



# The ESG data challenge

Harnessing insights to achieve  
sustainability goals







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## Every year, Mazars' C-suite barometer surveys business leaders around the world to understand the opportunities and challenges they see for the year ahead.

This year's report identified digital transformation as a top-five issue, with data quality remaining the main challenge for C-suite when producing ESG reports. Furthermore, this year sees data tracking emerge as the second-largest challenge.

Data and digital transformation are now essential to embed environmental, social and governance (ESG) strategies into the business. It requires courageous leaders and bold leadership to enable those strategies to filter down through the organisation from the C-suite to the shop floor and through to the supply chain.

The pressing challenge for leaders is to ensure that not only is the right data being collected in the right way, but that it is of sufficient quality and depth to validate ESG policies and actions. Sustainability maturity is fundamental to help companies move beyond reporting and to a position of legitimacy that enables everyone within the company to take the right sustainable actions.

### Taking growth into account

Growth expectations depend upon data integrity. 46% of respondents in this year's C-suite barometer are expecting organic growth, 39% expect growth from alliances and strategic partnerships, and another 15% expect growth from mergers and acquisitions.

To succeed, business leaders must implement sustainability culture across all new enterprises to ensure full, integrated alignment across the business. It often requires organisations to pause, rethink and engage with data integrity - how it can be maintained, and what digital transformations need to happen to ensure ambitious growth expectations are mapped successfully.



# Foreword

## Pulling the right strategic levers

In terms of data quality, heightened accountability is a key driver. A growing emphasis on mandatory [sustainability reporting](#) from regulations such as the [CSRD](#) will ultimately force organisations to ensure ESG strategies are built into the business.

True compliance requires stakeholders understanding their role and responsibilities towards ensuring ESG becomes part of every decision, how it impacts output and what transformation needs to happen on a unit-by-unit basis. Such an approach will produce the necessary data, bringing credibility to the entire sustainability and wider business strategy.

## Tackling the supply chain

There are two sides to data transparency in the supply chain; larger, regulated businesses which have achieved a deeper level of sustainability maturity, and those mid-market or emerging businesses that have, so far, not been subject to the same ESG regulation and scrutiny.

With the regulatory noose now tightening around a more responsible approach to the global supply chain, businesses of all sizes are under extensive pressure to comply in a transparent and proactive way on sustainability activities. This means ESG policies and the required data need to be evolved to fit the risks and opportunities growing ever-more present within global and local supply chains.

## Know what is possible and look forward

As businesses transition towards net zero, assessing the risks and opportunities within the supply chain requires credible data sets to interrogate real-time information that influences and changes behaviours. Data strategies must be forward-looking to give organisations the agility to reach sustainability goals and shape the agenda. Quality data allows companies to not only benchmark against competitors within the same sector, but benchmark against the best version they can be, and confidently live up to sector requirements.

## Aim for the optimal point

The ideal balance is when the E, S and G become truly interconnected. It requires boards to understand their fiduciary duty and assess what is material to the business, so the right data and key performance indicators (KPIs) are aligned. It is also good governance to look at what is material from different perspectives. External engagement initiatives help inform what trends are shaping the ESG conversation and shift your perspective on what is material to stakeholders.

We sincerely hope the thoughts prompted by this year's C-suite barometer help move the conversation forward positively and productively. We also hope the information and articles contained in this report offer practical guidance on how data is a key driver towards a more sustainable business future.



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# Harvesting the right sustainability data

**Collecting and analysing data on sustainability feels like trying to pin down a moving target. With the regulatory landscape continuously changing many organisations still lack confidence in identifying the exact data components and attributes they need to support sustainability strategies effectively.**

## Consider regulatory pathways

There are now several sustainability certifications, targets and disclosures organisations can choose to report against. However, the arrival of the [Corporate Sustainability Reporting Directive \(CSRD\)](#) is a game-changer for stringent requirements based on audited sustainability reporting.

Organisations must consider whether they should mitigate the complexity of reporting regimes by identifying overlapping requirements that do not improve insights. With a more targeted approach to data needs, organisations free up the data function to focus on quality. The increase in [sustainability standards](#) developed at regional and international levels is beginning to provide the solid foundations required for assessing precisely what data companies need for sustainability reporting.

Such foundations push back against ESG statements that imply greenwashing to demonstrate sustainability commitments with supporting data. However, ensuring the quality and transparency of data collected and its management requires companies improve their approach to data sources and governance.

## Understand the available data

A critical step is to assess the data landscape. Data sources across the value chain at an operational level along with information gathered from consumers, clients, and suppliers can all inform material ESG goals. External data gathered from ratings agencies and organisations that supply data for key performance indicators (KPIs) can enrich proprietary data or help fill data gaps. Public sources of big data are further considerations.

Yet organisations should think more strategically, as the ability to collect and absorb data is not the end game. Whilst organisations harvest more and more data through numerous channels, it's essential to have a firm handle on what data is being collected and why. [As outlined in our 2023 consumer report](#), mapping out the business risks and opportunities will help shape and drive the strategy forward, enabling alignment across different business functions.

Vast amounts of data sitting on servers or in the cloud can feel like progress, but without structure and process, it cannot support organisations on their sustainability journey. From a regulatory viewpoint alone, the right data is required to measure and evidence actions taken. For this approach to work effectively, understanding what data exists, and confidence in its accuracy is vital. With this process, a business can structure data to form a coherent strategy that informs accurately on how to use that data and enrich their business objectives.





## Manage data continuously

An essential starting point for any organisation is to define system boundaries to identify the scope of data required for robust reporting. For example, will the data collected be based entirely on materiality, or will geographical influences be a factor? Does the business collect data according to certain reporting standards or for a specific ESG rating?

Data is a significant investment, and, like any commitment, clear thought should be given to its value and how best it can benefit an organisation. Data mining requires ongoing management to ensure it continues to add value. Placing more emphasis on data in the initial planning phase can drive real impact across a business, especially when integrated successfully into every area of the company.

Success from a stakeholder perspective is often measured in transparency and accountability, therefore it's no surprise that good data management is a priority consideration for business leaders today. An organisation's accomplishment in collecting valid and reliable data gives internal and external stakeholders confidence that sustainability plans and targets are on track.

Yet, while the value of data is often highlighted in the results phase of a sustainability roadmap, [placing more emphasis on data](#) right from the start of a strategic plan can improve collaborative approaches across the business and secure compliant ESG outcomes, providing a strong foundation for future endeavors.



# Empowering teams and systems for effective data management

**A coordinated sustainability programme requires integrating projects and teams managed by various functions with differing objectives. Data feeds into these ESG programmes managed by different departments; the challenge is bringing it all together to ensure a high quality output, collaboration, and meaningful change.**

## Organise to strategise

The data department is often at the sharp end of satisfying all these data requests but often struggles to build a coordinated response due to the lack of a cohesive strategy.

The first step is in the correct preparation. Filtering the data flow through a committee that sits at board level provides the right level of governance to ensure the data team is protected from unstructured, overwhelming or unvalidated data requests. It's also an approach that helps the C-suite guide and maximise ESG data's strategic influence.

Building upon this approach, data flow filtration needs to be approached through a holistic and forward-looking lens. Organisations often fall into the trap of collecting and using data to focus on validating historical trends and insights. For example, analysing how carbon emissions have improved over the last five years or progress made on gender balance in the workplace.

However, as sustainability priorities move up the C-suite agenda, boards need to look at how they use data more granularly to predict future, interconnected trends likely to affect their business. This could be analysing times of the day or year when carbon emissions peak and then implementing forward-thinking strategies. This can create

operational improvements, or support data analysis to spot red flag practices, all enabling improvements to sustainability activities and reporting across the value chain. A forward-looking approach to data enables organisations to develop more resilient policies to reach sustainability targets and gain a competitive edge.

## Governance and oversight

A second step would be to decide on data collection processes and data integration. Available supporting software should be screened and evaluated ensuring flexibility to integrate a broad range of sustainability programmes. Companies relying on manual data collection techniques may want to assess available software to match the company's needs and software features, before committing budgets to new IT systems.

Like Rome, sustainability strategies cannot be built in a day. First, aim to become compliant, then build towards higher sustainability ambitions that underpin targets. Running a materiality analysis that defines relevant data based on impacts and financial risk will help specify a narrow range of important sustainability topics to focus on. You can broaden the scope as your understanding of the required data matures and evolves.





# Empowering teams and systems for effective data management

One of the main reasons sustainability data quality is compromised is that it lacks specific ownership. While the CFO or CEO deals with sustainability at a strategic level, ESG data often lands in the lap of the marketing or operations function. The ability to leverage data relies on tracking where that data comes from, where it sits within the organisation, who owns it and who has access to it. Without these parameters, data will lack quality and won't provide the level of value required to meet sustainability ambitions, or regulatory and supply chain requirements.

## Invest in the future of IT systems

After a comprehensive review of the business strategy, and implementation of governance and management controls, technology systems will require a review to test their ability to deliver on future requirements.

Evaluating and investing in IT and infrastructure is key. The process for collecting customer, supplier and regulatory data is driven by ESG data needs, yet still requires the IT systems to support data collection. Organisations with flexibility built into IT systems can adapt faster to new data requirements. However, organisations with legacy systems face more challenges as they often lack the required elasticity.

This lack of flexibility in legacy systems creates other challenges too. Change takes longer, and a clear understanding of the impacts on other systems is necessary before anything can move forward. It's also vital the driver for IT change is to determine a coherent sustainability data collection strategy and ensure the quality of data captured is not compromised.

## Build a data picture

Evaluating technology systems for their capability for the task at hand is just the first step. They must be reviewed for data integrity and quality too. Transparency is of the utmost importance in reaching a high level of trust and confidence in data sources. This can be achieved by using validation and assurance tools and having the right data personnel in place with sourcing experience and the associated expertise to analyse and manage data.

Data transparency and quality are key to providing meaningful KPIs to compare in a standardised format against internal and external benchmarks and demonstrate relevant and accurate ESG performance. This is an important step as stricter sustainability regulations mean inaccurate or incomplete information is no longer acceptable.





# Empowering teams and systems for effective data management

## Smart use of sustainability data proxies

There are some areas of sustainability where data is still in the exploratory stage or simply challenging to collate due to the sheer timescale, size and disparity of data required. For example, instead of collating energy use in thousands of residential homes for mortgage applications, organisations use relevant sustainability data from third-party providers for reporting proxies that establish an initial assessment which can be improved over time, as processes to capture more robust data are implemented.

Whether an organisation uses data proxies supplied by several third-party vendors or an aggregator that interacts with those providers on your behalf will depend on factors such as the flexibility of IT systems and the data challenges faced. However, the smart use of sustainability proxies helps relieve ESG data challenges in the short term.

If looking to infuse datasets from suppliers and other proxies, it's best to start slow, and build to avoid the risk of overwhelm. Depending on resource availability, data can be collected internally or through external collaborations and trusted experts. Data collection is a complex and multi-layered undertaking, so starting with collecting direct emissions based on universal reporting requirements should be the first step.

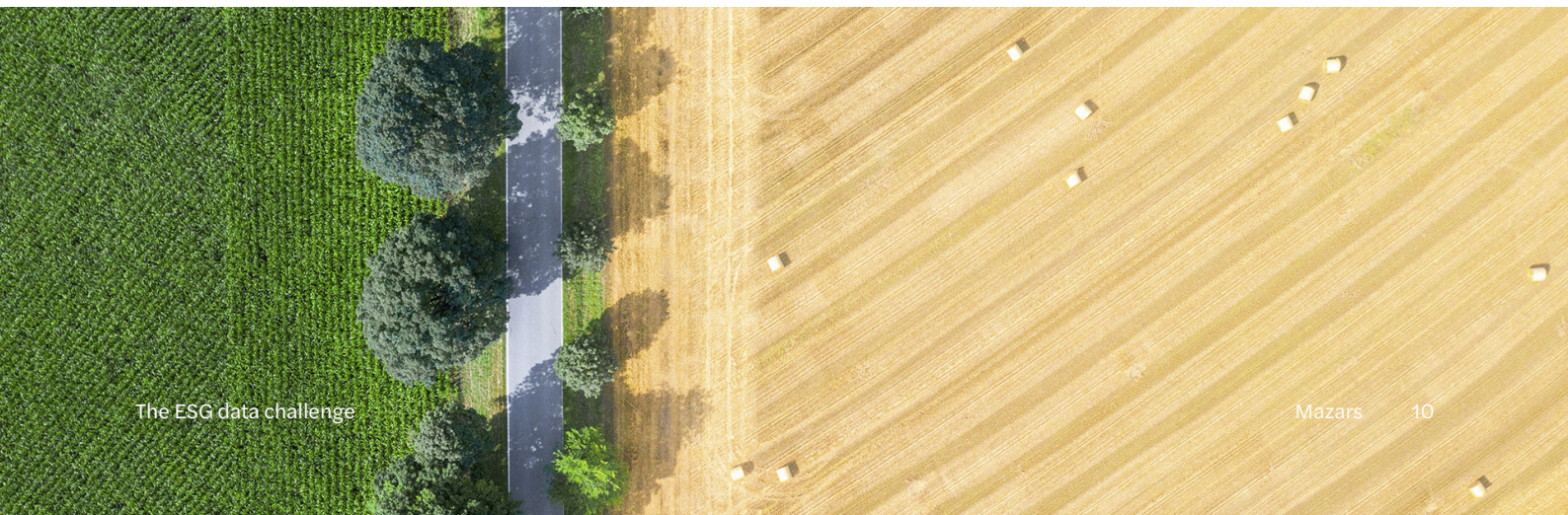
Once robust data availability on direct emissions is secured, build up resources and capabilities to collect Scope 3 indirect emissions across the value chain. Reporting on Scope 3 emissions can be an overwhelming task at first. It is advisable to start with more accessible Scope 3 categories like business travel or emissions from water use and waste disposal, then advance to the more complex categories.

Always keep in mind that reporting on Scope 3 emissions heavily relies on estimates. However, this makes it more important to involve suppliers to hold them accountable to conscientiously collect and report their Scope 1 and 2 emissions. A similar approach to ESG data can be applied to social and governance reporting requirements.

## Leveraging new data tools

There are a growing number of data integration and automation tools available today, each offering organisations a solution to simplify the data collection process. Companies and aggregator services helping to shape and improve ESG data often have experience and expertise in bringing together different data sets and are now transferring that knowledge to the ESG space. Solutions can involve artificial intelligence (AI) tools or aggregator players in the enterprise performance management (EPM) field with ESG capabilities. Open-source platforms are helping to ensure data transparency and reliability by sharing ESG data on a much more granular level.

With data quality the basis for all ESG measures, dedicated ESG software offers businesses a clearer path to securing their sustainability strategy. While robust measures ensure data quality, using technology such as dedicated ESG software that tracks and collates data into clear and coherent dashboards can help improve and simplify understanding of data's importance to sustainability ambitions. Dashboards populated with data that give the C-suite an instant overview of the current status of sustainability targets, progress and problems are invaluable for decision-making to define sustainability investment budgets and where to allocate resources.





# Using data to leverage ESG ambitions

**In a business environment where organisations collect more data than ever, quality is top of mind. Equally important is an organisation's capacity to maximise the value high-quality data provides.**

As we see from [this year's barometer findings](#), a focus high on the C-suite agenda is data quality and tracking, cited as the two main challenges when producing a comprehensive sustainability report.

The steps organisations take to collect and track the right data are key to meeting those challenges and leveraging sustainability actions more effectively.

## Seize the competitive advantage

Business, compliance and reporting drivers have organisations on the back foot in responding to ESG data demands from customers, suppliers and regulators. While taking shortcuts to deal with immediate issues is tempting, it leaves little or no time to focus on deeper data needs that meet overall sustainability targets, and often causes further problems at a later stage.

To get ahead, or even maintain market position, organisations must approach data needs holistically rather than piecemeal. Being transparent with customers, suppliers and regulators on your approach to data gives you the necessary time and space to develop meaningful and long-term solutions.

By focusing on consolidating data needs and preparing teams and systems accordingly, organisations give themselves the best chance to ensure they deal with sustainability challenges without compromising data quality.

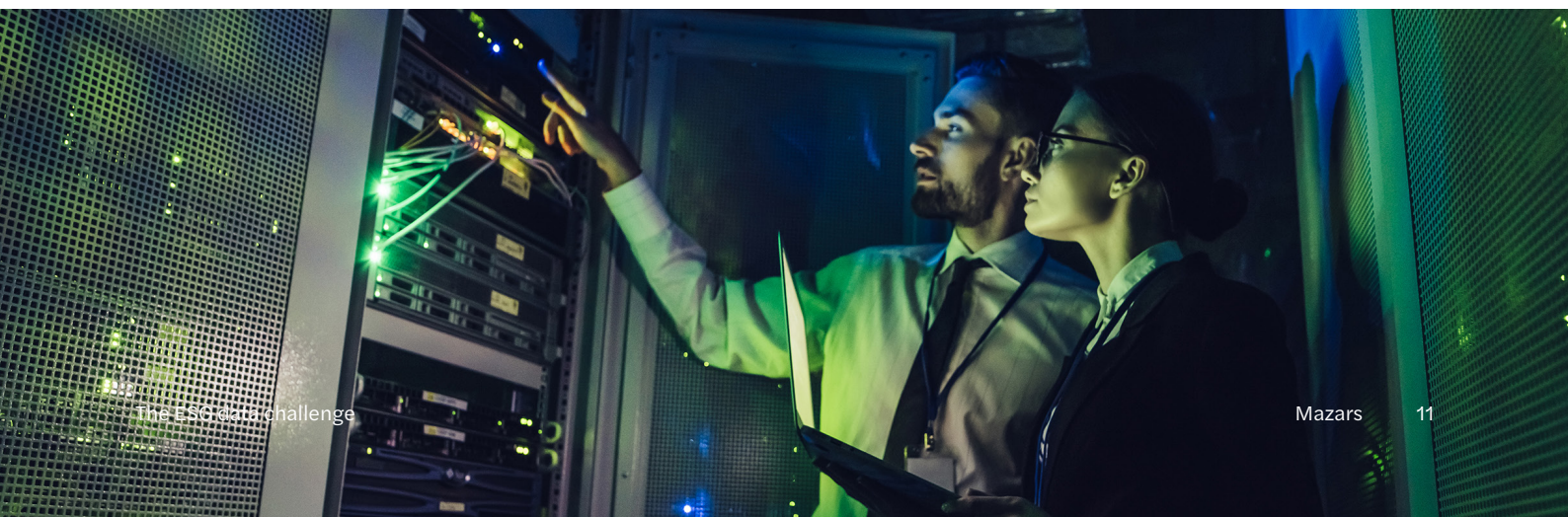
## Build a data-driven culture

Addressing large-scale ESG data management and governance initiatives can take months or even years. However, taking on smaller initiatives can embed the data mindset needed to address ESG data challenges.

Begin with one KPI within the reporting framework and take a step-by-step approach starting with a data strategy through to delivery and carefully analyse the different steps needed. This approach improves the entire data analytics and management process and embeds the transparent and quality data culture necessary for ESG reporting. This significantly speeds up the process of achieving individual successes that can be actioned and replicated more easily.

New and emerging technologies such as robotics, machine learning (ML) and artificial intelligence (AI) allow organisations to effectively accelerate capabilities to interrogate and get insights from ESG data quicker and easier. Yet, it's only when combining these new technologies organisations transform sustainability strategies.

For example, using an autonomous robot to realign solar panels is a significant sustainability win. However, using AI and ML to analyse data and automatically implement the realignment is an even better sustainability win. It's about using various technologies to improve how data impacts sustainability ambitions.





# Using data to leverage ESG ambitions

## Consider the bottom line

One of the big challenges for companies is to demonstrate how the data used to measure ESG performance impacts stakeholders. How you communicate your ESG performance will affect the bottom line.

- Do investors trust measures?
- Can employees see a more sustainable workplace?
- Are consumers aware you are an ESG-driven company?

Gaining stakeholder trust in your sustainability strategy relies heavily on the quality, transparency, and governance of data. Equally, such an approach highlights the risks and opportunities within ESG strategies that smooth the transition to a more sustainable business model, giving the desired competitive edge.

## It's a marathon, not a sprint

The focus on data should not stop once you have it. Thought should be given to who aggregates sustainability data across different internal functions, externally across the value chain, and evidence calculations for auditing requirements.

Given the importance of data quality, overall responsibility should rest with senior management, which should regularly assess the sustainability strategy and how this compares to their current ESG data picture. Organisations need to adopt checks and balances to ensure miscalculations are spotted early, and that the data meets thresholds and benchmarks set, so the data picture reflects reality and supports them on their journey towards regulatory requirements and business opportunities.





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