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Preparing your organisation for the rise of sustainability

How understanding the impacts to workforce
can accelerate transformation



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Introduction

The sustainability revolution has arrived

Southeast Asia is diverse and ripe for economic growth, social development, and rising quality of life. Achieving these favourable outcomes will require addressing the risks and opportunities stemming from the evolving sustainability agenda.

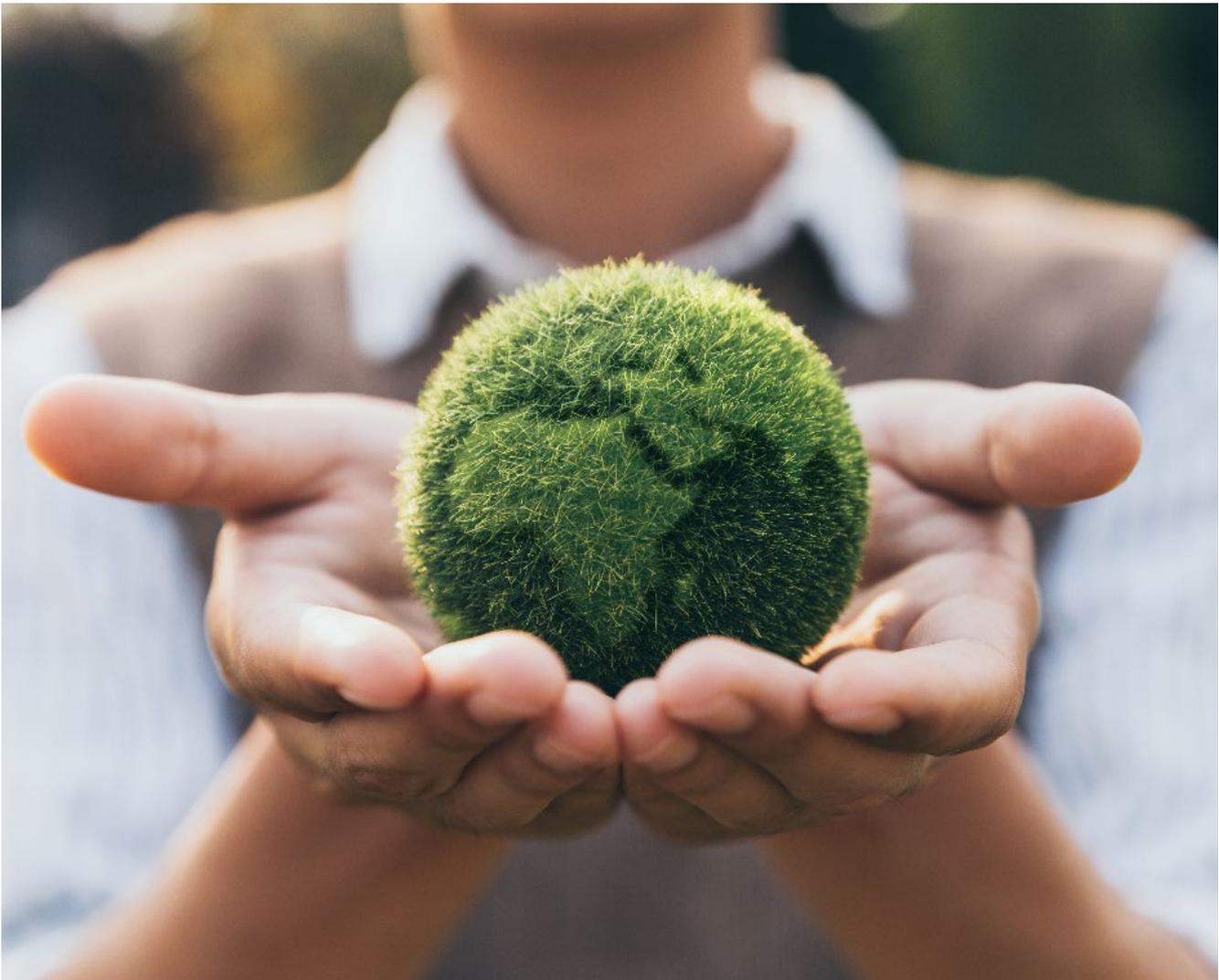
With the gradual shift from a fringe consideration to being a core agenda item, organisations are increasingly focused on understanding how to embrace the opportunities arising from sustainability and reframing their approach from risk to opportunity. Furthermore, organisations are increasingly aware of how their decisions and actions can have a considerable impact on future generations.

Now, sustainability is a top priority for leaders in Southeast Asia. As this agenda ascends in priority, in tandem comes questions around what organisations can actively do to develop a future-ready and sustainability-focused workforce.

We hear positive intent and commitment to action in the market, yet at the same time, we witness leaders who do not know where or how to start. Bridging the gap between aspiration and impact requires a sense of where you want to be and the challenges to overcome.

This article provides a perspective on the emerging sustainability agenda, what it means for your workforce and highlights some of the ways Southeast Asian leaders can both understand and address opportunities.





Sustainability impacts and considerations for Southeast Asia

Sustainability is a global challenge that Southeast Asia is set to grapple within the coming years. After the height of the COVID-19 pandemic, there has been an increased public awareness of the sustainability agenda and with it, commercial opportunities and demand for businesses and policymakers to act.

According to the Deloitte Economics Institute, 75% of Asia Pacific's GDP is exposed to climate disruption.¹ While Southeast Asia is highly diverse and consists of varying levels of development and sustainability maturity, almost 80% of executives say their organisations are very concerned about climate change.²

Through our conversations with leaders and workers, we know that the sustainability agenda weighs heavily in the minds of executives and 89% of leaders agree that there is a climate emergency.² Yet the salient point is a disconnect between the risks and how multiple business units work together to address opportunities.

The impacts to workforce

97% of respondents in the Deloitte 2022 CXO Sustainability Report say that their organisations have already been negatively impacted by climate change.² For example, leaders have told us that competency and skills in corporate sustainability are lacking, and the risks and opportunities are ever evolving. While that may seem simplistic, by digging a bit deeper we have identified impacts where the sustainability agenda is creating workforce challenges.

Impact 1

Misalignment between front and back-office functions.

While back-office functions are typically more conservative and manage risk, compliance and regulatory obligations, this can be at odds with front office roles where risk taking, innovation, and client satisfaction can be encouraged. This misalignment can thwart opportunities to embrace sustainability transformation and commercial opportunities.

Impact 2

Evolving workforce motivation and talent attraction trends.

Southeast Asian societies are increasingly demanding change. Deloitte Southeast Asia's (SEA) study on Gen Z highlighted that Gen Z's focus their energy on making an impact in sustainability, diversity, equity, inclusion and climate change.³ Globally, the vast majority (90%) of Gen Zs and Millennials are trying to reduce their personal impact on the environment. They do not believe businesses and governments are as strongly committed, and many are pushing their own employers to act now. Purpose is also becoming a key factor to determining the employer of choice for Gen Z talent with 56% of Gen Z and 57% of Millennials reporting that they prioritise purpose and positive social impact over brand popularity of their employer.³

Impact 3

Growth in ESG regulation advancements and legislation.

Innovations in Environment, Social and Governance (ESG) data collection and the drive towards legislating sustainability-related policies are pushing compliance to the forefront of strategic considerations. Investors are also placing pressure on companies to create and maintain a corporate sustainability agenda. For example, 57% of executives said their organisation faces significant pressure from investors to report climate-related risk and management. The need to collect, monitor and report on new metrics is driving the demand for workforce skilling, upskilling and cross-skilling.

The case for change

Sustainability Workforce Transformation

According to Deloitte Access Economics, Southeast Asia is at the axis of having much to gain from action and equally much to lose from inaction. They note that Southeast Asia's economy is highly exposed to the economic damage caused by climate change. The cost of standing still on climate action could be severe and as much as a US\$28 trillion loss for the regional economy by 2070.⁴

The rise of the belief-driven consumer, investor, and worker

For most companies, having a sustainability plan is no longer a differentiator but an expectation from investors, customers, and employees. On the flip side of stakeholder pressure, we see today that companies that can pivot and innovate their sustainability strategies are increasingly rewarded by stakeholders. For example, according to Deloitte's 2019 Millennial Study, 42% of surveyed Millennials say they would start, stop, or deepen/lessen a relationship with a brand based on a company's impact on the environment.⁵

The same study revealed that 45% of surveyed employees would change jobs if their companies failed to implement sustainable business practices. Along with changing jobs, 44% would leave negative reviews for their company if they fail to meet climate action expectations. What is clear is that failure to implement climate action can make or break reputations.

Younger generations are demanding responsible behaviour from businesses to become environmentally and socially responsible. 49% of global consumers are also prioritising sustainability in their food and beverage purchases.⁶ And SEA is tipped to become the next region to watch for growth in sustainability choices. Millennials (48%) and Gen Zs (56%) also claim that they have put some pressure on their employer to take climate action.⁷ Today, Gen Zs and Millennials comprise a third of the workforce. In the coming decade next decade, that figure is set to rise to 58%, making them a dominant demographic in the workforce.⁸



Sustainability opens doors for organisations to access new markets and win clients

The shift to sustainable ways of living and working is creating opportunities to share key technologies, approaches, and expertise more broadly. This opens up possibilities for more business opportunities and access to new markets. Furthermore, Southeast Asia is rich in natural resources and has the economic fundamentals to increase the green export trade ratio. For example, there are an estimated 2 million global solar manufacturing jobs and Southeast Asia has 10% of the world's solar photovoltaic component manufacturing capacity.¹ Widening and diversifying commercial offerings exposes businesses to generate economic benefits.

Sustainability can future-proof organisations

More than measuring financial outcomes, organisations will increasingly evaluate the value they provide through a sustainability lens. For example, regulatory requirements and policies are constantly evolving and expanding, and, over the last three decades, there has been an almost tenfold rise in the number of laws and policies passed globally.⁹ Pursuing sustainability transformation increases the organisation's ability to proactively respond to regulatory requirements and mitigate the costs associated with non-compliance.

Addressing opportunities

A vision for the future

A truly sustainable organisation features a sustainability strategy that is integrated into its core mission and objectives into the day-to-day decision-making of the workforce. Sustainability is aligned with the business model and is driven by behaviour and culture shifts that move away from traditional ways of thinking and siloed ways of working.

To strengthen workforce capability and embed a leading-edge approach, a sustainability-driven decision-making framework can be applied. For example, decisions such as corporate travel, client catering, and waste management are all inherently influenced by sustainability considerations. At an enterprise level, CxOs are evangelistic sustainability leaders that embed sustainability considerations into their business mandates. At an industry level, leaders are strongly positioned to advocate for industry-wide policy reforms. Finally, a truly sustainable organisation has a data-driven governance and monitoring system in place to ensure accountability and consistent performance.¹⁰

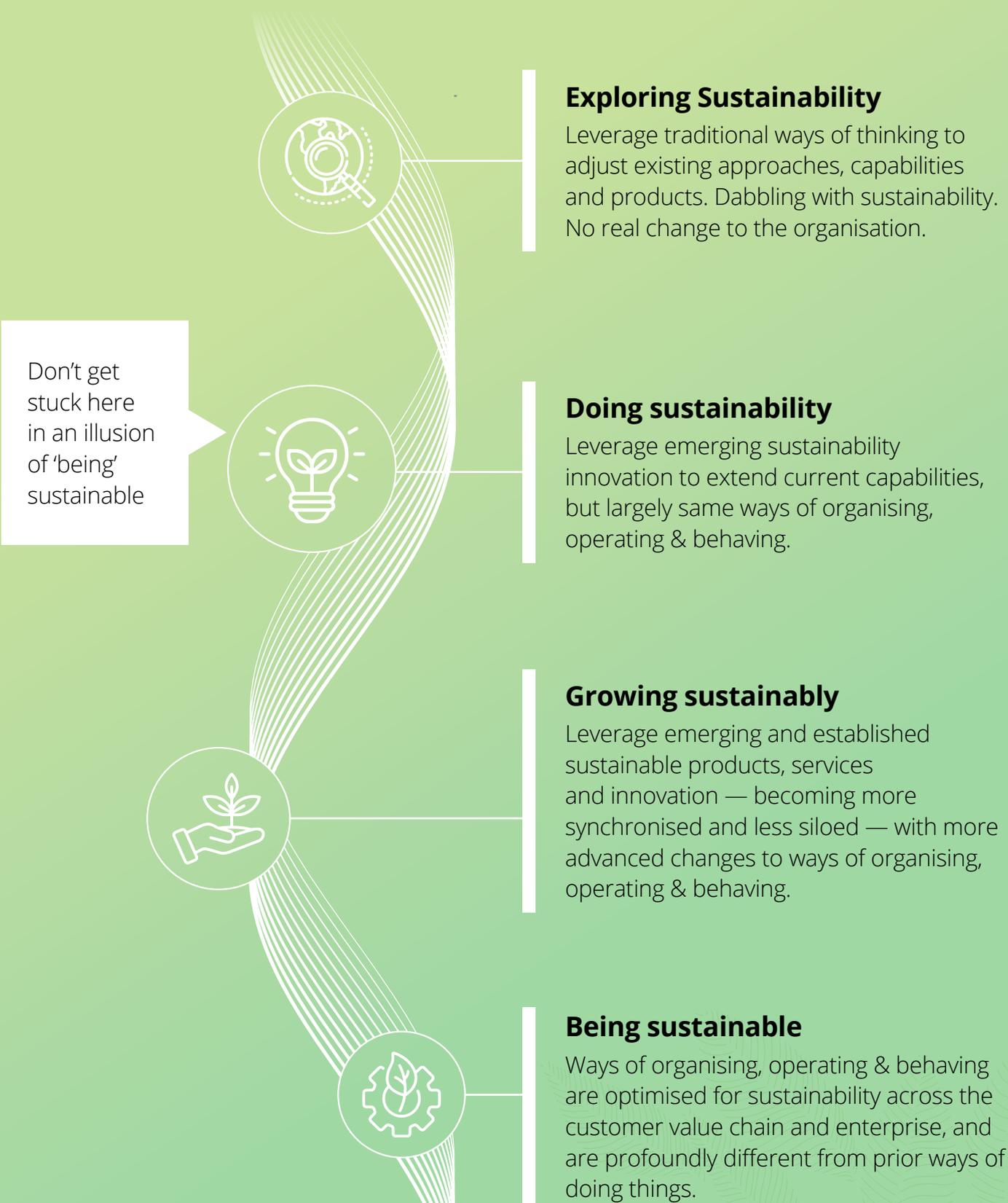
To bring this vision to life via workforce transformation, targeted building blocks are required to make sustainability part of everyday procedures, processes, and practices.

Looking at yourself in the mirror is the first step

To start the sustainability transformation journey, organisations need to identify where they are currently and consider the aspirational target future state.

Deloitte's **Workforce Sustainability Maturity Model** employs a maturity spectrum covering four levels to help leaders realistically assess where they are and evaluate the gap between where they want to be.

Deloitte's Organisational Sustainability Maturity Model

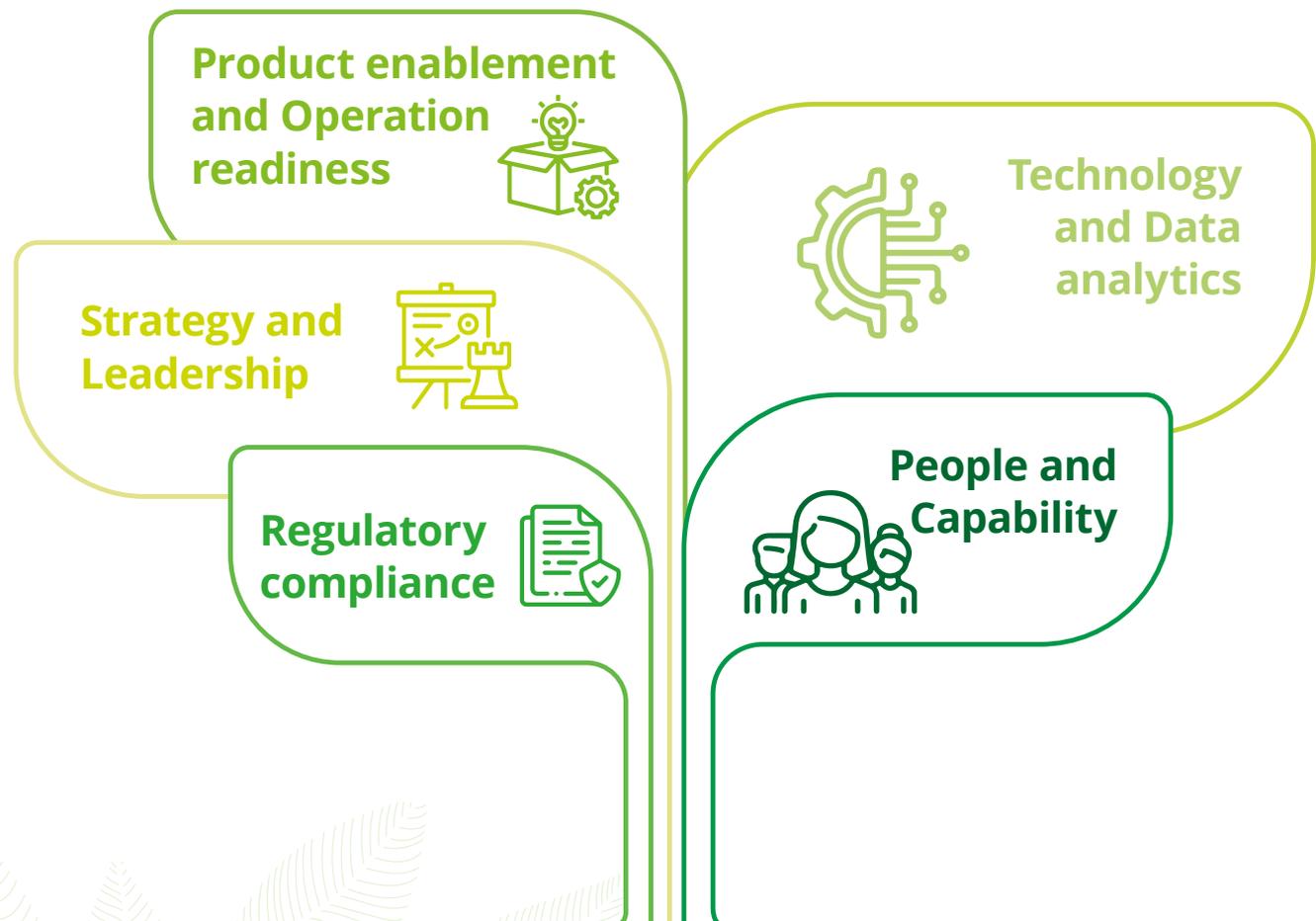


How to spot opportunities and close the gap

A 2022 Deloitte study that polled over 2,000 C-suite executives reported that only 19% of surveyed organisations were implementing needle-moving sustainability actions.² So what can leaders do?

While a maturity assessment of your current state can be illuminating, consideration of the factors influencing where an organisation is situated is more instructive for sustainability transformation. Addressing the shift to 'being sustainable' is founded on core capabilities and ways of working.

To bring these factors to life, Deloitte has developed an assessment framework that builds on the Workforce Sustainability Maturity Model. The framework evaluates capability across five clearly defined business dimensions based on our on-the-ground experience in the operationalisation of sustainability.



Product enablement and Operation readiness

An organisation's capability to operationalise its sustainability strategy and its talent potential in frontline operations.

- I. Does the organisation have a green and sustainable product framework?
- II. Does the organisation have a full suite of sustainable products and services?
- III. Does the organisation have systems in place that enable a sustainable and circular business model?

Strategy and Leadership

An organisation's capability to develop and promulgate sustainability strategy.

- I. Does the organisation have a sustainability agenda in place?
- II. Has the organisation appointed a Chief Sustainability Officer to commit to and drive its sustainability agenda?
- III. Does the leadership team have a clear client, product, and sector strategy in place?

Regulatory compliance

An organisation's capability and its talent potential to ensure regulatory compliance in their operations.

- I. Has the organisation met all the regulatory deadlines as set out by the relevant authorities in their respective jurisdictions?
- II. Does the organisation have a sustainability policy framework in place?
- III. Has the organisation integrated monitoring of sustainability transformation metrics into existing monitoring and reporting systems to ensure transparency to all stakeholders?

Technology and Data analytics

An organisation's capability and talent potential to adopt a data-driven approach to inform strategic decisions, operations, and risk management processes. (e.g., climate scenario analysis, or sustainability integration into fundamental research).

- I. Does the organisation have a data model in place that articulates the respective sustainable data use cases, their attributes, and the relationship between departments?
- II. Does the organisation have data and analytics capabilities that drive analytical insights for monitoring purposes?
- III. Does the organisation have a clearly articulated mechanism for governance and management of sustainability data?

People and Capability

An organisation's capability and talent potential to enhance internal sustainability awareness and encourage their client and portfolio companies to incorporate sustainability through stewardship, engagement, and sustainable investment opportunities

- I. Does the organisation have a sustainability construct within its organisation structure that focuses on executing its sustainability deliverables?
- II. Has the organisation set out clear sustainability roles and responsibilities across the various departments?
- III. Is the organisation's people development framework aligned with sustainability strategy and priorities?
- IV. Is the organisation's workforce planning supply & demand informed by analyses of critical sustainability skills and competencies?

Workforce analysis

Highlighting the personas within an organisation provides insight into how sustainability objectives can be achieved holistically. This approach supports leaders by evaluating whether personas are working collaboratively or potentially competing against each other and the organisation’s sustainability objectives. The latter behaviour can be a significant handbrake to achieving sustainability transformation.

Deloitte’s Sustainability **Workforce Persona Matrix** highlights the role and enabling function of various personas within the workforce.

Sustainability persona	Sustainability role	How they facilitate and promote sustainable transformation	Example roles
Evangelist	<ul style="list-style-type: none"> • Articulates the sustainability narrative and is focused on coordinating the strategic agenda by defining the “why” and explains the link between doing good and doing well. • Creates an environment of sustainability innovation and drives opportunities from idea to selection and implementation. 	<ul style="list-style-type: none"> • Evangelists accelerate deployment of sustainability across the organisation through senior leadership. • They look for places in the market where they have unique advantage, create offerings and business models by co-investing with strategic partners, and build strong relationships to amplify sustainability efforts. 	<ul style="list-style-type: none"> • CXO • Chief Sustainability Officer • Chief Transformation Officer
Architect	<ul style="list-style-type: none"> • Provides employees the tools to deliver sustainable solutions aligned to the organisation’s business model. • Influences how sustainability can be used for innovation in the different businesses and service lines. 	<ul style="list-style-type: none"> • Architects design and facilitate sustainable operations by assisting the integration of governance models and supporting organisational structures to ensure adaption. 	<ul style="list-style-type: none"> • Operations Leader • Process Excellence Leader • Data Engineer • IT Leader

Sustainability persona	Sustainability role	How they facilitate and promote sustainable transformation	Example roles
Guardian	<ul style="list-style-type: none"> • Protects the organisation from sustainability risks, including greenwashing. • Monitors, analyses, and reports sustainability metrics and learns from its successes and failures. 	<ul style="list-style-type: none"> • Guardians may monitor the supply chain from raw materials to product delivery, evaluate and compare data to recognise potential risks, review valuable data to gather insights, and develop risk scenarios to improve organisational preparedness. 	<ul style="list-style-type: none"> • Supply Chain Leader • Operational Risk Leader • Procurement Leader • Compliance Advisory
Practitioner	<ul style="list-style-type: none"> • Leverages cutting-edge research to create innovative, competitive, and sustainable products, as well as embedding the language of sustainability in the frontline. 	<ul style="list-style-type: none"> • Practitioners may ensure that the products offered by the business does not cause harm to the communities and to the environment. • They find alternatives to protect the profits while preserving and protecting the natural and social capital. 	<ul style="list-style-type: none"> • Research & Development Leader • Finance Leader • Product Lead • Marketing Lead
Enabler	<ul style="list-style-type: none"> • Influences the sustainability agenda and facilitates embedding it across business units. • Converts blockers to accelerators through tools and assets. 	<ul style="list-style-type: none"> • Enablers cascade the vision from the Evangelists and craft innovative solutions that complement the existing business model and organisational structures to ensure everyone is working in a holistic way. • They ensure that sustainability program is well tied up to a business unit's own strategies and conditions to generate employee engagement. 	<ul style="list-style-type: none"> • Sustainability Lead • HR Business Partner • Communications Leader • Finance Business Partner



Stepping stones to results

Turning ambition into impact

A comprehensive workforce transformation will touch every facet of the organisation, including strategy, ways of working, people, and technology. Frontline and customer-facing parts of the organisation need to be better aligned to the compliance functions, meaning that the organisation is holistically attuned to sustainability as an opportunity.

Capitalising on the opportunities, outpacing competitors, and generating sustainability impact is predicated on insights and capability. This article has looked at analytical frameworks that can provide data points for painting the path forward for sustainability transformation.

To bring the insights to life, Deloitte has developed a **three-step structured model** to turn ambition into impact.



Step 1: Develop a Sustainability Mindset

Driving sustainability at scale starts with awareness. To increase and enhance the sustainability fluency of workers, we see successful organisations doing the following:

- i. Educating workers** on what sustainability aspirations could mean for them and how they can effectively contribute. This provides a platform to incubate ideas and the energy to create momentum for delivery. For example, embedding climate-smart considerations into decisions on office operations, real estate, and investments.
- ii. Incentivising intrapreneurial and transformative ways of working** to encourage the pivot to a purpose-driven organisation. Workers think differently and act decisively around strategic options and consider opportunities to transform the business beyond what they think is possible today.
- iii. Cascading and aligning company sustainability aspirations** across business units promotes collective understanding and consistency across teams and workers. The whole organisation is thinking and acting as if sustainability is a lever for massive opportunities.
- iv. Developing confidence** around sustainability requirements and expectations to support the organisation in staying ahead of the rapidly evolving landscape.

The effect of developing a workforce sustainability DNA is a shift in viewing sustainability through the lens of disruption and risk, focusing on how the risks could damage the company's bottom line, to a lens of growth and opportunity, focusing on how risks could support the organisational objectives. The result can be in a personal shift for employees towards sustainability at every level of enabling behavioural change.



Step 2: Embed a Sustainability Skillset



The need to have the right people with the right skills, in the right roles at the right time is more critical now than ever. While short-term skilling can provide respite from the challenges associated with addressing immediate risks and some opportunities, longer-term solutions are required for organisations to remain relevant and competitive.

With the diminishing investments in non-renewable sectors, workers are likely to transition towards roles and enterprises suited for sustainability based on their specialist skillsets and transferrable skills. Although sustainability skills and competencies are still largely confined to limited business functions, we witness this changing with the rapid evolution and growth of workforce-wide sustainability skilling initiatives that enables and encourages sustainability transformation opportunities.

Impactful workforce skilling involves:

- i. Designating** a senior leader responsible for capability building.
- ii. Prioritising** discussion of sustainability competencies on executive agendas.
- iii. Identifying** people within the organisation that have an interest and passion for sustainability. Leveraging internal resources strengthens the overall sustainability effort.
- iv. Introducing** mandatory sustainability learning programs in partnership with leading education institutions and professional bodies.
- v. Rewarding** workers based on their capability development and execution of purpose-driven initiatives.



Step 3: Enable a Sustainability Toolset

Preparing your workforce for sustainability takes a holistic approach, it is both a collective action challenge and an opportunity. An effective way of enabling a sustainability toolset is collaborative problem-solving or hackathons. This approach is centred around the worker and how they can be a catalyst for change at scale. In practice, it involves the selection of priority problem statements and productionising the solutions, similar to the product development lifecycle.

Hackathons foster creativity, collaboration, and concrete solutions. This format unleashes diversity of thinking amongst teams to address sustainability opportunities. Hackathons combine learning and doing to generate real outcomes for the organisation.

Outcome-driven hackathons include:

- i. Collaboration** in an immersive lab environment. Hackathons put a combination of sustainability personas in teams and empower them to work together towards a common goal.
- ii. Novel solution ideation and innovation.** The essence of hackathons is to create solutions to real and meaningful problems. Employee-led grass-roots movements and collective problem-solving to address corporate sustainability challenges.
- iii. Use of 'how might we' statements.** Big sky thinking and consideration of the art of the possible is channelled through addressing specific business questions aligned to organisational sustainability priorities.
- iv. Being very clear** on the problem to solve for and how you will measure progress. Organisations can only measure what they define from the outset. This approach can help generate micro-movements that achieve minimum viable change for sustainability transformation.



Conclusion

Understanding the sustainability impacts to your workforce can be an accelerator to transformation

This article has looked at how organisations can demystify sustainability impacts on the business through application of qualitative and quantitative frameworks. While you may already be on your sustainability transformation journey, this approach delivers insights and nudges on actions to accelerate and embed your objectives.

Needle moving sustainability workforce transformation involves:

Generating organisational insights



- ✓ Assess your current state and sustainability maturity
- ✓ Measure sustainability gaps
- ✓ Identify the target opportunities

Developing workforce capabilities



- ✓ Articulate what success looks like
- ✓ Prioritise high impact workforce segments
- ✓ Drive sustainability awareness and talent development
- ✓ Productionise sustainability opportunities

Promoting accountability



- ✓ Develop a sustainability DNA
- ✓ Incentivise sustainability behaviours
- ✓ Reward accountability and measurable sustainability outcomes

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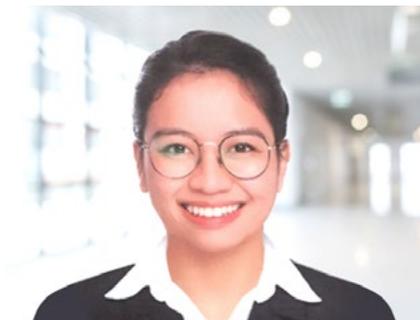
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