

# Assuring transparency in ESG reporting

*In recent years, a growing awareness of sustainability and social responsibility has seen Environmental, Social, and Corporate Governance (ESG) truly enter the mainstream, becoming increasingly important to a business' reputation and to investors' decision-making.*

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Indeed, with strong ESG practices reflecting lower investment risk and resulting in significant improvements in operating performance, ESG is now a priority for businesses of all sizes. Scrutiny from investors, regulators, and concerned customers mean businesses everywhere are under pressure to showcase their ESG efforts. Indeed, with a recent survey showing that data for complying with EU sustainability rules is "patchy" at best, having the facts to back up the commitments is a must-have.

Over the past year especially, ESG reporting has become dependent on accurate, trustworthy information. However, without showing that this data is trusted and verified, companies may struggle to prove their reputation for sustainability and social awareness, and comply with relevant industry regulations. Empty promises are not only quick to be identified, but they can also result in a loss of trust from stakeholders, reduced investment, and even investigation by regulators.

Any assistance these businesses receive can therefore prove essential in ensuring their ESG reporting is accurate, timely and, most importantly compliant with regulations.

# Complex and challenging

Around the world, ESG regulations are becoming ever more stringent. The EU's *Sustainable Finance Disclosure Regulation* came into effect in 2021, for example, with the US looking to follow suit with confirmation from the Securities and Exchange Commission of *an increased focus* on climate-related risks.

Governments aren't alone in their reporting requirements. Investors, too, require a huge volume of data to support a company's ESG claims. In fact, without access to such data, investors can lack the insight they need to identify the potential returns offered by a sustainable or socially conscious business and might look to invest elsewhere. And a shortage of accurate and easily-understandable ESG reports can lead a company's customers and stakeholders to doubt its claims, impacting their loyalty and - ultimately - the company's bottom line.

For many companies, sourcing the data needed for ESG reporting can be a daunting task. But, while the work involved in supporting a company's commitments with the relevant metrics can be challenging, the results can be massively beneficial. As we've seen, having these metrics can make a huge difference when it comes to securing investment and engaging customers. Fortunately, the technology exists to help companies overcome such reporting challenges.

## Assessment and verification

Whether it's providing best practices on the questions to ask stakeholders, sharing industry benchmarks on ESG issues, or collating data into appropriate reporting formats, there is a range of digital solutions available to ease the burden of ESG reporting.

Among these is a strategic alliance between Diginex and SGS, the world's

leading inspection, verification, testing and certification company. This partnership will develop a set of competencies that help companies collect their ESG data efficiently and verify the data and sustainability reports. SGS's Sustainability Reporting Assurance Services (SRA) is designed to meet the needs of a variety of organisations, regardless of their maturity level, industry focus, or reporting requirements. This partnership will mean that companies of any size, will enjoy an objective assessment of their ESG efforts, carried out by independent experts in the subject.

Not only will this enable these companies to report in an accurate and timely manner, but it will also help increase their awareness of where any improvements might be needed and leave them with a wealth of reliable and - importantly - independently verified data they can use to inform their planning and decision-making. This level of detail will also have a direct knock-on effect for investors, providing them with unprecedented insights into the quality of their portfolio's ESG data.

Fundamentally, the use of independent ESG data assurance services such as this will go a long way to making the sustainability reporting process of companies everywhere - especially small to medium-sized businesses - as efficient and rigorous as possible.

## Reporting with confidence

Businesses around the world are entering a new phase of ESG reporting, primarily driven by regulatory pressure. Transparency and accuracy are key. This means that solutions that allow a company to take control of its data and respond to non-financial reporting demands are becoming an essential part of every business's strategy.

Growing social and sustainability concerns mean ESG is now a mainstream consideration, and ESG reporting is - undeniably - a vast and

complex undertaking for many companies. But, with the right technology and tools in place, businesses of all sizes can identify, collect, and analyse the data most important to their customers, stakeholders, and investors, and report it, confident that it is fully compliant with all relevant regulations.

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