

THE FUTURE OF SUSTAINABILITY

5

Insights on the State of the Sustainable Organisation

AN ASEAN VIEW

JULY 2022

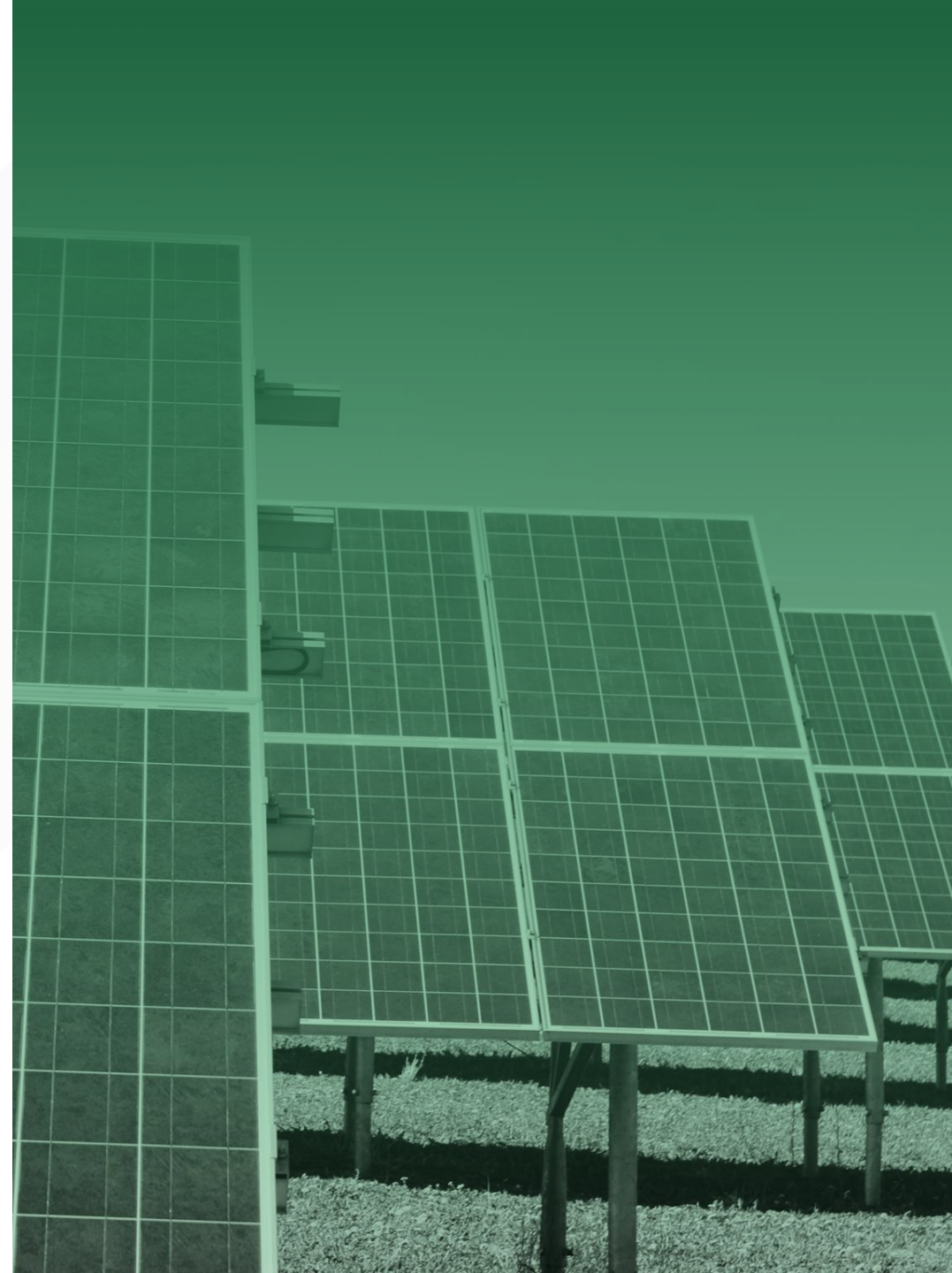


ASEAN Focus on Sustainability

ASEAN is poised to become the fourth largest economy in the world by 2030 propelled by the region's favourable demographic trends, rising income levels, steady influx of foreign investments, technology adoption, and a fast-growing consumer market.

With this growth, comes immense responsibility to do the right thing – especially in the younger generation. Their Environmental, Social & Governance (ESG) awareness is growing exponentially. They want to create impact – and this desire is pushing organisations to adopt sustainability measures.

Organisations that set sustainability goals often realise several benefits – from achieving better financial outcomes to creating competitive differentiation.





Organisations Benefit from Setting Sustainability Goals



TOP LINE AND PORTFOLIO GROWTH

The growth rates of sustainability markets and products are outpacing growth of conventional ones



COST REDUCTION

Helps improve operational efficiency; and purpose-driven organisations have higher talent attraction and retention, reducing costs



DE-RISKING

Helps reduce transition risks of changes in rules and regulation (e.g. policy risk) and changes in stakeholder sentiments (e.g. reputational risks)



INCREASED EMPLOYEE PRODUCTIVITY

Increases employee engagement in those who identify with the purpose-driven approach



The Ecosystem-Kyndryl ASEAN Digital Enterprise Study, 2022

Ecosystem, supported by their partner Kyndryl, conducted a study to find out about the key business priorities and technology trends in ASEAN enterprises, including their sustainability goals.

Country Coverage



Size of Organisations



Are organisations in ASEAN setting and achieving their Sustainability goals?
Here are 5 insights on the state of the Sustainable Organisation in ASEAN.



#1

Sustainability is an Integral Part of Business Priorities

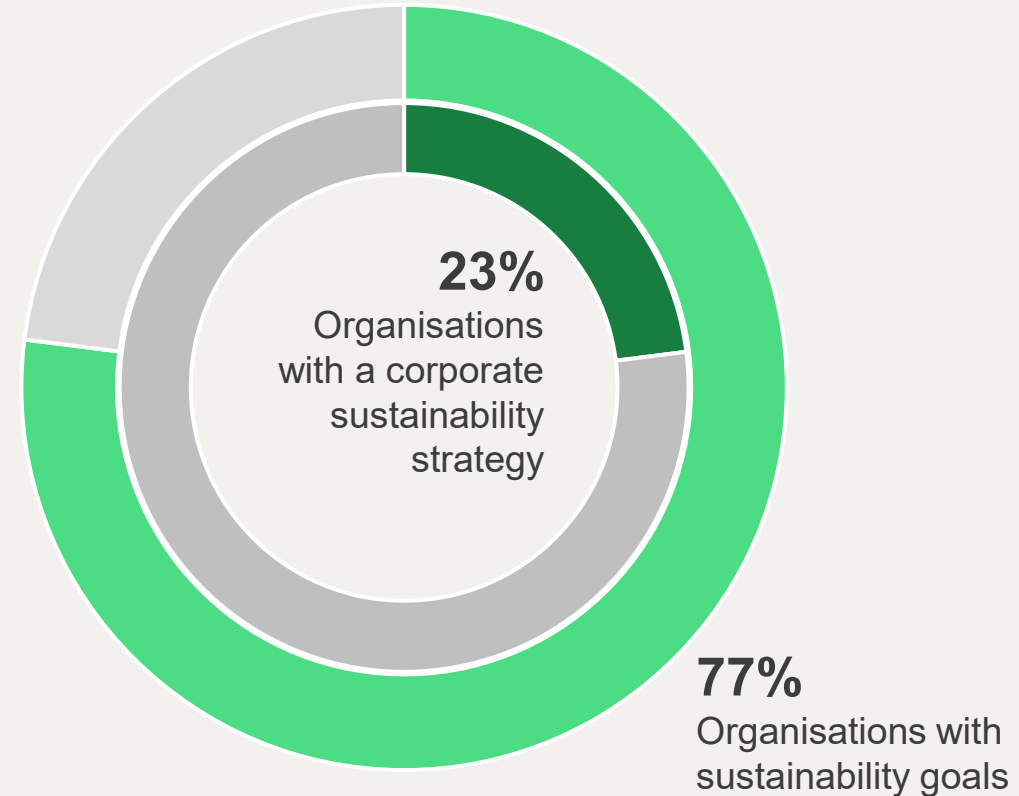
77% of organisations in ASEAN are focusing on becoming a Sustainable Organisation.

Organisations in the region are being driven to develop and demonstrate an ESG consciousness in their actions and investments, by their customers, investors and by governments' sustainability mandates. All countries in the region are members of the Sustainable Stock Exchange Initiative. And all of them have issued green bonds either at a government or at a corporate level.

However, many organisations pursue Sustainability goals without a strategy backing them up.



Start with defining the goals – What does the organisation want to achieve through its sustainability measures?



Source: Ecosystem Kyndryl ASEAN Digital Transformation Study, 2022



#2

Organisations Often Lack a Holistic Sustainability Strategy

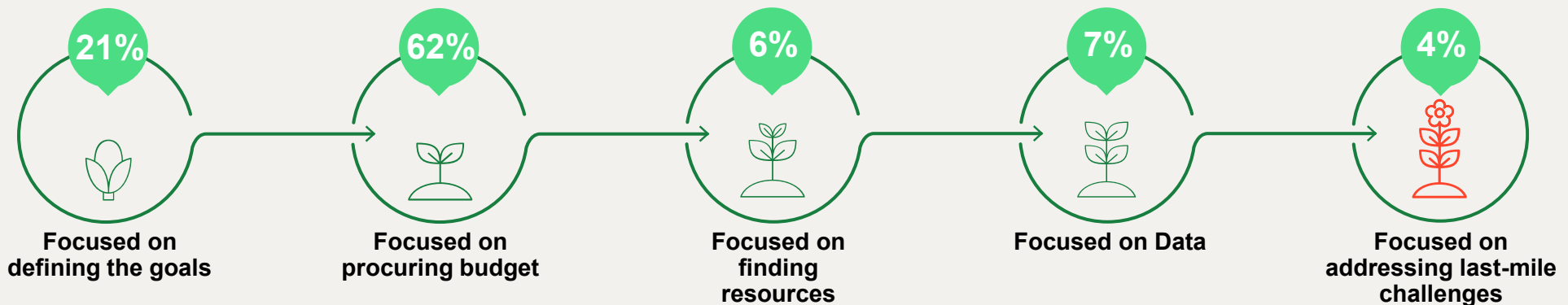
Even an organisation with a corporate sustainability strategy, may fail to take into account all the key aspects required to achieve their goals.

While the majority are focusing on budget allocation for sustainability initiatives, they have not gone beyond that to identify the right skills and data required to support the initiatives. Only 4% of organisations across ASEAN have a holistic strategy and are focusing on external challenges such as negotiating ambiguous reporting frameworks.



Evaluate the financial implications of your sustainability measures – How will the organisation benefit financially and what investments will be required?

MATURITY OF ORGANISATIONS' SUSTAINABILITY STRATEGY IN ASEAN





#3

Customers & Investors Drive Sustainability Efforts

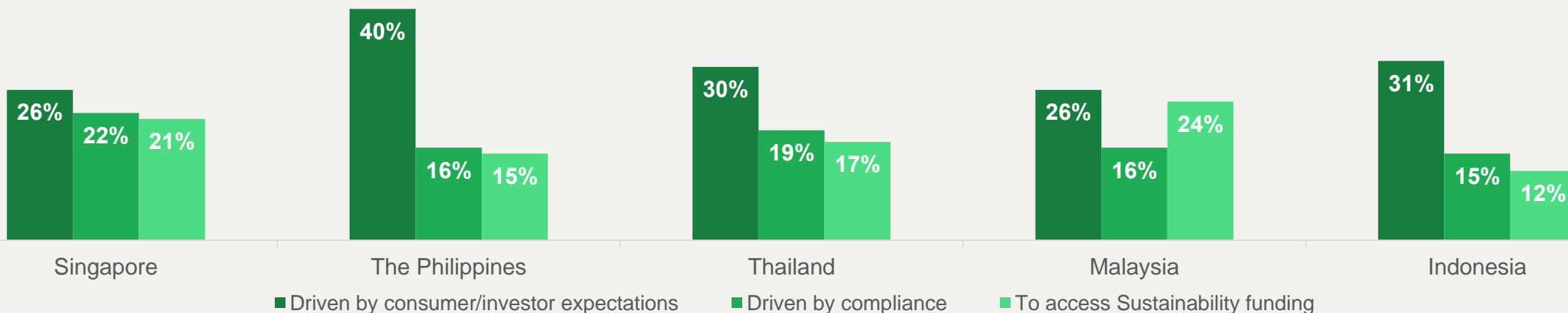
Responding to customer expectations has become a norm for every successful business today – and this extends to ESG consciousness.

Customers are driving environmental and social responsibility in organisations; in most cases more than regulations are. This is especially true of the Philippines, Indonesia and Thailand. While organisations in Singapore are more focused on compliance, organisations in Malaysia are most successful in accessing sustainability-related funding.



Incorporate sustainability as a part of your risk management strategy – Will the organisation's sustainability measures be enough when regulations get stricter?

KEY DRIVERS OF SUSTAINABILITY IN ASEAN ORGANISATIONS – A COUNTRY COMPARISON





#4

Data is a Leading Challenge for Sustainability Initiatives

The key challenges cited confirm that organisations' sustainability initiatives are still at preliminary stages.

In today's data-driven world, it is very likely that organisations have access to the data needed for their sustainability efforts. But it is not often integrated within their overall data strategy that helps identify the right data sets, collect the necessary data across all operations, and has embedded analytics for the right insights. It can take up to two years to identify and harness the data required to set science-based targets.



Integrate all your data – Are you integrating the data from your digital/IT and engineering/OT systems?

LEADING BARRIERS TO SUSTAINABILITY PROJECTS IN ASEAN

**60%**

Operational Costs

**55%**

Data Availability

**50%**

Lack of Dedicated Resources

Source: Ecosystem Kyndryl ASEAN Digital Transformation Study, 2022



#5

The Media & Telecom Industry is Ahead of the Curve

While sustainability initiatives are yet to mature, some industries are leading the way in their strategies, and especially in their initiatives.

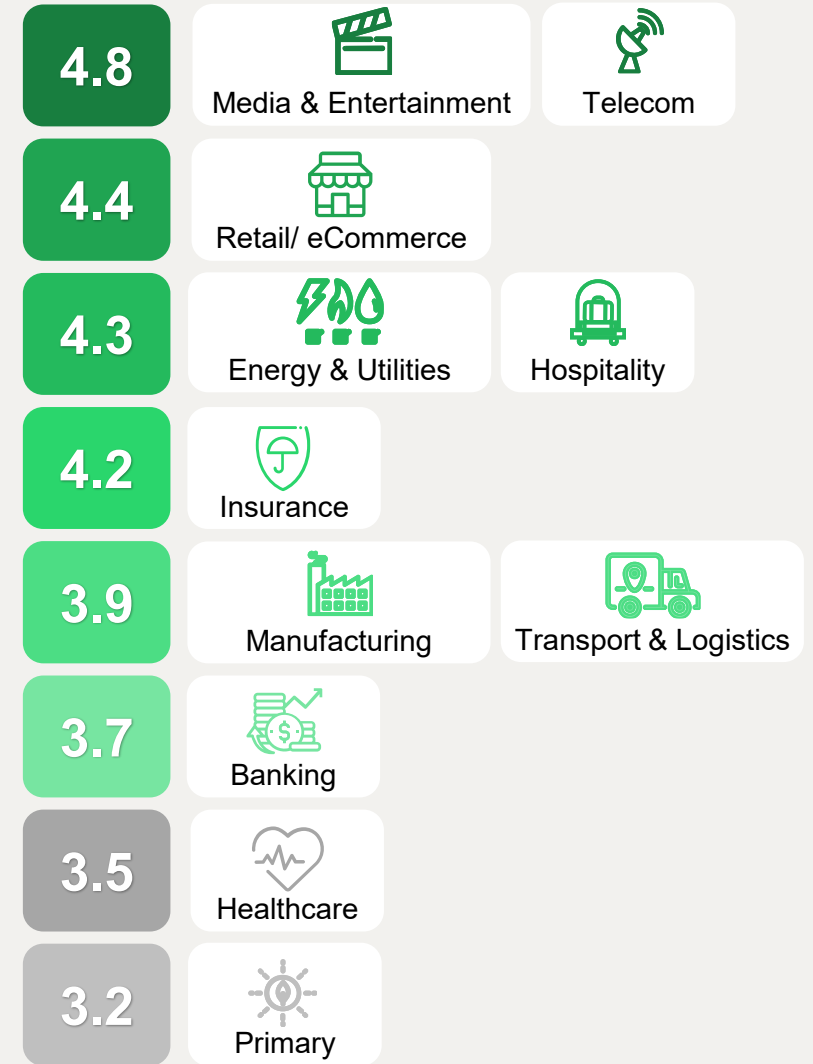
Media & Telecom and Energy & Utilities are both energy-intensive industries. The incentives to adopt sustainable practices are cost-related and for future survival. Other industries that have initiated smaller eco-friendly measures have found some early success. The Retail industry, for example has been focused on reducing the use of plastic in packaging and procuring locally to reduce carbon footprints. The Hospitality industry has introduced energy-efficient lighting and measures such as recycling linen to reduce water use.

However, materiality varies by industry – organisations in highly mandated industries might be ahead in their sustainability journeys but have stricter mandates to follow.



Broaden your horizon – Are you looking beyond your industry for sustainability use cases?

Sustainability Maturity Index



Rated on a scale of 1-10 (where 10 is most mature), based on responses to multiple questions in the Ecosystem Kyndryl ASEAN Digital Transformation Study, 2022



Industry Adoption of Sustainability



Technology & Telecom Services

- Green data centres
- A partner ecosystem with similar ESG values
- Empowering customers
 - with energy-efficient infrastructure
 - Migration to cloud
 - ESG data reporting and analytics



Energy & Utilities

- Sourcing renewable energy
- Incentivising the use of renewable energy
- Sustainable supply chain
- Energy marketplaces - Empowering consumers to become 'prosumers'



Retail, Distribution & Consumer Packaged Goods

- Green marketing products
- Ethical and sustainable supply chain
- Local sourcing to reduce carbon footprints
- Minimal and green packaging



Banking And Financial Services

- Sustainable lending solutions
- Sustainable portfolio management
- Transition financing to promote sustainable measures in the larger ecosystem



“ Ecosystem Opinion

The time has come when an organisation's relevance and success is also measured in terms of climate aspects – and not just financial aspects. Many organisations realise that today; and some have appointed Chief Sustainability Officers to guide their journeys. However, a deeper evaluation will reveal the competencies required to build a futuristic Sustainability Team. The Singapore Government has identified some of these competencies for specific industries such as Financial Services. But it needs to percolate down to all industries and to all roles within organisations.

If organisations want to increase the circle of their sustainability impact, they must work with partners that are aligned to their goals and hold them accountable.

Organisations have the power to set the tone of the market – much like environment-conscious consumers and investors are doing today. It is time to get serious about impact – the future of the planet is at stake.

Kyndryl's Sustainability Promise

- Kyndryl's strategic focus is to continue to grow the Cloud business (estimated to account for 33% of revenues as of our May 5th, 2022; and further develop sustainable customer solutions aligned with their environmental commitments. Research shows that cloud computing could lead to an estimated 22–93% increase in energy efficiency.^{1, 2, 3}
- Kyndryl has 46 data centres that are part of the European Union Code of Conduct for Energy Efficiency in Data Centres. This underpins their focus and commitment in sustainable data centre operations.
- Kyndryl will continue the expansion of renewable energy across the portfolio with the goal to grow it to 75% in the next 3 -5 years for their data centres.
- Select data centres are leveraging technologies and best practices that reduce energy usage, including DC inlet temperature increase, Vigilent, (automated air flow control using AI) and LED lighting upgrades.
- Intesa, a 100% owned subsidiary, uses the digitisation of paper processes which reduces a company's carbon footprint. They are also on the journey to become B Corp certified, an industry ESG best practice.
- In April 2022, Kyndryl's Corporate Social Responsibility team launched a Carbon Literacy education pilot in the UK, Ireland and the US. It is aimed at helping employees reduce their carbon footprint at home and at work, which supports their journey towards net zero.

¹ Cloud Computing Energy Efficiency". Pike Research, Sept 2011

² "The Carbon Benefits of Cloud Computing: A Study on the Microsoft Cloud", Microsoft 2018.

³ "The Carbon Reduction Opportunity of Moving to the Cloud for APAC" for AWS by S&P Global Market Intelligence, July 2020.)

About Ecosystem



e c o s y s t m

Ecosystem is a Digital Research and Advisory Company with its global headquarters in Singapore. We bring together tech buyers, tech vendors and analysts onto one integrated platform to enable the best decision-making in the evolving digital economy. Ecosystem has moved away from the highly inefficient business models of traditional research firms and instead focuses on research democratisation, with an emphasis on accessibility, transparency, and autonomy.

Ecosystem's research originates from its proprietary "Peer-2-Peer" platform which allows Tech Buyers to benchmark their organisation in "real-time" against their industry or market peers. Ecosystem's broad portfolio of advisory services is provided by a team of Analysts from a variety of backgrounds that include career analysts, CIOs and business leaders, and domain experts with decades of experience in their field.

About Kyndryl



Kyndryl (NYSE: KD) is the world's leading Managed Service provider with expertise across on-premises, cloud, hybrid IT, and multi-cloud environments. We help customers optimize IT value in a hybrid cloud world. Kyndryl Cloud Services are designed around our customers and delivered on the platform that best meets their needs. We design, build, manage and modernize the complex, mission-critical information systems that the world depends on every day. Kyndryl's nearly 90,000 employees serve over 4,000 customers in more than 100 countries around the world, including 75 percent of the Fortune 100 companies. For more information, visit www.kyndryl.com