CDO's ESG Data Management Masterclass - Building a Holistic ESG Data Strategy

Live Date: July 11, 2023

Featuring:

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Recording: View webinar **Presentation:** View slide deck **Relevant Links:** Learn more about EDM Council's DCAM Framework Learn more about EDM Council's ESG Workgroup and reports	Pilot Climate Scenario Analysis Exercise ESG Data Quality Framework for Banks For more information on the ESG Data Readiness Assessment ESG Customer Success Story – Federated Hermes

WEBINAR Q&A:

Thank you to Informatica and the panelists for providing the below answers to all questions posed during the live webinar. For more information or additional questions, contact us here.

Has anyone found or used any tools that show (at a group or company level) their supply chain?

Companies like Versed.ai provide supply chain data sets for full chain visibility in some industries. Informatica also provides Supplier 360 which gives E2E insight into a company's supply chain. There are many vendors that operate in this area, focus would be to identify the right vendor that supports specific industry and sector.

What are some best practices to consider when writing a strategy for government data management? Is there any methodology that you recommend (considering the outlines for both data strategy and the operating framework)?

1. **Start with aligning your Enterprise Data Governance program and policies.** This will provide direction and guardrails with your ESG and Sustainability stakeholders. Getting leadership alignment will be key to adoption.
2. **Understand the organization's ESG goals.** What are the organization's priorities for environmental, social, and governance performance? What data is needed to track progress towards these goals? Leverage your materiality assessment to help identify high risk areas to help prioritize your efforts.
3. **Identify the stakeholders who need access to ESG data.** This includes internal stakeholders, such as decision-makers and auditors, as well as external stakeholders, such as investors and the public.
4. **Assess the current state of ESG data management.** What data is already available? what assets and technology platforms are being used to capture your data. What data gaps exist? What are the challenges to collecting and managing ESG data? Identifying key KPI metrics will be critical to the organization to show progress and ROI value.
5. **Develop a data strategy that addresses the organization's ESG goals, stakeholder needs, and data challenges.** The data strategy should include a plan for collecting, storing, processing, and sharing ESG data. Data management training, education and communication are key components to drive adoption and drive data accuracy and data hygiene.
6. **Implement the data strategy and monitor its effectiveness.** The organization should regularly review the data strategy to ensure that it is meeting the organization's needs.

Based on supplier's inability to capture i.e. Scope 3 emissions accurately, how close do you think the companies have gotten in terms of reporting ESG metrics correctly?

Companies are still struggling to report ESG metrics accurately, especially when it comes to Scope 3 emissions. Scope 3 emissions are indirect emissions that occur in the value chain of a company, such as emissions from the transportation of goods or the use of energy by suppliers. These emissions are often difficult to track and measure, and companies often rely on estimates or assumptions.

This lack of transparency makes it difficult for investors, customers, and other stakeholders to assess the ESG performance of companies. It also makes it difficult for companies to set ambitious targets and track their progress towards those targets.

Is there an information model on ESG?

There are different reference models available in the market:

- FTSE Russell ESG Scores & Model: The ESG Ratings and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions.
- Microsoft Cloud for Sustainability data model is the data foundation for Microsoft Sustainability Manager. Customers can also use it independently to build other sustainability solutions.
- Informatica's IDMC for ESG also comes with an ESG Data Model.

Who provides the ESG reference data?

There are a number of organizations that provide ESG reference data. Companies like Refinitiv, Sustainlytics, MSCI, S&P Global, FTSE Russell etc. One thing to understand is that these vendors all have different methods and models on how they evaluate ESG. There is no standard in place so scores will differ from each vendor.

What is the efficacy of carbon credits?

The efficacy of carbon credits is a complex issue with no easy answer. There are a number of factors to consider, including the type of carbon credit, the project that the credit is generated from, and the market for carbon credits.

Verifying carbon credits is a critical issue. London Stock Exchange has recently unveiled its plans for a Voluntary Carbon Market, which also offers verified carbon credits.

Is there an adequate level of investment happening to address the ESG Data Management challenge? What level of investments are required in your experience?

While there is a lot of investment coming to ESG, if you listen to the climate activists they will continuously remind you that it is still not enough and we need to do more to keep the promises of the Paris Agreement.

Are there comparable pain points in Tech in SaaS companies?

SaaS companies often run in the public cloud. Almost all of the public cloud providers have a public net zero target. However, one of the key things to keep in mind is that we should be watchful of the resources being used in the cloud. One should never attempt to fix a software issue by throwing hardware at the problem.

Do ESG rating agencies need organizations to maintain data in a specific way so that they may provide ratings for an organization?

ESG rating agencies follow the different global reporting initiatives and if they create their own KPIs they declare their methodologies so that the companies have a chance to improve the gaps in their ESG approach.

What is the standpoint of the Insurance industry from an ESG regulation perspective?

The Insurance industry is being directly impacted by climate change. The insurance industry is particularly vulnerable to the risks posed by climate change and other environmental issues. For example, insurers could face increased claims from policyholders who are affected by extreme weather events. They could also face losses if their investments are in companies that are not sustainable.

As a result, the insurance industry is supportive of ESG regulation. They believe that ESG regulation can help to reduce their risks and protect their customers.

In January 2019, Pacific Gas and Electric (PG&E) was the first climate change related bankruptcy caused due to the insurance liabilities caused by California Wildfires. It was the first but it will not be the last.

Disclosures suffer from a lack of standardization. Inconsistency in data between firms and industries may highlight quality and comparability problems. What lies on the road ahead for standards on ESG data governance i.e. on similar lines as BCBS 239?

We expect regulations and reporting standards to streamline these inconsistencies in the future. One example provided during the webinar was the announcement from S1 & S2 from the ISSB - International Sustainability Standards Board, which is now the proposed global standard for ESG Reporting. This will be adopted by all the G20 regulators in due course, which will drive the ESG Data Governance standards.

What is the impact of quantum computing for AI/ML? Similarly, what is the impact of the shift to all EV-mining, disposal of waste, etc.?

We need to think about a circular economy and holistics solutions for the environment. Electric Vehicles may seem like a quick fix, but what happens to the roads which cannot handle more cars now that there are 60% more cars on the roads? Here is an article discussing how to build a solution keeping in mind any negative externalities for better climate solutions. In addition, conducting an LCA (Life Cycle Assessment) will help to identify the hotspots around where and how your service or product is impacting the environment. Our clients are starting to explore the usage of GenAI and it's still in its early stages where many are looking to identify opportunities. Understanding the algorithmic risk on AI or ML on these use cases will help mitigate risk. Issues around bias data or decision, poorly designed algorithms and inability to monitor outputs all lead to risky and potentially harmful and unfair outputs.

Any Data Quality frameworks or samples available for Petro Chemical Energy industries?

It would be best to follow the guidance of SASB.

Simply visit https://sasb.org/standards/materiality-finder/find/ and enter the name of a petrochemical company. Then based on the SICS, you can look at the SASB guidance for metrics & targets, which will drive that Data Quality Framework requirements. Please also consider regulatory requirements as there are many ESG and Oil and Gas regulations in place for different regions across the world. They will have specific requirements and guidelines as well that will need to be incorporated.

Can you elaborate on materiality factors?

It would be best to visit these following frameworks (SASB, GRI and IIRC). Since this is subjective in nature, it will be important to engage your stakeholders to define and align on materiality factors and sustainability issues that are most relevant to their overall business strategy and goals. The purpose of identifying materiality factors is to help the organization determine what information should or shouldn't be included in the reporting. There are many different standards in place and companies can select a hybrid approach to incorporate and evaluate risk to their organization whether it's a quantitative and/or qualitative approach.