



EDM Webinar 

Countdown to Climate Disclosures: ESG Data Management and Mandatory Reporting for Multinational Companies

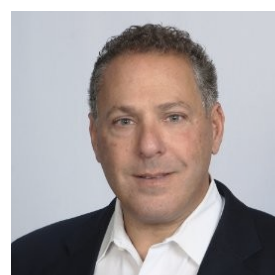
A conversation with



Scott Beange
Head of Data
Advisory Services
DTSQUARED



Levent Ergin
Data Governance,
Privacy & ESG
Domain Expert,
Informatica



Eric Bigelsen
Global Head of
Industry Engagement
and Senior Advisor
for ESG
EDM Council



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Today's panel

Moderator



Eric Bigelsen

Global Head of Industry Engagement
and Senior Advisor for ESG
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Scott Beange

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Background on ESG Disclosure Requirements

Sustainable finance refers to any form of financial service integrating **Environmental, Social and Governance (ESG)**, to measure the sustainability and societal impact of a business and/or investment decision



Environmental

Carbon Emissions, Energy Use, Pollution, Waste Disposal, Water usage, Deforestation, Conservation, Land Contamination, Treatment of Animals



Social

Labour Standards, Community Support, Product Quality & Safety, Training, Ethics, Discrimination, Working Conditions, Social Capital, Supplier Relations



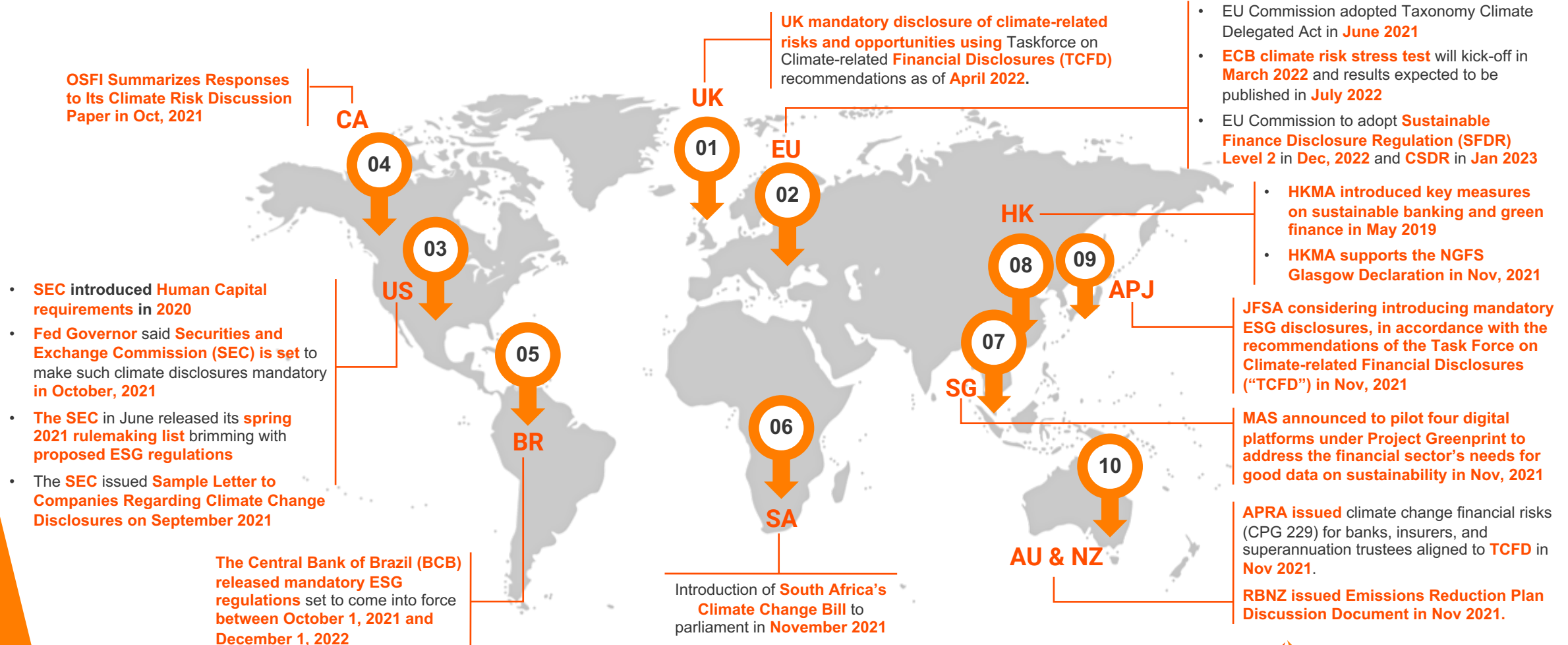
Governance

Anti-corruption, Shareholder Rights, Exec Remuneration, Political Independence, Audits & Accountability, Transparency, Conflict of Interest



The majority of this data is “non-financial”

Global ESG Highlights – Move from Voluntary to Mandatory Disclosures by the Regulators



Historic ESG Reporting approach and What is Changing? What is the new approach?



What was the historic ESG Reporting approach?

- ESG Reporting isn't new, most companies have already been reporting a significant amount of data in the 'S'ocial and 'G'overnance areas of ESG Reporting.
- ESG Reporting to date has been done on a 'best endeavours' basis and typically most of these numbers were not audited

What is changing?

- The regulators globally are turning voluntary ESG reporting into mandatory ESG reporting, with a significant focus on the disclosures of 'E'nviroⁿmental impacts
- With ESG reporting becoming mandatory, companies will also have to demonstrate the same level of controls that you would expect for Financial Reporting.

What is the new approach?

- Across the industry a lot of the Chief Sustainability Officers, Heads of Sustainability and like are looking to leverage lessons learnt from Financial Reporting from Chief Data Officers, Chief Risk Officers and Chief Operating Officers.

Scope for Today's Webinar



About TCFD Reporting

- UK Government, EU and many other countries are aligned to TCFD Reporting Standard
- The TCFD framework recommends 11 disclosures across the four pillars of governance, strategy, risk management and metrics and targets

Governance

Disclose the organization's governance around climate-related risks and opportunities

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

Risk Management

Disclose how the organization identifies, assess, and manages climate-related risks

Metrics and Targets

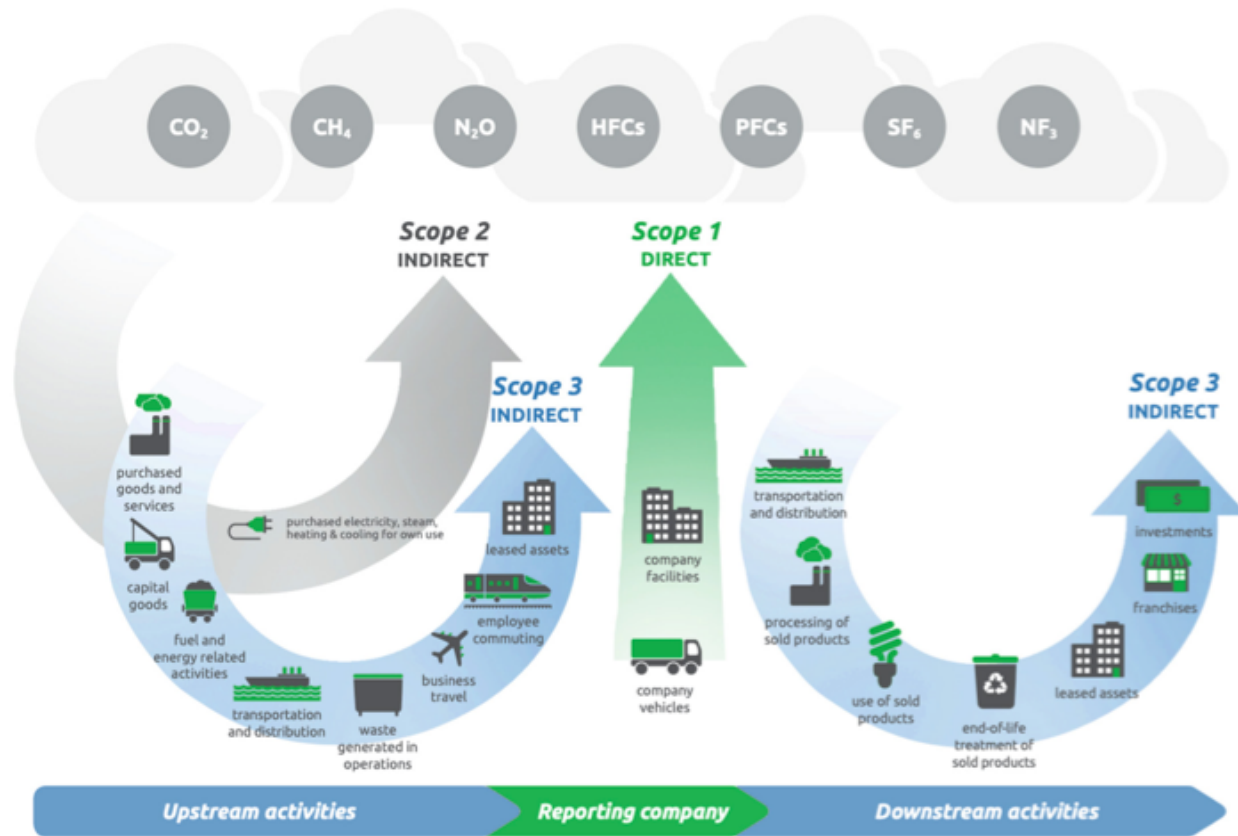
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Recommended Disclosures

- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities
- Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term
- Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
- Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario
- Describe the organization's processes for identifying and assessing climate-related risks
- Describe the organization's processes for managing climate-related risks
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management
- Describe the used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

Greenhouse Gas (GHG) Protocol used in TCFD Reporting

OVERVIEW OF GHG PROTOCOL SCOPES AND EMISSIONS ACROSS THE VALUE CHAIN



Source: Greenhouse Gas Protocol Technical Guidance for Calculating Scope 3 Emission <https://ghgprotocol.org/scope-3-technical-calculation-guidance>

The leading approach for carbon accounting is the **Greenhouse Gas Protocol**, a joint initiative of the non-profits WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development). The GHG Protocol defines three “Scopes” of emissions for GHG accounting and reporting purposes (also see Figure 1):

- **SCOPE 1**: Direct emissions that result from an organization’s activities, such as fuel combustion from facilities (e.g., burning natural gas for space heating) and vehicles that your company owns or controls (e.g., burning gasoline or diesel for company automobiles or trucks).
- **SCOPE 2**: Indirect emissions associated with an organization’s activities, often from the generation of purchased electricity consumed by your company (e.g., emissions from natural gas power plants that supply electricity to your local power grid).
- **SCOPE 3**: Other indirect emissions from an organization’s supply chain, rather than its primary operations (e.g., embodied emissions in purchased raw goods, distribution and transportation, employee commuting, use of sold products, and end-of-life treatment).

Challenges with Scope 3 Data in your Supply Chain

CATEGORIES

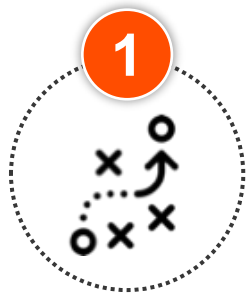


1: Purchased Goods and Services	20
2: Capital Goods	36
3: Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	38
4: Upstream Transportation and Distribution	49
5: Waste Generated in Operations	72
6: Business Travel	81
7: Employee Commuting	87
8: Upstream Leased Assets	94
9: Downstream Transportation and Distribution	102
10: Processing of Sold Products	106
11: Use of Sold Products	113
12: End-of-Life Treatment of Sold Products	125
13: Downstream Leased Assets	128
14: Franchises	130
15: Investments	136

ESG Data Providers for 3rd Party Data – M&A Activities on the Rise



What are the ESG Data Challenges?



ESG strategies / frameworks evolve during data journeys



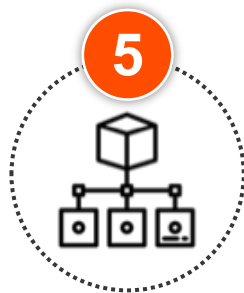
Unknown ESG data quality with data quality metrics not currently captured



Majority of new ESG data is not subject to existing controls



Disaggregation of ESG data across internal systems



Huge number of data vendors/suppliers offering different ESG data variations



Large scale of change required to support ESG requirements

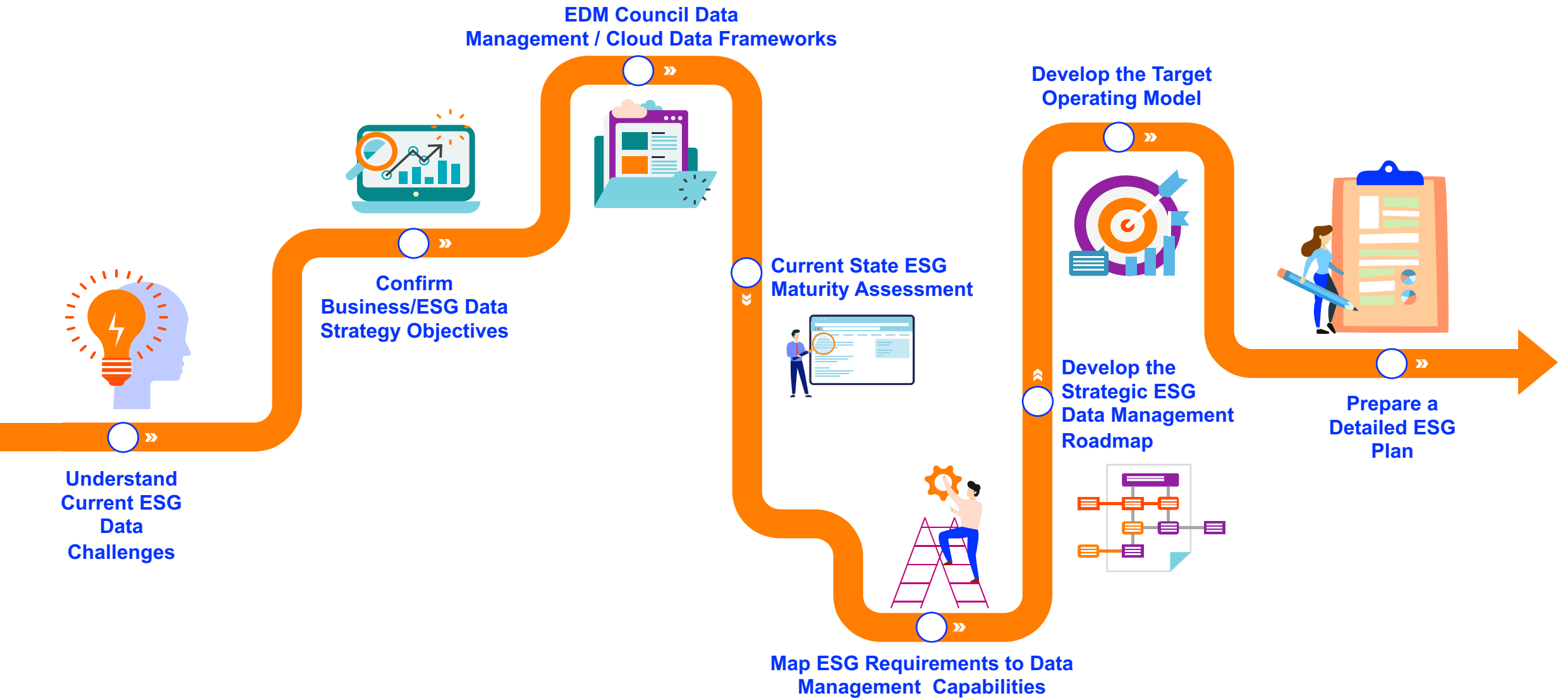


Complex reporting requirements with varying standards

How to get started on your ESG Data Management Journey



ESG Data How To Get Started



ESG Data Reporting Lifecycle

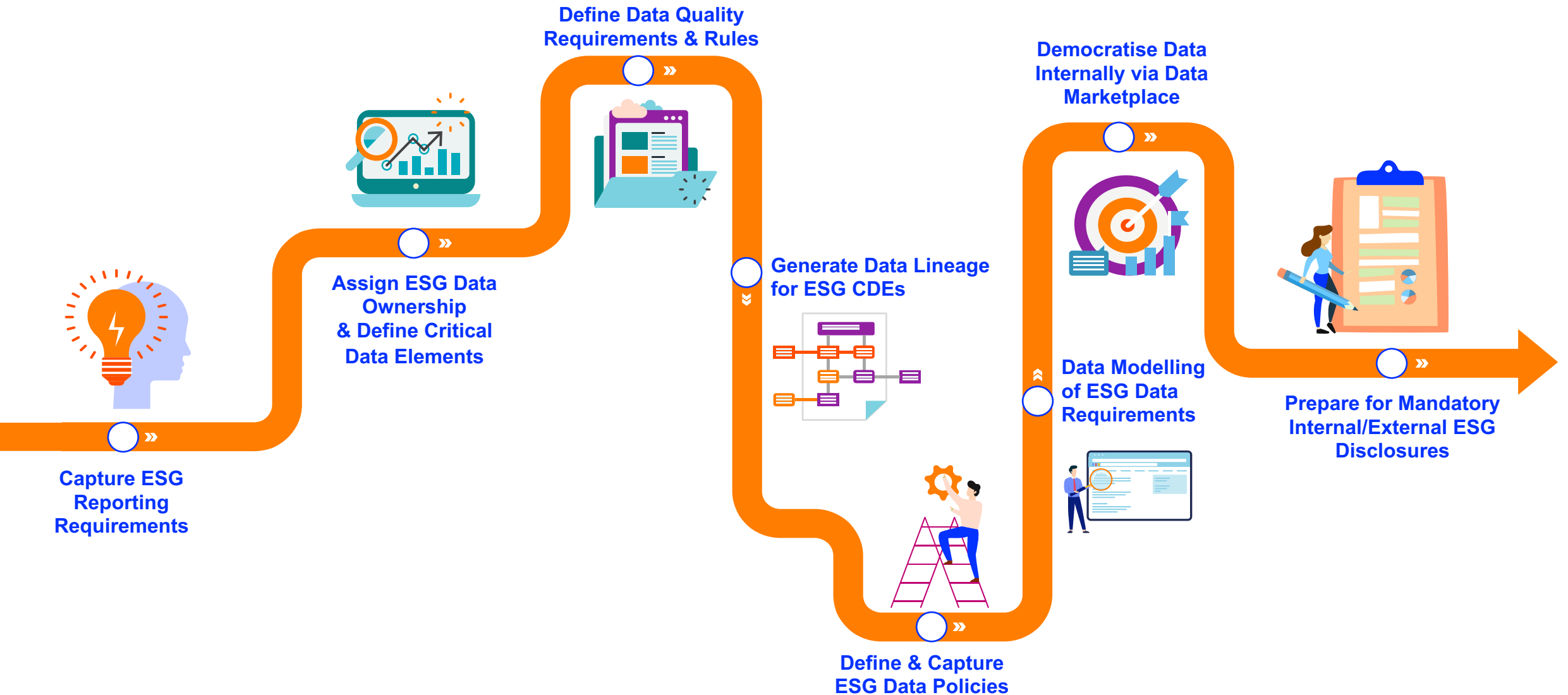


Data Management Foundations	Understand Requirement	Identify Internal Data Source	Acquire Data	Conform Data	Consolidate Data	Report Data
Data Governance 	Assign data ownership of reporting data elements	Obtain data owner approval of data sources		Govern approval of Data Quality exemptions	Obtain data owner sign-off of reporting data	Obtain external assurance of reporting data
Data Quality 	Define data quality requirements / rules	<ul style="list-style-type: none"> Assess Data Quality of data sources Manage DQ issues. Root Cause Analysis and remediation 		<ul style="list-style-type: none"> Execute DQ rules on reporting data Manage DQ issues. Root Cause Analysis and remediation 		Support external assurance of reporting data
Data Architecture 	Confirm and capture data element definitions	<ul style="list-style-type: none"> Identify data sources Capture metadata 		<ul style="list-style-type: none"> Specify data transformations Capture metadata 		<ul style="list-style-type: none"> Map data to reporting format Capture metadata
Technology Architecture 			Approve implementation of data acquisition	Approve implementation of data transformations	Approve implementation of data consolidation	Approve implementation of report

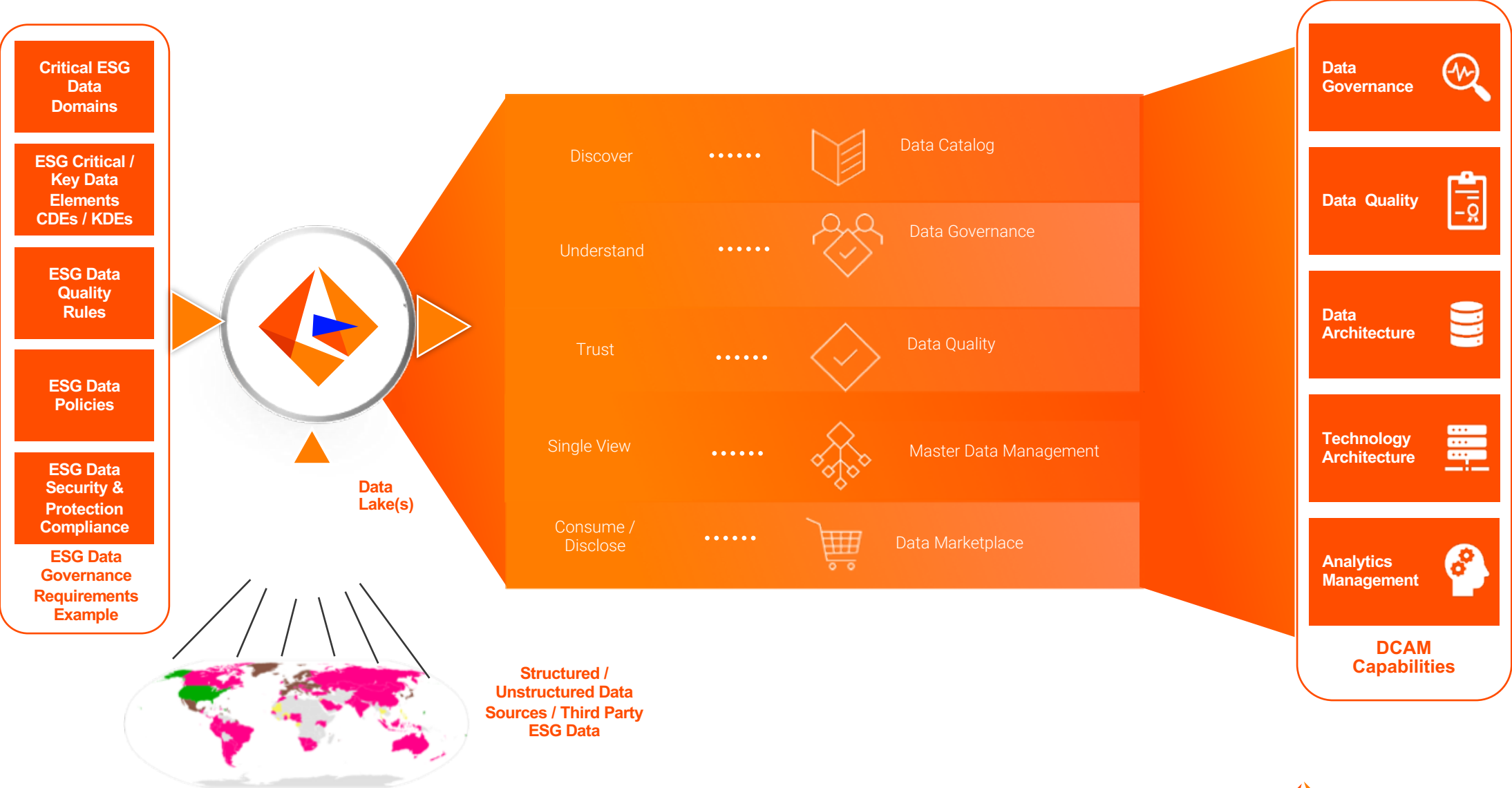
Data Management Foundations used in a Global Bank's ESG Reporting Lifecycle Journey



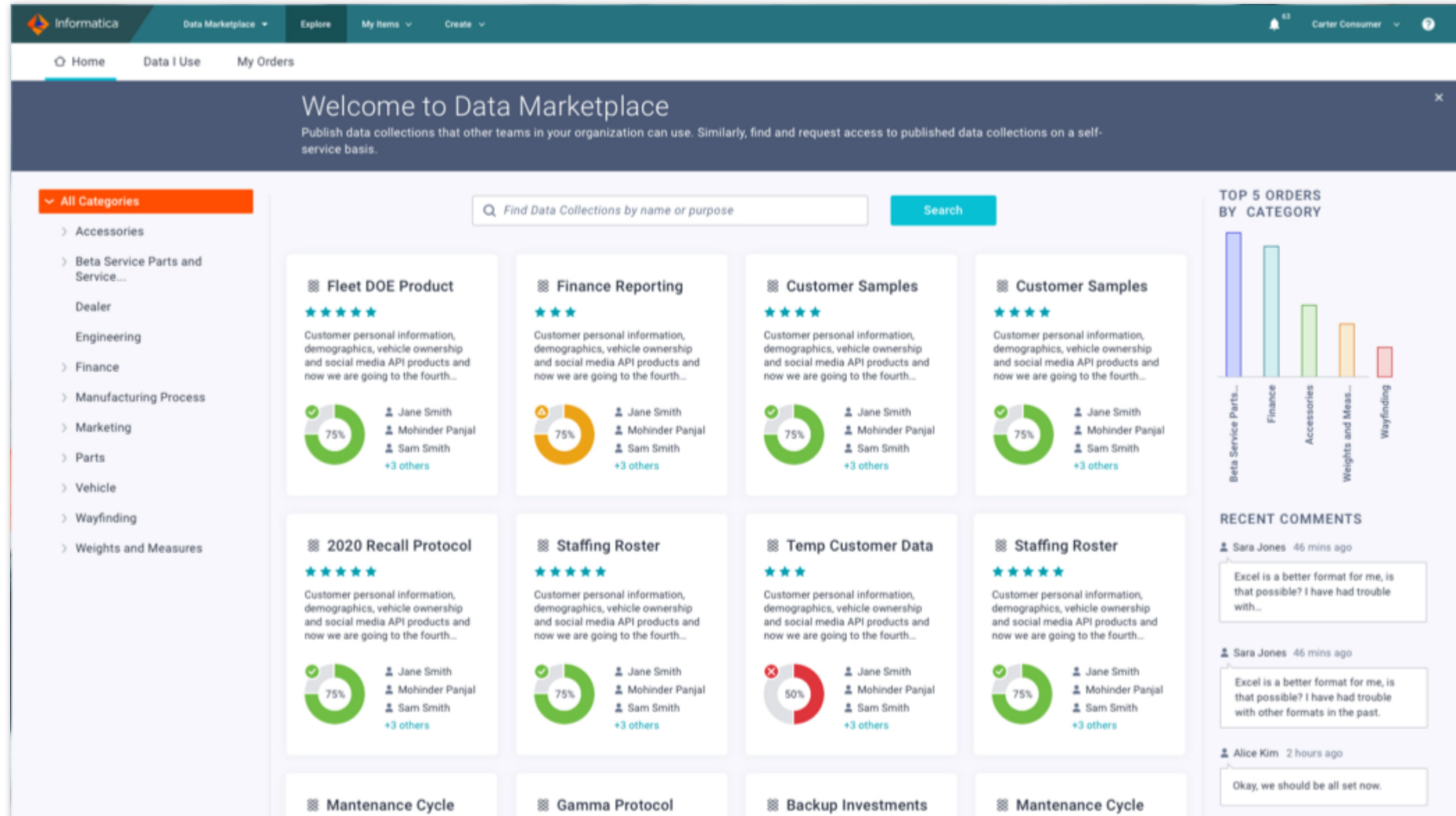
Reporting Lifecycle ESG Use Case for Global Bank



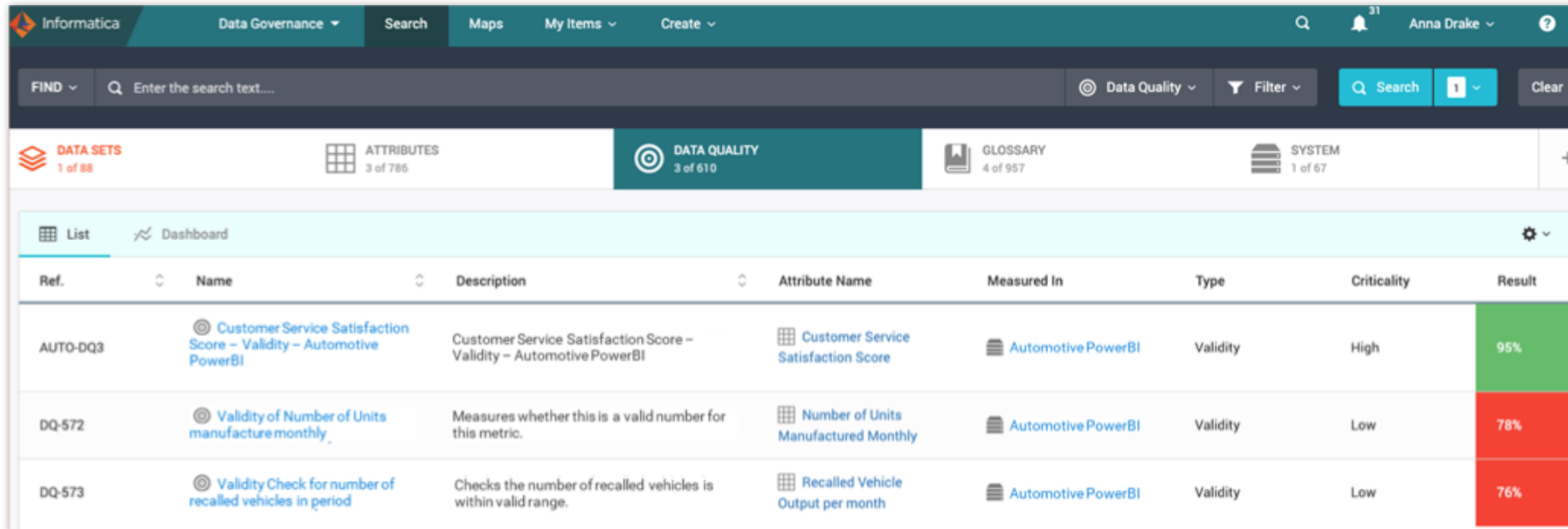
Data Management Foundations for ESG Reporting Lifecycle



Democratising Data Axon Data Marketplace



Capture ESG Data Lineage & Data Quality

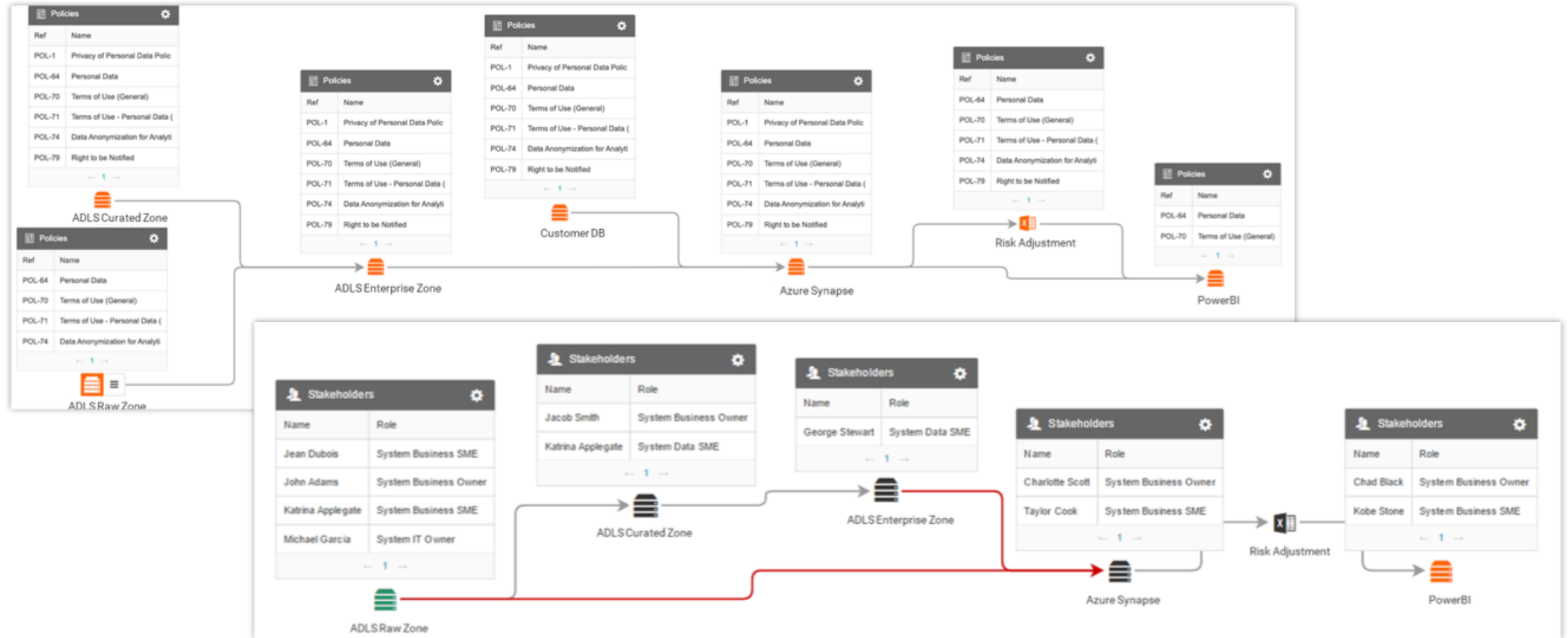


The screenshot shows the Informatica Data Governance interface. The top navigation bar includes 'Data Governance', 'Search', 'Maps', 'My Items', and 'Create'. Below this is a search bar and a 'Data Quality' filter. The main content area displays a table of data quality rules.

Ref.	Name	Description	Attribute Name	Measured In	Type	Criticality	Result
AUTO-DQ3	Customer Service Satisfaction Score - Validity - Automotive PowerBI	Customer Service Satisfaction Score - Validity - Automotive PowerBI	Customer Service Satisfaction Score	Automotive PowerBI	Validity	High	95%
DQ-572	Validity of Number of Units manufacture monthly	Measures whether this is a valid number for this metric.	Number of Units Manufactured Monthly	Automotive PowerBI	Validity	Low	78%
DQ-573	Validity Check for number of recalled vehicles in period	Checks the number of recalled vehicles is within valid range.	Recalled Vehicle Output per month	Automotive PowerBI	Validity	Low	76%

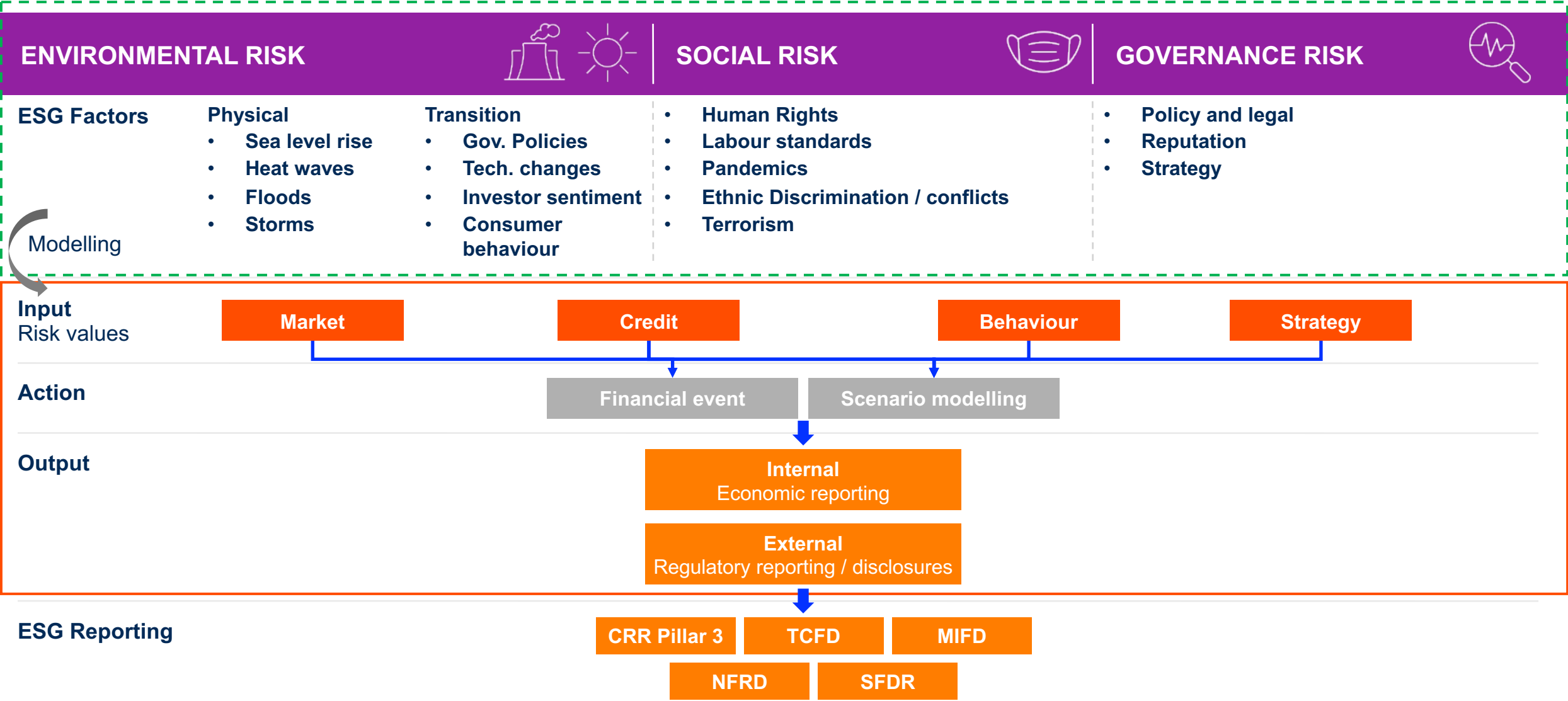


Capture of ESG Policies and ESG Stakeholders

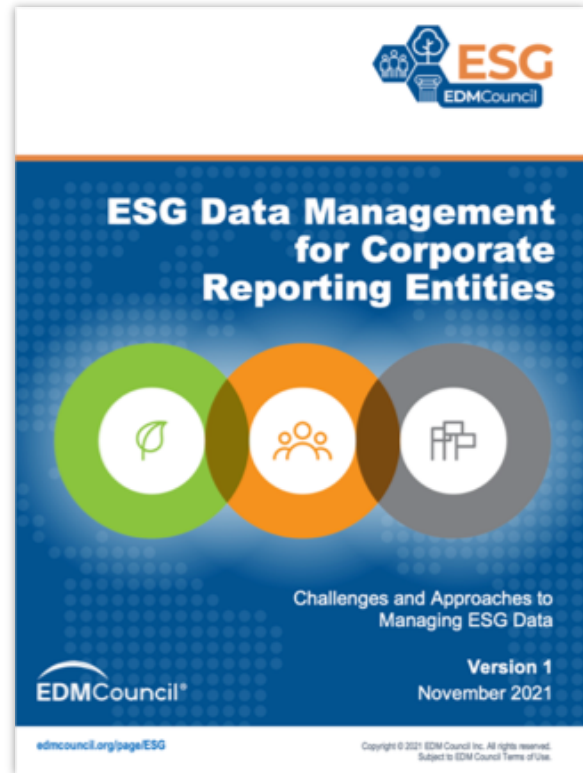


Integrating ESG into Financial Risk

 Traditional financial risk modelling
 Additional ESG risk factors for integration



We are aligned to EDM Council's ESG Framework



Free license – download at:
www.edmcouncil.org
Go to Groups > ESG Data





Register for our Upcoming Roundtable ESG Reporting in 2022 – Are you ready? on Thursday, 12th of May

<https://tinyurl.com/DT2INFA>

or

<https://www.dtsquared.co.uk/roundtable-esg-reporting-in-2022-are-you-ready/>



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Thank You!