Requirements of ESG Data

As we enter the modern age of stakeholder capitalism, underpinned by a digital economy, data is fast becoming the world's most valuable resource, even being referred to as the "new oil". Although warranted a truer and more appropriate analogy, within a stakeholder capitalism and ESG framework, is the commonly coined alternative that data is "the new soil". This is because, unlike oil, soil and data are dynamic, keep evolving and need to be correctly cultivated according to intended purposes in order to yield their full potential.

The data within a business should align with the businesses goals and objectives, with the nature of the data determined by the character of the business in terms of business strategy, mission, needs, structures and capacity.

The data imperative speaks to the aspiration of an organization to capture the realities that are relevant to the organization in order to better control and optimize business activities and processes.

In order to create and implement an effective ESG strategy, organizations must adopt modern data management methods within their overall data strategy. ESG performance is best expressed through ESG data, which is very difficult to generate in the absence of good data management practices. ESG data which is characterised by self-disclosure and self-selection is inherently wide, dispersed and malleable in order that it may cater to a variety of intended 3rd party end-users, each with their own unique needs and requirements as well as methods and systems for ingesting the data.

Every company faces a variety of ESG-related material issues with the potential to cause financial and reputational damage. Therefore, ESG data is increasingly being utilized as a risk management and decision-making tool, and thus ESG data is viewed by many as one of the most authoritative measures of holistic corporate performance. ESG data end-users range from investors, regulators, asset managers, consumers, financial institutions, business partners through to employees, all of whom are becoming ever more sophisticated in their interrogation of the data and therefore imposing an ever-increasing demand on the data.

ESG data must therefore be of sufficient quality to stand up to this increased interrogation and to clearly establish and present an organization's ESG narrative.

In this way, ESG data provides the weight of evidence that demonstrates an organizations ESG goals.

However, the characteristics and requirements for ESG data present inherent challenges for data scientists and data custodians. The voluntary nature, variance in material issues, and ever-evolving KPI's make selecting the right ESG metrics a complex multidisciplinary process, requiring broad stakeholder engagement. Furthermore, the extent of ESG data across an organization means that data will originate in different formats from multiple departments within the organization. This usually results in data being inconsistent and incompatible, requiring multiple data solutions as opposed to a standardized approach.

Significant work needs to be done to rise to the challenges that ESG data presents and close the ESG data gap.

This work will mainly revolve around ensuring that data is transparent, auditable, consistent, available on demand and can be quickly onboarded. To achieve this, organizations must leverage off of technology to allow for integration with applications and automation as well as provide modular and flexible solutions with regular updates.

The culmination of an ESG data strategy is more than just an ESG report its about understanding the drivers of value creation within an organization through the focus on material issues. As the nascent ESG framework evolves and consolidates, the future expectations of ESG data are still uncertain, all that is within the control of an organization is to ensure that the current data represents the most material issues.

Organizations who do not yet recognize this carry a high ESG risk and may miss out on opportunities to capitalize on certain ESG variables that exist within their businesses.

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