# Deloitte.



GBS as a driver for sustainability



### Table of contents

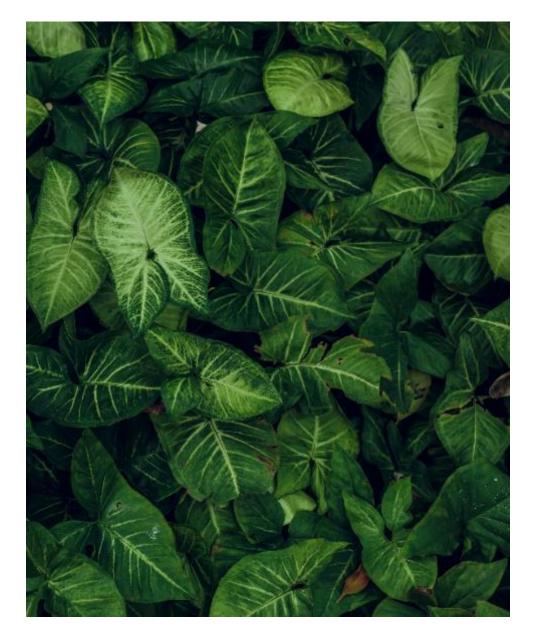
1 The case for sustainability

2 Key sustainability drivers and impact on GBS

GBS as a use case and driver of the company's sustainability agenda

4. Recommendations for a successful GBS sustainability transformation

5 Our Deloitte contacts



### The case for sustainability

Today we see ourselves faced with diverse sustainability issues; a company's response to topics around Environment, Social and Governance (ESG) is increasingly used to assess value creation and preservation as addition to financial factors

<u>E</u> nvironmental		<u>S</u> ocial		Corporate <u>G</u> overnance	
Environmental degradation	Climate change	Human growth	Social foundation under pressure	Evolving world order	Digital revolution
<ul> <li>Pollution</li> <li>Biodiversity and biomass loss</li> <li>Pollinator loss</li> <li>Resource depletion</li> <li>Decline in soil health</li> <li>Decline in fresh and sea water quality</li> <li></li> </ul>	<ul> <li>Extreme weather</li> <li>Sea level rise/flooding</li> <li>Irreversible large- scale events</li> <li>Drought</li> <li>access to resources</li> <li>Diseases and invasive species</li> <li></li> </ul>	<ul> <li>Ageing population</li> <li>High consumption lifestyles</li> <li>Global supply chains</li> <li>Circular economy</li> <li>Urbanisation</li> <li>Growing middle class</li> <li>Mobility and population shifts</li> <li></li> </ul>	<ul> <li>Under-or over-employment</li> <li>Inequality</li> <li>Governance</li> <li>Chronic disease (physical or mental)</li> <li>Political instability</li> <li></li> </ul>	<ul> <li>Shifting power</li> <li>Declining faith in established systems</li> <li>Failure of global institutions and rules</li> <li>Fragmentation</li> <li>Population control</li> <li>Protectionism</li> <li>War and terrorism</li> <li></li> </ul>	<ul> <li>Digital dependency</li> <li>Al and automation</li> <li>Biotech</li> <li>Cyber terrorism</li> <li>Fake news and echo chambers</li> <li>Access to skills</li> <li></li> </ul>

62%

of CxOs expect a (very) high impact of climate change on their company's strategy and operations over the next three years<sup>1</sup>

44%

of the German population are skeptical that sufficient measures are being taken worldwide to avoid the most severe impacts of climate change<sup>2</sup>

2.5%

economic gain of the German GDP (equaling €140 bn) in 2070 will not be realized if no action is taken and global warming reaches 3°C (instead of 1.5°C)<sup>3</sup>

Sources: (1) Deloitte 2022: CxO Sustainability Report - The disconnect between ambition and impact, (2) Deloitte 2022: Climate Sentiment Study, (3) Deloitte 2021: Germany's turning point - Accelerating new growth on the path to net zero

### Key sustainability drivers and impact on GBS

Investors, governments, citizens and activists are becoming more consistent in their demands for sustainable business practices and the resulting requirements will have a direct impact on both companies and their GBS organizations

#### **Sustainability drivers**



#### Regulatory requirements

• Existing and upcoming regulations, international conventions & commitments (e.g., Paris Agreement, EU Green Deal) need to be integrated into the company's strategy and processes



#### **Capital market & investors**

• Investors increasingly focus on ESG regarding investment and credit decisions while data and disclosure requirements (e.g., IASB, DRSC, IFAC, IDW) expand at the same time



#### Society & consumer behavior

• Brand perception and purchasing decisions of consumers are increasingly determined by a company's sustainability performance and are influenced by social movements and NGOs



#### **B2B** requirements

• New sustainability requirements and regulations have a strong impact on the company's value chain and result in new responsibilities



#### **Demand from employees**

• Employer attractiveness is increasingly impacted by the company's perceived sustainability performance and employees demand more sustainable actions from their company

#### <sup>1</sup> Corporate Social Responsibility

#### Why it matters for GBS

- Overall pressure on companies to improve and disclose their ecological footprint and CSR<sup>1</sup> standards also include the company's GBS operations
- GBS often is the owner of operational processes that have a direct impact on safeguarding sustainability and human rights (e.g., Procurement, Supply Chain)
- With its positioning at the center of a company, GBS organizations have unique capabilities to provide transparency on sustainability KPIs and regular reporting

GBS organizations are no longer expected to only deliver savings but to contribute to a company's commitment to society and the environment

### How GBS can support sustainability measures



The trend towards sustainability provides GBS with an opportunity to gain credibility by acting as a role model for a sustainable organization while simultaneously moving up the value chain by establishing ESG process capabilities



### GBS as a use case for sustainability











Given their typically large scale and global scope GBS organizations can make a significant contribution to sustainability: minimizing their ecological footprint, fostering diversity in all aspects and safeguarding end-to-end ethical compliance



#### **Environmental**



#### Social



#### **Corporate Governance**

**Issue** Selection)

#### Climate change

Human generated greenhouse gases and pollution largely determine the extent of global warming & environmental degradation

#### Lack of diversity

Workforce of many organizations is often still rather homogenous with little diversity in gender, race, sexual orientation and disability

#### **Ethical failures**

Instances of modern slavery and human right abuses (e.g., poor working conditions) still exist and are often maintained by a lack of transparency

- How to react
- Understand your GBS organization's contribution to overall corporate emission (e.g., real estate footprint, business travel, waste management)
- Reflect on how GBS can adopt a circular mindset and contribute to a Net Zero<sup>1</sup> ambition, e.g., by
  - Promoting virtual collaboration
  - Rethinking the procurement strategy and engaging with innovative suppliers
  - Choosing products with low environmental impact and supporting circularity initiatives

- Be aware that diversity initiatives can provide a unique challenge to GBS organizations due to the potential differences in diversity by region, center and delivery tower
- Allow for a multi-faceted diversity approach:
  - Start with the why: connect diversity efforts with core beliefs such as fairness and justice
  - Be firm on the "what" & loose on the "how": give site leaders strong guardrails & measures of success and empower them to make own decisions on how to improve diversity

- Screen your GBS organization's own internal and external service delivery and supply chain for compliance with ethical standards & certifications
- Create seamless **end-to-end transparency**:
  - Conduct thorough due diligence of your suppliers and business partners (e.g., BPO) before signing contracts
  - Establish KPIs for procurement/supply chain to drive ethical considerations
  - Carry out regular audits to identify malpractice

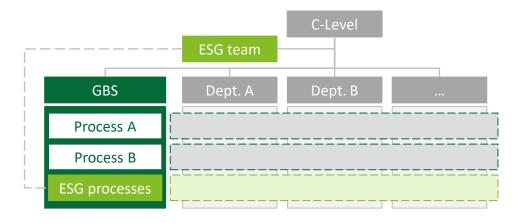
<sup>&</sup>lt;sup>1</sup> Cutting greenhouse gas emissions to as close to zero as possible with any remaining emissions re-absorbed from the atmosphere; net zero needs to be reached by 2050 to keep global warming to no more than 1.5°C (Paris Agreement)

### ESG operating model within GBS



The variety of organizational design options for a company-wide sustainability operating model is broad; we believe that GBS is uniquely positioned to operationalize a company's ESG capabilities due to its set-up, scope and core competencies

#### **Organizational integration of ESG and GBS**



- Access to data: many ESG related processes and respective data are already centralized within GBS and allow for an unbiased perspective
- **Standardization & reporting capabilities:** process documentation as well as collection, consolidation and reporting of data are typical GBS competencies
- **Ease of audit:** GBS can serve as a central point for auditors with regards to ESG related matters

#### **Success factors**

- (1) Evaluation of alternative organizational forms for a company-wide sustainability operating model, taking into account the avoidance of redundancies, increased efficiency and consistency
- (2) Checking the acceptance and feasibility of the ESG operating model within GBS
- (3) Determination of the long-term organizational set-up for sustainability
- (4) Definition of **roles and responsibilities** and clear governance across GBS and the entire organization
- (5) Determination of data sovereignty over essential ESG data
- (6) Establishment of necessary **ESG committee structures** and corresponding decision-making processes
- (7) Early involvement of relevant stakeholders

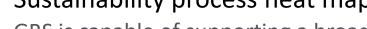
### Sustainability process heat map











GBS is capable of supporting a broad variety of a company's key sustainability processes from strategy to operations, especially with regards to data, risk management and performance management

Strategy Definition	Footprint Management (one-off & functional measures)	Financing & Investments	Data Management	Performance Management & Reporting	Stakeholder Communication	Risk Management	
Stakeholder survey (internal & external) & engagement (incl. external committee work)	Operationalization of FoA to BU Level (targets, KPIs)	Investment methodology & process definition	Data request & policies definition	Planning	Sustainability reports concept definition & validation	Risk identification & evaluation	
External environment analysis (e.g., external requirements, competitor analysis)	Product portfolio management	Investment evaluation	Master data management	Incentivizing & Target Setting	Report production (text & layout)	Risk aggregation	
Internal environment analysis (e.g., R&D, potential assessment, purchasing, etc.)	Execution of One-off FoA measures (non-product)	Green finance concept (e.g., Green Bonds)	Data collection to upload/release/enter data	Preparation for external reporting disclosure	External sustainability communication	Qualitative scenario analysis	
Materiality analysis	Execution Functional FoA Purchasing	Green finance execution	Data validation	Forecasting	Internal sustainability communication	Quantitative scenario analysis	
Check ambition level/targets related to regulations with defined strategy	Execution Functional FoA Other	ESG-Rating Response & Optimisation (CDP, ISS ESG, TCFD, etc.)	Data assurance	Performance Dialogue	Conduct regular touchpoints with rating agencies	Risk measure control	
Definition of targets, measures, KPIs, indicators per FoA – Group level	Monitoring of footprint measures	Monitor regulatory evolvement and trends	Define master data fields required to disclose	Internal Reporting	Inform steering/reporting about changes in ext. Requirements of ratings	Risk reporting	
Integrate regulations as part of strategy and decision making process	Training & cultural change	Ensure new regulatory updates are integrated into processes & systems	Define calculation, allocation and disclosure rules	Analyze & interprete results on entity/subsidiary/corp./consoli dated level			
Support services: Sustainability tool selection, access to databases, etc.							

Simplified process model – requires company specific adjustments

**GBS Potential** 

### Value chain requirements









GBS often owns operational processes of a company's value chain and therefore takes responsibility for complying with new requirements and regulations which have a direct impact on safeguarding sustainability and human rights

LXCIIIpiai	y Sustainability topics along the value of Research and Development	Procurement	Production	Marketing/Sales	Aftersales		
Environment	Focusing research on sustainable materials, recycling share and minimal production waste	Minimizing transportation routes, aligning sustainable strategy with core suppliers	Efficient use of resources and minimisation of waste, handling of CO <sub>2</sub> emissions and water usage	Communicating sustainable efforts to stakeholders, highlighting sustainable and environment-friendly products	Recycling of obsolete products ("trade in"), optimising sales strategy for replacement parts and products		
Social	Establishing secure environments for research	Avoiding children's' work and illegal activities along the supply chain across countries, ensuring proper wages	Ensuring proper wages, minimising risk of accidents, reflecting share of female/diverse workers	Addressing clients in a equally appreciative way, considering social differences across cultures and countries	Ensuring proper wages, reflecting share of female/diverse workers		
<b>Governance</b>	Establishing controls and mechanisms for allocation of resources and capital to strengthen focus on sustainable development activities	Supervising the procurement chain and establishing a governing body for the regulations of the supply chain sourcing Act	Establishing controls and mechanisms to steer for GHG emissions	Establishing controls and mechanisms	Establishing controls and mechanisms		
	Function typically within GBS scope						
	Regulatory Requirements Strategic Ambition						

### Recommendations for a successful transformation

A successful GBS transformation cannot be achieved over night but requires a medium- to long-term focus — it is essential to start the process early on in order to set the course for a more sustainable operating model today



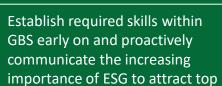
## Overcome silo thinking & act together

Create a common understanding of roles for sustainability matters across GBS and other departments (no silo thinking), especially with regard to the question of governance and collaboration model



Integrate sustainability into your existing corporate and GBS environment with a primary focus on existing processes, structured data retrieval and the integration of (non-) financial key figures

# Leverage your employees



Overcome the limits of your own organization

talents on the labor market



It is not enough to only focus on your own GBS organization and company – rather put your focus on the entire value chain and involve all relevant partners in the transformation process

#### **ACT NOW**

in your GBS organization early
on in order to differentiate
yourself from your competitors
and to reap the full bandwidth of
sustainability benefits incl.
financial savings, stronger brand
perception and reputation as well
as increased customer and
employee satisfaction

### Your Deloitte contacts

Please contact us any time in case of any questions and for further alignment

### **Deloitte.**

#### **Albrecht Altenhoener**

Partner GBS Market Offering Lead Finance & Performance Mobile: +(49) 151 5800 0090 aaltenhoener@deloitte.de

#### Deloitte Consulting GmbH

Rather Str. 49 g 40476 Düsseldorf Deutschland www.deloitte.com/de

#### Deloitte.

#### Lydia Neuhuber

Director
Sustainability Consulting Lead
Finance & Performance
Mobile: +(49) 151 5800 3833
Ineuhuber@deloitte.de

#### Deloitte Consulting GmbH

Rosenheimer Platz 4 81669 München Deutschland www.deloitte.com/de

### **Deloitte.**

#### **Nadia Weidauer**

Manager GBS Strategy & Transformation Finance & Performance Mobile: +(49) 151 5800 0455 nweidauer@deloitte.de

#### Deloitte Consulting GmbH

Löffelstrasse 42 70597 Stuttgart Deutschland www.deloitte.com/de

# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/de/UeberUns to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Legal advisory services in Germany are provided by Deloitte Legal. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's more than 345,000 people worldwide make an impact that matters at <a href="https://www.deloitte.com/de">www.deloitte.com/de</a>.

This communication contains general information only, and none of Deloitte Consulting GmbH or Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.