How ESG Software Supports Sustainability Program Management and Progress

As global, national, and state regulators release and begin enforcing landmark new rules, ESG reporting requirements are expanding. This flurry of activity reflects customer, investor, lender, and supplier expectations that companies provide greater insight into the sustainability of their operations.

Companies impacted by these requirements must develop processes and controls to capture and report on increasingly large sustainability datasets to **an assurable standard**. As the volume and complexity of data grows, automation of reporting procedures and controls is critical.

ESG software can assist with data collection, program management, and regulatory reporting, saving companies valuable time and resources. The potential benefits extend beyond logistics: Companies that bolster their sustainability strategies with automation and standardization find themselves better equipped to improve processes, address pain points, and identify savings across the organization.

Here are four benefits our clients have seen after implementing ESG software.

1. EFFICIENT DATA COLLECTION AND REPORTING

Manual ESG data collection, tracking, and reporting is laborious and prone to error. Data sourced from incompatible APIs and disparate systems can be difficult to aggregate and analyze.

An ESG software solution with integration tools can standardize data collection and consolidate data into one holistic view, improving operational efficiency, data accuracy, and reporting. In cases where data is incomplete, ESG software can also fill gaps with informed estimates based on best practices. By automating these processes, companies that need to provide customized analysis for various stakeholders can simultaneously generate multiple reports with ease, while maintaining auditability standards.

For example, private equity funds specializing in real estate and infrastructure often need to provide different information to their various stakeholders. They may need to show investors how they have previously deployed capital and the ways they are improving their sustainability footprint. At the same time, lenders want to know how fund managers are mitigating climate risk and its impact on asset valuation, while potential customers need information on how the sustainability profile of a property they consider leasing would impact their own sustainability efforts. With standardized, automated data collection and reporting, funds can generate customized reports for each of these stakeholders.

2. SUPPORTING REGULATORY AND STANDARDS COMPLIANCE

Companies are being asked to provide ESG data to a growing list of stakeholders. This includes customers, who increasingly request climate disclosures from their suppliers, as well as regulatory bodies with evolving reporting requirements around climate risks, greenhouse gas emissions, and human capital. New ESG reporting requirements, like the **EU's Corporate Sustainability Reporting Directive (CSRD)**, **California climate rules**, and the pending **SEC climate disclosure rule**, are growing in volume and complexity.

Keeping up with regulatory and stakeholder demand requires constant monitoring. ESG software can track regulatory changes and standards updates, which facilitates ongoing compliance and provides an efficient mechanism for accurate and consistent ESG reporting. If planned correctly, ESG software will streamline the process, reducing manual effort and simplifying the assurance process related to ESG reporting.
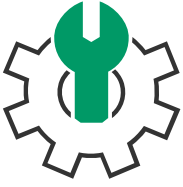
3. IMPROVING PROGRAM MANAGEMENT AND MEASURING PROGRESS

As companies refine their sustainability strategies, more business functions – such as procurement, finance, and IT – will need to contribute to ESG data collection. Without a centralized data repository and standardized reporting mechanisms, various data owners across the organization may only have a limited line of sight into the overall sustainability program objectives and requirements. In addition, data collection and reporting inconsistencies can impede analysis, which can hinder an organization's ability to maintain accountability and demonstrate progress.

ESG software centralizes program management from across the organization into one "source of truth," enabling real-time progress monitoring. This creates organization-wide transparency and helps companies better assess and monitor their sustainability programs and demonstrate value to stakeholders. ESG software can also help companies analyze real-time data to identify trends and provide actionable insights to help meet sustainability goals.

4. ENABLING DATA-DRIVEN DECISION MAKING

When companies consolidate their data and receive ongoing status updates, they can perform **hot-spot analysis** and identify the areas that present the greatest potential risk or reward. These insights help organizations determine where to focus resources to drive the most impact.

For example, ESG software can help manufacturers quickly analyze various production plants in the company's portfolio and identify which production processes are consuming the greatest amounts of energy. Then, by applying best practices to effectively manage emissions and costs at low-performing locations, companies can make impactful decisions and smart investments that help drive emissions- and cost-reduction goals across a variety of functions.

CHOOSING THE BEST SOFTWARE SOLUTION

Amid a crowded market, many organizations struggle to determine which solution best meets their needs, priorities, budgets, and challenges. Each software offering is unique, and licensing and integration costs vary widely. A thorough due diligence process – involving other teams in the decision-making process and establishing criteria that meets corporate objectives – can help organizations select the software that best meets their needs.

External advisors, who regularly work with companies on their sustainability strategies and data collection, can help guide organizations through this process to find the best-fit solution. When considering an external advisor, be sure to inquire about the due diligence process they went through themselves and which software program they are using. While their solution may not work for every organization, these answers will give insight into their experience and approach.

At BDO, our Sustainability & ESG Center of Excellence undertook a rigorous process to select our enterprise ESG software solution. We worked closely with multi-disciplinary teams across BDO, vetting dozens of options including enterprise and point solutions. This process guided our sustainability and operations teams in choosing a platform to advance our sustainability strategy and enhance our data management and reporting capabilities. It also gave us a robust set of criteria to guide our clients to identify the solutions best suited for their needs.

IN SUMMARY

As companies navigate their sustainability journeys, ESG programs will grow more complex and reporting more comprehensive. The right ESG software can help streamline processes, simplify data assurance, improve resource efficiencies, and provide the infrastructure to drive meaningful progress along the way.

Contact us to learn how we can help with your ESG software selection and implementation process.

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