

The background of the slide features a dark blue cityscape at night, with various skyscrapers and lights. Overlaid on this are several semi-transparent digital elements: a network diagram with blue nodes and lines at the top; a stock market ticker showing '258.21' and '76.34'; a circular icon with a person silhouette; and other numerical data points like '30' and '52'.

Verdafero

ESG Reporting - Analytics & The Path Forward

2022 EBOOK

OVERVIEW

ESG Reporting & Analytics – The Path Forward

The COVID-19 pandemic in conjunction with the proliferation of catastrophic climatic events have emphasized the critical nature of ESG challenges. Keeping the ESG promise demands leaders to think long-term and strategically about all aspects of their organization. While businesses know that a focus on ESG is vital for company resilience, many continue to struggle to establish a framework for integrating ESG issues into their operations. Failure to do so may be expensive, since there is mounting evidence that ESG performance is positively connected with an enterprise's value, revenue, and cost of capital.

Significant industry shifts have transformed excellent ESG practices into a must for firms seeking to attract investors' funds, rather than being a nice-to-have. Investors examine everything from environmental impact and employee health to cybersecurity and supply chains with a magnifying glass. Simultaneously, authorities and regulators take more real action, such as mandating ESG-related disclosures or levying fees. Specific ESG-related legislation may influence businesses not only in the nation in which they are established, but also in other markets in which they operate. This convergence of forces is forcing enterprises to begin on or accelerate their ESG journeys.

As the entire world moves toward a more ecologically friendly future, corporations set quantifiable sustainability targets and, more importantly, hold themselves accountable for meeting them. Ultimately, the concern is how they are creating these objectives and what safeguards are in place to guarantee they are met.

Nevertheless, this is not a simple task. While financial reporting is standardized and provided in easily identifiable formats, corporate reporting on ESG concerns is anything but. Companies are not obligated to disclose most ESG-related information, resulting in a fragmented and varied reporting practice. Due to the limited number of standard templates, individual businesses will offer information in unique ways. There are several surveys available, but they are of limited use: businesses may participate in certain surveys, but not others, and their replies may differ greatly.

Verdafero aims to serve as a critical juncture for enterprises that aim to integrate solid ESG data analytics and reporting. This paper will explore the main components of ESG data analytics, reporting, and the current challenges faced by the stakeholders. Furthermore, the main enhancements provided by Verdafero will be explained, emphasizing their contribution towards solid ESG data analytics and reporting.

INTRODUCTION

Introducing ESG Data & ESG Reporting

ESG reporting and compliance with disclosure standards demonstrate to regulators, investors, peers, and rivals that your firm takes ESG obligations seriously. However, it is critical to remember that reporting is just one component of a much bigger process.

In essence, a successful ESG endeavor is founded on solid data. Organizations with a strong data foundation operate more effectively, decisively, and with more foresight than their competitors – this is especially true in a complicated, developing field like ESG. A corporation that successfully integrates ESG into its corporate strategy, establishing a symbiotic link between day-to-day business and ESG objectives, will find itself in a considerably better position than its competitors.

Finally, reporting should be a byproduct of an ESG program that incorporates real-time data into decision-making on a continuous, continuing basis. The alternative – reporting yearly or biannually and trying to amalgamate data from several divergent sources in a short period of time – is far more complex and prone to inaccuracy and danger.

Relevance of ESG Reporting

Today, there is a growing recognition that ignoring sustainability concerns contradicts the concept of a socially responsible firm while missing out on possible benefits. ESG reporting is motivated by a variety of factors. ESG reporting is critical for communicating how a business views and incorporates sustainability to stakeholders and investors.

With the proliferation of rules requiring organizations to report on ESG data, it is becoming more vital for firms to do so. While ESG reporting is not yet mandated in many countries, a rising number of businesses are voluntarily disclosing this information as they see the value of articulating their business strategy and the effect their operations have on the environment. Indeed, by July 2020, almost 90% of corporations in the S&P 500 will have developed annual ESG reports and established them as a norm.

To convey their ESG performance, firms need a significant amount of ESG data, which varies according to industry and kind of company. ESG reporting is critical because it helps businesses be more open about the possibilities and dangers they face and demonstrate to investors how they manage and mitigate risk. A lack of openness may discourage investors from selecting you for investments, as they may see your failure to disclose performance in those three areas as creating greater financial risk, making them avoid engaging with you.

Reporting on ESG concerns may also increase your brand's and employer's attractiveness. According to a poll conducted by First Insight, consumers, particularly Gen Z, are more ready to support firms that are committed to ESG problems. As a result, up to 62% of Gen Z would prefer to purchase from a sustainable company, and 73% would pay up to 10% extra for sustainable items. The same is true for your employer appeal – with 76% of millennials admitting that an employer's sustainability policy is a critical consideration, reporting on ESG will enhance your chances of attracting fresh talent.



Advantages of Data Monitoring

Data monitoring and analysis provide several advantages to businesses, investors, and regulators, including the following:

- Businesses may utilize data to illustrate company success, exhibit improvements, and monitor objectives and commitments, all of which contribute to brand sustainability and customer trust.
- Investors want reliable information and sound management plans based on high-quality, consistent data and reporting that ensure businesses are positioned to grow and assure sustainability in the face of social, economic, and environmental disruption.
- Regulators may also benefit from big data by incorporating statistics into government programs to guarantee more effective environmental protection. Indeed, governments have access to sensor technologies and real-time reporting data that may be used to monitor and assist in developing regulatory frameworks for major facilities, such as power plants.
- Finally, utilizing data to monitor and analyze organizations' influence on the natural environment enables firms to embrace sustainability activities while also driving change, reducing expenses, and increasing long-term profitability.

Today's data enables us to monitor global temperature change, detect sea-level rise, and develop future estimates. Investors, businesses, and governments must all commit to analyzing big data and executing sustainability agendas to guarantee mankind can exist securely and effectively on our planet.

Current Obstacles to ESG Reporting

Corporate sustainability teams face several challenges due to the proliferation of disclosure guidelines and surveys. The most significant pain factors are the manual collection of sustainability data, the overlap of frameworks, and the accompanying tiredness, as well as the obligation to audit or verify data information. Individuals working on sustainability teams are now required to keep hundreds of data points in spreadsheets or Google Docs, a time-consuming process that requires them to manually manage and monitor hundreds of data points. However, it is much more than simply physical data; organizations must also maintain explanations, backup files, who submitted the data, and who provided the final sign-off. Utilizing these spreadsheet tools to collect sustainability data is just not their intended purpose, and as a consequence, inefficiencies throughout the organization are compounded.

Validation of Data

As previously stated, the manual method of data collection causes substantial challenges in terms of data validation, which makes sustainability reporting very difficult. The number of businesses providing sustainability data is growing, and many of them are seeking external validation for their reports in the form of assurance or data audits. Due to the absence of visibility into data ownership and review that is achievable via standard data gathering approaches, this process may be challenging, if not impossible.

While the law governing sustainability reporting is still in its infancy in the United States, there is a considerable market need for external certification of sustainability data. Without a solid audit trail for data sets, it is difficult to take the first step toward data assurance.

The Digital Age of ESG Reporting

ESG reporting is a critical component of the ESG value chain as a whole. As a critical communication channel with stakeholders, such as shareholders and investors, it serves as a significant source of ESG data and functions. With the increased demand for high-quality ESG data, several stock exchanges across the globe have implemented stricter requirements requiring listed businesses to produce decision-useful data.

Quantitative data management is not a simple chore for businesses, much more so in our data-driven world. Additionally, other criteria or frameworks must be matched to show a company's ESG intent.

Data may be consolidated in one location from several units. It is far more convenient than the old data storage and administration method. This also enables us to more readily spot anomalous data, hence minimizing calculating mistakes.

After digitizing and centralizing data, businesses may benefit from rapid performance comparisons to discover areas for improvement. Tracking objective progress at the group level is very beneficial.

Using technology to enable ESG reporting is cost-efficient and may ease data collecting, computation, analysis, and performance comparison. Therefore, human resources may be allocated to more strategic tasks that artificial intelligence cannot undertake, such as enhancing sustainability performance and strategizing. Due to utilizing technology and digital tools, businesses may better use their resources and minimize expenses to maximize revenues.

Once you have your data, you must decide which data to distribute and in what format. You may fine-tune these devices, convert their output to certain formats or other systems, and examine a regulatory component such as a scorecard or even a real-time readout. Finally, IoT is a low-cost method of doing much more precise work that may use AI and machine learning technology to detect and handle problems.





Verdafero

Emerging as a pioneer in the ESG reporting realm, *Verdafero InSights* is a patented Software-as-a-Service (SaaS) platform for securely monitoring, analyzing, and reporting on all critical utilities within a commercial building or property portfolio to identify leaks, inefficiencies, misuse or trends to prioritize upgrade projects that save money and increase operating profits all while calculating GHG emissions automatically for ESG and sustainability reporting.

Entry of Utility Bills

Verdafero InSights creates a link with the user's multiple utility providers to obtain client data as soon as it becomes available, removing the need for you to do so. Alternatively, the user may manually provide all utility data to the platform, which is both convenient and efficient. If required, the whole set of data may be exported to your accounting system for examination and payment purposes.

Verdafero InSights' utility bill audits automatically check each statement for accuracy and flag any potential billing error concerns.

Verdafero InSights can analyze individual IoT sensors / meters to create a detailed utility model of the facility providing hierarchical views at the IoT sensor, utility meter / sub-meter, account, building, or portfolio level to provide actionable insights to mitigate risk and make more informed decisions. The mix of analysis, dashboards, and reporting provides a comprehensive picture of cost and usage.

Utility Management

Effective utility management is crucial for any operation and ESG emissions report, whether it be efficient building design, manufacturing efficiency, or supply chain management. Tracking, monitoring, analyzing and reporting on these critical assets is paramount for any organization in today's fast-paced market, especially in the context of enhanced ESG reporting requirements.

Transparency and Examination of ESG Performance

While investors are placing a premium on ESG performance, two criteria might help it reach its full potential.

To begin, corporations should provide investors with higher-quality ESG disclosures and data. Standard-setters and policymakers should also make efforts toward establishing a more transparent regulatory framework for these disclosures. Despite the industry's emphasis on ESG performance reporting, there are some concerns regarding the openness and quality of the ESG disclosures they receive, especially in terms of their materiality.

Second, developing data analytics skills may be critical in assisting corporations in producing credible ESG performance reporting and investors in incorporating that information into their investment decision-making process.

To establish a data edge and increase quality, investors will likely need a data management strategy that enables them to process and channel relevant and high-quality data into the investing process with flexibility, cost efficiency, and effectiveness – as well as security and resilience.

Currently, the majority of ESG reporting is optional. However, as governments, regulators, investors, and other stakeholders gain momentum on climate change, sustainability, and other ESG issues, regulated ESG reporting is all but unavoidable.

However, do not wait for regulatory obligations to be smoothed out or for a watershed societal event to compel you to act. This is the moment to assess your current position on ESG issues and prioritize your response. By proactively disclosing ESG information, you demonstrate to stakeholders that you are aware of these challenges, have a strategy in place to manage any risks, and are dedicated to continuous improvement.

To be properly addressed and disclosed, ESG issues cannot be isolated in their own silos. ESG considerations must permeate an organization's whole operations and strategy. Therefore, these concerns are not going away – therefore, invest in the integrated systems, procedures, and controls that will enable you to publish ESG data on a timely and trustworthy basis.

Efficiency in buildings, production efficiency, and supply chain management depend on effective utility management. In today's fast-paced economy, businesses must be able to monitor, analyze, and report on these crucial resources to be competitive.

Sustainability measures, management, and reporting across your activities could be powered by Verdafero InSights, which provides you with the tools you need to develop your ESG strategy and meet your reporting requirements. Furthermore, Verdafero can assist the business sector in enhancing asset values by decreasing operating expenses and increasing efficiency via our consulting and data analytics services.



Verdafero

About Verdafero Inc.

Verdafero Inc., based in San Jose, CA, is a Utility Analytics service provider helping organizations analyze their vital utility resources across their entire organization using their cloud-based software monitoring platform.