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ESG Software Ultimate Guide
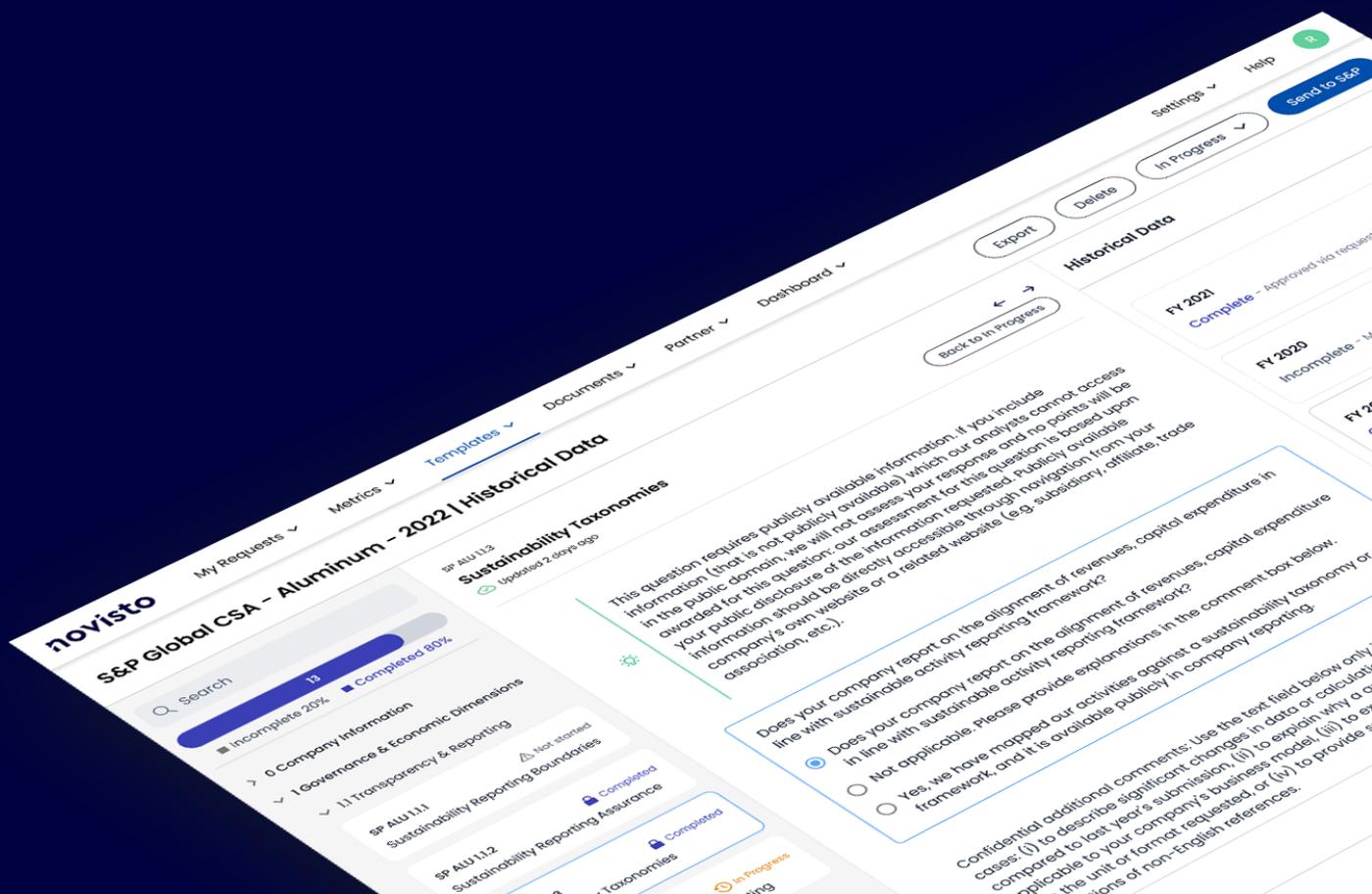
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Navigating the ESG software landscape: A guide for enterprise buyers

Steer clear of ESG software sprawl

For many sustainability practitioners, purchasing ESG software can feel daunting and complex. Navigating this responsibility often comes with uncertainty and unexpected hurdles, making it harder to pinpoint the right solution.

The rapid growth of the ESG software market, often called "ESG software sprawl," only adds to this challenge. With countless providers vying for your attention, it's easy to feel overwhelmed and unsure of where to start.

Find clarity in the chaos

This buyer's guide offers clear, practical advice to help you navigate the complexities of selecting the right ESG data management and reporting software.

Inside, you'll find actionable steps to streamline your evaluation process and make informed decisions. With this guidance, you'll be able to confidently select a platform that aligns with your organization's needs and supports effective data gathering, management, and reporting.

What you'll get out of this guide

Identify your organization's specific needs and priorities

Understand what is meant by "ESG software"

Navigate the selection process with confidence

Avoid common pitfalls and unforeseen challenges

Evaluate your organization's needs

1. Identify and engage stakeholders

Consult with key stakeholders, including internal teams, executives, and possibly external partners, to understand their expectations and requirements. Ensure that the chosen software aligns with their needs.

But wait: *who* are my stakeholders?

Here's a non-exhaustive list of stakeholders to consider

- Investor Relations team
- Marketing, Communications, or PR
- IT team
- Legal

- Finance
- Product development
- Data owners
- Executive leadership

Identifying stakeholder needs

After identifying your stakeholders, it's essential to understand their needs and expectations for an ESG software solution. This will help you select a tool that aligns with your organization's broader goals but also equips stakeholders to excel in their roles.

Solution users

These are the individuals who will use the ESG software in their day-to-day work.

Questions to start the conversation:

- How does ESG data factor into your current work processes?

- What has been your experience with the existing data collection process?

- What features would be most valuable to you in an ESG data management and reporting tool?

- What challenges do you currently face in ESG data collection and reporting?

- How could a new solution help streamline your workflow and improve efficiency?

Understanding the needs of this group will help define the **functional requirements** for the software and address existing challenges.

Buyers and approvers

This group typically includes IT and procurement departments, who are involved in the software buying process.

Questions to start the conversation:

- What is the standard procedure for software procurement in our organization?

- How can we best collaborate to ensure a smooth buying process?

- What are the specific security considerations we need to address?

- Are there any compliance or regulatory requirements that the software must meet?

- What integration capabilities should we look for to ensure compatibility with our existing systems?

Engaging with this group will help navigate the procurement process and ensure that the chosen solution meets organizational standards and requirements.

2. Explore the necessity of a business case

An important part of the ESG software buying journey is finding out whether you'll need to make a business case—and to do so early on in the buying journey. This involves doing a cost-benefit analysis to ensure that the vendor provides value for your investment, including a consideration of both short-term and long-term costs.

The best way to determine if this is a must-have is by consulting your internal stakeholders—particularly management and procurement. Their input will clarify whether a cost-benefit analysis is essential.

3. Understand your reporting requirements

Every organization has specific voluntary and regulatory disclosure requirements based on their industry and country/region of operation. It's important to understand what yours are, so you can select a software that supports them. For instance: do you require software that aligns with the GRI, SASB, and TCFD? Are you based in the EU and subject to the CSRD?

Keep an eye out for industry-specific functionalities. For example: companies in the finance sector will need to respond to the Sustainable Finance Disclosure Regulation.

Lastly, confirm that the software provider actively maintains and updates the platform to reflect changes in key ESG taxonomies; this will ensure that you're always aligned with the evolving disclosure landscape.

What's the end goal?

To ensure that the software aligns with all relevant ESG frameworks, regulations, questionnaires, and standards that your business discloses to.

Pro tip

Advanced software will automatically match your ESG metrics with various standards, frameworks, and regulations. This 'collect once, report to many' approach saves time and reduces workload for your team.

4. Anticipate evolving needs

You're not only buying software for today but for the future. Understanding your long-term ESG goals as an organization is paramount and will shape your choice of software vendor.

A FEW POINTS TO CONSIDER:

- Will we eventually undergo a third-party audit?

- Will we expand the breadth of our disclosures? For example, will we disclose to the SASB or CDP, or eventually report to the ESRS?

- How do we envision the creation of ESG and integrated reports?

- Beyond ESG reporting, what additional features would be valuable to us?

5. Consider data residence and integration

Think about where your data already exists—is it scattered across various systems and applications? Is it buried deep in Gmail or the Slack abyss?

This evaluation can help you determine how new data can flow into the new system, including integration and interoperability options.

POINTS TO EXPLORE:

- Can the software integrate with other enterprise systems to provide a more comprehensive view of risks?

- How will it fit into our overall IT infrastructure?

- What processes are in place for data migration to ensure a smooth transition to the new system?

- How will user training be handled to maximize the effectiveness of the software across different departments?

6. Explore computer literacy and language needs

The platform's user-friendliness is critical— it must match the computer literacy of the people providing the data.

End-users should find the system easy to navigate and use. Overly complex interfaces or unintuitive workflows can create frustration and resistance, making data collection more challenging.

Pro tip:

Consider your language requirements. If your organization operates globally in languages other than English, the platform must be capable of supporting these languages.

7. User access control

With multiple stakeholders using the ESG platform, it's essential to select software that allows for different access levels based on roles and responsibilities.

Look for a tiered access system featuring contributors, reviewers, and approvers; this ensures that individuals only interact with data relevant to their specific functions. For example, some users might only need to review information, while others will require full access. Such a system promotes data integrity and streamlines the ESG reporting process.

8. Need for ESG reporting advisory services

Consider whether the provider offers additional advisory services. These services can be invaluable for organizations needing expert guidance on sustainability reporting. For example, some providers may offer comprehensive assessments, such as an ESRS gap analysis, performed by experienced ESG analysts.

Ultimately, tailored support can greatly ease workloads and improve the impact of your ESG initiatives.

Understanding ESG data management & reporting software

What is ESG software?

ESG data management and reporting software is a specialized tool designed to help companies collect, manage, and report their environmental, social, and governance information. As corporate expectations for ESG disclosures increase, many organizations face challenges in effectively handling this data. Without the right infrastructure, achieving accurate and reliable ESG reporting is time-consuming, resource-intensive, and prone to errors.

What does it do?

ESG data management and reporting software streamlines the entire data process in several important ways:

- **DATA CENTRALIZATION:** Integrates data from across the organization, creating a single source of truth for all ESG-related information.

- **AUTOMATES DATA COLLECTION:** Implements automated processes to gather data, reducing manual input and associated errors.

- **STANDARDIZES METRICS:** Aligns collected data with established ESG frameworks and standards for consistent reporting.

- **PROVIDES DATA VALIDATION:** Includes built-in checks and balances to ensure data is accurate, complete, and audit-ready.

- **GENERATES REPORTS:** Offers customizable reporting tools to create disclosure documents tailored to different stakeholder needs.

- **TRACKS PERFORMANCE:** Monitors ESG metrics over time, allowing for trend analysis and goal-setting.

- **ENSURES DATA SECURITY:** Implements robust security measures to protect sensitive ESG information.

What are the key benefits?

Choosing the right ESG data management software can be a game-changer. A dedicated solution will simplify and streamline what is generally a highly complex and time-consuming undertaking: producing investor-grade, audit-ready data.

EFFICIENCY GAINS

By automating end-to-end processes, ESG software reduces administrative burden and inefficiencies. In turn, sustainability professionals can dedicate more time to high-value analysis and deeper ESG integration throughout the organization.

ENHANCED STAKEHOLDER CONFIDENCE

Built with auditability at its core, ESG data management software treats ESG data with the same rigor and transparency as financial data. This bolsters stakeholder trust and confidence that your sustainability disclosures are on point across the board.

REDUCED RISK

ESG software ensures that no disclosure requirements are overlooked. By identifying and proactively managing ESG risks, companies can enhance their long-term resilience and gain insight into how investors view them.

10 Steps to the Right ESG Software

DEFINE YOUR OBJECTIVES

Successful software selection starts with alignment. Ensure all stakeholders agree on what you're trying to achieve, why it matters, and how you'll measure success. Clearly articulate your company's ESG data management and reporting goals, considering both short-term and long-term objectives, such as:

- Preparing for upcoming regulatory requirements

- Gaining confidence in ESG data that's shared with investors, the public, and other interested parties

- Establishing a baseline for ESG performance in preparation for the first ESG report

- Bringing calculation and management of carbon footprint in-house and eliminating consultants

- Undertaking a double materiality assessment to guide ESG strategy

PREPARE YOUR BUSINESS CASE AND ESTABLISH YOUR BUDGET

Before investing in ESG data management software, it's essential to create a solid business case and establish a clear budget. Start by identifying the key challenges the software will address—such as enhancing data accuracy, meeting regulatory requirements, or minimizing reporting inefficiencies. Quantify the primary benefits, like time savings and risk reduction, and align them with your organization's priorities. A well-prepared business case not only gains stakeholder support but also ensures that your investment delivers maximum value.

3 RESEARCH ESG SOFTWARE PROVIDERS

There are a few tactics you can use to identify ESG data management and reporting software providers:

- Web search

- Analyst reports

  - Consider Verdantix, Gartner, Forrester, and IDC who regularly publish market overviews

- Recommendations from your network

- Ask counterparts in other companies for their recommendations

- Ask groups on LinkedIn

The goal or outcome of this step is to create **a long list of providers** that you can systematically evaluate.

4 REVIEW VENDOR WEBSITES

Explore each vendor's website on your long list to evaluate if they meet your key criteria; eliminate providers who don't suit your needs. Pay close attention to case studies, and social proof or testimonials.

It's helpful to create a small evaluation matrix to document your review of each site. The goal or outcome of this step is to create **a short list of providers** that you can now look at more closely.

5

REACH OUT TO SHORTLISTED PROVIDERS

If you can't assess your key criteria from their website, your initial conversation with potential vendors is the perfect opportunity to get answers. This is also when you'll determine if their pricing aligns with your budget, as most SaaS providers do not publish this information online. Aim to get a ballpark figure to see if the solution fits within your budget.

6

BOOK AN INITIAL DEMO

After narrowing down your options, schedule demos with the providers on your shortlist. This crucial step allows you to:

- Evaluate the software's functionality firsthand

- Assess the user interface and overall usability

- Ask specific questions about how the software addresses your needs

- Identify "nice-to-have" features that could add value

- Gauge the provider's expertise and responsiveness

Use this opportunity to envision how the software would fit into your existing workflows and meet your ESG reporting objectives.

7

DETERMINE WHICH PRODUCTS TO BRING A LARGER AUDIENCE

By now, you likely have a clear sense of your top 2 or 3 options and have confirmed they meet your key criteria. The next step is to secure buy-in from other teams that will use and rely on the software. Schedule one or more product demos with these stakeholder groups.

To stay focused on your goals, prepare clear evaluation criteria in advance and guide stakeholders on how to apply them during the demos.

COMPILE FEEDBACK AND SELECT YOUR VENDOR OF CHOICE

After the demos, gather feedback from all stakeholders involved in the evaluation process. Discuss their impressions of each software's functionality, usability, and how well it meets your organization's sustainability objectives.

Next, analyze the feedback to identify the strengths and weaknesses of each option. Based on this collective input, make an informed decision and select the vendor that best aligns with your needs and goals.

CHECK REFERENCES

It's important to do a final reference check—ask vendors for references and speak directly with them. Explore customer reviews on platforms like G2 or Capterra to see how the software has performed for organizations with similar needs. If you haven't already, consider consulting industry reports from sources like Verdantix or Gartner for additional insights.

SIGN THE CONTRACT AND PREPARE FOR ONBOARDING

After selecting your preferred ESG software solution, engage in negotiations for pricing, contract terms, and support services. Pay close attention to the Service Level Agreement (SLA) to ensure it meets your expectations for system uptime, support responsiveness, and data security.

Once you agree on the terms, develop a comprehensive implementation plan. This should include a timeline for data migration, system integration, and staff training. A robust onboarding process is crucial for successful adoption, so inquire about the vendor's onboarding support, including personalized training sessions and ongoing customer service. This preparation will set the stage for a smooth transition and effective use of your new ESG software.

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