Solving the great sustainability data challenge

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Many organizations are struggling to respond to new sustainability reporting regulations and standards brought in under the EU's Corporate Sustainability Reporting Directive (CSRD). The bottom line is that, under the CSRD, thousands of companies must publish sustainability reports that comply with new European Sustainability Reporting Standards (ESRS).

Making companies more transparent about their environmental, social and governance (ESG) performance is part of the EU's aim to combat climate change and achieve the UN Sustainable Development Goals. The new regulations and standards mark a significant shift in modernizing and strengthening corporate sustainability reporting and mean that more companies need to get serious about their sustainability reporting.
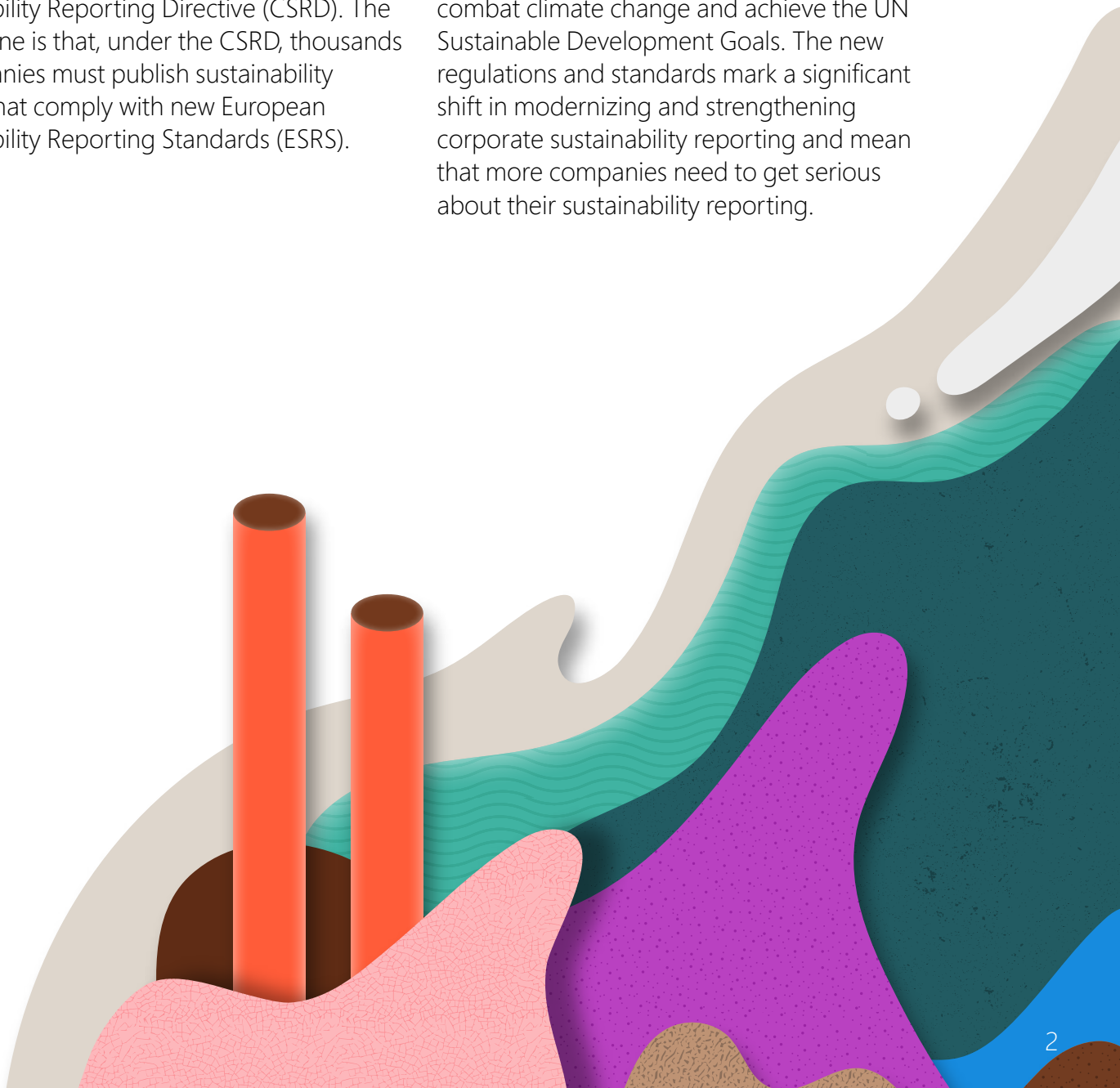
Marco Frikkee
Partner and Head of Sustainability Reporting
Services at KPMG Netherlands

"The new regulations pose significant challenges for some companies. Companies not only need to generate measurable data on how their own activities affect people and the environment; they also need to report on the ESG impacts across their entire value chain from the materials they source from suppliers right through to how their products are disposed of the end of their life," he explains.

"What's more they need to disclose how they'll address those ESG impacts and how they'll deal with the multitude of risks and opportunities their business faces from environmental and social factors like climate change and modern slavery. That means setting sustainability targets and monitoring progress over time."

"The task is huge, the data complex and essential, and the challenge is urgent. That's why we are calling it the 'great sustainability data challenge."

Good decisions are based on good data, so companies need to ask themselves: do we have this data? Does it already exist? If yes, where is it and how do we access it? Who is responsible for it? If we don't already have this data, how can we generate it?

Once companies become clear on what information they need to report, they need to invest in sustainability data management systems that not only meet their immediate requirements but are also flexible and agile enough for future sustainability reporting and performance management needs. Many companies that have previously based their sustainability data reporting on Excel spreadsheets need to explore new automated solutions that can generate robust data ready for audit and assurance scrutiny.

"What we're seeing is that many companies currently have sustainability data that is incomplete or unreliable and not integrated with their business performance data," continues Marco. *"Maybe there is not enough data to start with. It's possible; sometimes a company – for whatever reason – has simply never collected the amount of sustainability data that the new regulation calls for. Or perhaps the sustainability data they do collect does not meet the needs of key stakeholders like banks, investors, customers or regulators. Or maybe it comes down to the 'human factor': a lot of the data creation, collection and generation for sustainability is currently driven by manual labor which can limit its scalability and reliability and means managing sustainability data can be time-consuming and costly."*
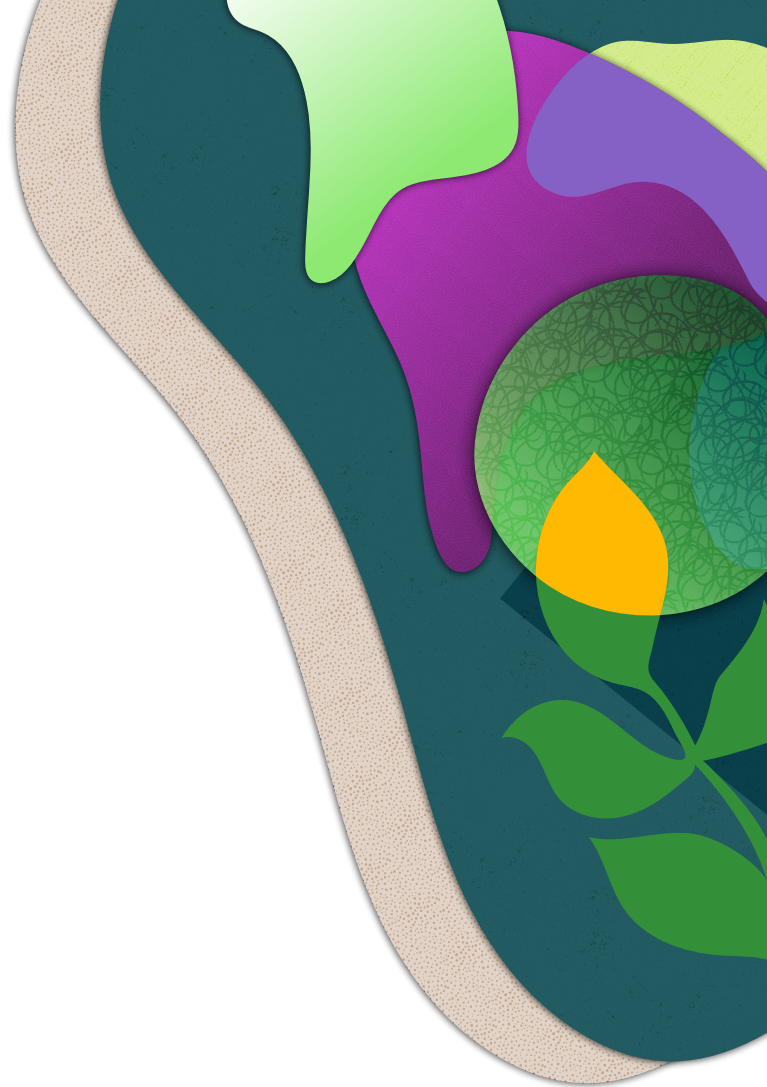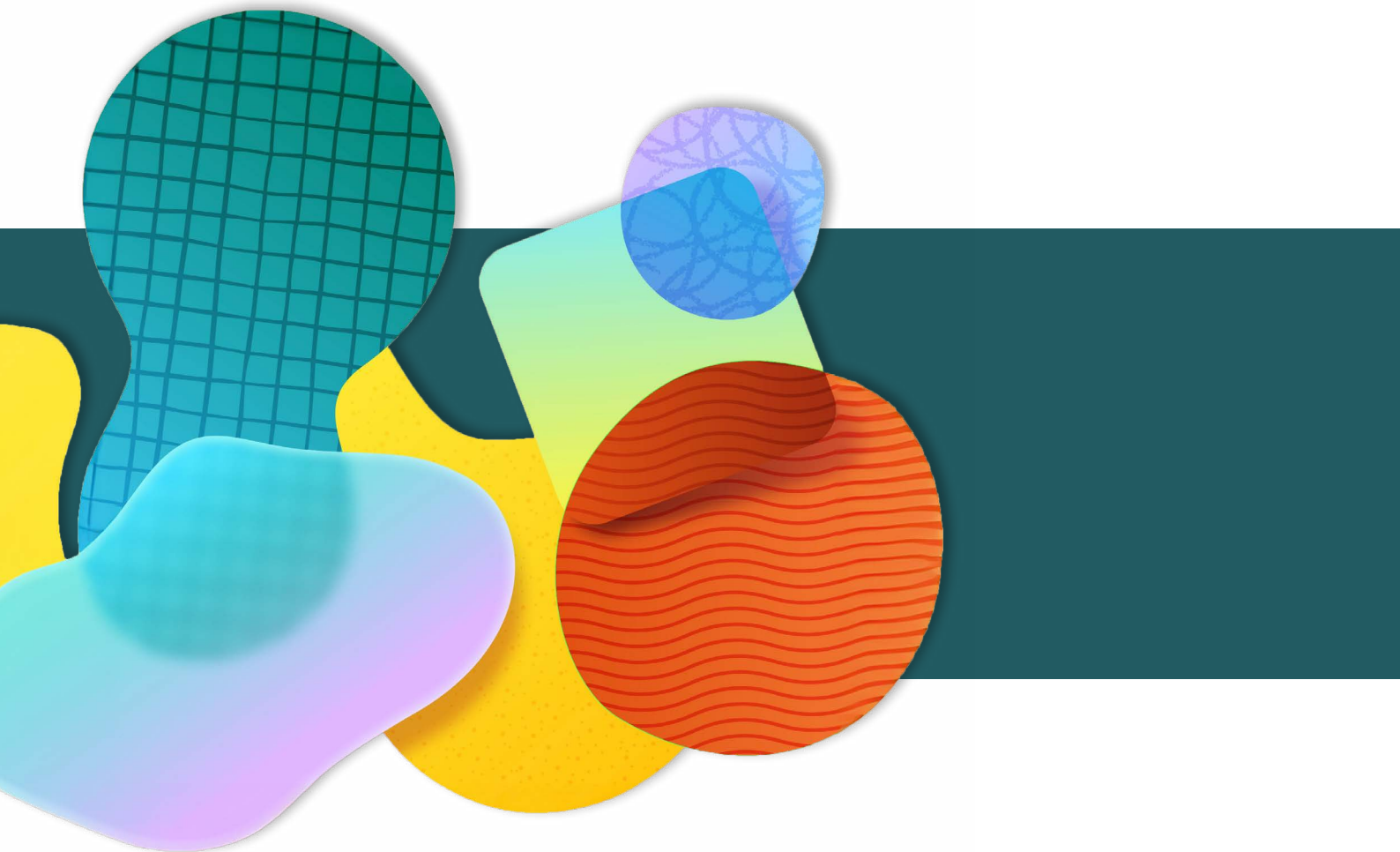
If sustainability data is not reliable, the worst-case scenario is reputational damage – both for the company and potentially for the directors responsible for disclosures – and possible legal issues related to inaccurate reporting or perceived greenwashing. In order to move forward from this challenging position, there are a number of specific actions that CIOs, data managers and corporate sustainability teams can take to get ahead of the 'sustainability data challenge'. Progress starts with:

› Understanding your company's sustainability strategy and the new sustainability reporting requirements in order to integrate sustainability data effectively into company IT processes.

› Identifying what sustainability data is needed for reporting and gaining insights into how it can be accessed, generated, stored and managed.

› Working towards a common data management framework across the whole company. Your aim is to bring together all relevant types of data including financial, operational and sustainability under one umbrella.

› Developing a forward-looking data management strategy that looks to the long term and enables access to detailed sustainability data from across the company, your suppliers and customers.

› Aligning your data management strategy continuously with new regulations, frameworks and standards as more are introduced. Remember that you will need to keep ahead of future changes.

Getting ahead of the challenge is one thing. Consolidating and maintaining long term solutions is another.

It's for this reason that Microsoft and KPMG have joined forces to develop innovative sustainability data solutions that help your operations. Practical solutions to get the job done.

"The KPMG and Microsoft partnership is a collaboration that understands the 'great sustainability data challenge' and the headaches that it's causing you. On top of that, we recognize that every company needs not only to digitally transform, but also that it needs to sustainably transform. For both of these transformations, Data and AI are at the core. Only by implementing the right solutions will companies be able to connect their sustainability and IT teams and truly accelerate their digital sustainable transformation journey," notes Joris Haverkort, Netherlands Sustainability & Cross Solutions Lead from Microsoft. *"Between Microsoft and KPMG, we speak both languages – the language of digital technology and the language of corporate sustainability. This means that we're ideally placed to help you not only overcome this challenge, but to help you accelerate your sustainability progress and business growth."*

Developing targeted sustainability data solutions based on Microsoft's Cloud for Sustainability platform, the KPMG and Microsoft partnership offers tools to help companies create, collect and manage high quality and reliable data across the full spectrum of ESG topics.

"We started off with carbon emissions, but we didn't stop there," Joris Haverkort goes on to say. *"We recently launched our Circularity Tracker that helps you measure, monitor and enhance the circularity of production and reduce use of resources. Together, we're enabling organizations gain the transparency and insights they need to manage their environmental footprint, embed sustainability through their organization and value chain, and create new value in a changing landscape. Building and maintaining a sustainable data foundation."*

Who we are:

At Microsoft, sustainability is at the core of our business, and it has been for more than a decade: extending from optimizing our own operations to building a community of customers and partners learning and working together to advance their sustainability ambitions.

Through collaboration, the delivery of dedicated sustainability solutions, and investments in climate equity and innovation, we are committed to driving transformation to build the world every person and organization on the planet needs to thrive.

KPMG Netherlands has been a leader in helping companies improve their sustainability performance for over 30 years and we have a track record of market-leading innovation in the sustainability space, particularly in the creation of sustainability data for reporting and performance management. KPMG provides expertise and experience in Microsoft technology with a strong market-oriented mindset and knowledge at scale. KPMG can support you in leveraging and implementing technologies like Azure, Microsoft Data Platforms, Power Platform, and the Microsoft Cloud for Sustainability to achieve your sustainability ambitions.

What next?

1

Get a close-up view of our actions, progress, and learnings as we strive to meet our 2030 commitments. See how we're investing for the long term—moving from pledges to progress while helping others do the same, accelerating new climate solutions, and supporting policies to enable a more sustainable world. aka.ms/SustainabilityReport2022

2

Discuss the possibilities of organizing an ESG acceleration engagement delivered by Microsoft and KPMG at a Microsoft Technology Center. Visit microsoft.com/mtc to learn more or to schedule an engagement, contact your Microsoft or KPMG experts to learn more and for a demo.

3

Start today with learning about the Microsoft & KPMG capabilities regarding gathering, calculating and reporting on ESG Data. And see how the Cloud for Sustainability is an ESG Data Play Platform Solution that integrates seamlessly in your current IT estate through the KPMG Powered Sustainability approach. Microsoft Cloud for Sustainability | Microsoft | KPMG Powered Enterprise Sustainability - KPMG Nederland