



CHRO FORUM



CHRO Forum, The Annual Meeting 2023

Embracing the ESG-transition

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Embracing the ESG-transition: CHROs at CHRO Forum see more opportunities than risks.

‘More excited than frightened’

The CHROs at the CHRO Forum expressed a greater sense of excitement rather than fear when it comes to the opportunities presented by ESG. They believe that ESG offers a significant chance for organizations to create value, extending beyond mere compliance with laws and regulations. To truly capitalize on this opportunity, organizations need to integrate ESG into their purpose, values, and processes. The role of the CHRO is vital in driving this integration.

This sentiment emerged during the annual CHRO Forum, which was organized by Transformation Forums in collaboration with KPMG, Mercer, Randstad, and Spencer Stuart. The forum took place on June 6th at the G-Star RAW Headquarters in Amsterdam. The attendees were surrounded by denim artwork created by G-Star designers. Josanne Verdonk, CHRO, and Rebecka Sancho, Head of Sustainability, shared insights into their company’s holistic ESG approach. G-Star RAW has expanded its focus from human rights and the environment to encompass all aspects of ESG, including diversity, inclusion, and mental health. They view sustainability as a business opportunity, exemplified by their latest campaign, “WEAR YOUR DENIM TILL THE END” – a testament to G-Star’s commitment to sustainable denim.

The speakers and participants unanimously concurred that ESG presents both an opportunity and a risk. It is no longer merely a peripheral consideration but has become a vital driver for value creation. The CHROs in attendance acknowledged the challenge it poses while recognizing its growing importance. As regulations become more stringent and investors increasingly view it as an integral part of sound corporate management, the pressure to embrace ESG mounts. However, the real differentiator for driving business success and gaining a competitive edge lies in the combination of external pressures and intrinsic motivation.

In the realm of ESG, the CHRO assumes a pivotal role as an agent of change. It is crucial for them to demonstrate commitment not only to the social aspects but also to the environmental and governance dimensions.

According to Veronica Pountcheva, the keynote speaker from the International Sustainability Standards Board (ISSB), this responsibility necessitates two essential conversations. The first takes place within the boardroom, where the CHRO supports CEOs and CFOs in their engagements with investors and lenders. The second conversation is with the employees, ensuring their understanding and involvement in ESG initiatives. True value creation emerges from a powerful synergy between top-down and bottom-up approaches, where both leadership and employees actively contribute. Leadership sets the tone by providing guidance and resources through a top-down approach, driving ESG initiatives. Simultaneously, a bottom-up approach fosters active participation, idea-sharing, and ownership at all levels within the organization. In this dynamic feedback loop, intense collaboration and thoughtful reflection fuel continuous improvement and innovation. Organizations unlock the full potential of ESG, paving the way for true value creation and sustainable success. Within this transition, the CHRO plays a vital role as the owner, enabler, and leader, driving the organization's ESG efforts towards the future.

As the natural owner of the social dimension of ESG, the CHRO plays a crucial role in shaping and implementing strategies to achieve ESG objectives. They must also step into a leadership position, designing a comprehensive roadmap that guides the organization's transformative ESG journey. Additionally, the CHRO holds the responsibility of enabling the necessary systems and processes that support ESG initiatives.

To navigate the complexities of ESG, strong data, transparency, and accountability are paramount. The CHRO should actively contribute to creating a corporate language and toolbox, facilitating effective internal and external dialogues. As Veronica aptly described, "ESG is a forest, and you need a torch." Therefore, the CHRO's guidance and expertise become indispensable in illuminating the path toward successful ESG implementation.

One of the crucial responsibilities of the CHRO is to establish a strong link between ESG and performance and remuneration, a requirement that is increasingly emphasized by investors. The CHRO should translate ESG goals and targets into tangible Key Performance Indicators (KPIs) and report on the outcomes. However, it is essential to consider the context when pursuing fair pay, as the meaning of a living wage varies across different regions of the world.

Nevertheless, the conversation panel highlighted that the foundation of effective ESG integration lies not solely in tools and instruments, but in having a clear purpose and values. The CHRO should ensure that these guiding principles not only exist on paper but also come to life throughout the organization. ESG should be embraced by all individuals and departments, becoming a collective ownership.

Stendert Krommendam, CPSO Ecotone, has distinguished four levels of paradigms. In the first level, companies solely focus on value return. Moving to the second level, they incorporate risk management practices. Progressing further to the third level, companies actively engage in doing good. Finally, in the fourth level, businesses adopt a generative approach by giving back more to the system than they have taken.

Myriam Beatove Moreale, CHRO and member Executive Board Randstad, believes that ESG strategic planning begins at the board level but transcends across the entire organization. By fostering an architecture that enables collaboration, accountability, and data-driven decision-making, we empower each level to drive positive change and advance sustainability.

Lea Lønsted, Pay Equity Leader Europe & UK, DEI Expert at Mercer, emphasized the importance of transparency as a prerequisite for the success of ESG initiatives. Corien Wortmann-Kool, a member of the Supervisory Board at Aegon and DSM, and former Chair of the Board at ABP until January 1, 2023, emphasized the significance of chief executives taking ownership. According to Wortmann-Kool, they should not confine themselves to conventional topics but should also seek input from discussions with employees.

When successfully achieved, this inclusive approach unleashes tremendous energy and power within the organization. Peter Oosterveer, the former CEO of Arcadis, shared his experience with the ESG journey, stating that it was not excessively challenging for Arcadis. By focusing primarily on the environmental and social aspects of ESG, Arcadis made it a top priority, with Peter taking personal responsibility for its implementation. Internally, ESG was embedded by integrating it into performance indicators and remuneration, among other measures. Externally, Arcadis applied strict ESG criteria, even declining or rejecting customers who did not align with net-zero strategies. While this decision may have been difficult for employees who had longstanding relationships with those customers, it ultimately paid off, with the company's shares experiencing significant growth from 10 to 40 euros.

Key Takeaways:

- ESG presents a significant opportunity for value creation.
- Organizations must integrate ESG into their purpose, values, and processes.
- The CHRO holds a crucial role as an agent of change in driving ESG initiatives.
- ESG requires two essential conversations: one within the boardroom and one with employees.
- The CHRO has three key roles in ESG: owning, leading, and enabling.
- “ESG is a forest, and you need a torch” - emphasizing the need for guidance and illumination.
- Connecting ESG with performance and remuneration is a dedicated task for the CHRO.
- ESG should be embraced by everyone in the organization, not limited to a few individuals or departments.
- The CHRO should demonstrate boldness and set ambitious goals in the pursuit of ESG objectives.

Photo Impression































This post read is offered by the partners:

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About CHRO Forum

KPMG, Mercer, Randstad, Spencer Stuart and Transformation Forums are always keen on offering CHROs a peer to peer sharing platform to discuss, learn and inspire each other. Enabling people to be part of a meaningful community, this setting offers CHROs a reference on the speed of change, in order to gain actionable insights.

Organization:



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