SUSTAINABILITY NEEDS A MENTAL SHIFT

Roundtable Report CIONET and LCL

CIONET | LCL Your Data Center

SUSTAINABILITY NEEDS A MENTAL SHIFT

Sustainability is high on the agenda for most businesses. And if it's not, it soon will be, thanks to impending EU legislation. The European Corporate Sustainability Reporting Directive (CSRD) will require the larger companies to report on sustainability from 2025. Up until now, companies have interpreted the term "sustainability" in many different ways. And although ESG reporting (environmental, social, and governance) does indeed consist of three components, most attention is usually paid to the environmental aspect. Governance and corporate social responsibility deserve more attention. By all means, ESG is becoming a clear competitive differentiator.

THE DEBATE

A recent debate, expertly organised and moderated by CIONET in collaboration with LCL, brought together a select group of CIOs to delve into the complexities of sustainability in the digital age.

It is striking to see how quickly ESG is gaining momentum. When CIONET organised a similar debate about a year and a half ago, it was clear that the topic was still fairly new territory for many companies. The participants understood that their sustainability programme could only be successful if aligned with their business strategy. They specifically pointed out the role of IT as an enabler of their sustainability programme, but at the same time also admitted that it wasn't always easy to get a concrete view of the real (business) gains sustainability can bring. It's true to say that — especially in the field of emissions — IT remains not only an enabler for achieving results but IT also remains an important contributor to emissions. This makes calculating the total impact score of IT a difficult exercise. Especially as there is no consensus on standards for ESG reporting.

ESG takes on many forms

A new debate not only allows us to map the vision and concrete actions of the participants, but also to gauge the general evolution of attitudes towards ESG over the past year and a half. Surveying the CIOs sitting around the table, it quickly becomes apparent that sustainability is not only a very broad topic but also that its practical implementation takes on many forms: for some companies sustainability already is a strategic pillar, while other organisations have just launched their first initiatives. But it's clear that the topic is on everyone's agenda, even if it is for very different reasons.

A financial institution that gradually switches from mainframe to cloud services considers the energy consumption of its data centers when it makes that decision. A healthcare supplier tries to establish the real need for express deliveries because of the impact they have on its carbon footprint. In these kinds of examples, it's generally agreed that sustainability is not in itself an IT issue but that digitalisation often helps to glean relevant insights and realise benefits in the domain of sustainability, more on that later.

These examples show how companies are often already working on various separate initiatives but have not yet succeeded in consolidating their efforts into a single programme aligned with a company-wide sustainability strategy. And even when a strategy is already in place, it's often a struggle to connect the various underlying management platforms associated with the initiatives, in the absence of a global platform for the entire strategy.

Anchored within ERP

What is immediately striking is that each panel member has a different individual way of reporting. In practice, this often means a lot of messing around with Excel, a lot of manual work. The need for an overarching reporting tool is clear. The major platforms — think of SAP, Microsoft or Salesforce — are clearly responding to this need. In practice, this has mainly resulted in tools that look suspiciously like BI tools. Perhaps we should see this as an intermediate phase. In the long term, it will make sense to make sustainability a standard reporting module. That way, sustainability monitoring would be anchored within ERP. This is a logical step because it's the only way that a sustainability audit covering all transactions can be carried out. Just as the ERP system is the source of all financial reporting information, this will most likely also be the case for sustainability reporting in the long term.

Essential characteristic

The importance of this reporting will become more and more clear in the future. In order to meet the required level of sustainability, each link in the economic chain will be able to increase the pressure on the other links. For example, a company that achieves its sustainability goals will receive a discounted bank loan. If it doesn't achieve its goals, it will pay a higher interest rate. The bank also has an interest in attracting as many sustainable customers as possible, as the sustainability of those customers will partly determine the bank's rating.

The participants in the debate also see this focus on sustainability increasing in a very different way. The new generation of employees in particular attaches great importance to their employer's sustainability. Companies that aren't committed — not only to the environment, but also to supporting well-being at work — will find it increasingly difficult to attract new talent. Sustainability is thus becoming an essential characteristic of a company's profile, both to customers and staff.

Visibility

Just like last year, the debate naturally leads to the role of IT. And rightly so, because IT has a role to play. A company that is serious about its sustainability goals also expects its IT department to use sustainable suppliers. Yet in practice we see that IT doesn't have a huge impact on the companies' overall ESG score, possibly because the sustainability manager doesn't always have a clear view of the concrete role the IT department plays. For example, it's much easier to notice when the production department succeeds in reducing the amount of packaging material used.

However, the IT department can take the initiative, for example by building sustainability requirements into the specifications for new products or services. Today the focus is mainly on hardware — energy consumption, extending lifespan, reducing electronic waste, and so on. At the same time, there are simple interventions that can make a big difference. When a supplier delivers a new server to a data center, one of the panelists notes, one could require that the supplier takes back the cardboard, plastic, and Styrofoam and reuse them.

Shift in mentality

The example above shows that attention to sustainability demands a change in mentality at all levels. Customers will ask more and more about the origin of raw materials, energy consumption, or reuse of materials. As a company you have no choice but to take these issues on board and address them with a strategy. But the solution is by no means obvious. Just like in the debate last year, one of the participants comments that it's still new territory. And even if you have initiatives up and running, or if you have an ESG team in place, this uncharted territory remains daunting. Measuring is knowing, as the saying goes. But what exactly do you measure? And what are the benchmarks?

Is there perhaps a role for IT in all this? Of course. The rise of artificial intelligence, for example, suggests that many new solutions are coming our way to tackle things in a smarter, more efficient, and therefore more sustainable, manner. These include new applications, such as artificial intelligence, but also tools for ESG reporting, which naturally also increase the demand for energy. There may also be a role for the data center services sector. No less than 64% of all data is located in companies' on-premises IT infrastructure.

A specialised data center service provider can supply infrastructural services much more efficiently. This also requires a shift in mentality, supported by the right incentives. Sustainability objectives are however not yet embedded in the service models. For instance when today, you disable a reserved instance on a cloud platform at a hyperscaler — so as not to consume energy unnecessarily — and then enable it again, it will cost you more than if you left it enabled continuously. This leads to difficult choices. In other words, there should be a greater incentive to switch off the instance when it's not in use.

More than just compliance

These kinds of issues might not seem critical right now, but that period is coming to an end. CSRD is coming. Those who have not yet taken steps toward sustainability will quickly fall behind to the point where they can't catch up. After all, it's a process, and you can't do it all at once.

However, it's important that a strategic choice is made at the top of the company that will permeate from the top down. Choosing sustainability means more than just being compliant with the regulations; it will soon be an important competitive differentiator.

CONCLUSION

• Awareness around sustainability — the E, the S, and the G — is clearly growing. The topic is increasingly finding a place on the agenda, driven in part by the arrival of CSRD.

• Companies preparing for mandatory reporting have determined that there is a need for an overarching tool. Today, ESG reporting still often depends on a lot of manual work.

• However, the importance of this reporting will only increase as sustainability permeates the entire supply chain, and the sustainability scores of the various links will have a direct impact on their business.

• IT has a role to play in the field of sustainability, not only by making IT products and services themselves more sustainable, but also by measuring the efforts put into sustainability and facilitating reporting.

• Finally, sustainability depends on the right mentality. Sustainability must be more than compliance, but it requires a long-term culture shift.

LCL - "ESG report is a benchmark for the future"

Digitalisation continues to accelerate, resulting in more data centers and higher energy consumption. But at the same time, data centers are an important driving force in the transition to sustainability. "We're very aware of the role we play in this," says Laurens van Reijen, CEO of LCL. "That's why we only work with green energy and have held the ISO 14001 certificate for environmental management for some time now. We've also signed the Climate-Neutral Data Center Pact of the European Federation of Data Centers."

But LCL wants to go one step further. The company is growing by 10% every year, but it still wants to achieve the Paris Agreement objectives. "In short, that means growing by 10% and at the same time achieving a 42% reduction in CO_2 emissions. We want to be climate neutral by 2030."

As such, LCL is involved in the Science Based Targets initiative (SBTi), established in 2015 to help companies to set emission reduction targets in line with climate science and the Paris Agreement goals. ESG is about more than just the environment. "Throughout our services, sustainability is also about how we as a company contribute to people — both employees and customers — and society in general." To be transparent about its own sustainability trajectory, LCL published an ESG report, putting the data center company at the forefront. The report provides insight into the company's ESG policy, forming a benchmark for the future. "The sustainability report includes around 20 KPIs about which we communicate transparently and against which we measure our performance. This not only concerns energy, such as our CO_2 emissions per kilowatt hour, but also the way in which we contribute to society, as a service provider and as an employer."

Vandemoortele - "We strongly believe in it"

Sustainability is a pillar of Vandemoortele's business strategy. Vandemoortele is a B2B food manufacturing company with 40 sites across Europe, 5,000 employees and a turnover of €1.6 billion. "Sustainability is essential in the food industry and will only increase in importance in the future," says CIO Benoît Dewaele. Not only does the Vandemoortele family strongly believe in sustainability, more and more customers — especially large retailers — are demanding that their suppliers work toward becoming more sustainable.

In the EU context, there are two pillars that stand out for Vandemoortele: circularity (particularly when it comes to packaging materials) and biodiversity. "In every country, we have to report on the packaging we use," says Dewaele. "That in itself is a challenge, because the reporting requirements are different in every country." The company's attention to biodiversity is partly due to the fact that Vandemoortele processes palm oil, and it's important that it can be certified as having been sustainably produced.

To embed sustainability into the business, Vandemoortele is working with concrete objectives at all levels, throughout the organisation. All stakeholders receive online training on the strategy and targets. Staff bonuses depend in part on them achieving their sustainability KPIs.

"One of the challenges is collecting all the necessary data," says Sustainability Officer Laura Iacobelli. "We're looking at how we can further automate that process."

Vandemoortele has defined 115 sustainability KPIs, 45 of which are already audited by Deloitte. It's an effort that the company wants to expand so that it is optimally prepared for 2025, when the CSRD will make sustainability reporting mandatory for Vandemoortele. "The IT department helps to monitor the KPIs," says Iacobelli, "including by providing more automation around data collection and reporting."

Close The Gap: bridging the digital divide

The idea Close The Gap came up with 20 years ago is as simple as it is effective: saving used PCs from the trash and distributing them to people who would otherwise have no access to the digital world. Today, 400 companies in the Benelux work with Close The Gap, accounting for 150,000 devices annually, which are given a second life of a further four to six years. "What we do has both an environmental and a social impact," says Business Development Director Didier Appels.

Close The Gap acts as a one stop shop: it collects the devices, cleans them, deletes all data, etc., and then ensures that they reach the target group. "In this way we provide people with access to IT," says Appels. "It could be in a refugee camp, or it could also be here in Belgium, where there are still many people who don't have a laptop or smartphone. By providing a device, we create a direct impact: people can communicate, learn, and look for work."

At the same time, Close The Gap offers companies a way to reduce their contribution to the electronic waste mountain. It also provides a report so that companies have a clear view of the effect and added value they are part of creating. "Recovery and recycling of materials will be the major challenge over the next 10 years," says Appels. Close The Gap currently has three hubs in Africa for the local collection and processing of devices. "This way, European hardware can remain in Europe, and we are less dependent on shipping from one continent to another."

About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programmes for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

cionet.com

About LCL

LCL offers years of experience and knowledge in the area of data centers and colocation. From day 1, the progressive data center company has invested in a secure environment for the outsourced data of our customers, while retaining carrier-neutral interconnection. LCL now operates five independent data centers in LCL Antwerp, LCL Brussels-North, LCL Brussels-South, LCL Brussels-West and LCL Wallonia One, where a wide range of telecom operators, companies, service providers and government institutions keep their ICT infrastructure and have access to more than 40 carriers to connect their data.
Our constant focus on innovative solutions, customer care, security, the environment and the 'I do care' mentality of our employees ensures strong growth and positions us as a market leader.

lcl.be