

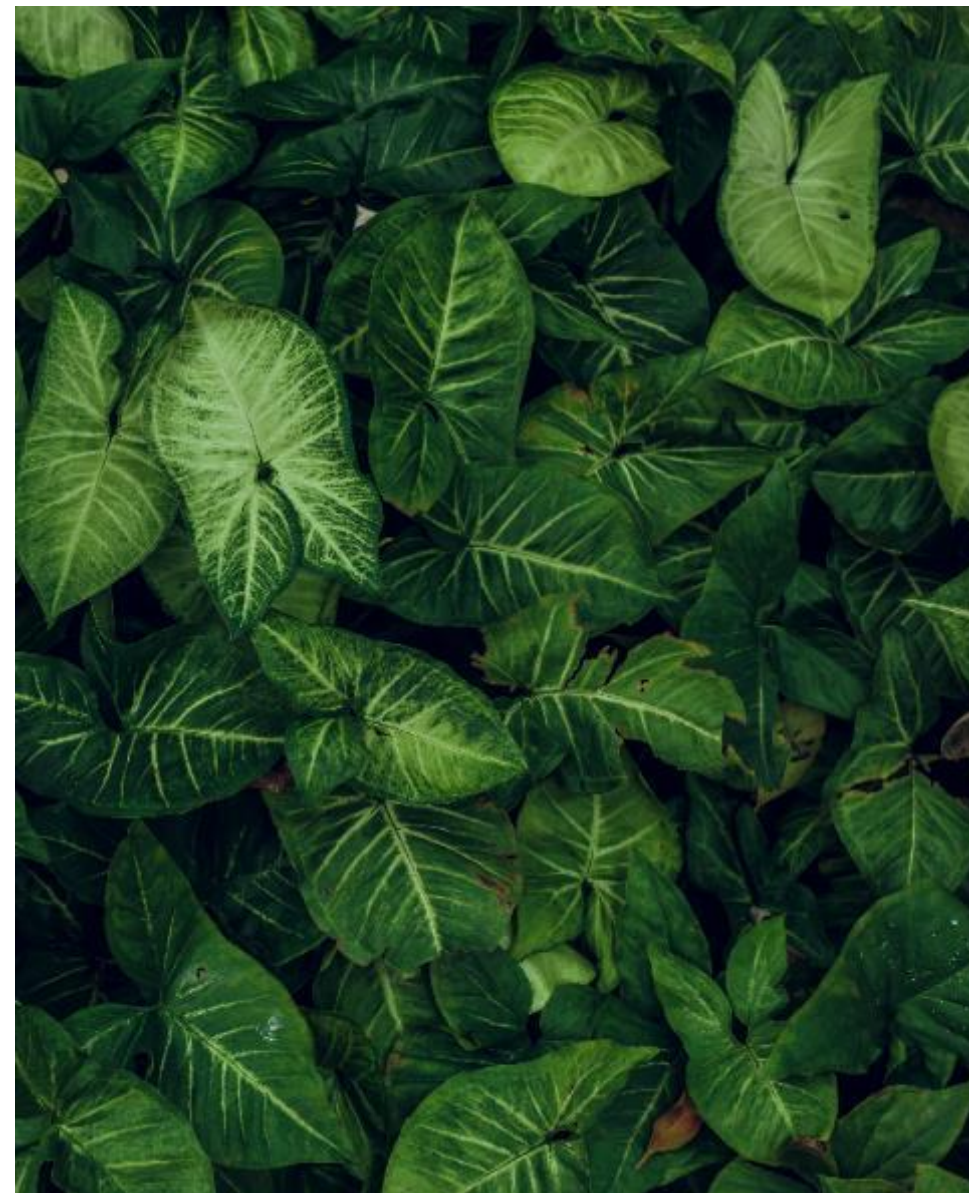


## GBS as a driver for sustainability

July 2022

# Table of contents

- 1 The case for **sustainability**
- 2 Key sustainability drivers and **impact on GBS**
- 3 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

Environmental		Social		Corporate Governance	
Environmental degradation	Climate change	Human growth	Social foundation under pressure	Evolving world order	Digital revolution
<ul style="list-style-type: none"><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 style="list-style-type: none"><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 style="list-style-type: none"><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 style="list-style-type: none"><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 style="list-style-type: none"><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 style="list-style-type: none"><li>• Digital dependency</li><li>• AI 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>

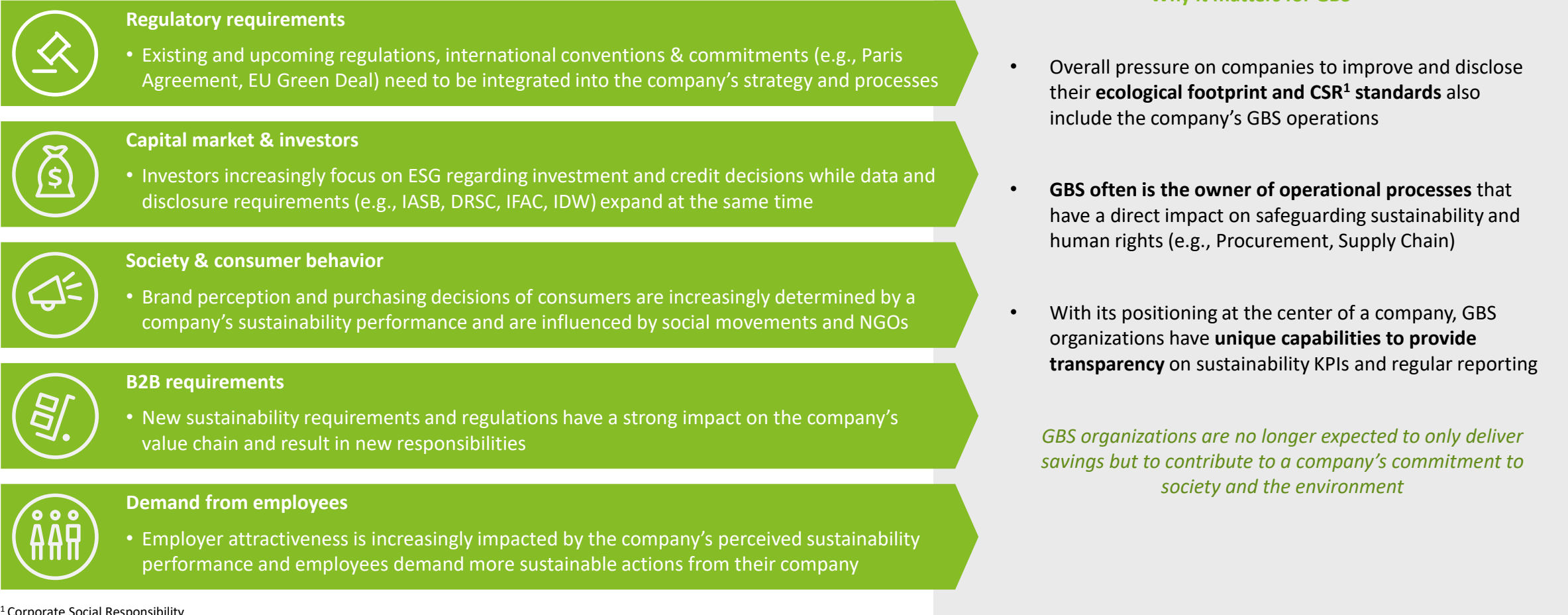
<div>62%</div> <div>of CxOs expect a (very) high impact of climate change on their company’s strategy and operations over the next three years<sup>1</sup></div>	<div>44%</div> <div>of the German population are skeptical that sufficient measures are being taken worldwide to avoid the most severe impacts of climate change<sup>2</sup></div>	<div>2.5%</div> <div>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></div>
--	--	--

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



<sup>1</sup> Corporate Social Responsibility

# 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

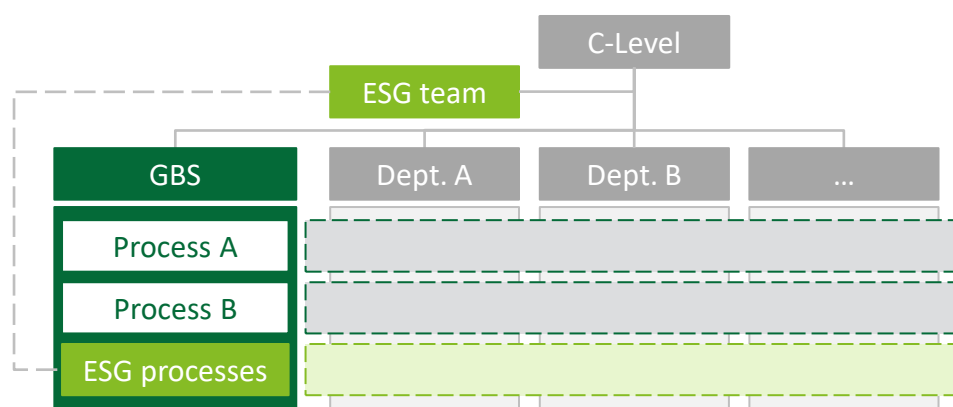
	 <b>Environmental</b>	 <b>Social</b>	 <b>Corporate Governance</b>
Issue (selection)	<b>Climate change</b> Human generated greenhouse gases and pollution largely determine the extent of global warming & environmental degradation	<b>Lack of diversity</b> Workforce of many organizations is often still rather homogenous with little diversity in gender, race, sexual orientation and disability	<b>Ethical failures</b> 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	<ul style="list-style-type: none"> <li>Understand your <b>GBS organization's contribution</b> to overall corporate emission (e.g., real estate footprint, business travel, waste management)</li> <li>Reflect on how GBS can <b>adopt a circular mindset</b> and contribute to a <b>Net Zero<sup>1</sup> ambition</b>, e.g., by                             <ul style="list-style-type: none"> <li>Promoting virtual collaboration</li> <li>Rethinking the procurement strategy and engaging with innovative suppliers</li> <li>Choosing products with low environmental impact and supporting circularity initiatives</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Be aware that diversity initiatives can provide a unique challenge to GBS organizations due to the <b>potential differences in diversity by region, center and delivery tower</b></li> <li>Allow for a multi-faceted diversity approach:                             <ul style="list-style-type: none"> <li><b>Start with the why:</b> connect diversity efforts with core beliefs such as fairness and justice</li> <li><b>Be firm on the “what” &amp; loose on the “how”:</b> give site leaders strong guardrails &amp; measures of success and empower them to make own decisions on how to improve diversity</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Screen your GBS organization's own <b>internal and external service delivery and supply chain</b> for compliance with ethical standards &amp; certifications</li> <li>Create seamless <b>end-to-end transparency</b>:                             <ul style="list-style-type: none"> <li>Conduct thorough due diligence of your suppliers and business partners (e.g., BPO) before signing contracts</li> <li>Establish KPIs for procurement/supply chain to drive ethical considerations</li> <li>Carry out regular audits to identify malpractice</li> </ul> </li> </ul>

<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 & interpret results on entity/subsidiary/corp./consolidated level		

Support services: Sustainability tool selection, access to databases, etc.

Simplified process model – requires company specific adjustments

GBS Potential Low Medium High

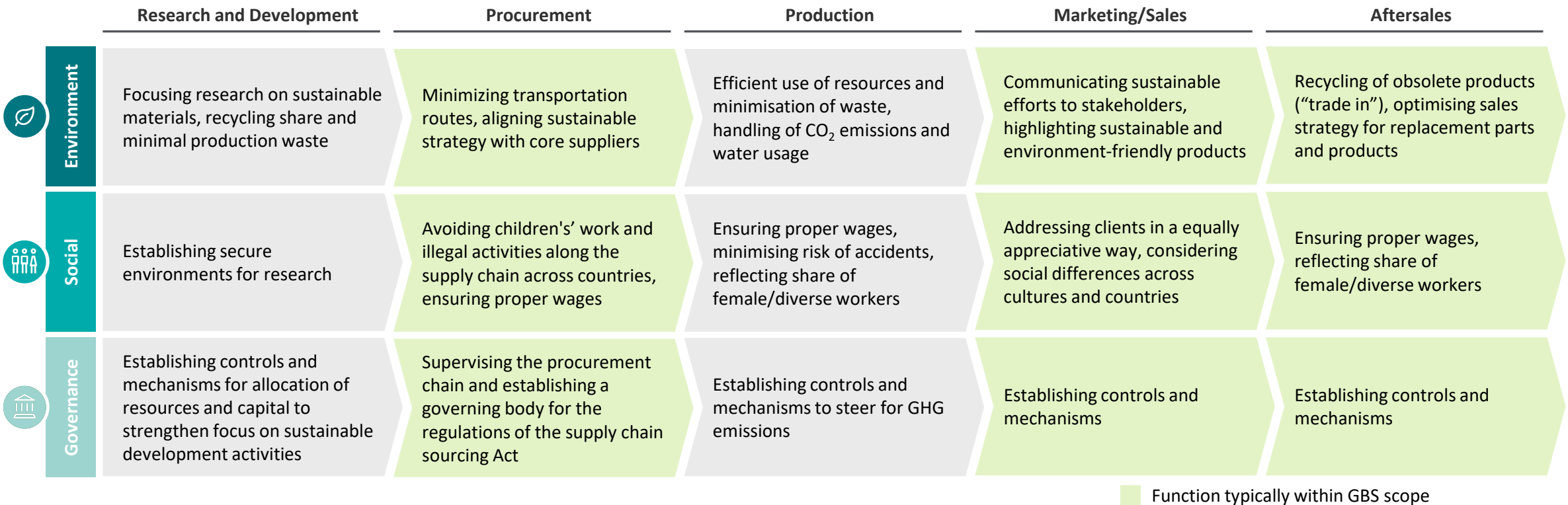



# Value chain requirements


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



## Exemplary Sustainability topics along the value chain (*not exhaustive*)

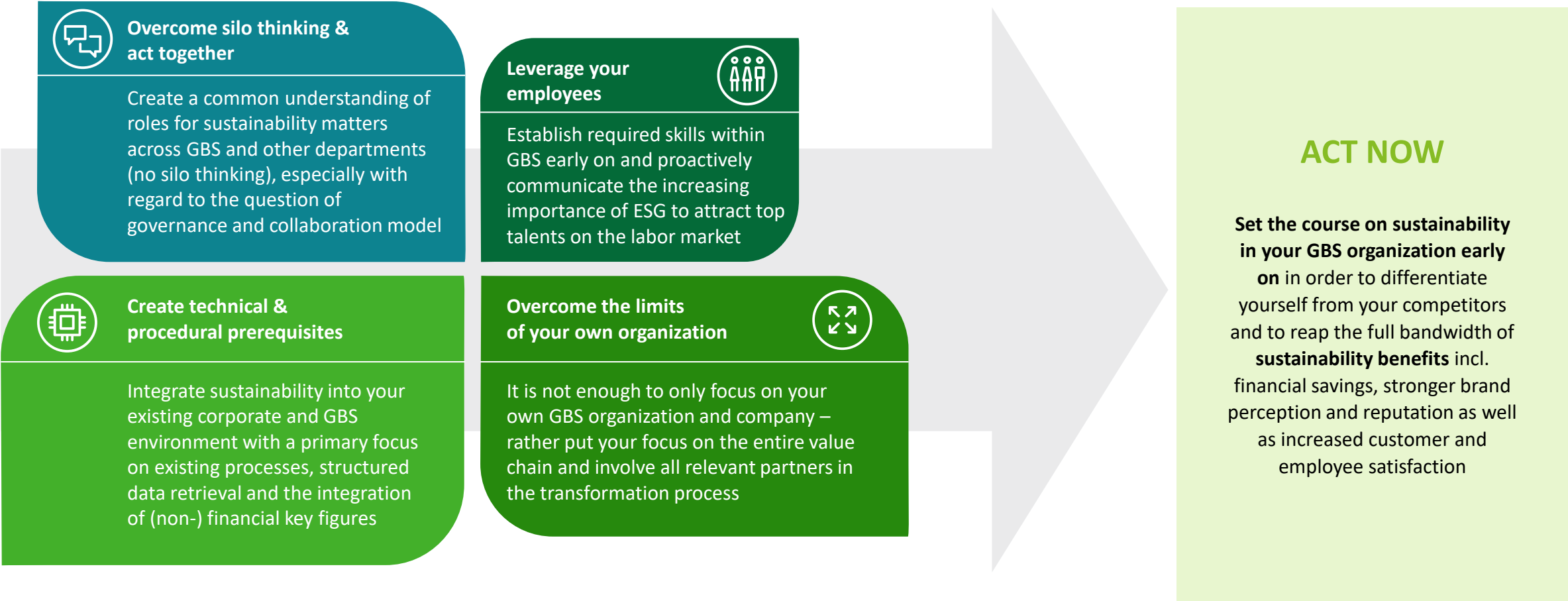


 Regulatory Requirements

 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



# 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  
lneuhuber@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 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](http://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 [www.deloitte.com/de](http://www.deloitte.com/de).

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.