



UPDATED
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The CFO's Buying Guide for Sustainability Data

This e-book covers the key considerations when selecting a sustainability data service. With reporting starting in 2024, here's a practical view of what's needed today and for the future.

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Introduction

This past year has brought an entire new set of sustainability reporting requirements from regulators, standard setting bodies, supply chains and auditors. The days of voluntary reporting are over. Thousands of businesses are facing mandatory reporting changes in three areas:

- What must be reported
- Data quality
- Assurance reviews

For finance teams, these changes move sustainability reporting into familiar territory. Essentially, the new standards require sustainability data to be produced as rigorously as financial data. In addition, through industry supply chain consortia and EU regulations, quite a bit of the reported data will be shared publicly. Disclosure risk is now part of the equation for many private companies.

The CFO and finance teams, supported by IT and sustainability, have much to do and the outcome of these changes is clear.

We're at the start of a new era driven by actual, accurate and granular sustainability data that is integrated into financial reporting. This trajectory will shape business practices for years to come.

This guide is written for cross-functional teams that are considering their data options. Read through our reporting on standards, expectations and must-haves. Use this guide to weigh your alternatives. And remember: Data is a no-regrets first step. It's hard to go wrong with awesome sustainability data.

Part 1: Key Considerations

The Wide Span of the New Requirements

The new reporting requirements are coming at every company from many angles. Here are the common elements across the landscape:

- **Sustainability reporting** is required by regulators and global supply chains starting in 2024. This includes energy, water, waste and emissions data. Expect to produce data on 2024 – and possibly 2023 – in your first report.
- **Reduction plans** are required by regulators and global supply chains starting in 2024. These plans go hand-in-hand with baseline reporting. Everyone wants to see where you are at and where you are going.
- **Integrated financial-sustainability reporting** trajectory is set. As one analyst noted:
“There is one thing all of the new regulations have in common: they require sustainability disclosures to be integrated into company financial statements. While this sounds trivial, the effects are profound.”¹
- **Product-level emissions reporting** is required for EU importers and the automotive supply chain starting with Q4’2023 data. This is reporting on emissions per product unit sold – a clear demand for accurate, granular data.
- **External assurance reviews** are required starting in 2024. Assurance reviews focus on the method of data preparation, and ad hoc systems will lead to expensive reviews and possible disqualifications on the final report.
- **Data quality metrics** must be included in supply chain reporting and EU carbon import tariff reporting starting in 2024. These metrics inform the users of sustainability data, how much of the data reported come from estimates, and how much is actual data. The use of estimated data is limited by regulations and supply chains.



¹ Tim Mohin, BCG, August 2023

Large supply chains – from Amazon and Microsoft to automotive – are driving reporting changes as much as regulators. Everyone wants to see accurate baselines and credible reduction plans.

Here’s a quick roundup of the standards and mandates that are affecting sustainability reporting. See the [GLYNT website](#) for additional details.

Summary of Key Reporting Requirements for Sustainability Data

| | | |
|---|---|--|
|  | Reporting to regulators starts Jan 2024. Over 10,000 US companies must also comply | Note: Reduction plans required, including estimates of Opex and Capex for reductions |
|  | Final disclosure regulations expected to be released in Q4 2023 | Note: Proposed standards align with global standards |
|  | EU carbon import tariff start Oct 2023 in six sectors | Note: Imports over 150 EUR must file product-level emissions statements |
|  | Trajectory towards reporting sustainability data in financial statements begins in 2024 | Note: IFRS is the global standard, adopted by 165 countries |
|  | Assurance standards drafted. Assurance reviews start on FY2024 data | Note: IAASB sets the global standard for audits and assurance |
|  | Lays out the framework for method of data preparation. COSO and SOX are similar | Note COSO is the global standard |
|  | Coordinates data sharing in the automotive supply chain. Suppliers to report their Product Carbon Footprint (product-level emissions) | Note: 200K sites in 170 countries are affected |
|  | Suppliers must report emissions and set reductions targets | Note: Amazon and Microsoft are 2 of the 10 largest global supply chains |

In addition to the changes on what should be reported, there are changes in how the data should be prepared. External assurance reviews are now required before reporting, and assurance reviews focus on whether sustainability data has been prepared in a manner that delivers decision-ready information to its users.

Essentially, the assurance standards ask: Is the data accurate, complete, in context and reliably produced, e.g. comparable over time?

The *method* of data preparation is under scrutiny in an assurance review.

The key implications for finance and sustainability teams are:

- **Assurance-ready sustainability data files.** Keep assurance fees low with a complete record. Include primary source data, logs for chain of custody and data lineage, data manifests and more.
- **Defensible reporting boundaries.** What's in, what's out and how you do know you've got it all? And don't forget to test for materiality. Omissions can lead to charges of greenwashing, so the method of inclusion is key.
- **Validation of accuracy, completeness and context for intended use cases.** The reviewers will look for alignment of the data you produce with its use case. How do you know you've prepared the data correctly? What's the method?
- **The system of data preparation.** How did your team go from hugely varied original source data to aggregated, harmonized and structured sustainability data? Who touched the data and when? What exact changes were made?





New Mandates Require Change

The Old Way



The New Way



Data Quality Metrics are Required

The new sustainability reporting standards are designed to produce trusted data for investors and other stakeholders. One trust-building requirement is the external assurance review. Data quality metrics also build trust. The market is now moving to two different metrics that force disclosure on the use of estimated data.

The first data quality metric is the **Primary Data Share (PDS)**, which is the fraction of the emissions reported that are calculated from Primary Data, e.g. actual original source data. PDS must be reported in the Catena-X automotive supply chain, and the EU carbon import tax limits similarly requires PDS to be greater than 80%.

The IFRS has also announced its intent to use a data quality scoring system. The table below shows a scoring scale in line with their framework.

Across the board, supply chains, regulators and investors want to see actual data. And to promote its use, the PDS and the IFRS data quality score will be published with the reports. CFOs are at risk if estimated data is over used.

There's only one way to get high data quality scores, and that is through an abundance of actual data. To achieve this goal, automated sustainability data preparation is required, it is the only way to scale across a portfolio of sites and to deliver accurate data month after month.

Sample Sustainability Data Quality Scoring System


| Data Quality Score | Units of Activity | Emissions Intensity |
|--------------------|-------------------|-------------------------------------|
| 1 | Actual | Actual |
| 2 | Actual | Verified Emissions Factors |
| 3 | Actual | Government-Issued Emissions Factors |
| 4 | Estimated | Government-Issued Emissions Factors |
| 5 | Industry Averages | Industry Averages |

Sources: [PCAF](#), [IFRS](#), [GHG Protocol](#) and [National Academy of Science](#)



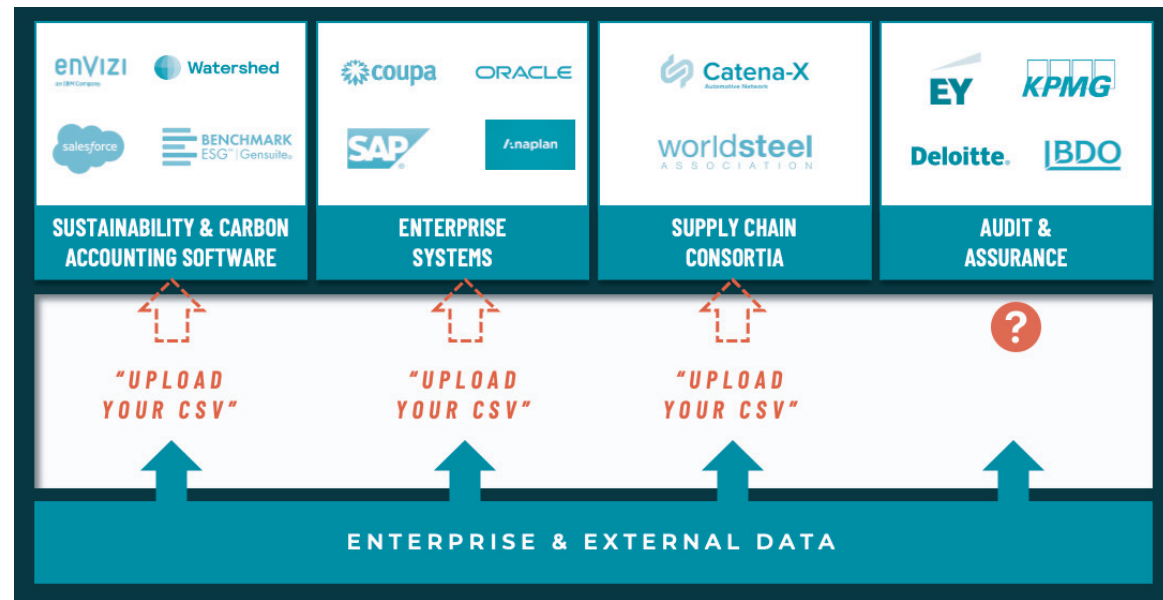
Part 2: Make vs Buy

With sustainability reporting and sustainability data preparation being so new, it is often difficult to know where to start. Or how much to take on in-house versus outsource. With years of experience and deep expertise, here's GLYNT's round up of the alternatives.



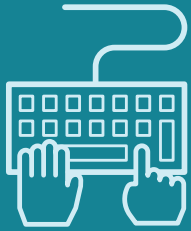
Buy Sustainability Software - But Beware the Gap

Most Sustainability Software Leaves Data Preparation to the Customer



In 2022 and again in 2023 GLYNT surveyed over 300 sustainability and carbon accounting software vendors. We found that over 95% had no data preparation system. They simply said “Upload Your CSV,” leaving all of the data preparation to the customer. Enterprise systems, such as SAP or Oracle, are the same.

For finance teams, the first call to action is to see how your current software handles data preparation. You may be facing this common software gap. And if data preparation is provided, check to see if the method is ready for an assurance-review. Ad hoc data entry into software applications won't fly.



DIY Data Preparation

In the era of voluntary disclosures, sustainability teams were given the task of wrangling up the data. All too often summer interns typed in data or highly educated sustainability professionals dedicated nights and weekends to the task. Sustainability data prepared using spreadsheets and hours of effort has frequent errors in both data accuracy and how data was harmonized from various sources. No one wants to continue using these ad hoc methods.

At the same time, it is difficult for companies to build in-house systems, even if off-the-shelf software components are used. The challenge is that the originating data sources are incredibly varied and located in siloed systems. Automated connections are difficult, as is unlocking data trapped in PDFs, and aggregating the hugely varied data into a single common format. This is large investment of time and resources, and requires significant domain expertise.

Further, a company that starts down the DIY road must invest into assurance-ready data preparation. This includes many of the elements needed for SOC 2 and SOC 1 compliance, which another layer of significant and time-consuming software investment.



Future Forward

While the pace of new regulations and mandates has been truly breathtaking, what is even more difficult to absorb is that these changes are here to stay. So, a key component of the make or buy decision is future forward thinking. Three aspects shape the future forward perspective:

- **Expect Change.** The reporting standards are multi-dimensional and from a mix standards bodies, customers and investors. Each is on its own trajectory, so change should be expected. A future forward system must be adaptive and always up to date.
- **Invest Early.** An important lesson from the rollout of the Sarbanes-Oxley (SOX) financial data preparation standards is that early automation of data preparation saves money. As the scale and complexity of the regulations became clear, companies with automation had an operational platform to build from. Companies with manual systems faced exponentially growing costs.
- **Data First, No Regrets.** Today there are a huge number of sustainability and carbon accounting software offerings. But in the future, expect established enterprise systems such as SAP, Oracle, procurement software and others to include sustainability reporting. While they don't produce sustainability data, they can use it. We expect integrated financial-sustainability reporting to lead to deeper integrations with enterprise systems. Keep your options open by investing in data preparation first.

What if Sustainability Data Was Like Payroll Services?

In such a complex and sometimes confusing landscape, a simple analogy can help make things clear.

Modern payroll services take care of all the local employee tax regulations and stay up to date. They feed trusted payroll data into enterprise systems and offer summary reports for managers. Payroll systems make it easy to on-board and off-board employees and contractors.

What if your sustainability data service did the same? Always current with local requirements, feeding trusted data into enterprise systems, great management reporting and easy onboarding and off-boarding of your changing portfolio of assets?

A trusted data service, that is simple to implement and removes compliance risk makes a lot of sense. We've seen this story before!



Part 3: The Checklist

With regulatory mandates fast approaching, every CFO and finance team is bombarded with proposals for advisory services, software solutions and custom consulting. Regardless of how the deployment takes shape, preparing accurate, actual, assurance-ready sustainability data is an obvious, no-risk first step.

Here's GLYNT's take on the checklist of what is needed from a sustainability data service.

| DATA SERVICE FEATURE | BUSINESS IMPERATIVE | WHAT TO LOOK FOR |
|--------------------------------|--|---|
| Actual Data | Regulations and supply chains require 80%+ actual data. Use of estimated data must be disclosed, and too much estimated data can lower confidence in your reporting. | A data service that can produce volumes of actual data, including automated capture of original data from the source. |
| Accurate Data | Avoid disclosure risks and charges of greenwashing with accurate data. Actual data is a must-have for planning and tracking reductions. | Look for automated systems, as humans introduce errors. Look for high accuracy rates across all original data sources. |
| Complete Data | New requirements focus on all of your data, e.g. completeness. With integrated financial -sustainability reporting, data gaps are unacceptable. | Expect a complete accounting of all data submitted to your data service provider, including chain of custody tracking and monitoring against use cases. |
| Granular Data | Detailed data is needed for Product Carbon Footprints and reduction planning. Annual data by site no longer flies. | Look for systems that capture all the line-item detail from every invoice and utility bill. Integration of IoT sensor data is also a must-have. |
| Decision-Ready Data | The data must be reliable when used. This will be a key focus area in the assurance review. | Ask for detailed validation scripts by use case, checking for accuracy, completeness and context. |
| Assurance-Ready Data | Assurance reviews focus on the method of data preparation, as evidenced by monitoring, controls and KPIs for data health. | Look for a systematic method of data preparation, including change logs, monitoring and reporting. |
| Automated Updates | Customer reporting and supply chain reporting requests come in throughout the year. Everyone expects up-to-date data. | Use automated data capture from original sources and automated uploads into your systems. |
| Monitoring & Alerts | Stay on top of data gaps and issues with automated monitoring and alerts. Close the data issues before the crunch time of reporting. | Ask about issue tracking, resolution timelines and management reports on data health. |
| Change is Easy | Your portfolio of assets will change, your data sources will come and go. A simple, proven protocol for change is required. | Change should be as easy as on-boarding and off-boarding an employee from a payroll system. |
| Deployment | Get data quality built-in from the start. A proven deployment protocol is needed. | Review the deployment protocols and look for milestones and acceptance criteria. |

Conclusion

As we prepared this e-book, the most striking finding is that the data buying requirements are well-known and familiar to the CFO, finance and data management teams. There is indeed new reporting. But the key matter at hand is to bring sustainability data – which has such an important impact on enterprise strategy and valuation – into the modern financial reporting system.

There are stark and harsh consequences for using poorly prepared sustainability data. Repeatedly, as the buying guide illustrates, regulators, accountants and investors want the same thing: Transparent and credible sustainability reporting. And it all starts with good data.

Ready to see what GLYNT can do for you and your company?
Reach out to our team!

GET IN TOUCH WITH GLYNT

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GLYNT is The Sustainability Data Company, producing investor-grade data for businesses around the world. Our audit-ready sustainability data enables accurate reporting, operational efficiencies and access to financial capital. With a purpose-built machine learning system, GLYNT is the automated solution for all types of water, waste, energy and emissions data. Speed work, lower costs, and power ESG, carbon accounting and other business systems with accurate, actual data from GLYNT. Learn more at glynt.ai

