



Series: How to set up your ESG data, technology, and people for success

2. How to start defining your sustainability IT and data requirements



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How to start defining your sustainability IT and data requirements

Our previous article considered the broad challenges that sustainability presents for many organisations. Here, we'll discuss how to get a clearer understanding of the work ahead, identify practical actions and set priorities.

Move quickly, but think strategically

Faced with pressing demands from regulators, the temptation is to ask only "What do *you* need?" However, organisations must also – if they haven't already – ask the question "Where do *we* want to be?". Only by considering both perspectives can a business identify a comprehensive list of requirements that combines its sustainability obligations and its aspirations.

ESG compliance requirements are generally well-defined and uniform (although, for instance, some CSRD standards are still evolving, including those for specific sectors). On the other hand, every organisation's purpose, strategy and drivers are distinctive. Even if your strategy to date has been expressed in purely financial terms, treat sustainability as an opportunity to consider your wider environmental, social and governance aspirations. While some organisations already recognise a broader primary purpose, even the most commercially-minded business will discover that sustainability can affect investment: [BlackRock found](#) that 53% of investors see a lack of ESG information as a barrier to sustainable investment¹. Our research has also identified consequences for [talent recruitment](#),² retention and overall [market perception](#).³

Involve the right stakeholders in your organisation

Your IT and data requirements come from different angles:



Strategic objectives – you need a performance management system that's capable of guiding you toward meeting the organisation's strategic objectives (e.g., net zero, responsible business);



Compliance to regulations – you need to understand which regulations affect your compliance and reporting needs, and how;



Stakeholder needs – from business groups such as operations, sales, or products and services, and support functions like IT, legal or HR, which will often play a role in the management, reporting, implementation and promotion of sustainability.

It's important to map and prioritise how and when different stakeholders needs should be collected. For example, when expanding or acquiring an IT system, legal requirements are an essential consideration: where should the liability fall if the data in a system turns out incorrect, resulting in a financial reporting misstatement? Such questions are better discussed beforehand with your legal team, rather than at the end the IT acquisition process.

Part 5 of this article series will consider in more detail how to work across business departments and stakeholders.

¹ BlackRock. [Sustainability goes mainstream: 2020 Global Sustainable Investing Survey](#).

² Forbes. [A Hidden Recruitment And Retention Tool—Think ESG Investing \(forbes.com\)](#).

³ Brand Finance. [Sustainability Perceptions Index 2023 | The Annual Brand Value Ranking | Brandirectory](#).

Always carry a map

Although the sustainability landscape is uncertain and shifting, it's important to make a clear guide for the overall journey, by assessing your current capabilities in relation to your sustainability requirements, to create a *capability map*. Although these articles focus on the data and technology implications, remember that sustainability isn't a siloed responsibility, and the example below (Figure 1) illustrates how enhanced capabilities might be needed across the whole enterprise. In particular, this can reveal where leadership commitment and direction needs to be sought and translated into action.

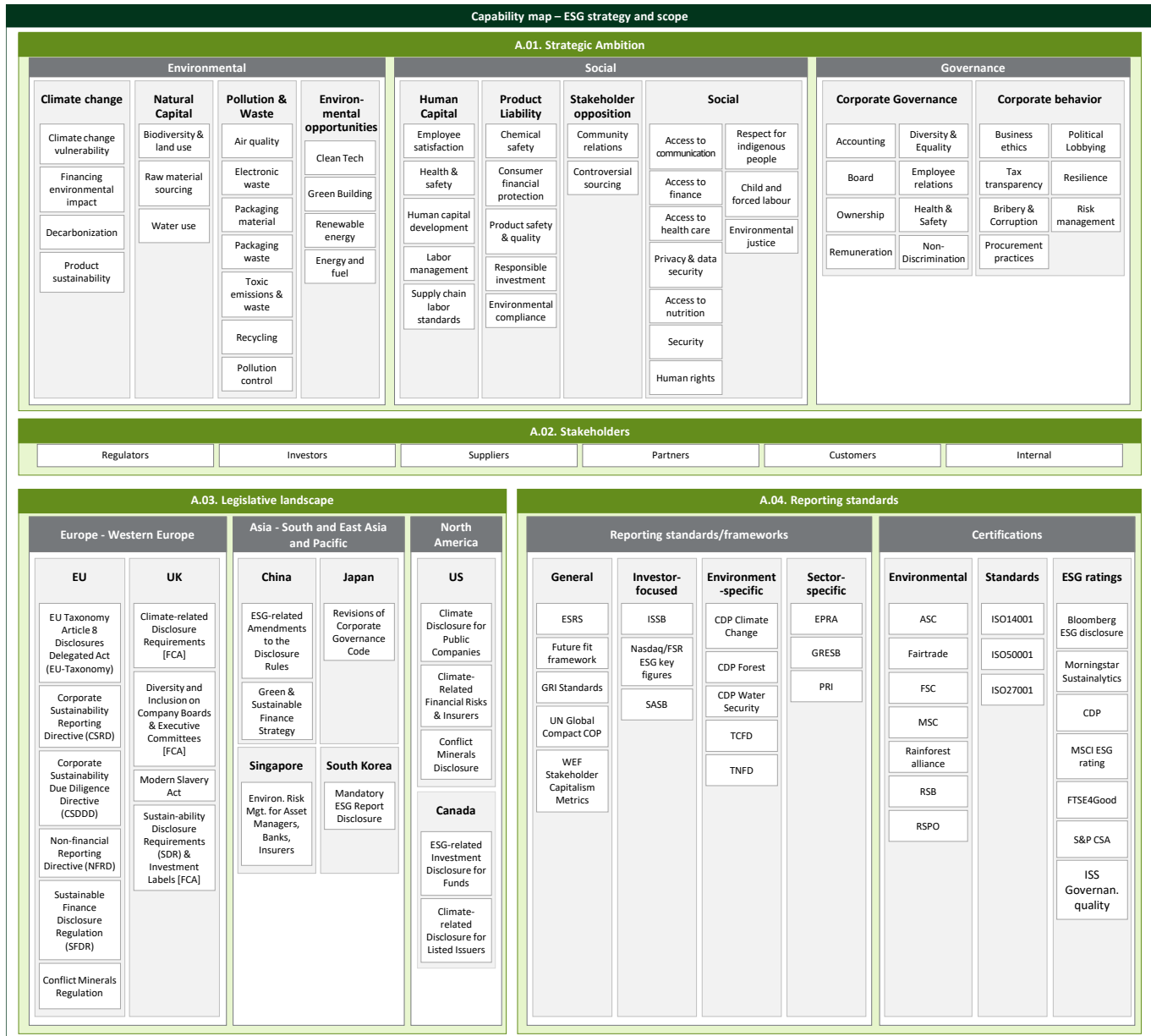


Figure 1 – Capability map (illustrative) – Taxonomy of capabilities (functional and technical) by which to evaluate your ESG strategy, scope, geographical and industry requirements, and define ESG solution requirements. Note this example is only showing a subset of layer A. The full capability map includes over 500 points across 4 core layers.

Capability mapping also clarifies the scale of what needs doing. In our work with clients – **around the EU Taxonomy, for instance – we find this is often their biggest surprise, and the point where one major global client realised it needed 4,000 new staff.**⁴ Such revelations, however surprising, provide a useful reality check for the work ahead.

Have a clear aim, but stay flexible

Even with a comprehensive picture of what needs doing, you have further choices around how and when: these options help you stay adaptable as you move through unstable territory. For instance, not all regulatory KPIs are mandatory at present, but a major public commitment on modern slavery might make that indicator a priority for the business; or the right current technology for one capability might not serve another.

The main approaches, of transformation or incremental change, offer different pathways: making progress right away, or waiting for the landscape to settle and then undergoing rapid, catch-up transformation. There's no simple "right" or "wrong" approach, but they're not mutually exclusive. The most suitable balance will be different for each organisation, so it's important to understand the relative merits of each approach, and choose an approach that suits your organisation and its intended strategy.

In our experience, the greatest traction comes from knowing where you're headed, but staying flexible about how you get there. With so much uncertainty, it's unwise to fixate on a very specific goal and rigid plan, and it's more useful to build incrementally, with the opportunity to re-assess at each stage. A clear map of requirements and capabilities can ensure each new step is making progress in the right direction.

Build sustainability on a solid data foundation

Although we see regulations and technology shifting, good data can provide a solid foundation. Deloitte's analysis of sustainability regulations around the world suggests that, even if specific indicators vary, all are converging on a similar set of underlying data. One of the biggest challenges is likely to be identifying and sourcing data that has never before been considered relevant, but the value of that data will endure, and different reporting requirements might simply involve a change in calculations. Furthermore, establishing robust and reliable data will prepare organisations to monitor and make credible claims about year-on-year improvements.

Potentially, that's a huge amount of new data to source and manage! One key driver of priorities will, of course, be the immediate mandatory reporting requirements. However, your data also represents your brand: "being green" is becoming the new normal, and businesses will increasingly be differentiated by their particular angle on the ESG agenda, which will dictate the most relevant indicators and data. For instance, a manufacturer seeking to position itself as a creator of social value might decide to prioritise measures of educational participation related to its factory locations; a retailer might want to make credible CO2-neutral claims in its marketing; or a brand might want to promote ethical sourcing in its supply chain. A credible market position therefore depends on establishing the relevant data sources and ensuring the data is robust and potentially auditable.

It's also becoming clear that some new data requirements might raise issues beyond the traditional responsibility of data and technology functions. In legal, for example, UK Equalities law prevents companies holding employees' ethnicity data, which could otherwise support comparisons of diversity among executive and general staff. While it's useful to be aware of such potential obstacles, the main learning is that progress toward sustainability will require the whole organisation to work together, not simply a few key functions or individuals.

Making the most of sustainability requires a clear – but flexible – sense of direction and roadmap. In order to make that a reality for your organisation, it needs to be underpinned by the appropriate technology, which we'll consider in the next article.

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⁴ Deloitte interview.



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