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Actionable planning
for sustainability

Deloitte, 2022



The benefits of managing sustainability performance

Organizations are experiencing increasing consumer, investor, and regulatory pressures relating to their sustainability performance. Sustainability has truly become a license to operate.

There is a rising awareness around the impacts of sustainability on financial decisions, and non-financial information is making its way into corporate reporting. Companies are recognizing climate change as a principal risk. Most claim their businesses have already felt the effects of climate change and believe the world is at a tipping point on this issue.

By focusing on making their businesses more sustainable, organizations can meet market requirements, demonstrate leadership, and capitalize on their sustainability journey.

When it comes to sustainability, the question is not “if” but “when” – and COVID-19 has accelerated that process. Leaders are already paving the path ahead.



MEET MARKET REQUIREMENTS AND FOLLOW RECOMMENDATIONS

Stakeholders are expecting more from companies regarding their impact on the environment, society and governance.

By embedding sustainability in their business, they are able to:

- Communicate sustainability efforts to all stakeholders
- Anticipate the impact of shifts in the market behavior



DEMONSTRATE LEADERSHIP

Organizations want to **contribute to shaping worldwide sustainability goals**.

By embedding sustainability in their business, they aim to:

- Strengthen brand value
- Gain a competitive advantage within the sustainable economy



CAPITALIZE ON THE SUSTAINABILITY JOURNEY

Organizations want to **seize the opportunities of a sustainable future**.

Embedding sustainability in their business allows them to:

- Identify new opportunities to become cost-efficient
- Tap into new customer markets with sustainable products & services



Thomas Cardoen, Partner in Sustainability Performance Management

“Sustainability is the defining topic of our current era. Many organizations are embedding sustainability goals into their strategy. In order to truly drive progress towards them, they will need to treat these sustainability goals as an integral part of their internal and external planning and reporting cycles.”

The challenges to move towards actionable planning for sustainability

The mandate to manage sustainability performance is becoming apparent to many companies, yet most don't know where to start.



Regulatory ESG reporting requirements are scattered - although the ISSB has been founded and aims to deliver a comprehensive global baseline of sustainability-related disclosure standards



Management needs to drive the transition and include sustainability performance in the strategy as sustainable growth is becoming economically rational



Sustainability must be included in the company's main performance management processes by setting up the sustainability governance and incentivizing employees



Sustainability performance needs to become embedded in day-to-day decision making, but it is difficult to put a price on sustainability metrics



Standard technology and data management processes are not equipped to measure ESG Metrics - gathering this data will become a complex exercise



An organization's ESG impact is not only measured internally but also up and down the value chain meaning partnerships are required



of Executives find it difficult to develop an impactful sustainability strategy, holding them back from taking action.



of Executives find it hard to measure the impact they are making.

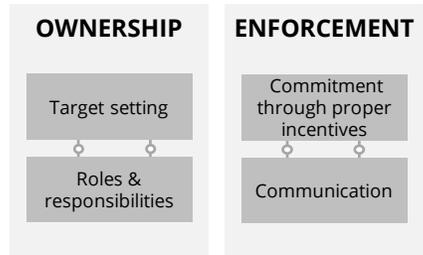


Reaching your strategic sustainability objectives

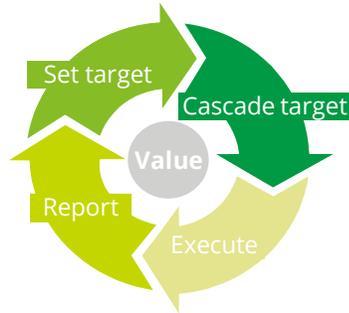
How Deloitte can help



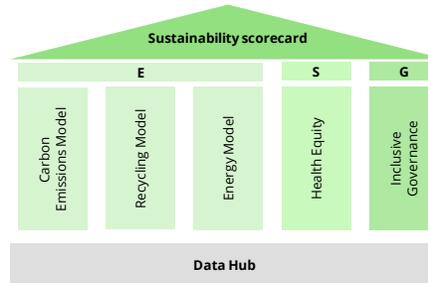
We will support you to align the sustainability purpose to your strategic goals. Together, we will set up the right governance where the exco is accountable for sustainability targets, the responsibility for reaching these targets is embedded within all functions, and Finance can act as integrator to measure, monitor, plan, and report on the sustainability performance.



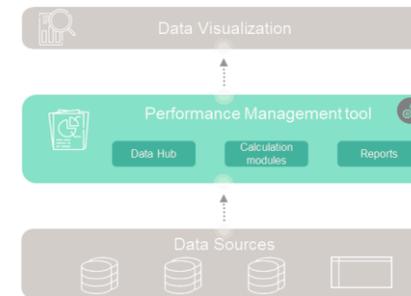
By understanding the Sustainability Performance Management (SuPM) process across the organization, we will support you to set up or refine your process. This will allow you to set targets, cascade these in line with bottom-up plans, monitor their execution, and report on the achieved performance according to the chosen framework.



As part of our end-to-end offering, we also design models to measure, monitor, plan, and report on the performance achieved. Taking a holistic approach, we integrate financial and non-financial insights and reporting. This connected planning approach allows you to streamline your sustainability models with other solutions in your organization in an automated manner.



The right choice of technology is critical to embed SuPM throughout your organization. We can support you in the implementation of a technology solution that allows every stakeholder to contribute to the process, and which allows you to integrate your model with other systems of your organization containing relevant data.



To turn this story into a success, we can help you identify and activate key business enablers of SuPM:

- Partner with each member of the value chain, such as suppliers and customers.
- Leverage data from your organization's internal functions and external databases.
- Support change management processes to manage employees' attitude toward sustainability.



"I truly believe in the power of integrated solutions for financial and non-financial planning and reporting. We clearly see that clients need an approach to handle the process, people, and technology dimensions of Environmental, Social, and Governance (ESG) reporting. That is what we aim for with our Sustainability Performance Management approach."

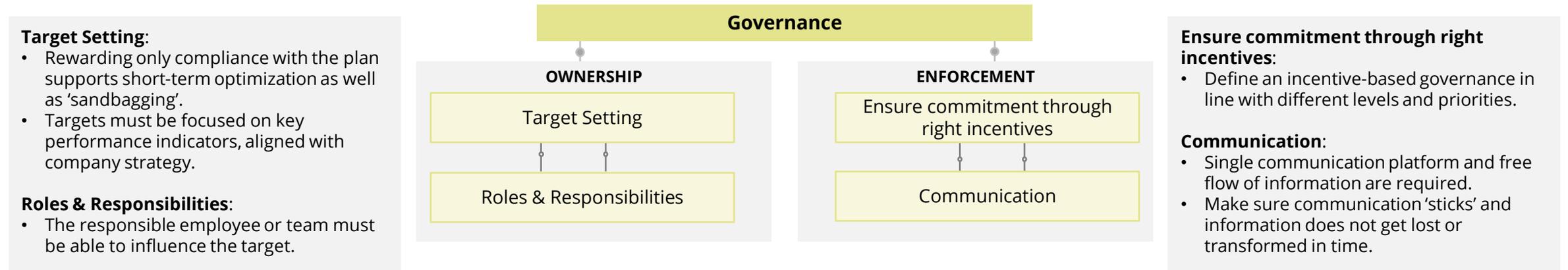
Thomas Keymolen, Director in Finance and Performance



Reaching your strategic sustainability objectives – Governance

Embed the ownership and enforcement of sustainability performance management in the organisation

Governance Framework

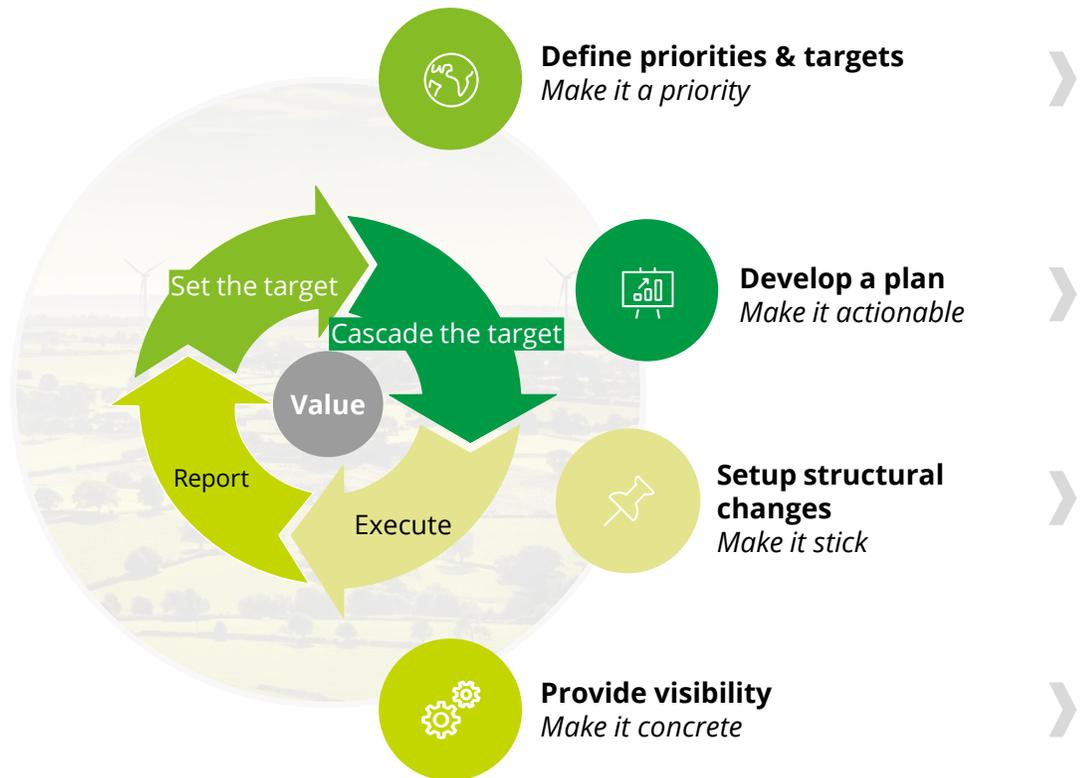


Specificities in setting up governance for SuPM

Organizational Set-Up	The Role of Finance	The Mobilization of Talent
<p>Define the organizational set-up to support SuPM in your organization:</p> <ul style="list-style-type: none"> Central vs decentral Deciding which department to take the lead Setting up committees and decision structures <p>The right governance will ensure strategic alignment between the company's strategic goals and initiatives and expectations from sustainability on all relevant levels within the organization.</p>	<p>A modern Finance function acts as a catalyst for sustainability efforts, combining the role of strategic advisor and provider of insights to the business.</p> <p>Hence, Finance is the predestined partner for the business to fulfil sustainability goals, by:</p> <ul style="list-style-type: none"> Integrating the objectives into existing planning processes Provisioning data Breaking down overall strategy into relevant KPIs or metrics 	<p>Mobilize talent and acquire skills in the sustainability sphere.</p> <p>The hiring strategy should be aligned with the company's sustainability goals and focus on talent with the necessary sustainability knowledge, skills, and technological acumen.</p> <p>As the current recruitment landscape is highly competitive, focus on upskilling the existing talent base.</p>

Reaching your strategic sustainability objectives – Process

Understand and harmonize the sustainability performance management process across the organization



Develop a **consensus** and define the critical **priorities** for the company based on SDG's with clear & communicated **targets**

Define concrete **initiatives** and develop **roadmap** to achieve the targets

Implement **structural measures** to make sure the sustainability ambitions are embedded in the **everyday life** of the company

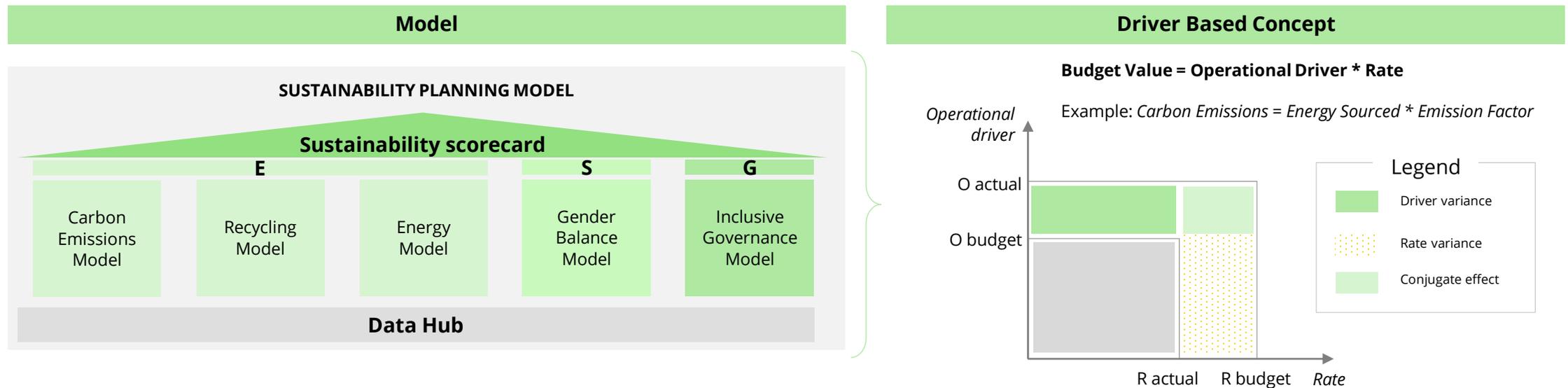
Give stakeholders (internal & external) the tools to provide **visibility on performance** against targets

Example of CO₂ emissions

- Reduce CO₂ emission intensity by 50% by 2030
- Investigate decarbonization pathways to reduce carbon footprint across value chain
- Implement internal carbon fees as part of financial planning processes
- Compute and disclose carbon emissions on a monthly basis

Reaching your strategic sustainability objectives – Model

Design a connected planning framework to model and plan on sustainability targets, integrate reporting into a sustainability scorecard and aggregate with existing financial KPIs



- Common planning level of **granularity** across all involved processes to ensure uniformity in planning and reporting
- Define the most appropriate **drivers** to take all relevant sustainability drivers into account
- Develop **what-if simulation** capabilities by leveraging the drivers, allowing to anticipate changes and simulate different scenarios
- Use of **emerging technologies** to increase planning model accuracy and leverage existing technologies in data collection and planning

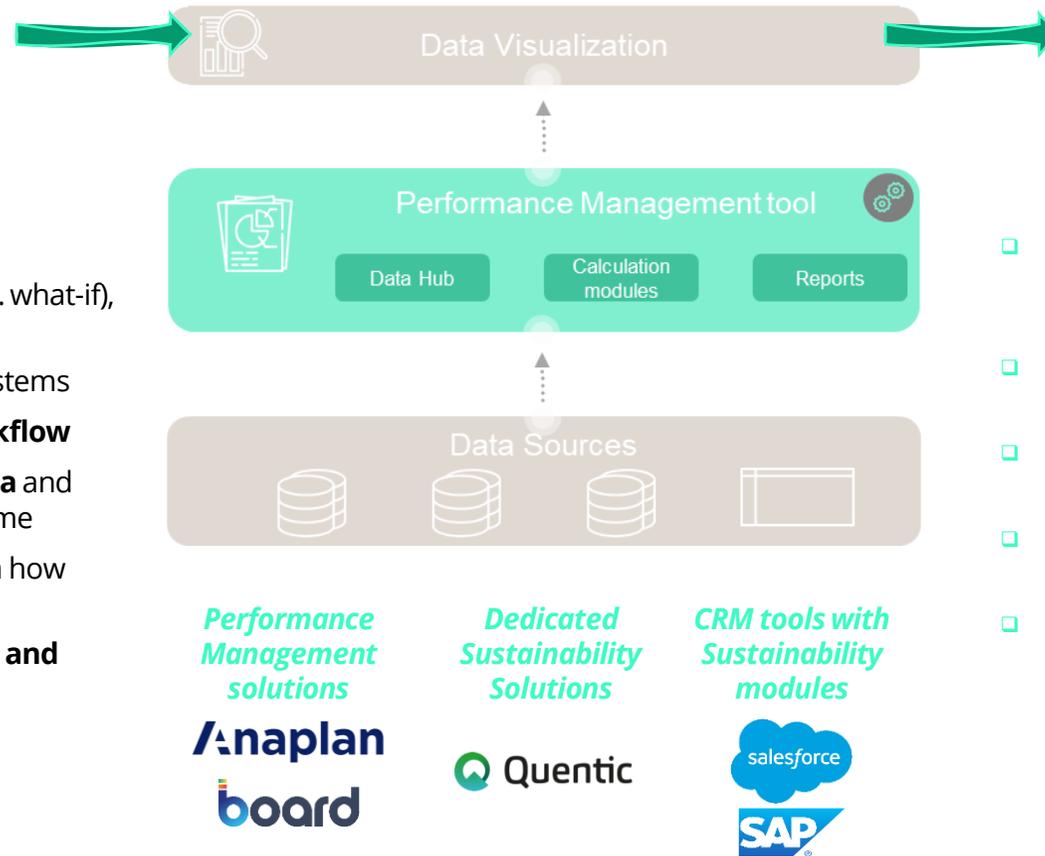
Reaching your strategic sustainability objectives – Technology

Choose the right technology solution to unlock the true potential of a structured approach to Sustainability Performance Management; the solution will allow to support the defined governance, processes, calculation models & subsequent reporting

CHARACTERISTICS

...of the ideal Sustainability Performance Management solution :

- ❑ Allow users to **self-serve** (not IT-led)
- ❑ **Powerful** in what you can model (incl. what-if), but also **flexible** in allowing changes
- ❑ Allow to **integrate** data with other systems
- ❑ Support the process via a strong **workflow**
- ❑ Easily deal with **large volumes of data** and complex calculations, ideally in real-time
- ❑ Be **secure**, and sufficiently granular in how security can be set up
- ❑ Have an acceptable **implementation and operating cost**



VALUE

...generated by the Sustainability Performance Management solution :

- ❑ **Automate** non-value adding activities that are a burden on the sustainability reporting teams (e.g., data capturing & consolidation)
- ❑ Bring **processes under control** through workflows, status views and comments
- ❑ **Reduce reporting cycle times** by cascading targets and making assumptions transparent
- ❑ Clarify the **impact of scenarios** through what-if analyses
- ❑ Serve as a well-understood '**one version of the truth**' for sustainability information

Client case

We have supported a global consumer products company to manage its sustainability performance targets

Background

- The company has defined **targets in four sustainability areas to achieve by 2025**: smart agriculture, climate action, recycled content, and water stewardship.
- For climate action, the company has decided to **reduce its carbon emissions by 25%** (compared to outputs in 2017).
- To achieve these targets, and drive better decisions, the company was seeking to create an **insightful and consolidated view on its performance** regarding these sustainability areas.

Solution

- **One global integrated sustainability reporting platform**, spanning across zones and countries, **built in Anaplan**.
- **Clean and structured data** to report on accurate figures, which are automatically collected by integrating with the source tools.
- **In-house Anaplan expertise** to support the users of the platform and maintain a platform aligned with the business reality.

Impact on the climate action target area

- By automating the data collection and calculation, the carbon emissions can be **reported on a quarterly basis** (instead of yearly), while reducing the manual efforts of the contributors.
- **The Global Director for Climate Action** is freed-up to discuss results and potential solutions with the different stakeholders of carbon emissions.
- The carbon emissions reports and analyses can be **dynamically accessed and used by all staff members** concerned with climate action, in their day-to-day business activities.



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