Why Successful ESG and Sustainability Reporting Relies on Data Transparency

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Environmental, social and governance (ESG) management and sustainability reporting have become an accepted (and expected) part of disclosure practices for modern companies. **KPMG's 2022 survey** of the 250 largest companies by revenue worldwide confirmed that 96% regularly report on sustainability or ESG matters, while a recent **SAP Insights global survey** revealed that 17% of respondents have found opportunities to grow and improve business performance through sustainability, while 22% believe that sustainability will be financially material to their businesses within the next five years.

In effect, sustainability focuses on how a specific company impacts the world while ESG considers how the world impacts that company, including global risks such as climate change and loss of biodiversity. There is **increasing pressure on corporations** from governments, stakeholders, and the public to prioritise sustainability by setting goals to reduce their carbon footprint and improve waste management, uphold human rights and WHS standards by creating a safe and just environment for their employees, and monitor governance activities such as diversity in leadership, corporate policies, financial planning, risk management, decision-making processes, and more.

Just because a business is meeting its sustainability goals doesn't necessarily mean that it is meeting its ESG obligations, or vice versa. For example, a company may be completely carbon-neutral but maintains an unsafe work environment, or may prioritise ESG management but refuses to take accountability for the ways in which its business processes negatively impact the environment. With increasing regulation and scrutiny of corporate responsibility, organisations need to ensure that they are setting attainable sustainability goals and accurately reporting on ESG compliance.

## How data integrity and transparency affect ESG and sustainability management

In previous blog posts, we have discussed how the **future of financial performance management is data-driven** and that adoption of extended planning and analysis (xP&A) methods relies on **organisations embracing digitalisation.** ESG and sustainability management can also benefit from innovative technologies that help businesses consolidate relevant data and provide more accurate measuring and reporting methods.

Organisations are often limited in their sustainability efforts by the disconnection of financial and non-financial data from their core financial, procurement, supply chain management, and HR systems. ESG data recording and control tools are also often not fully integrated into a company's system landscape, making the extraction, analysis, and sharing of relevant and up-to-date data insights near impossible. Using inaccurate or incomplete data to make decisions about ESG and sustainability management can spell disaster; potentially misleading stakeholders and investors, creating ongoing compliance issues, and preventing organisations from reaching key sustainability targets. Despite this, many companies are forced to rely on data estimates in their decision-making, largely because they lack the tools and skillsets to achieve data transparency. In the SAP Insights survey mentioned earlier, **nearly 70% of business leaders** admitted that measuring ESG data across their various value chains was a challenge. This is an especially concerning statistic when we consider that on average **90% of a company's carbon footprint lies within its supply chain.**

Streamlining ESG and sustainability goals with SAP Sustainability Control Tower

One of the solutions that we recommend for achieving enterprise-wide ESG data management and reporting is **SAP Sustainability Control Tower** (SCT). SAP SCT is designed to allow companies to record, report, and most importantly, act on their consolidated ESG data. SAP

SCT meets the needs of modern, sustainability-focused organisations by providing access to real-time, accurate data and the ability to connect sustainability metrics to finance, HR, supply chain, and other important systems to create a holistic ESG management process. Upgrading from data estimates and averages to actuals also improves compliance with ESG reporting standards and allows businesses to easily simulate scenarios, create attainable sustainability goals, and identify areas for potential action in the future.
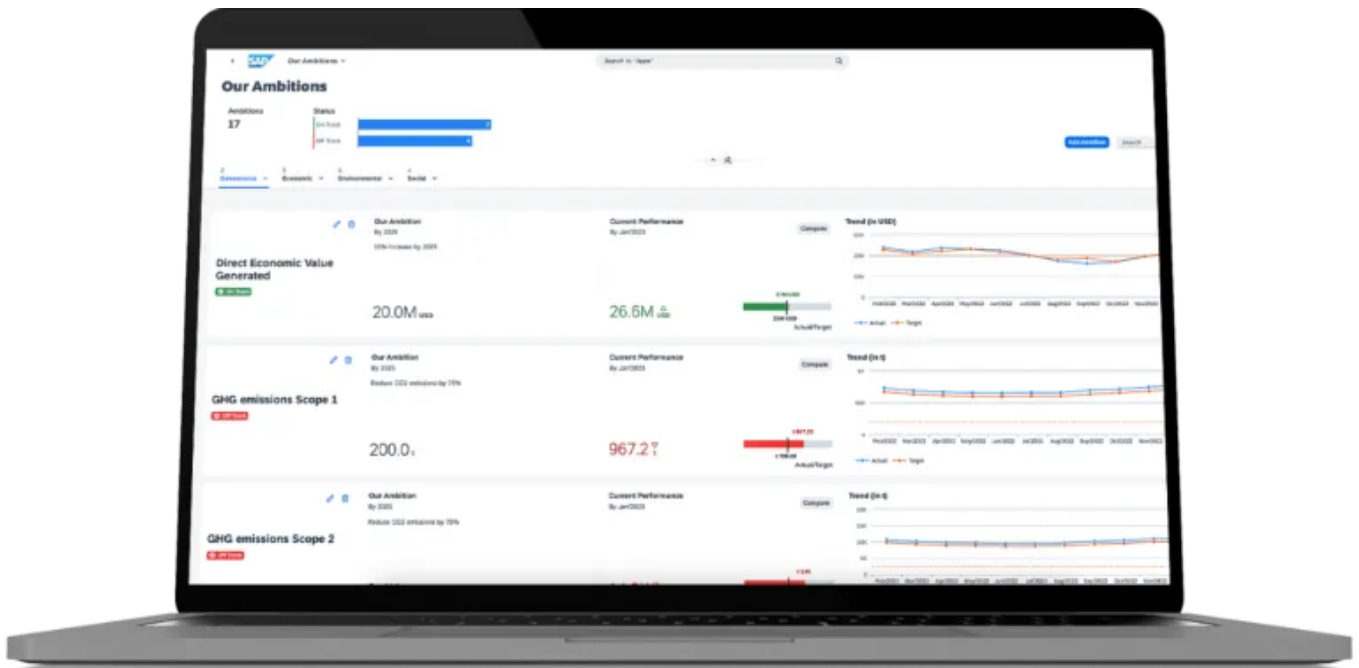
Furthermore, SAP SCT offers flexibility and scalability for future-oriented organisations, able to connect with existing SAP systems such as SAP S/4HANA, SAP Environment, Health, and Safety, and SAP Cloud for Sustainable Enterprises. SAP SCT also includes a range of APIs to facilitate connection with third-party applications, allowing companies to create customised technological architecture for measuring and reporting on sustainability which suits their specific region or industry.

Bluetree Carbon Planning & Reporting Solution

As announced previously, following the **win of the most recent Hack2Build event run by SAP**, Bluetree's Planning & Analytics experts are creating a Sustainable Carbon Reporting & Budgeting solution which will be released as a **Bluepack offering** later this year. This Bluepack will allow for top-down allocations, budgeting, forecasting and monitoring of overall carbon emission targets at a corporate and cost centre level.
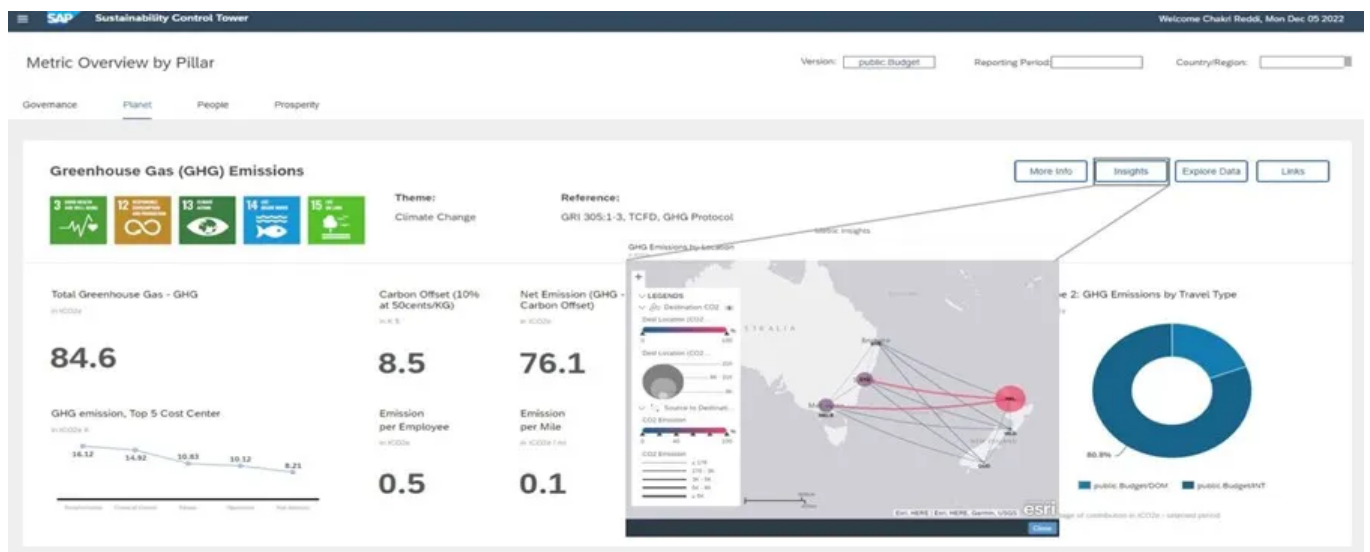
In its final release, the solution will be available in two versions. One that enhances the business content of SAP Sustainability Control Tower by integrating with SAP Concur, SAP S/4HANA and other carbon emission data sources to provide a single source of truth and enhanced analysis & planning capabilities. The second version leverages SAP Analytics Cloud (with an option to also include SAP Datasphere for complex landscapes), with further advanced Planning & Analysis capabilities. Both versions will enable organisations to analyse and budget their carbon emission (e.g. related to corporate travel) more efficiently and provide managers visibility to act on emission goals for their cost centres. Bluetree believes this solution will enable organisations to make a real difference and do their part for a cleaner, more sustainable way of operating.
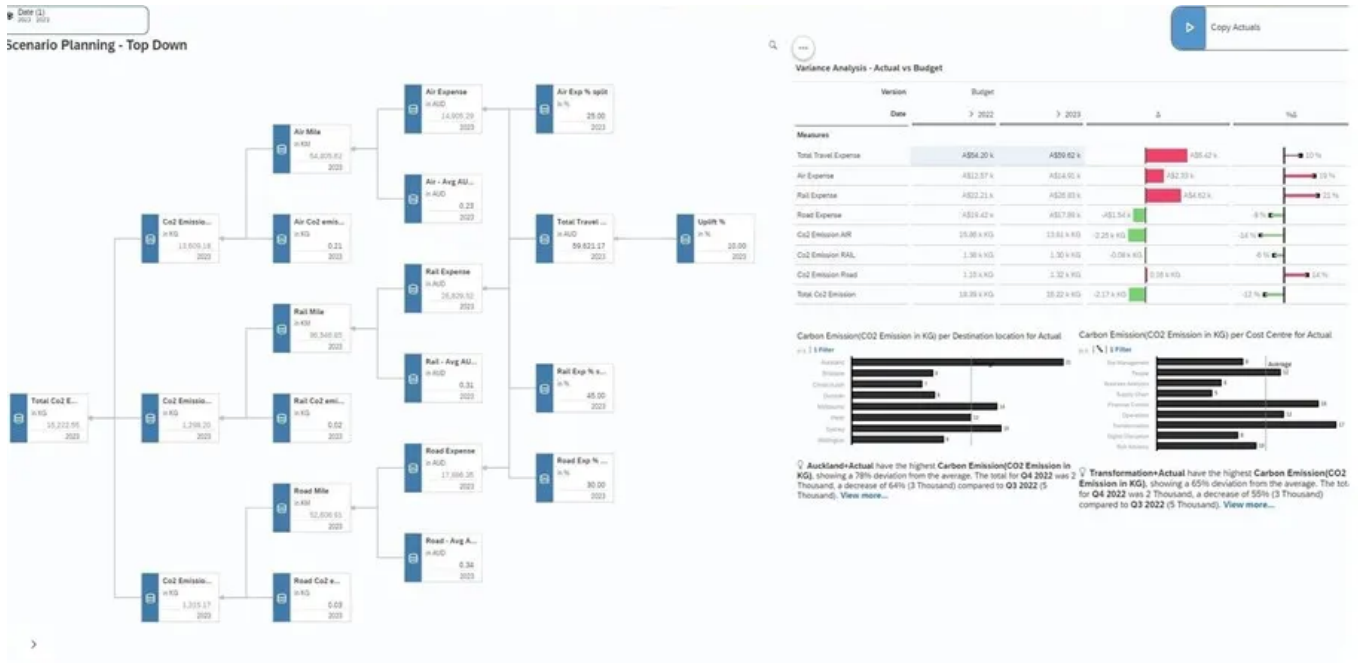
Bluetree Director Christopher Kaszelik says "The company is very proud that their efforts to create a more sustainable future have been recognised by SAP with the **SAP Australia Partner Award 2023 for Sustainability**. This shows how important the work our team is doing and for all our customers to do their part in ESG compliance."

Becoming a more sustainable and data-driven organisation is rapidly becoming a necessity in our dynamic and future-focused business landscape. As a proud **SAP Gold Partner**, the team at Bluetree Solutions are widely recognised as some of the best SAP technology specialists working in the market today. **Contact us to discuss the transformation of your ESG and sustainability reporting today.**

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