dismissing an employee who suffers from a mental condition may be deemed an automatically unfair dismissal.

Governance

Traditionally, the governance aspect of ESG would focus on various factors such as ethical and accountable leadership, corporate governance, and board composition, among other things.

However, also included in the governance aspect of ESG are data privacy and cybersecurity; in other words, ensuring the protection of data and having strong cybersecurity measures in the workplace.

The move towards digitisation and the data-driven economy has heralded the need for data privacy and cybersecurity and, as such, has become a material part of the governance aspect of ESG.

A business must ensure that the fundamental rights to privacy and data protection of employees and those who engage with the employer, such as customers, are observed when processing their personal data.

In South Africa, the Protection of Personal Information Act 4 of 2013 (POPIA), regulates the processing of information.

An employer, as a responsible party, is entrusted with ensuring, among other things, that data is safeguarded from unlawful and unauthorised access and processing, used for its intended purpose, stored safely and securely, and when the purpose of collecting such information is exhausted, it must be disposed of safely and appropriately.

Failing to comply with PoPIA may result in fines up to R10m or even imprisonment.

A legal foundation

ESG continues to grow and has an impact on an employer's business.

Employers are to consider ESG not only for investment purposes or reputational reasons.

But it also becomes clear that the legislation and the law provide the ESG principles with a legal foundation.

ESG therefore aligns and reconciles with the employer's duties and obligations and provides a framework for an employer to follow.

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