

accenture

Challenges in ESG data gathering

Regulatory Compliance & Disclosures

A critical differentiator

Rising to the ESG Data Gathering Challenge

Just as digital did ten years ago, sustainability now impacts every part of a business. The world is moving fast, and pressure is building for organizations to show that they meet increasingly rigorous environmental, social and governance (ESG) targets.

The ESG data market could currently be worth **\$1 billion** in annual revenues—three times its worth five years ago. And though most of the demand is still from asset managers responsible for green investments, there is an increasing requirement by regulatory bodies seeking to support the sustainability of small and mid-sized enterprises (SMEs) and by large corporates looking to enable green supply chains. In particular, they are interested in the ESG ratings of SMEs and suppliers.

In today's digital landscape, good data is the foundation of all good decision-making. Yet in its current form, ESG data reporting isn't very useful. In fact, the challenges associated with proper data collection and processing may be skewing results, misleading stakeholders, wasting resources and leading to poor decisions. **MIT's Sloan School of Management** looked at ratings from various ESG vendors and found that the correlation was, on average, just 0.61. Because any one company is receiving vendor ratings that vary widely, it is difficult to compare it with other companies and to measure accurately factors like its carbon footprint or working conditions.

Key challenges to ESG data gathering and processing include:

- The fact that only larger public companies are required to report ESG data, which is published in their annual reports. This limits the data pool to what these companies self-disclose.
- The lack of a single regulatory framework, although various guidelines exist.
- The lack of consensus on terminology and definitions.
- The lack of auditing, which limits the reliability of disclosure reports. There is no universal system to verify reported data, and public reports tend to highlight positive contributions to ESG and underplay or omit less flattering reporting (this is called greenwashing).
- The impenetrability of ESG scores. These are a black box; there is no regulation governing the assessment of sustainability requirements and performance, and every ESG rating agency has its own methodology—which evolves over time. Reliance on ESG scores becomes questionable when the underlying metrics are not revealed.

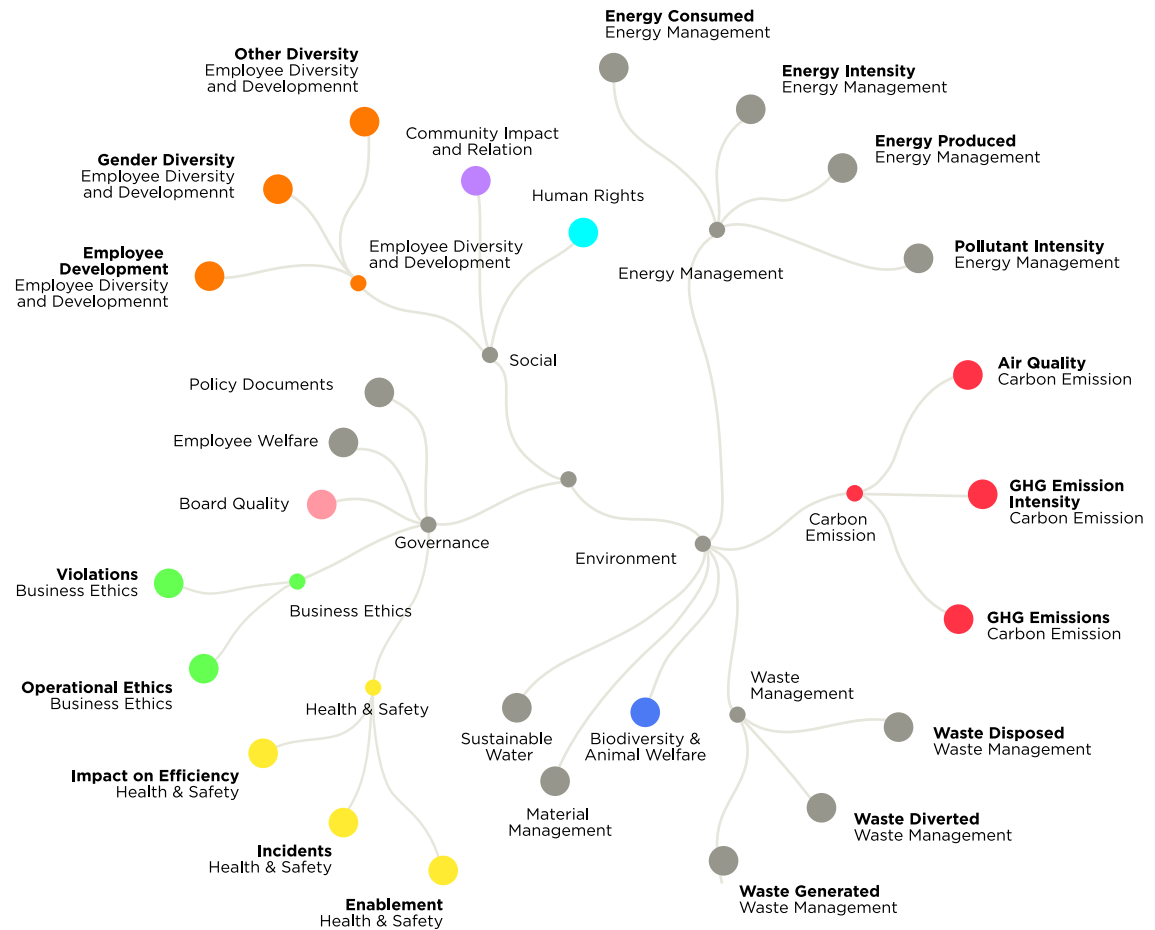
How can Accenture help overcome these challenges?

Accenture has taken a **3-S approach** to help resolve these ESG data challenges.



Standardize with ESG 360°

The key is to harmonize reporting standards and simplify disclosure requirements. Accenture has developed **ESG 360°**, a comprehensive data model (see the diagram alongside) that brings together more than 400 quantitative screening factors that align with one or more international standards like the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and others.





Scale with artificial intelligence

Accenture's AI-enabled capability uses high-end artificial intelligence to build robust in-house ESG data capabilities. It can, with a high degree of accuracy and at speed and scale, extract, structure and synthesize text, tables and charts from unstructured disclosure reports. By applying a custom natural language processing (NLP) pipeline and its self-learning algorithms, the solution can translate data from industry reports, home pages and other digital sources into meaningful binary key performance indicators. Natural language generation (NLG)/NLP identifies and summarizes best practices and other relevant insights, reducing manual effort by nearly 60%.

Accenture is also partnering with leading ESG vendors that enable self-reporting, like Arabesque Company Book, to provide our customers with bespoke solutions.



Solve with alternative data

Accenture leverages deep experience and expertise with some 400+ data partners globally, to enable ESG data gathering where it is not readily available and to validate its authenticity. For example, we use weather data to assess air pollution at a manufacturing unit or construction site.

Accenture not only has a wealth of experience in sustainability but also expertise gained by working across all disciplines, industries and regions. We can tap into our global network to bring best-in-class custom-made solutions to our clients.

We can help you design and manage your ESG data collection and processing.



Contact

To find out more, visit [our website](#) or contact us directly.

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