Is cloud technology the key to improving ESG data?

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There has been growing attention placed on ESG in recent years and as more businesses look to be environmentally conscious this brings its own unique challenges as businesses look to understand the data at their disposal. While the growth in ESG data requirements has given way to an increase in the information available, it is crucial that businesses are able to accurately decipher its meaning in order to ensure ESG data can fulfil its need. The importance and issues regarding ESG data, as well as possible cloud-based solutions will be discussed throughout this blog.

What is meant by ESG data and why is it important?

ESG data refers to the environmental, social and governance facts and information that businesses use to determine the environmental efficacy and sustainability of their business. It is now practically impossible to venture into any large scale business and not hear of any ESG initiatives. There is now a greater emphasis on the environmental impact of a business's actions, especially as shareholders' expectations have shifted and are no longer focused solely on profit. While the benefits of considering the ESG impact on a company are plentiful, its importance is also becoming more apparent as legislation and public sentiment is placing an emphasis on shifting to a more sustainable approach to business. There has been a large shift on investors wanting to work with businesses that have a clearly defined ESG framework, and consumers are also becoming more likely to engage with businesses who are more sustainable than others.

> There is now a greater emphasis on the environmental impact of a business's actions...

What are the limitations of ESG data?

Given that ESG is a relatively new and evolving concept, the data in this area, such as corporation transaction data lags behind other key data-dependent areas of businesses, such as financial market real-time data.

The absence of standardised reporting makes it difficult to compare data and for businesses to work collaboratively due to the lack of a single truth being established.

In addition, much of the data is inconsistent, out of date or patchy making it increasingly difficult to determine core competencies of what excellent data should look like. For instance, there are two main methods for determining risk of flooding in the UK, but both measure this over a massively different time period, therefore often have vastly different flood risks for the same area. In addition, it's also vital that environmental data such as quantitative data relating to greenhouse gas emissions is accurate, complete and transparent.

Having flaws in something as crucial as this deters investors from making decisions and can cause unrest from stakeholders if a company's efforts are deemed as greenwashing.

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What role can technology play in ESG data?

Subsidising investment into ESG data could alleviate some of the issues, however this would require assistance from the government or large financial institutions. In order to hold ESG data to a high standard, modelling the data procedures more commonly seen in industries such as finance and national defence can help create a more robust criteria for managing data.

Vitally, procedures and controls on data as well as a collaboration between businesses working towards a common

goal will hugely aid the gathering and reporting of ESG data to be a more credible standard.

One way of speeding up this process is by utilising real-time data in the cloud to accelerate data integration and reporting, an example of this could be providing accurate carbon emissions reporting to show a company's performance against ESG goals.

There is also a great deal of third-party sustainability-related data in the cloud including weather, air quality and satellite imagery that can help businesses to determine climate risk, align with ESG disclosures and move to more renewable sources of energy.

A key benefit of using cloud technology would be the proliferation of having multiple data sources stored in a modernised architectural format.

Consequently, it would help to reduce siloed working, encourage knowledge-sharing and help to create golden sources for data while also moving physical data centres to the cloud, thereby reducing emissions.

Another benefit of using the cloud would be the increased efficiency for businesses; having timely access to reportable data would increase transparency for stakeholders and regulators allowing businesses to focus on their day-to-day operations. Once again, this would help bring rise to standardising the management of data and would allow for further innovation in this field.

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In summary...

In the constantly evolving world of ESG data it is clear a lot of work needs to be done for it to be held to the same standard as data quality in other more advanced areas such as sales reporting, however with an increased emphasis from governments, and businesses working together there are many opportunities to exploit. Despite its challenges, harnessing state of the art technology and utilising cloud capabilities can allow us all to experience vast benefits and possibly see the shift to a greener, more ethical way of conducting business.

About us

Be | Shaping the Future UK (**Be UK**) is a subsidiary of Be | Shaping the Future, a well-established management and technology consultancy with over 1,800 consultants located across 12 European countries.

We work with the leading financial services organisations to shape their future through our transformation consultancy and advisory services, covering the following sectors:

- Cards and payments
- Retail and commercial banking
- Capital markets
- Finance
- Risk, regulatory and compliance

We take pride in building relationships with our clients and we work collaboratively to drive change for a bigger and better future.

The risk, regulatory and compliance team at **Be UK** is composed of specialists and advisors. Our key service areas include:

- Enterprise risk management
- Recovery and resolution planning
- Capital management and optimisation
- Financial crime
- Operational risk and resilience
- Sustainability, ESG and climate risk

Contact

For more information on how we can help with your ESG, climate and risk initiatives, please get in touch.

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With many years of experience in the international financial services industry, Alessandro has a wealth of experience in risk, regulation and compliance, gained through international roles, both as a consultant as well as a banker, including CRO roles in the UK and CH. His experience ranges from strategy and governance, AI / ML risk applications, risk transformation, system implementations to compliance and regulatory assurance.

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