Leveraging Data Capture and Consolidation to Drive Successful Sustainability Reporting

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Executive summary

Stakeholders are demanding more transparency regarding how companies are driving sustainability initiatives. Unfortunately, many companies are struggling to meet this demand. As demand for transparency continues to grow, companies will require a higher degree of sophistication and detail around the data they gather and the information they report. This paper covers best practices for setting up an effective sustainability strategy.

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Introduction

According to a recent survey of global CEOs, today, 43% say their companies seek to align sustainability with their overall business goals, mission, or values—up from 30% who said so in 2012.[1]

But how do stakeholders within organizations know if they are pursuing the *right* approach to sustainability management?

Successful, value-based sustainability programs require engagement from all parts of an organization. This drives the reliance on more relevant and actionable data to aid informed decision making. While data exists across a company's platforms, many organizations struggle with managing and interpreting "Big Data" into actionable intelligence.

This paper analyzes the current sustainability landscape and offers recommendations for company-wide integration of new thinking around sustainability strategy development and data management.

Trend 1: Increased disclosure complexity

Internal and external stakeholders in every industry are now demanding more transparency in how companies are driving sustainability initiatives. The issuance of corporate social responsibility (CSR) reports and inclusion of sustainability information on company websites and internal networks is on the rise; however, most companies are struggling to address this increased demand of transparency. As the transparency trend continues to grow, companies will require a higher degree of sophistication and detail around the data they gather and the information they report.

Driven by the latest Global Reporting Initiative version 4 (GRI is a non-profit organization that produces one of the world's most comprehensive standards for sustainability reporting), basic energy and greenhouse gas inventory reports are giving way to more detailed outputs which include information about governance, management, environmental impact, and social labor indicators. In the year 2000, for example, when the GRI Guidelines were first launched, 96 indicators were utilized to disclose on environmental, social, and economic performance. In GRI G4 (released in 2013), there are nearly 150 indicators, including several sub-categories that require a greater level of detail. Even companies who aren't strictly following the GRI framework are adhering to the Triple Bottom Line concept of reporting on economic, environmental, and social issue details in their disclosures.

Figure 1

Consolidation of data is a key success factor in sustainability reporting.

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[1] http://www.mckinsey.com/insights/sustainability/sustainabilitys_strategic_worth_mckinsey_global_survey_results

The demand for disclosure has different drivers in different regions. Europe is more compliance focused, with some proactive countries mandating integrated reporting, or the reporting of sustainability data alongside financial data. While the U.S. experiences some compliance pressures with recent Securities and Exchange Commission (SEC) climate change disclosure mandates, disclosures are driven by an even mix of consumer, investor and competitive interests. In Asia, health and safety concerns are leading the way; in Latin America, sustainability is seen as a competitive advantage.

Trend 2: Improved reporting quality

The disclosure of more detailed, more transparent, and more specific information requires unparalleled coordination. For example, a typical report may require the involvement of 10 or more internal groups or teams and often even more data systems (e.g., real estate, HR, operations, environmental). This new age of sustainability reporting involves engagement from every level of the company. Since holistic evaluations are becoming the norm, a huge demand now exists for understanding not only the data points (i.e., the year or past few years in review), but the trend lines (i.e., how the industry is changing, how sustainability is evolving, and how the company is impacted).

A key challenge is that companies often lose data in one way or another. Assets are managed by different groups within the organization and are often managed in separate databases (e.g., owned vs. leased stores; offices; data centers; distribution centers; manufacturing). This loss of data, or "data leakage", occurs for multiple reasons:

What is "Big Data"?

A variety of data in different formats from disperse system and owners, over varying time periods, with different underlying structures, of which the sheer quantity of data makes it difficult to provide a complete profile of company performance.

- During busy periods of high activity (openings / closings / acquisitions / divestitures) data portfolios become inaccurate due to confusion and changes in process.

- Institutional and individual knowledge is lost due to employee turnover. Even the best-managed portfolio can lose years worth of knowledge and experience resulting in significant short term data quality problems.

- Expansion to global markets can lead to regional "black holes" in knowledge and complex regional structures of how information is gathered and managed.

- The comfort and knowledge surrounding sustainability data varies widely among different groups where data is held.

It is important for companies to address these gaps because inaccurate data can result in company stakeholders having less confidence in the data being utilized to push forward sustainability initiatives. This lack of trust will diminish the returns expected from sustainability programs and also increases the risk of false information getting sent to regulators.

Figure 2

Oversights, miscommunication, and lack of accountability can lead to data leakage at all levels which ultimately must be addressed.

Trend 3: Enhanced regulatory compliance

Despite the sustained momentum behind frameworks like the Global Reporting Initiative (GRI) and CDP (formerly Carbon Disclosure Project), lack of disclosure of sustainability-related information is still a common issue for most companies. This is particularly apparent when compared to the rigor surrounding financial reporting laws and requirements such as the Sarbanes-Oxley Act and the SEC Form 10-K. While most companies comply with these regulations and create robust systems and procedures to guarantee financial accuracy and integrity, most have not consistently complied with regulations related to environmental matters.

It is still unclear if integrated reporting – reporting on environmental information in financial publications – will take root in other areas of the world outside of Europe, but it seems likely as integrated reports offer a platform to not only understand and articulate the long-term impact of sustainability strategy, but can also attract financial capital for investment. As long as sustainability reporting is voluntary, companies will focus on the value-add rather than strict compliance. Regardless of the approach that organizations decide to take, companies should use financial reporting best practices and institute strict governance and quality controls into their data collection and analysis. These types of controls are necessary as companies move to establish credibility and accountability for sustainability targets throughout their organizations.

In order to sharpen their focus on rigor and quality, companies can leverage industry partners or can initiate internal projects that establish a base for progress measurement. At the outset,

clear goals will need to be established that define what result is to be considered a "success". As a first step, for example, basic "yes / no" questions should be asked regarding whether simple sustainability practices are already in place. A failure to take these first preliminary steps will result in the production and use of bad data in the future. Rectifying this problem at a later date will be much more costly and time consuming.

Action plan

Big data and its ability to spur actionable change is here to stay. Whether your organization is establishing a new sustainability program and strategy or it's considered an industry leader, all organizations can benefit from a cohesive, inclusive data strategy.

Firms wishing to initiate a migration to a sustainability "smart" infrastructure should consider the following short and long term steps:

Within the next few weeks:
- Begin to plan a roadmap. Assess which areas of the sustainability practices represent the biggest pain points and which can be addressed sooner with little effort (low-hanging fruit).

- Be systematic in assigning the relative risks and opportunities of these practices (or lack thereof) to aid in prioritizing what actions should come first.   This initial step is invaluable when you begin to engage more colleagues within your organization towards resolving these problems – for example, stating, "We are consistently providing our investors and customers with incorrect information because there are no formal internal procedures for accountability to provide data" is a clearer request than "I need people to give me data".

Within the next 3 months:
- Identify key players and data owners of your sustainability program and establish communication pathways.   Many groups may already be undertaking parallel work – for example, real estate groups often actively manage and QA site lists – and short conversations upfront can save significant time chasing information.

- In parallel, work with key stakeholders to determine appropriate accountability structures and feedback loops to help with change management.

Within the next 6 months:
- Leverage technology to house various data points from all owners in one place.

- If available, establish automatic feeds from disparate systems into one place as a "one-stop-shop" for data aggregation and analysis.

- Provide updates on progress to stakeholders and determine if there are any data synergies among various groups – the more stakeholders who are subject matter expert see a value-add for a technology platform, the more they can review data for "gut-checks", and the better your data will be.

Within the next 12 months:
- Use analytics to quickly identify initial projects with low up-front investment that can result in positive results over a relatively short period of time (like an understanding of the leading and lagging site performers within your portfolio or an immediate opportunity to reduce carbon emissions). This approach will build confidence and support for future sustainability-related projects.

Within the next 18 months:
- Communicate successes and plan to re-assess your roadmap. All organizations have inherent complexities that make using big data an iterative goal. Share success stories

with stakeholders and highlight the value of what has been accomplished in addition to challenges that still need to be overcome.

● Leverage your company's strengths and expand on these. For example, one global apparel manufacturer had achieved great data results for their global portfolio by engaging stakeholders and a central technology platform, but realized that they lacked information on site-level behaviors that could facilitate change. They decided to re-assess their strategy and implement a global Sustainability Scorecard that asked behavioral questions for their 1,200 sites in 30 countries. By leveraging a central platform, their internal stakeholders and establishing accountability mechanisms, they were able to get a 95% response rate from site-level personnel. This provided unprecedented insight into their global portfolio, and served to engage and educate their employees at a grassroots level.

✎ About the authors

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