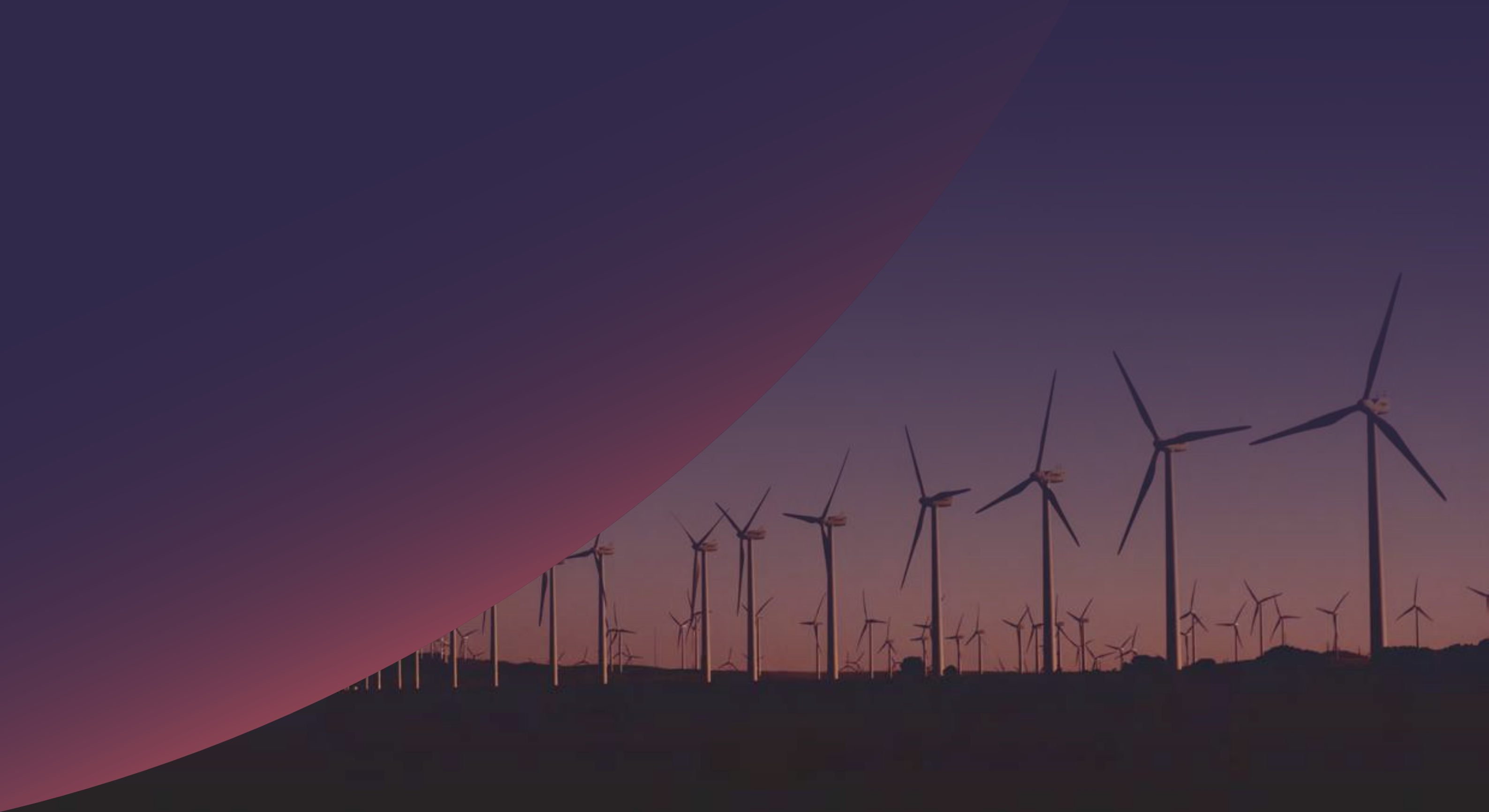
Business Consulting

The Journey Towards a Sustainability Transformation

Where to start



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To achieve a cleaner, safer and more sustainable world, organizations should realize the importance and value of managing ESG-related commercial challenges in a manner that suits its objectives.

ESG emerges as a common framework to evaluate the general health of an organization operating model and its long-term recovery capacity. Key stakeholders increasingly seek and require policies and programs with a future vision in the three areas.

From understanding what it is more important for the business and how to establish the landmarks and objectives to developing roadmaps and conducting a follow-up of the metrics to inform on the progress. Thus, a solid ESG program my resist the time test, meet investors' demands and be agile before the changes in society.

This eBook addresses why and how to develop a strategy and implement an ESG program integrating the governance criteria and the business areas, thus improving the environmental and social results, offering value and sustainable growth and value through the submission of reports on the main ESG criteria compliance framework.

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Introduction

As pressure to address the most critical challenges of our time, such as climate change, water shortage, inequality, equity, inclusion, and corporate responsibility, increases, it is easy for organizations to feel overwhelmed when they try to have a real impact.

When environmental, social, and governance efforts are properly made, they can reduce an organization's ecological footprint, improve creativity and workflows, and uncover new market opportunities, all while reducing risks and building resilience. For example, during the first year of the global COVID-19 pandemic, ESG funds outperformed the market in general and the Standard & Poor's 500 stock index despite the overwhelming market uncertainty.

The benefits are real, but exploring ESG frameworks, standards and solutions often raises more questions than answers. How does an organization achieve ESG excellence? Where to start to meet ESG compliance criteria? Asking the right questions is the key to understanding and positively changing the way your organization impacts the world around it.

These changes require resources and imply changes that can be radical in the business culture as well as strategic knowledge on how to undertake this journey. At the same time, it is essential that organizations understand the advantages.

It should go beyond the submission and dissemination of reports. There is a need to completely rethink the definition of performance and success for stakeholders; align on a strong narrative that makes an effective case for key metrics, and then build interactive elements that communicate results in a unified way. In this way, it will be possible to take advantage of technological advances and new ways of working to drive a new era of sustainable performance.

As sustainability measurement matures and becomes an instrument of transparency, it will offer organizations a unique opportunity to generate new ways of working, more markets in which to drive value, and new impact opportunities for all the stakeholders.

"ESG is the next corporate transformation.
It arose in response to the needs of society that require companies to assume a more active role in the adoption of sustainable practices in the face of social problems that impact everyone's lives."

The reason why sustainability matters

On August 6, 1987, the UN published the Report "Our Common Future", most known as "Brundtland Report", which was the first official document to describe the conflict between economic development and global environmental mean equilibrium.

The report, whose drafting was led by former Norwegian Prime Minister Gro Harlem Brundtland, showed, based on data and accumulation of comparative evidence, how the economic trajectory of humanity, starting as a great milestone with the Industrial Revolution, had had environmental costs, unsuspected in their origin, whose turning back was already very difficult.

On the other hand, socially responsible investing is not a new concept. It began in the 1960s, when some investors refused to support organizations involved in the South African apartheid regime. For the first time in history, non-financial indicators played an important role in the stock selection process.

Since then, responsible investing has spread and become increasingly popular among the investment community. Today it is widely recognized as the inclusion of environmental, social, and corporate governance factors in decision-making processes. This means that investors evaluate organizations using ESG compliance criteria to rate the quality of investment and determine the associated risks.

The acronym ESG was coined in 2005, ESG searches on the internet have quintupled since 2019. Across all industries, geographies, and organization sizes, organizations have been allocating more resources to improving their ESG compliance criteria.

The launch of the Principles for Responsible Investment on the New York Stock Exchange in 2006 was the first milestone of sustainable investing..

A significant part of ESG's growth has been driven by its environmental component and responses to climate change. But other components of ESG, particularly the social dimension, have also been gaining prominence.

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ESG is not about doing good, but rather about good business and risk management practices, especially at a time when risks seem to be constantly increasing and calls for responsible business behavior have never been stronger.

According to the United Nations, sustainable development is "meeting the needs of the present without compromising the ability of future generations to meet their own needs." In addition, it guarantees the balance between economic growth, care of the environment and social well-being.

Sustainability must be present in all aspects of life. The time has come when the environment matters; it is no longer considered a luxury to dedicate effort and resources to preserving it.

"Sustainability is differentiation, efficiency, connection with the consumer, brand reputation, competitiveness, leadership, profitability, survival of the organization over time."

ESG compliance criteria

As the overall industry landscape changes, one crucial element is quietly evolving with it: investor expectations.

ESG is often incorrectly combined with terms such as corporate sustainability and corporate social responsibility (CSR) or environment, health and safety (EHS).

While there is some overlap, these terms are not interchangeable. Corporate sustainability is a generic term used to describe creating long-term value for stakeholders by seizing opportunities and managing risks arising from economic, environmental and social developments.

Essentially, organizations examine how they can produce and deliver their products sustainably and without compromising the ability of future generations to meet their needs. For many organizations, corporate sustainability is about "doing good" and does not involve any set criteria.

Corporate social responsibility, on the other hand, is a well-established management concept through which organizations integrate the concerns of key stakeholders into their operations and activities.

Environment, health, and safety, in turn, refers to the implementation of the practical aspects of environmental protection, the maintenance of health and safety at work as well as compliance with environmental, health and occupational safety requirements.

In comparison, ESG evaluates an organization's environmental, social and governance practices, along with more traditional financial measures.

Together, these three aspects constitute a framework for evaluating issues related to the long-term health and prosperity of an organization. For many investors, it's not enough to check two boxes and leave one completely blank. They are looking for forward-thinking policies and programs in these three areas.

Regardless of sector or size, organizations face and manage ESG issues daily. Individual ESG issues may evolve, but fall under one of three factors:

1. **Environmental** refers to the resources an organization uses, the waste it produces, and the resulting consequences of those activities on the planet. Environmental factors extend beyond reducing carbon emissions to include environmental stewardship practices, such as water conservation, biodiversity, improving resource efficiency, plastic reduction and climate change mitigation plans, adding climate-related risk and opportunity management

2. **Social** refers to how an organization manages its relationship with internal and external stakeholders. This includes labor relations, employee training and education, diversity, equity and inclusion, reputation issues, customer service and customer protection, as well as the social impact that operations on the surrounding physical area. , adding personal data management and privacy.

3. **Governance** refers to an organization's internal framework of procedures, practices and controls used to govern itself, comply with regulations, conduct audits, and guide decision making. Corporate governance also involves executive pay structures and shareholder rights. In addition, issues of corruption, conflicts of interest, levels of transparency and the government hierarchy have an impact.

Common examples of ESG issues

As regards ESG central elements, we can identify some examples of the types of problems defining each, which may vary depending on the organization and the sector.

- **Environmental:** climate change, greenhouse gas (GHG) emissions, deforestation, biodiversity, pollution, water, waste, extended responsibility of the producer beyond its primary process, etc.

- **Social:** relations with clients, relations with collaborators, diversity, equality and inclusion, occupational health and safety, relations with the community, talent development of collaborators, etc.

- **Governance:** board management practices, succession planning, compensation, regulatory compliance, corruption, fraud, hygiene, and data security, as well as unfounded sustainability statements, without support from the strategy and corporate actions that tend to carry out greenwashing actions: greenwashing, the gap between what the organization advocates and how it acts, which can pose a risk to the reputation of the organization.

Often these three intrinsically interconnected factors can overlap in practice. Complying with local environmental regulations, for example, includes corporate governance, social commitment, and adherence to environmental protection criteria.

Segmentation of SDG in ESG compliance criteria

When organizations work on their sustainability within the framework of the 2030 Agenda and the UN Sustainable Development Goals (SDGs), they are having an impact on ESG compliance criteria, which have a broader nature.

The SDGs are one of the most ambitious global actions of recent decades, converted into an agenda to protect the planet and improve the lives of its inhabitants.

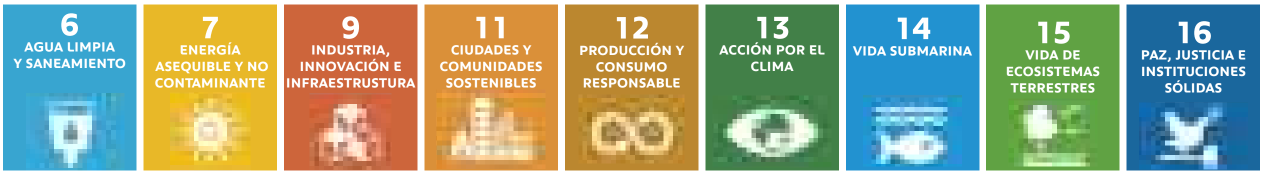
The 2030 Agenda has a total of 169 goals that must be met to achieve the 17 defined Sustainable Development Goals. To analyze whether these goals are met, data is necessary. Currently, the UN has 232 indicators to monitor the progress of different countries and regions.

Information regarding the progress of countries in achieving the Sustainable Development Goals is presented in the Sustainable Development Report, a publication that has interactive maps and infographics to better understand the situation in relation to each SDG.

Both acronyms are currently very relevant. In the ESG compliance criteria, closely linked to the new growing trends of socially responsible investment, as well as the requirements of non-financial information. In the case of the SDGs, due to their popularity among organizations that guide their sustainability management around them.

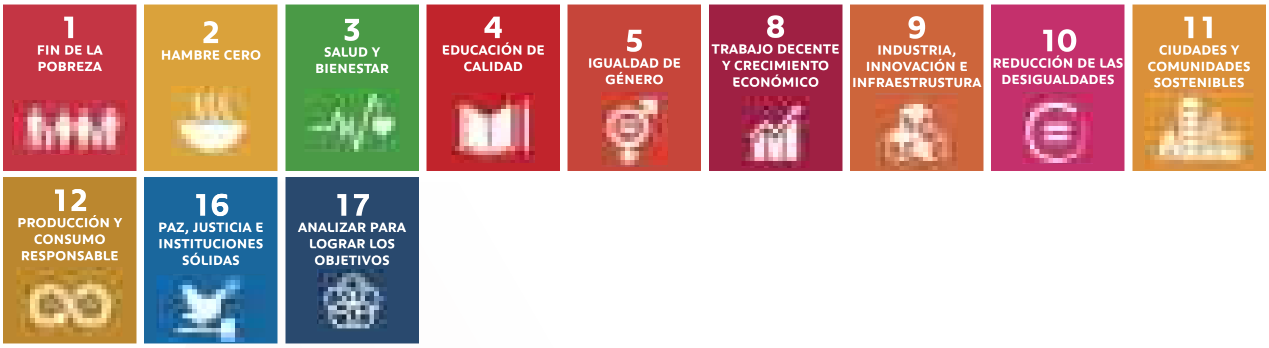
The SDG-ESG compliance criteria is established in:

- **Environmental Criteria:** increasingly valued by consumers and investors. They represent a necessary commitment to a new form of economy, greener and more prosperous. There are several linked SDGs: SDG 6, referring to clean water and sanitation, SDG 7, affordable and non-polluting energy, or SDG 13, climate action, although they are not the only ones, because the environment is one of the most powerful aspects of the 2030 Agenda.



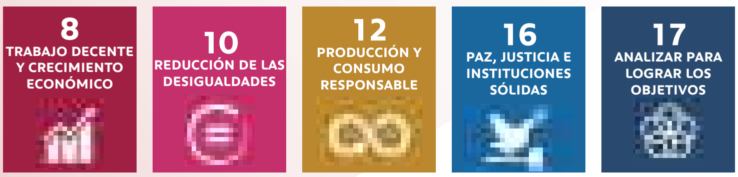
• **Social Criteria:** the 2030 Agenda is the agenda of humanity, so it has a strong relationship with the "S" criteria. Social aspects that improve the quality of life of workers have a place here. For example, flexible schedules, work-life balance, training for staff, measures for gender equality, collaboration with educational, cultural projects or with NGOs. This criterion connects the organization with people from different interest groups.

Among the most related SDGs, we find SDG 1, end of poverty, SDG 3, health and well-being, or SDG 5, gender equality, in addition to several SDG 8 or 10 goals.



• **Corporate Governance Criteria:** the importance of corporate governance and its good practices extends to the entire company. Transparency and good management affect everyone. And progressively, shareholders are increasingly looking at this type of performance. In fact, non-financial information indicators are already on the agenda of boards of directors.

SDG 8, decent work and economic growth, SDG 16, peace, justice and strong institutions, and SDG 17, partnerships to achieve the goals, among others, would be the Sustainable Development Goals most related to the governance criterion.



"According to the Global Compact, SDG trends and their ESG compliance criteria are leveraged by the rise of sustainable finance, digital transformation, circular economy, diversity, equity and inclusion and human rights in business strategy."

An ESG strategy accelerates the jouney towards sustainability

Today's organizations must invest in their ESG strategy.

The business landscape is reorienting itself and, therefore, it is reassessing where it will invest its resources in the years to come.

The decision to implement an ESG program marks the beginning of a journey, which may well begin with a single manager and his or her own vision of how an organization's future could unfold. As with any major corporate organization, ESG begins with high-level buy-in and requires planning, resources, external advice -where appropriate- an action plan, and a strategy for reporting results to internal and external stakeholders.

It is not something that will happen overnight. In fact, organizations that aspire to foster an ESG culture must be prepared for a process that has several stages and evolves through several iterations.

Certainly, the journey is as important as the destination. Organizations that make the effort will reap the benefits of reduced risks and costs, as well as improved investor relations. And the public -whether consumers of the brand or not- efficient operations, better reputation, etc. However, these changes are often challenging for organizations, so it is essential to retain external ESG expertise to provide guidance and direction from the outset.

The following steps provide a starting point for preliminary discussions and actions for the ESG journey.

- **Step 1:** Ensure the participation and resources of the board of directors and executives. The board and CEOs must decide on the overall scope of an ESG initiative: will it be modest, pragmatic or transformative? Those choices set the tone for all other decisions, accompanied by clear communications, lines of responsibility, and necessary resources.

In particular, this choice will determine the resources available to the people assigned to do the work, the people who will be involved, and the types of data and information required.

Because ESG touches so many parts of a business, organizations should establish an interdepartmental committee charged with guiding the process, gathering information, seeking expert guidance, consulting with stakeholders, and communicating results and progress.

- **Step 2:** Understand your own ESG situation. Executives leading ESG programs can start by collecting data on the organization's practices and history. Some of this information may already exist, depending on the organization's regulatory or shareholder requirements.

External ESG experts will be able to offer valuable information on the development of risk and impact assessments of different actions, allowing them to understand the factors of each ESG compliance criterion and thus being able to compare themselves with other organizations in their industries. Those comparisons provide external validation and a guide to what is possible as part of an overall ESG initiative.

- **Step 3:** Develop a strategy and communicate it to stakeholders. The core element of an ESG strategy is an implementation framework with specific objectives and KPIs, timelines, milestones, clearly articulated responsibilities, accompanied by a communication plan that supports the entire process.

Setting focused corporate goals (for example, a net zero commitment) can serve as important indicators for employees, customers, suppliers, and other stakeholders.

These projects may require financing tools and organizations can now access a growing variety of instruments designed for ESG strategies.

• **Step 4:** Sustainability reports. Regular ESG compliance reporting provides internal and external stakeholders with a way to track progress over time and obtain validation from periodic audits.

Through ESG compliance reporting, organizations measure and share both qualitative disclosures and quantitative metrics that are used to compare performance against ESG compliance criteria identified through the ESG rating process. Such reports provide an opportunity for organizations to consolidate their progress into a single document, as a means of responding to inquiries from investors and stakeholders.

In recent years, various standards have emerged, mostly voluntary, that establish general parameters for ESG disclosures.

A sustainable strategy appropriate to the business

Operationalizing sustainability describes the process of leveraging digital tools to facilitate the incorporation of sustainability goals, strategies, and decision-making processes into organizations' operational footprints.

Establishing goals and strategy is the first step in this process. In many cases, these are designed following a materiality assessment that helps establish the relative importance of different sustainability factors for an organization.

Not all organizations will have the experience or capacity to design a strategy of this type. Exploring and considering the options and benefits of external support is a sensible step for organizations seeking to define their sustainability strategy.

For example, to develop a Criterion E strategy that fits an organization's business model, scale, and stakeholder expectations, one can begin by measuring the organization's greenhouse gas emissions footprint, which will provide a baseline for making informed decisions, commitments, investments, and operational changes in the future. Once the organization understands its footprint, it can create a strategy to deliver on an ambitious commitment to action toward net zero carbon.

Another example is sustainable supply chain financing through a partnership between an organization and its suppliers, with suppliers able to access financing options based on their ESG profile. By providing access to better lending conditions compared to less sustainable providers, banks (through the development of frameworks and strategies in which they incorporate ESG considerations into their lending and investment decisions, helping in the transition towards portfolios greener) and their corporate clients can incentivize suppliers to improve their sustainability performance.

Successfully operationalizing sustainability in business requires capturing and analyzing disparate data streams, establishing a data architecture and systems to track sustainability performance.

Just capturing the data can be a challenge, although success here should be enough to satisfy certain reporting commitments. However, it is the detailed analysis and interrogation of data that can identify areas of opportunity and drive more effective implementation of sustainability.

Currently, the way we communicate the impact of sustainability is very subjective, with performance indicators submerged in text-laden reports that are open to different interpretations and have little (or no) traceability.

Having a tool that allows you to compare, for example, the carbon footprints of different offices or different production plants can show variations in performance and generate opportunities for improvement.

"Organizations should aim at ESG integration to become as important a part of the organization's operations as financial accounts and supply chain management."

Compliance with data in the center

The challenge of what data to use and its value.

Many organizations seek to improve their practices and make timely decisions, but often encounter barriers regarding the availability and reliability of their data. Transforming the ESG information management process is key to advancing each organization's path towards sustainability.

ESG data typically lacks the same level of precision as financial data, as it is often spread across isolated and incoherent systems, without considering the reporting processes themselves. If data is collected in a variety of available systems, such as spreadsheets or other types of manual spreadsheets, locating, consolidating, and maintaining annual greenhouse gas (GHG) accounting, for example, will be much more challenging. And the broader the ESG compliance reporting needs are, the more difficult it will be to keep information up to date.

Despite everything, these types of failures are frequent.

ESG data serve as a stimulus for the transformation of business processes and vice versa. At the same time, if new procedures must be implemented because of ESG compliance, they will require new sources of information or a revision of existing ones in the ESG data map.

Challenges of ESG data:

- **Data sources that are disparate:** ESG data sources are organizations' self-published reports. Commercial data from third parties (data aggregators), rating agencies, other industrial and regulatory organizations, and social media.

- **Data is not agnostic:** Third parties use proprietary algorithms to obtain ESG data. Therefore, they contain a "proprietary analyst bias" and may differ from the analytical perspective of the organizations using these data.

- **Poor quality data:** From the quantitative reports to the qualitative data themselves, data are not homogeneous in terms of units of measurement, forms of representation and methodologies adopted for generating information. Organizations often report which data are not time-synchronized for comparison within their operations or with peers. ESG data coming from different social networks makes the process even more difficult.

It is imperative that the data strategy be an advantage, to provide the different actors with a platform of auditable and quality sustainability data from which to govern, analyze, measure and disseminate beyond the reports, taking into account the following lines of action:

- **Data that provides management service:** Assessment of materiality, data that directly impact the organization's ESG strategy factors and definition of the most appropriate metrics, integration of ESG data initiatives into business processes; management of organizational change in sustainability management, holistic view of data beyond reports.

- **Data architecture and applied technologies, operating model:** Cross-cutting ESG data literacy, ESG data initiative in transformation programs, evolution of data platforms and investment in the incorporation of solutions that integrate ESG data, aligning the selection of suppliers of technology with shared sustainability objectives.

- **Data governance:** Data quality, traceability and lineage, glossary of technical and business terms, integration model with third parties (certifying and verifying organizations, and clients and suppliers), extension of governance criteria to data received by clients and suppliers, as part of ESG management and as a guarantee of data reliability.

The negative consequences of attempting to meet ESG compliance criteria without a data strategy that addresses your specific circumstances can be overwhelming and worsen over time. And it often prevents an organization from being recognized for its efforts in this area.

Implementing a data strategy and governance, along with an appropriate operating model on an ESG solution and solid technologies at an early stage of the ESG strategy will avoid problems in the future while keeping risks low and increasing the attractiveness of the organization to investors, consumers and employees.

An ESG - dedicated platform

Organizations have specific computer systems for activities such as human resources management and financial accounting. Implementing a specialized software platform to record and calculate emissions data, monitor sustainability initiatives, and examine supply chain feedback makes the process easier, more reliable, and more transparent.

This is especially important for the environmental portion of ESG compliance reporting, which can often be difficult to measure.

Artificial intelligence (AI) and bots are increasingly used to assess an organization's ESG performance through publicly available data, a process known as data mining. More importantly, this information is often used to review and rank performance and validate compliance with ESG compliance criteria without reference to context or methodology. The resulting result may be totally unrepresentative, but not having access to solid data may be worse.

That is why it is essential to ensure that you have a reliable platform for preparing ESG compliance reports, capable of aggregating data that is fragmented, managing their granularity without losing speed in the compilation and consolidation process, and interrogable in a rigorous and methodical way using ESG consultation tools.

These platforms must be complemented by the generation of compliance reports from multiple internationally recognized frameworks, thus maintaining updates that ensure that ESG reports remain aligned with the obligations of an evolving market.

ESG compliance reporting is becoming more complex, and these platforms enable organizations to overcome these challenges by providing the trusted data they need.

Therefore, adopting platforms that have frameworks with integrated ESG compliance reporting ensures faster and simpler implementation, ongoing compliance, and simplified change management when establishing new standards (or modifying existing ones).

"Organizations must work on how to incorporate sustainability mandates in its data strategy so that interest groups may judge based on adequate information."

How to inform on ESG compliance criteria?

Which ESG compliance reporting frameworks to use?

In the same way that organizations are required to produce reports on financial performance, they are expected to disclose their ESG performance. In some countries, they are even required by enacted laws.

These ESG compliance criteria reports are now a business imperative. Reports must be financial grade, fully auditable, comparable between periods.

ESG compliance criteria have a large number and variety of compliance frameworks. Evaluating and categorizing the various frameworks can help you understand the options and select the appropriate ones for the organization.

Currently, no compliance framework offers a truly comprehensive overview of ESG compliance reporting. As a result, many organizations choose to partially adopt multiple frameworks to guide their compliance reporting. But how do these ESG compliance criteria guidance and reporting frameworks compare? And how can organizations best prepare on their ESG journey?

We can evaluate the different frameworks considering:

- **Impact potential:** The decision about which framework to report to should begin by considering materiality, ESG issues that are relevant and will have a measurable impact on your business, identifying your risks, and then evaluating the consequences of these vulnerabilities, the relevance and influence, taking into account environmental and social factors here.

- **Stakeholder expectations:** Considering what stakeholders are looking for, you can identify which ESG compliance reporting frameworks are expected to be used, also identifying the different types of data to use.

- **Particular preferences of sectors and different geographies:** By belonging to a particular sector, you will find a natural alignment between your sector and some frameworks of

ESG compliance reporting to determine the relevance of the ESG reporting framework to your industry. Likewise, certain ESG compliance reporting frameworks are only relevant in certain geographies, either because a law so requires or for specific compliance with local conditions.

- **Understand the ESG reporting framework:** Each ESG compliance reporting framework has different coverage and levels of key ESG performance metrics. Understanding this helps with the selection of the framework(s) where organizations can report using their different data sources.

The matrix below, created by IBM, presents the different areas the main current ESG compliance reporting frameworks focus on.

Nivel de cobertura: Completo · Alguno · Ninguno

	Ambiental*	Social	Gobernanza	Carbón	Energía	Residuos	Agua
CDP	Completo	Completo	Completo	Completo	Completo	Alguno	Completo
CSA	Completo	Completo	Completo	Completo	Completo	Completo	Completo
ENERGY STAR	Ninguno	Ninguno	Ninguno	Completo	Completo	Alguno	Alguno
GRESB	Completo	Ninguno	Completo	Completo	Completo	Completo	Completo
GRI	Completo	Completo	Completo	Completo	Completo	Completo	Completo
IIRC	Alguno	Alguno	Completo	Alguno	Alguno	Alguno	Alguno
NABERS ES	Ninguno	Ninguno	Ninguno	Alguno	Completo	Alguno	Completo
NGER	Ninguno	Ninguno	Ninguno	Completo	Completo	Alguno	Ninguno
SASB	Completo	Completo	Completo	Completo	Completo	Completo	Completo
SBTi	Ninguno	Ninguno	Ninguno	Completo	Alguno	Alguno	Alguno
SECR	Ninguno	Ninguno	Ninguno	Completo	Completo	Ninguno	Ninguno
SFDR	Completo	Completo	Completo	Completo	Completo	Completo	Completo
TCFD	Alguno	Alguno	Completo	Completo	Alguno	Alguno	Alguno
ODS de la ONU	Completo	Completo	Alguno	Completo	Completo	Completo	Completo

Cobertura de indicadores de marcos de informes ESG
Fuente IBM

* Ambiental incluye todos los elementos que no son carbono, energía, residuos o agua. Enfocados en la biodiversidad, la calidad del aire, la desertificación y más.

The following main compliance reports frameworks may be grouped into four categories:

Reference frameworks:

- CDP www.cdp.net
- GRESB www.gresb.com

Voluntary frameworks:

- GRI www.globalreporting.org
- TCFD www.globalreporting.org
- VFR: SASB www.globalreporting.org + IIRC www.integratedreporting.org
- SBTi www.sciencebasedtargets.org

Regulatory frameworks:

- SFDR www.eurosif.org
- NGER www.cleanenergyregulator.au
- SECR https://www.gov.uk/government/publications/

Rating agencies:

- ENERGY STAR https://www.energystar.gov/
- CSA https://www.spglobal.com/esg/csa/about/
- NABERS www.nabers.gov.au

Carbon Disclosure Project (CDP): Framework for organizations to provide environmental information to their stakeholders (investors, employees, and customers). Covers environmental policy and governance, risk and opportunity management, environmental objectives, and strategy and scenario analysis.

Global Real Estate Sustainability Benchmark (GRESB): Global tool preferably used by investors to evaluate the sustainability performance of real estate and infrastructure portfolios and assets, worldwide.

Global Reporting Initiative (GRI): Globally applicable guidance framework that provides standards detailing materiality, management reporting and disclosure approaches for a wide range of usability issues. These standards guide organizations in producing their own sustainability reports.

They are designed in a modular and interrelated way, to be used in the preparation of a sustainability report focused on material issues, their impacts, relationships and management.

Task Force on Climate-related Financial Disclosures (TCFD): This task force aims to develop standards for voluntary financial disclosures focused on climate change. Members represent both generators of information (organizations, advisors) and users of this information (investors).

TCFD recommendations are structured around four thematic areas that represent the core elements of how organizations operate: corporate governance, strategy, risk management, and metrics and objectives.

Value Reporting Foundation (VRF): ESG guidance framework that establishes standards for the disclosure to investors of information related to the financial capacity of organizations. It is made up of the merger of the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) frameworks.

Sustainable Finance Disclosure Regulation (SFDR): Aims at standardizing the reporting of ESG metrics for financial products and entities within the European Union.

National Greenhouse and Energy Reporting (NGER): Australian framework developed for the preparation of reports that allow the dissemination of information on GHG emissions, production, and energy consumption of an organization.

Streamlined Energy and Carbon Reporting (SECR): This framework is the UK Government's guidance for required organizations to report on their energy consumption and associated greenhouse gas emissions within their financial reports.

Energy Star: Voluntary program of the United States Environmental Protection Agency (EPA). For ESG it is applied to commercial building constructions. It is a rating and benchmarking mechanism for energy consumption across a diverse group of building types of several uses.

Corporate Sustainability Assessment (CSA): Framework that compares organizations in 61 different industries with questionnaires that evaluate a combination of 80 to 100 cross-industry and industry-specific questions. Organizations receive scores ranging from 0 to 100 and percentile rankings for approximately 20 financially relevant sustainability criteria across economic, environmental, and social dimensions.

National Australian Built Environment Rating System (NABRES): This environmental rating scheme provides a simple, reliable, and comparable measure of sustainability in building sectors such as hotels, shopping centers, apartments, offices, data centers and others.

Everything converges to strategic integration of varied technologies

Moving forward in the ESG journey is a multi-faceted process based on adopting sustainability as a priority and integrating it into both business decisions and governance.

Reflecting this, along with the fact that collecting and managing emissions data is a enormously difficult task, organizations seeking to achieve ESG compliance reporting in their respective compliance reporting frameworks should be aware of the various technological solutions available to enhance their strategies

As with any digital strategy, organizations looking to implement solutions must prepare to manage the complex lifecycle of this process; to walk along it successfully, the support of a professional services partner helps in the selection and implementation of techno logy.

Emphasis areas may include regulatory-specific capabilities that must be met or functionality to manage strategic requirements, such as different compensation practices that are evolving.

The value of using professional services firms to define digital strategy and help with supplier selection is well known.

Sustainability consulting services are completing their maturation and, consequently, there is a healthy ecosystem of players dedicated to providing ESG consulting services through open ecosystems of boutique consulting associations dedicated exclusively to sustainability, global consulting firms and technology and software companies.

As organizations move along their paths in the ESG journey, they should consider how software solutions can meet their future and current demands. This involves a thorough examination of product roadmaps, with special emphasis on thematic areas that are aimed at gaining prominence, using external sustainability solutions consulting which accompanies the achievement of ESG objectives, getting involved throughout all stages of their ESG journey, providing expertise to:

- Improve environmental and social results
- Integrate ESG into governance and business areas
- Comply with regulations and disclosure reporting
- Develop ESG policies
- Align objectives with standards and frameworks
- Increase yields
- Reduce risk
- Deliver sustainable value and growth

“Organizations must constantly rethink the future of their digital strategies as their ESG compliance requirements mature by applying their applicable compliance frameworks.”

Finally, statistics that must be made know

As more organizations embrace ESG, new statistics emerge every day that show how the ESG landscape in organizations is being shaped. Looking at these statistics at the beginning of 2023, one thing is clear: ESG will be critical for all organizations, regardless of the size or industry.

Below are some statistics that show how important this concept and its criteria are:

- Three in four (77%) small and mid-cap organizations have a formal ESG-related purpose statement [Quoted Companies Alliance]
- One in five (18.5%) small and mid-cap organizations use ESG standards, such as GRI or VFR [Quoted Companies Alliance]
- More than 200 organizations have signed The Climate Pledge, a pact to reach the Paris Agreement goal of net zero carbon 10 years before [The Climate Pledge]
- 80% of the world's largest organizations report exposure to physical or market transition risks associated with climate change [S&P Global Market Intelligence]
- Climate-related weather events are expected to cost organizations $1.3 trillion by 2026 [CDP]
- 76% of consumers say they will stop buying from organizations that poorly treat the environment, employees, or the community in which they operate [PwC]
- 53% of the revenue of the 500 largest US organizations and 49% of the revenue of the 1,200 largest global organizations come from business activities that support the SDGs [S&P Global]
- Organizations with the highest employee satisfaction had ESG scores 14% higher than the global average, likely due to their strong environmental performance [Marsh & McLennan]
- 88% of consumers will be more loyal to an organization that supports social or environmental issues [Cone Communications]
- ESG-mandated assets could account for half of all professionally managed investments by 2025, totaling $35 trillion [Deloitte]

• Green, social and sustainability bonds, designed to channel investments into ESG projects, reached a new global record of more than $700 billion in issuances in 2021, almost double 2019's total of $358 billion [Climate Bonds Initiative].

• 85% of asset managers say ESG is a high priority for their organizations, but 64% were concerned about the lack of transparency and corporate disclosure about organizations' ESG activities [Index Industry Association].

• 71% of CEOs believe it is their personal responsibility to ensure the organization's ESG policies reflect the values of their customers [KPMG]

• Only 50% of organizations believe their organization performs very effectively compared to environmental metrics [NAVEX Global]

• Worse still, only 39% believe their organization performs well on governance and 37% on social issues [NAVEX Global]

• Nearly a quarter (24%) of organizations say corporate silos are a barrier to ESG progress [PwC]

"ESG offers numerous benefits, including reduced business risks, better financial performance and higher returns on investment."

Conclusion

Moving beyond compliance, to the following level

Organizations are waking up to the fact that ESG is a critical pillar in building their business.

ESG brings together environmental, social and governance factors. It then prioritizes and translates those factors into key strategies and objectives that organizations can use to evaluate their current operating model and long-term resilience. Having a well-defined ESG strategy allows organizations to control their own narrative, internally and externally.

It is no longer a question of WHETHER ESG issues relate to the core of the business, but rather what ESG strategies the organization can employ to best prepare for the uncertainties of the future and the demands of the present.

A successful ESG strategy can be a true differentiator for the business, helping to outperform competitors, improve talent acquisition, enhance innovation, and drive investment.

With rapidly evolving standards, rigorous ESG analysis and management processes will soon be the norm. This level of scrutiny will extend across various industry verticals as organizations have to take a hard look at the practices for which they will be held accountable.

Organizations across various industries will be engaged in a race to reach net zero, not only to comply, but also to achieve greater returns for shareholders.

There will be a strong positive correlation between market performance and ESG rating.

ESG is here to stay, and the passage of time will only increase the strategic importance of non-financial performance indicators. Issues such as climate change, data privacy and human rights represent a new era of business ethics.

Adopting an ESG reporting platform that enables monitoring and communication of ESG compliance criteria in accordance with one or more of the currently recognized global frameworks will reduce barriers to achieving sustainability intelligence.

Equipping the organization for the future means shifting focus from short-term gratification and investing in long-term resilience, adaptability, and transparent accountability.

It is a question of action. Develop a strategy for ESG integration.

It is a journey towards sustainability based on data.

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- Websites of the main compliance reports frameworks.

Supplemented with own developed materials.

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