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HOW ORGANIZATIONS CAN ACHIEVE
ESG DATA MASTERY

# HOW ORGANIZATIONS CAN ACHIEVE **ESG DATA MASTERY**

From polar vortices to raging brush fires, climate change is continually in the news. Awareness of social injustice is growing, while worries about privacy threaten to stifle innovation.

Environmental, social and governance (ESG) issues have become as central to the business environment as inflation and interest rates. In the wake of the pandemic, consumers, investors and regulators have woken up to the ethical dimensions of economic growth. Organizations that fail to address the ESG impacts of their products and operations could quickly find themselves in steep decline, facing a tribunal, or forced to pay a hefty fine.

> Reporting is just 20% of the task. ESG data management consumes the other 80%.[1]

In the simplest terms, customers want the companies they buy from to make a positive contribution. By prioritizing ESG, businesses can build trust by clarifying how their operations, supply chains and products make the world a better place. That's an opportunity — but it comes with responsibility. Customers and investors want proof that words are being backed up by actions.

Against that backdrop, reliable ESG reporting has rapidly become a critical issue.

The criteria for demonstrating ESG performance include net zero progress, social impacts, employment equity, product safety and the governance of personal and commercial data. But how do you prove you've hit an ESG benchmark?

- While regulatory standards for ESG reporting are evolving, different national and regional regimes don't always overlap.
- Inside companies, individual departments often collect different internal and third-party data.
- Much of the information collected isn't financial, yet financial rigor is what everyone expects.

Data plays an obvious role in evaluating any business performance but creating an actionable store of ESG data remains an obstacle.

In this paper, Capgemini and Informatica will detail the challenges organizations face when attempting to consolidate ESG data to understand and report on their ESG standing. They will also share solutions for confident, data-driven decision-making.

[1] Source: Levent Ergin, Global Chief ESG Sustainability Strategist, Informatica

# MARKET DRIVERS

In the past, ESG reporting was voluntary. Now that the risks attached to ESG metrics are becoming clearer, regulators are making it mandatory. Significant new reporting regimes include:

- **The International Sustainability Standards Board (ISSB) has launched its inaugural standards, International Finance Reporting Standards (IFRS) S1 and S2, new sustainability-focused disclosure requirements that will provide a global baseline**
- **The ESG reporting proposal issued by the U.S. Securities and Exchange Commission (SEC) in March 2022 is set to go live in January 2024**
- **The EU Sustainable Finance Disclosure Regulation (SFDR), which now must be standard in any data governance system**
- **The EU Corporate Sustainability Reporting Directive (CSRD), which will impact at least 50,000 companies and impose mandatory ESG reporting requirements**
- **The UK Green Finance Strategy, which matches the ambition of the EU Action Plan for financing sustainable growth**

> If ESG data is of poor quality, ESG reports may be inaccurate or error-prone — with negative legal and business consequences.

But regulators aren't the only stakeholders whose requirements have to be considered.

Consumers want to see credible evidence that the ethical claims a business makes can be backed up by hard numbers.

Investors want to know where the ESG-related risks are in their portfolios — alongside disclosure of ESG-related opportunities and the potential financial impact of each one.

And within the companies themselves, ESG data needs to be broadly accessible to business users outside of IT departments or data science units. Different groups will have their own operational lenses and need to view data in ways that are meaningful to their specific responsibilities, objectives and goals.

# MANAGING ESG DATA RISKS

The downside of getting ESG reporting wrong is considerable. Amidst the intensifying pressure to enhance ESG analytics, including the impact of climate risks on business issues, such as supply chain interruptions, there are also significant risks to consider – penalties, accusations of greenwashing, reputational damage and heightened regulatory scrutiny.

As ESG commitments become a compliance and risk management priority, chief financial officers (CFOs) must have auditable and verifiable ESG reporting. This means CFOs must work closely with chief sustainability officers (CSOs) and chief data officers (CDOs) to ensure that all the appropriate governance controls have been applied to ESG data.

Many companies look to ESG rating agencies for help with data sourcing. However, you can't outsource responsibility. Regulators around the world expect standards of quality and governance be applied, and insurance protocols are adhered to, regardless of how ESG data has been sourced.

If the underlying data is of poor quality, incomplete, outdated, or of unknown lineage, that can lead to inaccurate ESG reports. Your organization will be held responsible.

Analysis by the EU found that 42% of firms engage in "greenwashing," making false or unsupportable ESG claims.[2]

[2.] European Commission, Screening of websites for 'greenwashing': half of green claims lack evidence

# BUILDING A **SUSTAINABILITY DATA HUB (SDH)**

Given the meteorological, chemical and biology-based assessments aggregated into ESG reports, having data that can stand up to scientific scrutiny is vital. The metrics demand empiricism and quantifiable evidence — something reflected in the Science-Based Targets initiative (SBTi), which aims to provide companies with a clearly defined path, including short-term goals, to reduce emissions in line with Paris Agreement goals.[3]

But you can't measure what you can't manage. The truth is that generating reports is only the tip of the iceberg. Reporting is about 20% of the task. The other 80% is consumed by data management and the technical challenges of integrating ESG data.[4]

The expanding use of unstructured data like emails, documents, customer feedback, social media, blog posts, satellite imagery and audio/video files require solid skill sets in data science as well as advanced data governance capability.

To report ESG outcomes with confidence, businesses are now investing in systems that can pull diverse ESG data types into a single platform or "hub." This makes it easier to capture and govern data. It requires an underlying system that can automatically discover structured and unstructured external data and then aggregate and standardize it before associating it with a known source and approved list of users.

Then, the data can be enriched with insights from unstructured data. AI and machine learning score the data, extract key sentiments and remove false positives.

The potential benefits are considerable.

Having a single source of truth of data for ESG reporting and analytics provides a strong basis for sustainable initiatives, driving performance with trustworthy data and reliable metrics.

The right blend of automation, AI and governance can reduce the cost of ESG reporting and monitoring. Taken together, these benefits make it much more likely that sustainability data becomes embedded in decision-making processes.

## Business benefits of a sustainability data hub

- **Identify and prioritize corporate sustainability initiatives**
- **Drive ESG performance with trustworthy data**
- **Improve decision-making with the full lifecycle of ESG data**
- **Create an enterprise-wide "single source of truth" for all internal and external sustainability projects**
- **Consistency and reliability of data**
- **Make it easy for business users to access the data they need for insights and decision-making**
- **Building your own SDH means greater levels of data autonomy**
- **Have clarity on the sources and creators of ESG data, including how it's been integrated and altered**
- **Know the different consumers of ESG data reporting and the types of reports they generate**

[3] Science Based Targets: Ambitious Corporate Climate Action
[4] Source: Levent Ergin, Global Chief ESG Sustainability Strategist, Informatica

# ON THE PATH TO **ESG DATA MATURITY**

Because ESG reporting standards are still evolving, it's important to start with a roadmap. The long-term objective should be to create an SDH that will support future requirements and help manage risk.

The data can then be used to generate credible reports, select sustainability-focused supply chain partners, inform the development of new products and services and make operational improvements to reduce carbon footprints.

Capgemini has three priority areas organizations should address.

**Define your ESG data strategy**

- Understand the specific ESG assessments that customers and regulators require
- Break down sustainability objectives into data projects and indicators
- Define ESG sourcing through a full supply chain strategy

**Create a sustainability data hub**

- Develop a single repository for governance and analytics across the entire lifecycle of ESG data
- Provide an enterprise-wide source for all internal and external sustainability data

**Leverage ESG intelligence**

- Create an insight-led foundation for sustainability initiatives across the business
- Identify forward-looking risks, blind spots and opportunities
- Industrialize compliance and regulatory reporting
- Embed ESG considerations in product development

## Buy or build?

Begin the process by clarifying the ESG data management and reporting capabilities that currently exist.

Can you build on existing investments, or will you need to start afresh and implement something entirely new?

Approach the transition strategically by minimizing your scope to a small number of criteria, defining specific use cases and gradually expanding data domains and capabilities.

# SELECTING THE **RIGHT PLATFORM**

Creating an SDH will enable you to identify the right sources and levels of granularity for internal operational data and external sources, including the emission factor database and Scope 3 emissions data from suppliers and ESG data providers.

There are multiple ESG reporting solutions that companies can choose from. What's essential is that the data these solutions are being fed is accurate, auditable and verifiable. The GIGO rule still applies: garbage in, garbage out. Focusing solely on reporting — without ensuring the ESG data foundation is solid, trusted, shared, and scalable across the organization — exposes firms to all the reputational and regulatory risks mentioned above.

Capgemini and Informatica can build a sustainability data hub for any cloud ecosystem provider, cloud or hybrid, as well as on-premises. This gives companies the flexibility to choose the cloud provider that best suits their needs for scalability, security and cost-effectiveness.

The strategic partnership between Capgemini and Informatica to create a sustainability data hub offers a wide range of benefits for organizations looking to accelerate their ESG programs. This significant collaborative investment was designed to provide clients with the distinct competitive advantage of a unified ESG architectural landscape that efficiently integrates relevant yet disparate cloud and on-premises data with the speed and scale to streamline data management and underpin data-driven decision-making.

Informatica solutions power Capgemini's sustainability data hub, supporting dedicated ESG analytics and continuous data quality and legitimacy.

Informatica's Intelligent Data Management Cloud (IDMC) provides a centralized, controlled solution with automated, AI-driven ESG data management and governance.

IDMC's unique ESG capabilities include native integration with ESG rating agencies, an ESG-based data model for master data management, and embedded ESG data Integration with automated data quality controls. IDMC also delivers full data observability and the right frameworks to manage, maintain, govern, collaborate, and share complete ESG data sets — plus the underlying building blocks: supplier data, rating agency data, emissions data, and more.

IDMC integrates ESG data for various assessments, including carbon emissions, ESG ratings and Scope 3 (supply chain) data. Data governance and data quality are then applied to ensure data is high quality, accurate and consistent.

The centralized sustainability hub becomes a unified source for all ESG data, with all the controls required to meet regulatory requirements, including data catalog, data governance, data quality and master data governance. For others, a self-service data marketplace democratizes access.

Different internal and external stakeholders can generate their own analytics from ESG data. This can provide greater transparency to investors, customers and regulators. It can also help embed ESG thinking into a firm's broader data-led culture.

## Six steps to ESG data maturity

**Step 1:**

Integrate all internal and third-party ESG data and leverage a dedicated ESG data model

**Step 2:**

Build a data catalog of all assets, including lineage and data profiling information

**Step 3:**

Apply data governance by assigning ownership and stewardship, then applying business definitions that link logical data to technical data

**Step 4:**

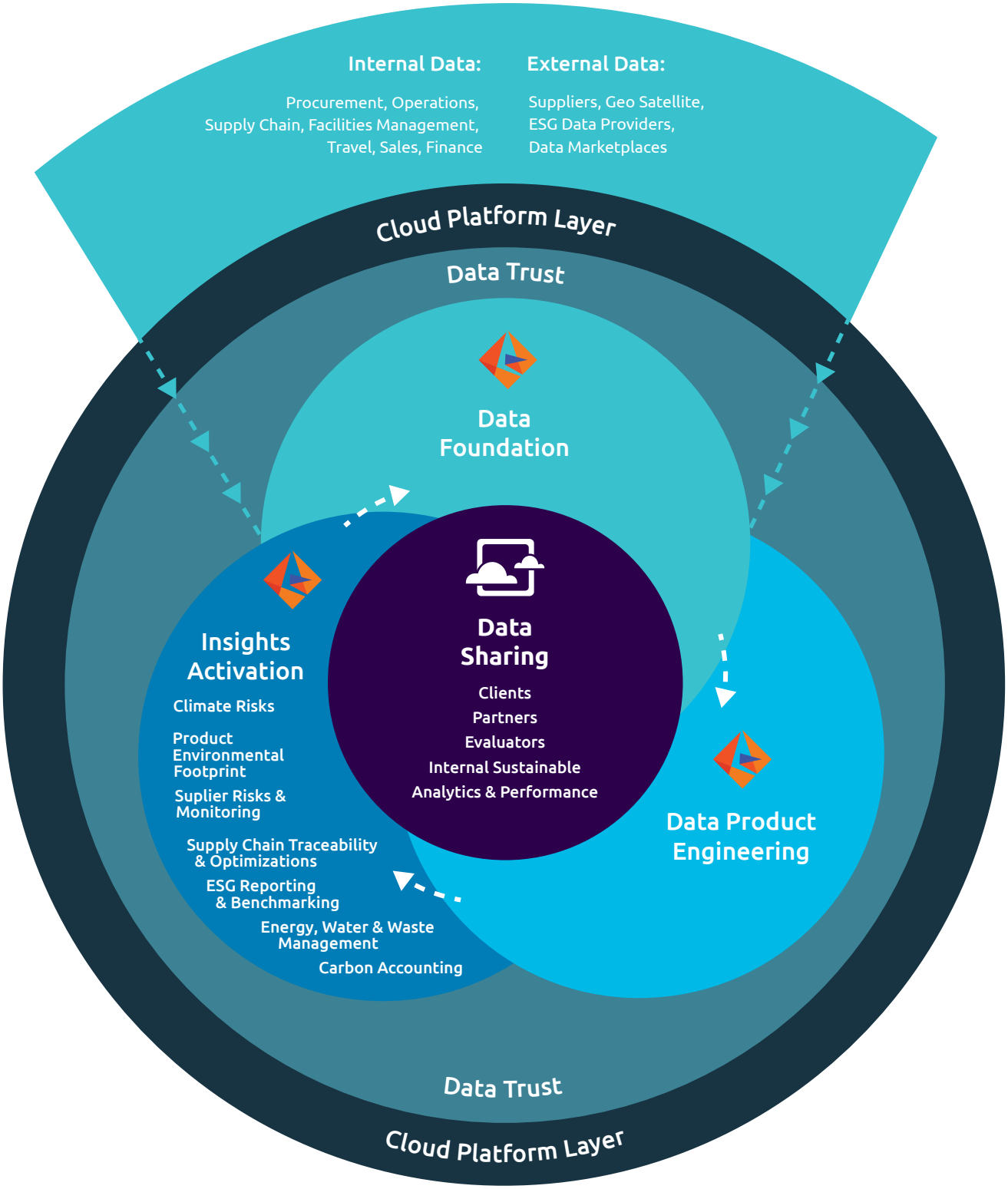
Establish trust by "cleaning" data to ensure its quality and timeliness

**Step 5:**

Create a single version of the truth or "golden record" using master data management (MDM)

**Step 6:**

Enable trusted ESG and sustainability reporting capabilities




*Building a Sustainability Data Hub (SDH) with Cloud Data Integration*

**DATA TRUST:**
Ensures the required level of trust in and auditability of the data through data governance, quality, lineage and master data management.

**DATA FOUNDATION:**
Here, data is collected and stored as raw data (bronze) first, then transformed into cleansed data (silver).

**DATA PRODUCT ENGINEERING:**
Business logic is applied to data modeling, aggregation, machine learning , creating data products (gold) ready to be activated for insights.

**INSIGHTS ACTIVATION:**
Where data products are accessed through marketplaces for internal stakeholders to create additional insights using self-service AI and visualization. Data products can also be consumed by external collaborative partner ecosystems and data-powered applications.

# CONCLUSION

A study by New York University found a significant positive link between ESG-focused business strategies and financial performance.[5] Researchers concluded that sustainability initiatives drive better financial performance because they tend to improve risk management while also encouraging innovation.

In short, ESG programs have moved beyond the realm of what used to be called corporate social responsibility or CSR. They're now a business imperative — with an attached requirement for proving that they deliver.

As companies across industries develop long-term strategies for meeting ESG goals for everything from net zero to increased diversity and greater executive accountability, an effective ESG reporting capability built on a foundation of modern data governance will be essential to success.

Capgemini and Informatica's strategic partnership empowers organizations to accelerate ESG programs with a unified data landscape. Developed through collaborative investment, the SDH supports confident, data-driven decision-making for a competitive advantage – we built this platform so you don't have to.

[5.] New Meta-Analysis From NYU Stern Center for Sustainable Business and Rockefeller Asset Management Finds ESG Drives Better Financial Performance

# MEET THE EXPERTS

To find out more about how Capgemini and Informatica can help your ESG project, get in touch with one of our experts.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## About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided every day by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 360,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast-evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering, and platforms. The Group reported in 2022 global revenues of €22 billion.

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## About Informatica

Informatica (NYSE: INFA) brings data to life by empowering businesses to realize the transformative power of their most critical assets. When properly unlocked, data becomes a living and trusted resource that is democratized across your organization, turning chaos into clarity. Through the Informatica Intelligent Data Management Cloud™, companies are breathing life into their data to drive bigger ideas, create improved processes, and reduce costs. Powered by CLAIRE®, our AI engine, it's the only cloud dedicated to managing data of any type, pattern, complexity, or workload across any location — all on a single platform.

**Informatica. Where data comes to life.**

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