

# A Buyer's Guide to ESG Data Management Software

Preparing Your Organization for  
Today's Sustainability and ESG  
Data Reporting Challenges



# 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, they continue 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 organization 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 organizational risk, all while delivering the right information to the right people for informed, timely decisions.

Organizations need quality data to benchmark their ESG activities and monitor their progress, 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 from investors to activists to 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 recent Presidential Order](#) made it clear that change is on the cards for public and private companies, 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 governance professionals and the organizations they serve coordinate the moving parts, report on progress and stay ahead of activists, investors and competitors.

Not all ESG solutions are created equal, however. Organizations seeking the right solution should prioritize four key criteria and areas of functionality above all else:

- Flexibility
- Data Collection
- Monitoring and Reporting
- Service and Support

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

# Flexibility

Given the complexities and variability of ESG tracking, monitoring, reporting and compliance, there is no one-size-fits-all solution. Different industries use different ESG frameworks and have differing stakeholder expectations.

Laws and regulatory requirements vary across jurisdictions and each organization 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 stakeholders, suppliers and other external parties. A good ESG solution must enable them to act, quickly and easily, now and in the future. Heads of sustainability

teams must be able to configure their software solution based on the unique needs of their organization, then bring in relevant stakeholders as needed to collaborate, review, approve or even audit.

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

## 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, TCFD and CDP — and update as new regulations arise. It should be customizable for different territories and should support bespoke frameworks or an amalgamation of existing frameworks.



**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, ESG committees and so on. You should be able to set and monitor KPIs, customize 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.

# 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.



## **The Global Reporting Initiative (GRI)**

Founded in Boston in 1997 following public outcry over the environmental damage of the Exxon Valdez oil spill in 1989, this global, independent standards organization 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 organizations 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 analyze, disclose and manage their environmental impact.



# Data Collection

Data-rich organizations 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, finance and procurement departments, facilities managers, HR teams and more. These members of the “ESG ecosystem” need to collect and tailor data in the most efficient manner, while minimizing 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.



**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 customize 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.

# 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 customizable one, can give organizations 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 organizations 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?**

Automation supports ESG monitoring and reporting in many ways.

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

Automated analyses and alerts will enable you to regularly evaluate risk, test controls and monitor compliance.



**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 customizable 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.

## Monitoring and Reporting Q&A



### 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, tasks and controls based on any framework. The solution should use dashboards and visualizations to make data easy to consume and act upon.

Your organization 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 unauthorized dissemination.



### 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.



A dashboard, particularly a customizable one, can give organizations **visibility into KPIs, metrics and commitments.** And automated monitoring can help ESG teams sift through mountains of information in a fraction of the time.

# Driving Value Across the Organization and With External Stakeholders

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

## **CEOs, CFOs and the board**

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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**

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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**

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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**

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Can use an ESG solution to find and execute contracts with ethical, reliable suppliers.

## **HR, audit and compliance teams**

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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**

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Can use an ESG solution to monitor the organization's reputation and stakeholder attitudes

## **Subsidiaries and business operating units**

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Can use an ESG solution to comply with organizational policies and achieve sustainability targets

*Meanwhile, as organizations 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.*

## **NGOs**

*Are using ESG information to identify companies to engage.*

## **Employees**

*Are requesting more details about an organization's ESG activities, such as commuting and travel carbon footprints, facility energy efficiency, supply chain sustainability, ethics and beyond.*

## **Consumers and business partners**

*Are factoring an organization's ESG behavior into purchasing decisions.*



# Functionality for Climate and Sustainability

With climate remaining a top priority for investors, regulators, employees and consumers, digital ESG solutions can help organizations prepare, from monitoring performance to reporting progress against expectations and goals.

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 purpose-built 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 include leading forms of accreditation like the CDP carbon reporting framework. The solution should 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, customized to your organization's jurisdictions, industry and operations. Predictive modeling capabilities are also a plus.

## Climate and Sustainability Q&A



### 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 **organizational goals**?

An ESG solution should map climate frameworks against an organization'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.



The ESG solution must be designed with **climate and its challenges** in mind.

# 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 ones that deliver benchmarking data on peers and competitors, specialized 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 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.



### **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.



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

The solution should allow you to pull ESG data from across your organization 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 that offers expert support to eliminate gaps and address issues. The right vendor will work to 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. Their solutions should be purpose-built for carbon accounting and sustainability reporting. 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 — by phone, online chat, or virtual meeting — as well as crucial information on updates and enhancements, plus insights into how the solution is evolving.

## Monitoring and Reporting Q&A



### 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 prompt support, 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.



The right vendor will work to expand, **evolve and improve the solution** on an ongoing basis, allowing you to remain one step ahead of the rapidly changing ESG landscape.



# Diligent ESG

The new Diligent ESG solution responds to every one of these questions and challenges. It's an auditable solution that simplifies ESG data collection, benchmarking and reporting, and it is able to scale as challenges and needs evolve.

With Diligent ESG, organizations can:

- Map their own ESG program against the latest requirements and standards, including SASB, GRI, TCFD, CDP and more
- 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
- Curate news and filings to include regulatory developments and stakeholder sentiments from around the world, customized to your organization's jurisdictions, industry and operations
- Monitor carbon and climate activities across operations and supply chains
- Align their executive compensation plans against key ESG metrics
- Generate ESG dashboards and visualizations, making data easy to consume and act upon
- 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



Increased investor, stakeholder and regulator scrutiny of ESG initiatives is here to stay. Now is the time to equip your organization 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 organization through the **environmental, social and governance challenges** that it faces today, tomorrow and beyond.

[Learn more about Diligent ESG →](#)

## About Diligent

Diligent is the global leader in modern governance, providing SaaS solutions across governance, risk, compliance, audit and ESG. Empowering more than 1 million users and 700,000 board members with a holistic view of their organization's GRC practices so they can make better decisions, faster. No matter the challenge. Learn more at [diligent.com](https://diligent.com).

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