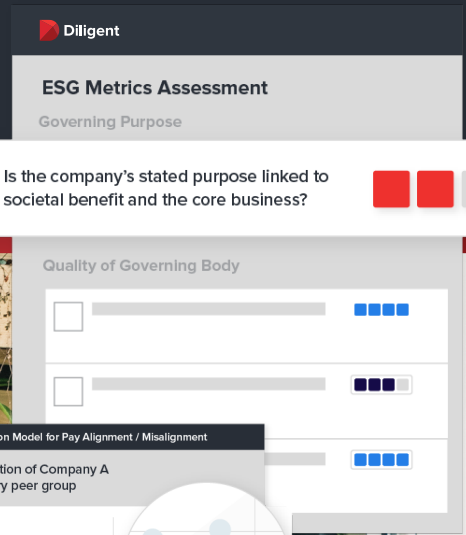


A Buyer's Guide to ESG Data Management Software

Preparing Your Organisation for Today's ESG Data Challenges and Beyond



Diligent

ESG Metrics Assessment

Governing Purpose

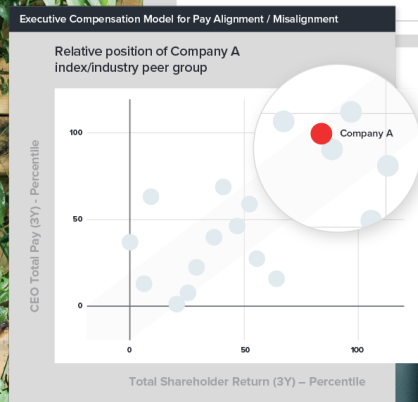
Is the company's stated purpose linked to societal benefit and the core business? ■ ■ ■ ■

Quality of Governing Body

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Leading from the Front on Environmental, Social and Governance Issues

Environmental, social and governance (ESG) issues have become more complex and multifaceted than ever before. At the same time, ESG continues to ascend on board and leadership agendas.

On the environmental side, corporations must accelerate their response in areas from water and fossil fuel consumption to environmental waste and climate change, all while navigating social issues such as pay equity and fair labor standards. They must also consider the increased attention to responsible, efficient governance, particularly in areas such as executive compensation and CEO succession. Meanwhile, ESG standards continue to be refined and are gaining increasing importance alongside shareholder questions and expectations.

The scope of ESG spans across all areas of an organisation and touches many parts of the business, both internally and externally. It can be challenging to connect complex and evolving ESG issues with operational objectives, business strategies and organisational risk, at the same time as delivering the right information to the right people for informed, timely decisions.

Organisations need quality data to benchmark their ESG activities and monitor their progress in real time, particularly as shareholders, investors and regulators are keeping a closer eye on the topic than ever before. Yet today's manual processes are prone to data gaps and errors and are unable to keep up with the rapid pace of change in and around ESG. Nor are they able to deliver a panoramic view of the current landscape or provide insight as to what lies ahead, two key tools in helping leaders conduct meaningful conversations and make important decisions about progress and risk.

Throughout, stakeholders, investors, activists and the general public are demanding greater transparency about ESG initiatives, and an increasing number of regulatory bodies are requiring it. Where once the concept of measuring climate was vague and arbitrary, accessible and auditable metrics are fast moving from “nice to haves” to “must haves.” In France, for

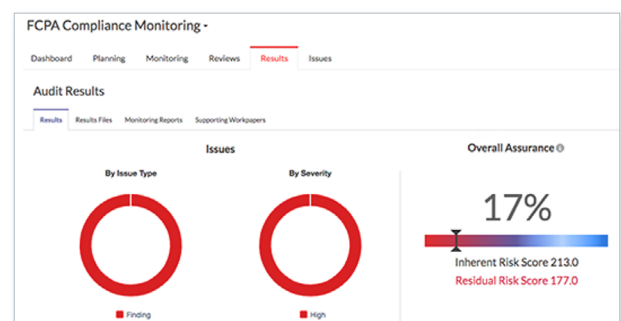
example, business owners, asset managers and insurers are required by law to disclose climate risks in their portfolios. In the U.S., a May 2021 executive order from the Biden Administration prioritised the disclosure of climate-related financial risk, and the House of Representatives recently passed legislation requiring publicly traded companies to annually disclose “certain environmental, social and governance metrics and their connection to the long-term business strategy of the issuer.”

As forward-thinking corporations fold ESG into a holistic approach to governance, risk and compliance, the right technologies and tools play a significant role. An ESG data management solution can help coordinate the moving parts, report on progress and stay ahead of activists, investors and competitors.

Not all ESG solutions are created equal, however. Organisations seeking the right solution should prioritise five key criteria and areas of functionality:

- Flexibility
- Data collection
- Monitoring and reporting
- Specialised functionality in climate/sustainability and executive compensation
- Service and support

Read on for the questions to ask and the answers to seek when evaluating ESG providers and solutions.



Flexibility

In the months and years ahead, regulations and reporting frameworks will evolve. The operational and disclosure needs of your organisation will also change. Organisations will need to establish an ESG operating system that can grow with them.

Given the complexities and variability of ESG tracking, monitoring, reporting and compliance, a solution that doesn't need configuring and calibrating can be hard to find. Different industries use different ESG frameworks and have differing stakeholder expectations. Laws and regulatory requirements vary across jurisdictions and each organisation has its own people, processes and practices for managing ESG issues.

Consider the many parties involved in ESG activities: the CEO, board, corporate secretary, general counsel and audit and compliance teams — not to mention shareholders, business partners and other stakeholders. A good ESG solution must enable them to act quickly and easily, now and in the future. Boards must be able to tailor features to their specific roles, regulatory environments and reporting requirements.

There's also ESG maturity and scalability to consider. A solution needs to accommodate an organisation wherever it stands in its ESG journey, easily integrating with existing systems and growing with the organisation.

Flexibility Q&A

Does the solution include the latest disclosure frameworks and requirements?

The solution should maintain up-to-date ESG standards and frameworks — including SASB, GRI, TCDF, WEF and CDP — and automatically update as new regulations arise. It should be customisable for different territories and should support bespoke frameworks or an amalgamation of existing frameworks.

Does the solution enable you to easily track shifting investor and stakeholder expectations?

The solution should seamlessly integrate with internal systems and third-party providers for activities such as public perception monitoring. It should also enable you to benchmark progress in areas such as executive compensation.

Are you able to map ESG data to your internal objectives?

The solution should easily integrate with your existing board portal solution and meet the needs of whoever is using it: corporate secretaries, general counsel, sustainability committees and so on. You should be able to set and monitor KPIs, customise peer groups for analysis and track your ESG progress against your peers and competitors.

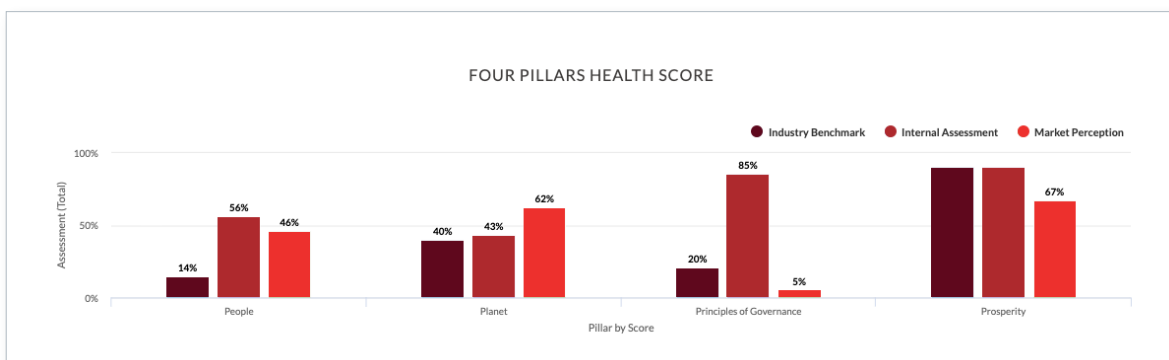
Will the solution work with your current level of ESG maturity, with the flexibility to evolve and grow?

A gold-standard ESG solution should offer tools that allow you to analyze and orient information in ways best suited to your business. It should offer a clear roadmap to evolve with the needs and requirements of global boards, and should have the ability to seamlessly augment features and capabilities as your ESG initiatives mature.



A Guide to Major ESG Standards

- The Sustainability Accounting Standards Board (SASB)** Based in the U.S., this independent board creates, ratifies and amends sustainability standards for 77 industries, outlining the key ESG issues within each industry. In 2021, SASB merged with the International Integrated Reporting Council (IIRC) to form the Value Reporting Foundation.
- The Global Reporting Initiative (GRI)** Founded in Boston in 1997, this global, independent standards organisation helps entities such as governments and businesses assess their ESG impacts and create a plan for improvement. Though not certifiable, their standards offer a framework by which organisations can report and compare their impacts.
- The Task Force on Climate-Related Financial Disclosures (TCFD)** The Financial Stability Board created this task force to enhance reporting on financial risk related to climate. This enhanced transparency allows investors, insurers and lenders to make climate-informed financial decisions.
- The World Economic Forum (WEF)** Headquartered in Geneva, Switzerland, this international NGO hosts an annual gathering where global business and government leaders discuss the world's most pressing issues. In 2020, the WEF published a list of ESG global metrics that consolidates those from SASB, GRI, TCFD, and others.
- CDP** Based primarily in the U.K., U.S. and Germany, this international nonprofit (formerly the Carbon Disclosure Project) provides a platform through which entities — ranging from businesses to entire cities and states — can analyse, disclose and manage their environmental impact.



Data Collection

Data-rich organisations operate more efficiently, more decisively and with greater foresight than their peers — and this is particularly true in the complex, evolving area of ESG.

Consider the many parties involved in monitoring and reporting on ESG issues: sustainability officers, general counsel, compliance departments, audit teams, investor relations representatives and more. These members of the ESG ecosystem need to collect and tailor data in the most efficient manner, while minimising impact on the data's owners. To operate with maximum efficiency, speed and accuracy, they require a solution that simplifies and automates data collection and keeps it moving smoothly across multiple processes and business functions.

The methods of collection and means of storage also matter. Can the right people access the data, and is it secure from those with ill intentions? Will data collection practices stand up to the scrutiny of a third-party audit? And does the solution gather the timeliest data from the right sources, so ESG practitioners can make informed decisions?

Data Collection Q&A

How does the solution collect ESG data, and from which sources?

Data collection should be as automated and comprehensive as possible. The solution should offer multiple ways of pulling data from spreadsheets, surveys and systems of record, using workflows, reminders and robotic automation. You should be able to easily integrate ESG data from multiple internal systems and manual data sources to get a complete picture, without duplications or gaps.

Where and how is the data stored?

Whether stored in the cloud, on-premises or in a hybrid solution, data should be secure and easy to access, with credentialed permissions that you can customise by role. The ESG software provider should meet the highest security standards and maintain key certifications. Ask about encryption for data in transit and at rest. The provider should also use data cleansing and validation to ensure a robust, reliable and complete data set.

What proactive information-gathering capabilities does the solution offer?

Surveys, questionnaires and assessments are valuable ways of collecting ESG data. The solution should offer these capabilities and save you time and effort. It should enable you to automatically assign tasks, deploy and monitor questionnaires and assessments, send requests and follow-ups and track progress against goals.

Does your solution allow you to transform complex datasets into usable information?

APIs are great for retrieving structured data, but for multinational organisations, robotic process automation is necessary for advanced data collection requiring you to apply treatments and transform the data to convert it into usable information.

Monitoring and Reporting

Are ESG initiatives meeting expectations, deadlines and commitments? Is data being consistently disclosed across stakeholders and frameworks? An ESG solution can help boards and executives keep their fingers on the pulse of activities and progress — and spot red flags before they escalate into issues. For these reasons and more, monitoring and reporting capabilities are core to an effective ESG solution.

A dashboard, particularly a customisable one with real-time data, can give organisations visibility into KPIs, metrics and commitments. And automated monitoring can help ESG teams sift through mountains of information in a fraction of the time.

Articulating meaning behind the numbers and percentages is essential when it comes to getting buy-in from stakeholders and value from a data solution. An ESG solution should help organisations present their findings in a compelling way, mapping data to frameworks for easy publishing, with finely honed tables and graphs, simple takeaways and custom reporting based on the audience and their needs.

Monitoring and Reporting Q&A

To what degree does the solution use automation in the monitoring process?

Automated workflows, particularly for repeatable processes, will enable you to scale your team's ESG activities quickly and easily.

Look for automated analyses and alerts that will enable you to regularly evaluate risk, test controls and monitor compliance. Seek out a solution that provides notifications when third parties aren't meeting ESG-related KPIs, for example, or alerts when diversity, equity and inclusion ratios skew away from your goals, enabling your organisation to take timely action.

What features does the solution offer for streamlining and supporting internal tasks and activities?

With ESG monitoring and reporting, a single weakness can cut across multiple business processes and can require a complex series of remediation steps to fix. Look for a solution that guides users through the process, with documented checks and balances and the ability to monitor progress and escalate the issue if something doesn't get done.

An ideal solution should offer both customisable and preconfigured workflows for ESG use cases. It should also include collaboration tools for coordinating with committees and across different locations and different business functions.

What capabilities does it offer for C-suite and board reporting?

The solution should seamlessly display all data relevant to ESG decisions: key business metrics, ESG program impact, curated news and alerts, ESG "health scores," partner relationships and ESG obligations, and tasks and controls based on any framework. The solution should use dashboards and visual storyboards to make data easy to consume and act upon.

Your organisation should also have the ability to strictly control the dissemination of reports and what recipients can do with these results. This protects the data from unauthorised dissemination.

Monitoring and Reporting Q&A (Continued)

What capabilities does it offer for regulatory reporting?

The ESG solution should map to all relevant frameworks and standards, with the most up-to-date regulations and requirements.

For internal guidance on external issues, it should let you set KPIs and controls and monitor whether you're meeting commitments in key areas, such as public disclosures or executive compensation.

Importantly, the solution should automatically and seamlessly generate auditable disclosures, tracking all changes and values throughout for a robust audit trail.



Driving Value - Internally and Externally

The right ESG solution serves multiple purposes and users. For example:

- **CEOs, CFOs and the board** can use an ESG solution to track ESG trends, stakeholder expectations, peer activity and metrics related to ESG programs
- **The general counsel and corporate secretary** can use an ESG solution to draft disclosures and support ESG-related reporting and decision-making
- **The chief sustainability officer or head of ESG/CSR** can use an ESG solution to communicate ESG costs and impacts — information critical for achieving buy-in and budget on ESG initiatives
- **Procurement and legal teams** can use an ESG solution to find and execute contracts with ethical, reliable suppliers
- **HR, audit and compliance teams** can use an ESG solution to monitor performance in areas such as pay equity, workforce diversity and fair labor standards
- **PR and investor relations professionals** can use an ESG solution to monitor the organisation's reputation and stakeholder attitudes
- **Subsidiaries and business operating units** can use an ESG solution to comply with organisational policies and achieve sustainability targets

Meanwhile, as organisations contemplate the need for an ESG solution and evaluate their options:

- **Institutional investors** are using ESG information to mitigate portfolio risk, identify new investment opportunities and assemble proxy season proposals
- **Employees** are requesting more details about an organisation's ESG activities, such as commuting and travel carbon footprints, energy efficiency, supply chain sustainability and ethics
- **NGOs** are using ESG information to identify companies to engage
- **Consumers and business partners** are factoring an organisation's ESG behavior into purchasing decisions

Functionality for Climate and Sustainability

With climate remaining a top priority for investors, employees and consumers, digital ESG solutions can help organisations prepare for upcoming regulatory changes and a future that remains uncertain. From monitoring performance to reporting progress against expectations and goals, a digital solution can help to lay the foundations for progress in the months, years and decades ahead.

But climate is a complicated, multifaceted and evolving issue, filled with nuances, complexities and moving parts. The ESG solution must be designed with climate and its challenges in mind. Does it accommodate data collection and reporting for multiple frameworks or multiple levels within a framework, like the Greenhouse Gas (GHG) Protocol's Scope 1, 2 and 3 standards for measuring and managing climate-warming emissions? Will it adapt to the frameworks of the future? Does it enable enterprise-wide climate tracking and reporting across multiple metrics?

Climate and Sustainability Q&A

Does the solution track relevant climate metrics?

A climate-ready ESG solution will include the range of emissions and sustainability reporting frameworks, from carbon-specific factors to broader GHG measures and should also include leading forms of accreditation like the CDP carbon reporting framework. The solution should automatically keep these metrics — which can number in the tens of thousands — up to date.

Does the solution help you prepare for the future?

Ideally, the solution should curate news and filings to include regulatory developments and stakeholder sentiments from around the world, customised to your organisation's jurisdictions, industry and operations. Predictive modeling capabilities are also a plus.

Does the solution let you monitor carbon and climate activities across your operations and supply chain?

The GHG Protocol, among other frameworks, requires this level of monitoring. A climate ready ESG solution will cover the range of business activities: water and waste treatment, business travel, shipping and logistics, employee commuting, energy analytics and waste creation.

Does the solution connect climate regulations and expectations to organisational goals?

An ESG solution should map climate frameworks against an organisation's internal activities, making it easier for leaders to track obligations and recommend corrective action.

Is the climate solution audit-ready?

The solution should automatically and seamlessly generate auditable disclosures, tracking all changes and values throughout for a robust audit trail.

Functionality for Executive Compensation

Amid the many environmental and social issues that boards need to keep up with, it's easy to overlook or undervalue the "G" in "ESG." But shareholders, investors and increasingly regulators are watching corporate governance, with a particularly close eye on executive compensation. Meanwhile, board members, investors and corporate issuers rely on modeling to understand the impact of executive compensation on ownership, voting and long-term sustainable business growth.

An ESG solution should offer support with critical executive compensation decisions. Look for technology that delivers benchmarking data on peers and competitors, specialised dashboards for comparisons and analysis, and modeling for specific compensation plans, such as equity compensation.

Executive Compensation Q&A

Does the solution offer compensation benchmarking and analysis?

An ESG solution should reveal other CEO, CIO and CFO salaries for insight on what to pay your own. Look for detailed peer group analyses and ways to determine how an executive's monetary value correlates to their job effectiveness.

Does it offer compensation modeling, including modeling of equity-based compensation plans?

Modeling guides compensation plan creation and much more. Investors use it to test their portfolio companies' equity plans, benchmark plan costs and evaluate the risk of dilution to enhance their engagement and voting decisions. Meanwhile, corporate issuers use modeling to understand shareholder concerns and gain the support to legally grant equity compensation.

Does the ESG solution provide access to key financial metrics and ownership data?

This functionality lets you view executive compensation, including equity compensation, in a greater financial context. A better understanding of the present helps create a detailed assessment of what is likely to come in the years ahead.

Are you able to align your organisation's executive compensation plans against key ESG metrics?

The solution should allow you to pull ESG data from across your organisation and map it against a variety of standards, as well as peers and competitors.

Service and Support

ESG activities are essential in today's business environment and too time-sensitive and high-stakes to be left to chance. Board members, executives and governance professionals should seek a vendor committed to service, performance, innovation and continuous improvement.

Look for a solution with around-the-clock support and in-person training. The right vendor will be available 24/7, every day throughout the year, to eliminate gaps and address issues. They will also expand, evolve and improve the solution on an ongoing basis, allowing you to remain one step ahead of the rapidly changing ESG landscape.

Service and Support Q&A

How many years has the solution provider been working with ESG and governance issues?

Providers with several years of experience in both ESG and your industry will understand your challenges and be able to address your pain points. In addition to being an ESG and industry expert, the provider should have a track record of innovating software solutions that address and satisfy board and governance needs.

What kind of ongoing support does the provider offer alongside the solution?

Ongoing support is critical to sustained adoption. The provider should offer in-depth training for the duration of a contract at no extra charge — by phone, online chat, or virtual meeting — as well as crucial information on updates and enhancements, plus insights into how the solution is evolving.

What are the hours for tech support and customer service, and what is the typical wait time for support calls?

It's important to seek out an ESG solution provider that offers immediate support 24/7/365, without call-backs or lengthy hold times. Support representatives should be in-house experts trained to resolve issues efficiently and effectively.

Who are some of the solution's top customers, and what is its annual attrition rate?

Look for a breadth and depth of experience with ESG and within your specific industry. An experienced provider will offer customized implementation, specialized support and insights on how to maximize efficiencies across roles. A focus on ESG should also be an integral part of their platform rather than an afterthought.

When seeking information about customer attrition, ask for the total number of customers who leave annually divided by the total number of customers. Work with a provider that has a high retention rate.

What awards or recognition has the provider received?

Awards are an important independent benchmark for performance. Look for recognition in critical areas such as customer service, application usability or innovation.

Diligent ESG

The Diligent ESG solution simplifies ESG data collection, benchmarking and reporting, and provides audit-ready documentation and reports for every step of the process. Diligent ESG is intuitive to use and highly flexible, so it can scale as your ESG needs evolve.

With Diligent ESG, organisations can:



Map their own ESG program against the latest requirements and standards, including SASB, GRI, TCFD, WEF and CDP



Accommodate data collection and reporting for multiple frameworks or multiple levels within a framework, from carbon-specific factors to broader GHG measures



Access top quality datasets and the same tools used by institutional investors, so they can track and benchmark ESG progress against peers and competitors



Monitor carbon and climate activities across operations and supply chains



Make the most of robotic process automation to process and monitor complex data with ease



Automatically and seamlessly generate auditable disclosures, tracking all changes and values throughout for a robust audit trail



Seamlessly integrate a digital ESG solution within a broader governance, risk and compliance ecosystem



Generate ESG dashboards and visual storyboards, making data easy to consume and act upon



Align their executive compensation plans against key ESG metrics



Curate news and filings to include regulatory developments and stakeholder sentiments from around the world, customised to your organisation's jurisdictions, industry and operations

Increased investor, stakeholder and regulator scrutiny of ESG initiatives is here to stay. Now is the time to equip your organisation with the ability to collect, monitor, track and analyze ESG data, so boards and leaders at every level have the right information at the right time. Diligent ESG will help guide your organisation through the environmental, social and governance challenges that it faces today, tomorrow and beyond.

[LEARN MORE ABOUT DILIGENT ESG](#)

