Are you Ready for the Next Gen of Environmental, Social and Governance (ESG)?

ESG—environmental, social and governance—is coming of age and will be increasingly important as a source of competitive advantage in the coming years. With the wealth of data now available, from the factory floor to the consumer's door (or screen!), ESG is more than the next wave of corporate citizenship (although it is that too). Investors, board members, consumers and regulatory agencies are increasingly concerned about how companies treat their employees, how they source their raw materials, what their carbon footprint is and the safety of the communities and environments in which they operate. While this may sound like nothing all that new, what is new is the expectation that companies can provide data-driven, data-evidenced proof of how well they have met their goals.

As more private and public sector organizations begin to open up their data to share with others, the opportunity exists to aggregate that data for better informed decisions and even innovation in ESG; for instance, some companies are finding new ways to reinvent processes to do more than reduce carbon—companies such as Exxon Mobil and BP Global have announced intentions to get to net zero emissions. A modern data cloud platform lies at the heart of this innovation by allowing companies to share data but retain the control they need for governance and, where it's concerned, the privacy of employees, citizens and customers.

Data needs to be accessible and consumable by all kinds of personas, not just the technical. Clearly ESG calls for manufacturing-sourced data to be shared and consumed by people across your organization and global enterprise, be they partners, HR, finance or C suite. A common pitfall in ESG is finding that the same kind of data is called out differently, such as in different regions or countries. This can result in competing data taxonomies. This disparity can be transcended by a data cloud platform that works with diverse data types all from a unified platform, easing the road to better data quality and more readily consumable data. ESG is a cross-disciplinary function, or really a set of functions, performed by varying personas from factory floor to boardroom.

Materiality is an important concept in ESG; this is simply that what matters in your industry or market space is going to vary and that impacts the metrics you will put in place to measure results. An accounting firm, for example, doesn't have a big carbon footprint but their social practices around hiring and treatment of employees still matters. ESG metrics can vary even within the same industry—Netflix and Disney, for example, are both media companies, but Disney's substantial real estate footprint and the manufacture of toys and clothing is going to add environmental factors that Netflix doesn't have. The point here is your data cloud platform should be flexible enough to adapt to business and regulatory changes which are fluid over time.

Companies know they must address environmental, social and governmental demands by consumers, investors and regulatory agencies in order to compete, let alone thrive. In the United States, demand for social and environmental justice is being led by consumers who vote with their dollars and try you in the court of public opinion on social media; the EU is further along in getting social and environmental factors, such as carbon footprint, into their policies and laws but it's coming to the U.S. and elsewhere as well. Is your ESG system ready?

Here's our suggested checklist for what your ESG solution must be able to do:

1. Data Diversity – Can you integrate data from different systems, different vendors? Can your ESG solution handle different kinds of data, such as structured and unstructured? Can you manage different data types using the same platform?
2. Can you burst to high levels of capacity on-demand? Or will you have to overprovision to handle spikes? A scalable, extensible ESG solution must have an elastic compute function, so you have just-right performance when and only when you need it.
3. Can your system adapt quickly to fluctuating external variables, such as consumer demand, regulatory changes, investor mindset?
4. Can you access a data lake for data sets beyond that of your own company or immediate ecosystem?
5. Can you share data with third parties in a way that is near real-time and meets all your governance requirements?

ESG is a Journey

ESG is already part of every corporation's brand and consumer reputation. Be prepared for consumer expectations to continue to rise. The post-covid era we are now moving into has taught us all that the data is available and we will increasingly expect, as customers, investors and employees, to ask for the data to prove companies are what they say they are.

For smaller companies and those just beginning a data-driven approach to their ESG Journey, the data will likely show that ESG metrics are not where they need to be. But how do you find that north star? Instead of dreaming up aspirations, diving into the pool of shared data now available across the manufacturing sector in every area—from pharmaceutical and consumer goods to oil and gas or healthcare—can help you find out how companies in your space are doing and how they are doing it. This kind of data supports data-driven decisions about where to invest to reach your goals and can serve as a baseline to measure against as you improve.

And for the many organizations that find their ESG report card not where they want it to be, data is part of the story of the journey to Better. At the heart of ESG is the notion that while it matters that what you produce adds value to customer's lives, how you produce it and how you treat the people who support its production matters just as much. Consumers and investors value ESG metrics and the transparency that shows your commitment to it. A modern data cloud solution, one available on a pay-as-you-go consumption model, puts a lot of power on your side.

To learn more visit Snowflake.com.