Automating and Accelerating your Sustainability Reporting

The beginning of a better relationship with ESG reporting

Your sustainability credentials have never been more important. As the world grapples with environmental and social challenges, businesses have a responsibility to increase transparency and minimise negative impacts through detailed, accurate and actionable ESG reporting.

Demand for these disclosures may be driven by governments and trading blocs, but companies should see ESG reporting as more than a regulatory burden. It's an opportunity to attract investment, reduce risk and gain a competitive advantage.

It's not easy, though. The disparate nature of ESG data and the lack of a standardised framework mean ESG reporting is often inefficient and inaccurate. Manual collection methods mean companies waste valuable man hours to create reports that lack the level of detail and insights to make a real difference.

We're here to change that. Whether you're embarking on an ESG journey for the first time or are searching for a way to make your current disclosures faster and more effective, this eBook will explain why embracing ESG disclosures is so important, how to overcome the challenges you're likely to face (or are currently facing) and how automation can transform your reporting processes.

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ESG reporting is an opportunity, not a necessity

In light of recent EU legislation, thousands of businesses are contemplating how to ease the burden of mandatory ESG reporting requirements. But we encourage businesses to go one step further.

Regulatory adherence is vital, and the easier it is to achieve, the better. But embracing ESG disclosures and using those insights to make data-backed improvements can help businesses reap incredible benefits.

A brief introduction to
ESG Reporting

ESG reports help businesses measure their environmental, social and governance policies, assess the long-term sustainability of the company, and disclose their performance to regulators, stakeholders and the wider public.

ESG data is incredibly wide-ranging, encompassing vast swathes of qualitative and quantitative information—most of which isn't easily accessible.

This includes everything from carbon emissions and water usage to DEI policies, modern slavery standards, and executive compensation. You can find a more comprehensive summary of common ESG data in the image below.

E

Environmental

Energy consumption & efficiency

Renewable energy

Water consumption & efficiency

GHG emissions

S

Social

Diversity, equity, & inclusion (DEI)

Human rights

Employee health & safety

Volunteering & corporate giving

G

Governance

Company structure

Business ethics and transparency

Reporting policies & ESG disclosures

Risk management

The benefit of robust ESG reports

Reporting on all that data isn't easy. But building a fast and reliable reporting method — like the one we outline in this eBook — all but guarantees the following outcomes.

Meet stakeholder expectations

There is a strong and growing expectation among business stakeholders — whether owners, shareholders, suppliers, employees or customers — that businesses be transparent about their sustainability practices.

Better manage risk

Poor ESG practices present a serious risk to a company's reputation and future. But only by implementing a detailed reporting practice can you understand the size and scale of the threats facing your organisation and then make data-informed decisions to turn them into opportunities.

Gain a competitive advantage

Research by Blackrock shows businesses that collect and manage ESG data gain a long-term competitive advantage over their peers. Why? Because, in the words of an ESG and Financial Performance report from NYU Stern Center for Sustainable Business and Rockefeller Asset Management:

> " Sustainability initiatives at corporations appear to drive better financial performance due to mediating factors such as improved risk management and more innovation.

Access more capital

More and more investors are making decisions based on ESG performance data. A survey by PwC finds 79% of investors believe ESG reporting is an important factor in their decision. More than half will dissociate with companies that fail to take sufficient ESG action.

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Meet regulatory requirements

Several pieces of EU and UK legislation mean accurate ESG reporting is a regulatory requirement for businesses of all sizes across the continent. These include:

- Task Force on Climate-related Financial Disclosures (TCFD)

- European Green Deal

- Climate Change Act 2008 (UK)

- EU Supply Chain Law

- Corporate Sustainability Reporting Directive (CSRD)

The penalties for breaching these regulations can be severe. Failure to comply with CSRD can lead to eight-figure fines and jail time for company directors.

Your reports aren't the problem...
Your data is.

If accurate ESG reporting has such beneficial outcomes, why do companies still struggle to build a reliable and repeatable process for creating detailed reports at regular intervals?
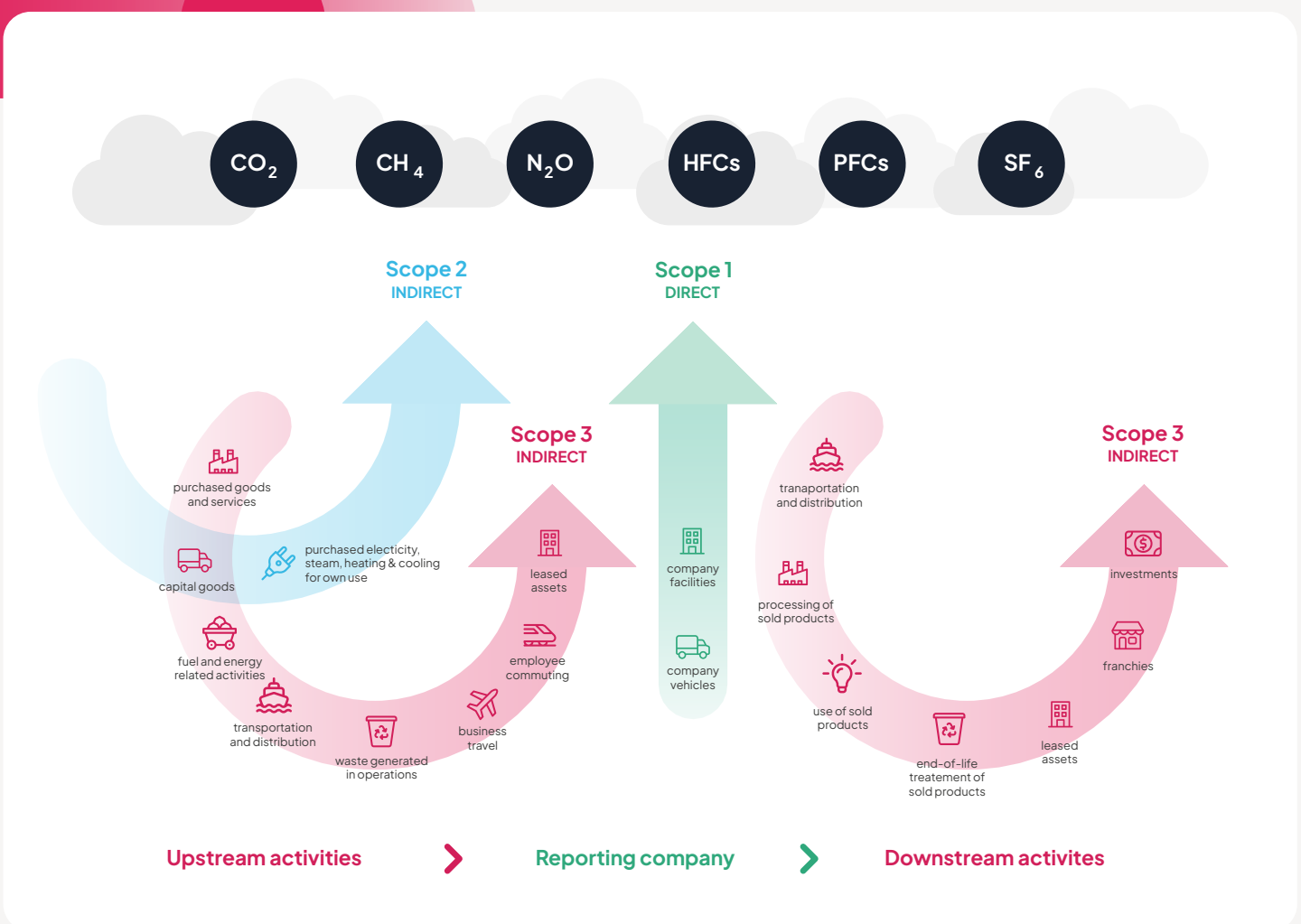
The problem isn't the reports themselves. It's with the data used to create them. Inefficient collection methods, a lack of standardisation and reporting inaccuracies make it incredibly difficult for ESG and finance leaders to make the kind of ESG disclosures new regulations demand.

The scope of the problem

The GHG Protocol Corporate Standard categorises every company's emissions into three scopes:

| **Scope 1** covers direct emissions

| **Scope 2** covers indirect emissions caused by energy purchases (things like electricity and heating)

| **Scope 3** covers all other indirect emissions associated with your company's downstream activities.

Scope 1 and 2 emissions are relatively easy to quantify and the only emissions that used to be required in ESG disclosures. But recent legislation like the EU Supply Chain Law and CSRD means businesses must now report on Scope 3 emissions — and that's a lot more difficult.

CO_2 CH_4 N_2O HFCs   PFCs SF_6

Scope 2
INDIRECT

Scope 1
DIRECT

Scope 3
INDIRECT

Scope 3
INDIRECT

purchased goods and services

purchased electricity, steam, heating & cooling for own use

capital goods

leased assets

transportation and distribution

fuel and energy related activities

employee commuting

company facilities

transportation and distribution

investments

processing of sold products

transportation and distribution

business travel

company vehicles

franchises

waste generated in operations

use of sold products

end-of-life treatement of sold products

leased assets

Upstream activities ❯ **Reporting company** ❯ **Downstream activites**

What makes scope 3 emissions so tricky to report?

Scope 3 emissions account for the largest proportion of a company's total emissions — as much as 75% on average. It's not just the size of scope 3 emissions that's an issue for businesses, though. Their indirect nature forces organisations to calculate them using disparate sources alongside supply chain partners, which presents a three-pronged problem: one of collection, uniformity and accuracy.

Data collection

The extent of ESG data for national and multinational businesses can be enormous, with information spread across dozens of siloed systems, departments and companies. Even if you know which systems contain the ESG data you need, it can be impossible to extract the data — which forces many businesses to adopt a manual copy-and-paste approach instead.

Data uniformity

Even if businesses have a reliable way of collecting scope 1, 2 and 3 data, it's almost never the case that each emission is reported in a standardised format. There's no international standard for ESG data, which means every company, supplier, and software program chooses its own method. You might have all the data you need, but you'll struggle to create a report with it. In the absence of definitive guidance, organisations need a clear methodology that covers the data sources they use to be able to collect that data again in the future.

Data accuracy

When your team uses manual data collection methods — whether that's asking suppliers to self-report results or manually copying data from an ERP system into a spreadsheet — mistakes are all but certain to occur. Even the most diligent employees are prone to human errors that can corrupt data, invalidate outcomes and put your business at risk.

The time and energy businesses devote to solving these problems is significant. Thousands of hours are wasted trying to solve the problem of scope 3 data — hours that could be spent on revenue-generating tasks.

But the waste is even bigger if the people responsible for ESG data collection and reporting are senior members of finance or ESG departments. There's simply no excuse for these professionals to manage data in this way. Not when a faster and more efficient method exists…

Automation is the secret to ESG reporting success

There are several things businesses can do to make collecting Scope 3 emissions less burdensome. Storing all the data in a single centralised location, for example, makes it easier to manage. Educating suppliers on what you need and making sure everyone records data in the same format can also help. But these solutions, as good as they are, don't tend to work at scale. To solve ESG's data collection, uniformity and accuracy issues, organisations need to embrace automation.

The promise of automation

A solution that automates the capture, categorisation, cleansing and storage of ESG can solve all of the problems we've discussed so far.

Take data collection, for example. An automated data solution eliminates the need to manually copy entries from a source system into a spreadsheet or download individual files. Instead, data is automatically transferred to a separate system.

This also improves the accuracy of your ESG data. Automation doesn't leave room for human error, meaning you can have faith in the accuracy and integrity of your ESG data. Automation also gives businesses more time to review data and take appropriate action. Most importantly, it solves the problem of standardisation by automatically cleansing data into a single report-ready format and framework.

These aren't the only benefits of an automated solution, though. Automating the ESG data collection process also:

Increases your visibility by storing data in a single source that's much easier to manage. It also becomes easier to spot gaps in your ESG data.

Reduces resource investment and allows employees to focus on more important, strategic and revenue-generating tasks.

Enables real-time reporting and allows action to be taken sooner to ensure you exceed your targets.
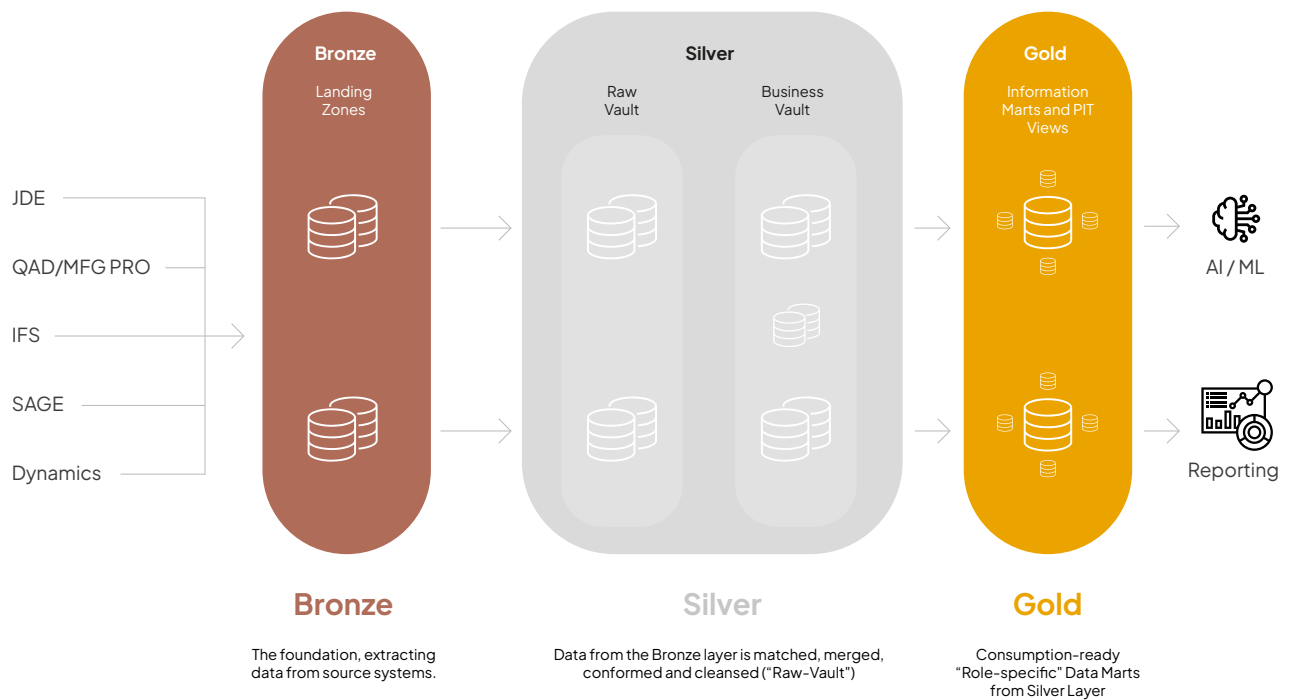
How we use automation to accelerate ESG reporting at 5Y

The ultimate goal of any automated ESG solution, whether it's an off-the-shelf tool or custom-developed software, must be to unify disparate data. That's exactly why we built the 5Y Unified Data Platform, and specifically, the ESG Analytics solution.

By combining the data vault methodology with Microsoft Azure components and common data structures, our platform can ingest data from any disparate source, provide standardisation to a central location and most importantly, feed clean data into custom, pre-built ESG reports.

Medallion architecture powers the ESG Analytics solution, organising disparate data while improving its structure and quality as data flows through each layer.

Bronze
The foundation, extracting data from source systems.

Silver
Data from the Bronze layer is matched, merged, conformed and cleansed ("Raw-Vault")

Gold
Consumption-ready "Role-specific" Data Marts from Silver Layer

Here's what happens at each layer of the process as data gets taken from source systems like ERP software and turned into clear and actionable reports:

Bronze: Data lands from external sources and remains untouched in a data lake. This acts as a golden record, a single source of truth.

Silver: Your data is cleansed and transformed following a tried and tested Data Vault methodology. This lets us track all changes from the source system and present data in multiple ways.

Gold: Your cleansed data is curated into consumption-ready databases, making it easy for your team to create reports.

You don't have to be a data analyst to make sense of your ESG data, though. 5Y ESG Analytics is a low-code program with a user-friendly interface that makes it easy for employees to track the status of ESG data collection, map sources, request new connections and build reports from scratch. You'll have complete visibility through visual dashboards and access to real-time actionable insights that help you exceed sustainability targets.
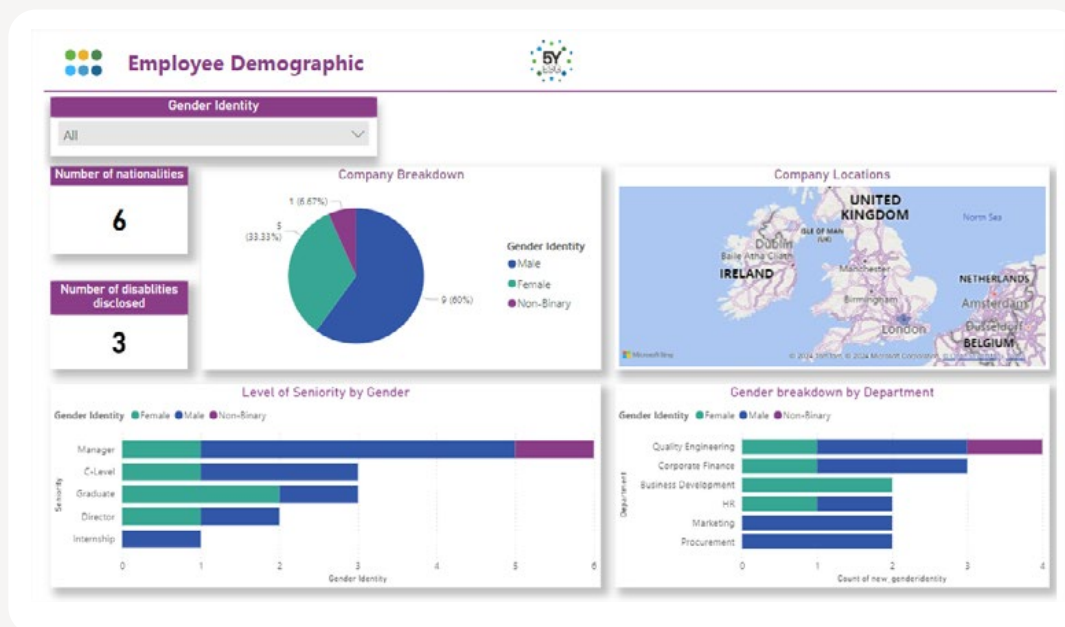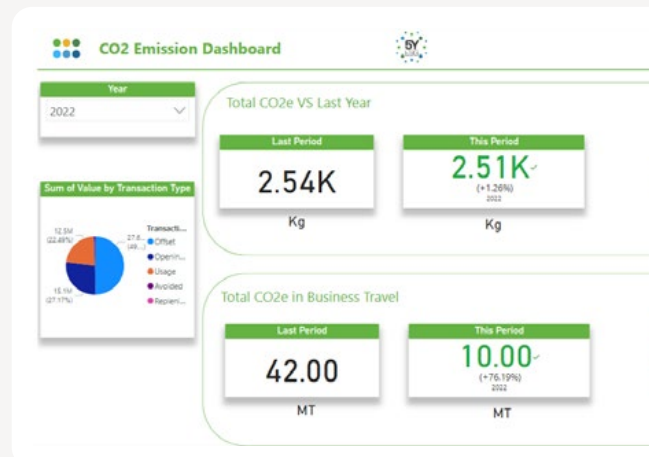
Why work with 5Y?

There are several off-the-shelf ESG automation tools and plenty of consultants who will build you a solution from scratch. So what makes 5Y the perfect partner for your company?

We deliver solutions faster and for less

5Y's ESG Analytics Solution is built on our pre-existing Unified Data Platform using a fit-gap approach.

This means 80% of the standard metrics your business needs are available out of the box. The remaining 20% can be delivered in a fraction of the time (and for a fraction of the cost) compared to custom models. The end result? We deliver your solution in as little as two months rather than two years.

You get access to data analysts and ESG experts

Our unique offering includes advisory services and a technical solution in one package.

You'll get to work with both sustainability professionals and data analysts who help you discover data sources, craft a bespoke strategy and tailor our automated solution to your business's individual needs.

Our solution evolves with the market

Automated solutions can quickly become outdated if regulatory requirements change or third-party platforms like your ERP system update their data extraction functionality.

The beauty of working with 5Y is that our ongoing subscription guarantees the long-term functionality of your solution through regular updates. A monthly subscription may seem like an additional cost compared to vendors who charge a one-off fee, but it will actually lower the risk of your software asset and result in a lower total cost of ownership.

As the technology requirements change, 5Y updates its platform accordingly and makes this available through your subscription. We change the underlying code once and make this available, whereas traditional vendors charge each customer separately for code changes.

Overcome the challenges of ESG reporting with the 5Y ESG Analytics Solution

Unlock your business's potential and reap the rewards of robust ESG reporting with 5Y. Start automating and accelerating processes today by speaking to one of our experts.

Book a demo

Company Br

Nationalities
6

Disabilities
3

Export

Gender breakdown by Department

About 5Y Technology

Our platform, solutions and company are dedicated to disrupting the traditional technical landscape and powering change through data. We aim to be the catalyst for a world where data-driven decision-making and operations are the norm, enabling organisations to unlock their full potential and achieve sustainable success.

Learn more about us by visiting **5ytechnology.com**
Contact us online or email hello@5ytechnology.com

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