

# Environment, Sustainability, Governance Reporting

## Why?

Companies of all sizes, from SMEs to International Enterprises, are now increasingly held responsible and even becoming more accountable for the impact their products/services have on the world. This is not a new idea but is something that is gaining attention and momentum now more so than in the past. The ESG (Environment, Sustainability, Governance) movement is so impactful that every entrepreneur or investor needs to now consider this information in their decision-making process. In addition the Corporate Sustainability Reporting Directive (CSRD) has also had a large impact, particularly in Europe, on organizations and how they look at detailed data and the assurance of the reported information. Though this report focuses on ESG reporting it must be noted that CSRD and ESG share many common aspects and could be considered synonymous for the following analysis as to why data standards are essential to organizations displaying commitment to these concepts. To do so, means they need accurate and consistent data. **Interactive Data (XBRL)** is at the heart of creating actionable data that anyone can access and assess. Thanks to technology, collecting the data is no longer the blocker, but it's clearly recognized that "data at rest" is not valuable. The key to unlocking value is viewing the data, analyzing it, comparing it and in the end making informed decisions and taking measurable actions.

## Example 1 – Employees

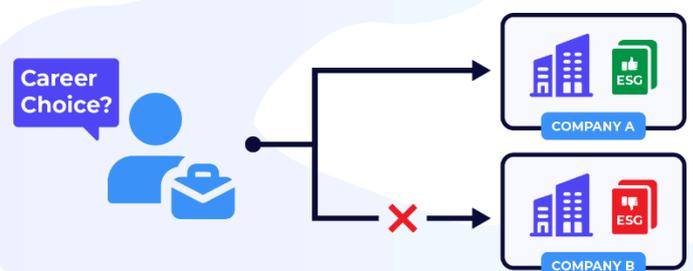
Amid the "great resignation" and a hot employment economy, business owners are aggressively competing for talent. Big tech is getting bigger, and their appetite has grown past specialized technical skills into more general skills. E.g., the financial and accounting department of Amazon is larger than most specialized companies employing hundreds of accountants, tax specialists and advisors.

Market salaries, equity and bonuses are the new normal. Benefits are still a differentiator, but newer generations entering the workforce require more than just better benefits. They want to know that the company they work for is ethical, makes decisions in consideration of the world and their values. They want to have pride and understand how their work (and employer) is creating ESG value.

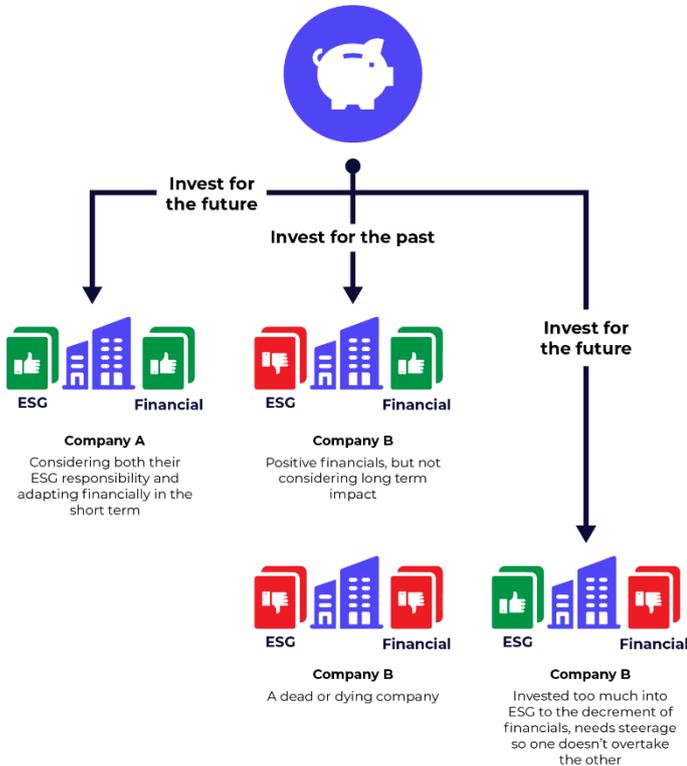
*"Workers aren't just quitting; they're rethinking what they want out of work—and shifting their expectations about professional life."*

*–Forbes*

This is where **Interactive Data** helps companies, governments, potential employees, all understand the weak points in the market. As everyone reports the same data elements and information, you can compare any organization with others to identify and act upon identified weaknesses in a measurable way. With the proper public relations, your company not only makes a promise off change, but also has the data to back it up. Employees then find and use this information in their career selection decisions.



### Example 2 – Investing



While investment portfolios focused on certain niches exist today, now you have another opportunity to evaluate your portfolio in the long term.

In general, Environmental, Social, Governance activities within a company shouldn't be an afterthought, but instead ingrained in the company processes. Companies that do this early are often the companies that are forward thinking. Just look at the companies acting on climate change rather than reacting to public opinion as an example of forward thinkers versus reactors. As an investor it's important to know how a company handles all aspects of the ESG spectrum. Does this company consider the environment when selecting suppliers? Do they ensure to consider their social responsibility to their employees and customers? Do they make decisions in a sustainable way not only for the company, but for the industry and the world?

Investors need all the data possible to make these decisions. In the current state, the companies are reporting this information in a case-by-case basis in a variety of formats. This pushes the burden to the external observer of the data to understand and compare the different formats, different data, different metrics, etc. These inconsistencies can lead to investors making bad investments based on inaccurate data.

*"Of course, investors have been voicing concerns about sustainability for several decades. But not until recently have they translated their words into action. Most of the investment leaders in our study described meaningful steps their firms are taking to integrate sustainability issues into their investing criteria."*

*-Harvard Business Review*

Learning from the Netherlands, the government/regulatory body there established a Standard Business Reporting requirement (**Interactive Data**). It used an effective private <-> public industry coordination to A) provide a central location and access to data and B) lower the cost of filing data for organizations by establishing a market for business reporting tools.

Now building upon that foundation, they're at the forefront of refining old and establishing new regulatory requirements which companies can implement quickly and effectively. This allows the government to move quickly in addressing new concerns that the citizenry (where shareholders and investors sit) request.

### Example 3 – Entrepreneurs and Businesses

There's always a fear within entrepreneurs that with transparency on numbers may come insights that the competition can leverage to their advantage. The reverse is equally important that the same entrepreneur can also take advantage of the data. However traditionally the barrier to entry is considered high. Without more ESG data being requested and currently this data is often not at the core of business operations. Company and entrepreneurs and executives struggle with the feeling of "results are important, how you got there, not so much".



However, these two perspectives are quickly changing in a rapidly changing economically competitive environment. To adapt, the smart executives are getting accurate real-time dashboards and comparison points to make their decisions. The first step is to convert their data to **Interactive Data**. This is enabled through XBRL taxonomies which is the best practice standard of business reporting. Once the data parameters are qualified (standard and accurate), then the data can be compared with pools of other qualified data. This comparison is a key measure both internally to the organization as well as externally to the organization to keep up with the changes competitors are taking in environmental, societal and governance.

*“According to research by Deutsche Bank, which evaluated 56 academic studies, companies with high ratings for environmental, social, and governance (ESG) factors have a lower cost of debt and equity; 89 percent of the studies they reviewed show that companies with high ESG ratings outperform the market in the medium (three to five years) and long (five to ten years) term.”*

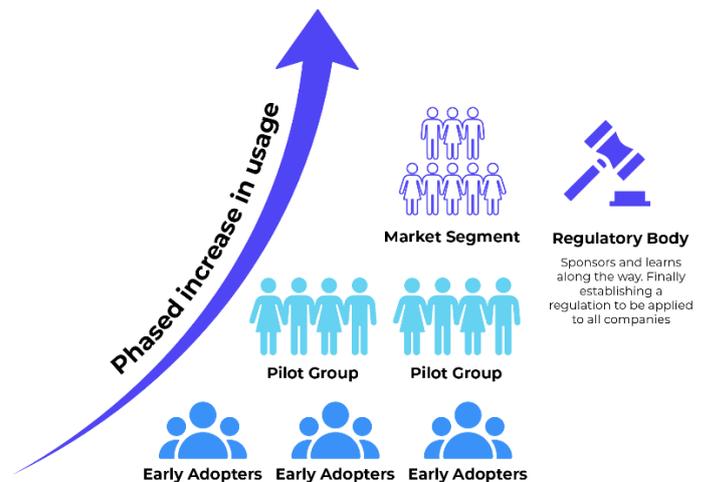
*-McKinsey*

The key is starting with a tool and ensuring that tool has access to the right data for your case. Often these tools are considered “out of a company’s budget”, but that’s no longer the case as independent service vendors have been developing upon these **Interactive Data** standards for over 10-15 years which has resulted in lowering the price for everyone.

## What are the First Steps?

Firstly, you need to define the data you want to collect. Based on experience, the best case is to start simple and start with the business. Think in terms of 10-15 fields that won’t be considered a burden for the companies. Now to make this step easier, in ESG there are a variety of different initiatives that already have defined a taxonomy. It’s easy to leverage these existing taxonomies by extending or adapting them for your use cases so you don’t have to re-invent the wheel. Don’t worry about getting stuck with this dataset either, often these data sets are updated year over year with changes to suit the evolving constituency requests.

Secondly once you have an idea of data you want to start collecting you need to establish a small manageable pilot group where the required reporting is important. The ideal persona is “first adopters” that are eager to get involved and learn as they’re going and not afraid of technology. Give this small group a reliable tool and a good support and service organization to help them through the first implementation. This ensures that it’s not just adding pain but making sure they’re part of the process to reduce their burden and make this easy. Once they are familiar and integrated into the process, they and all stakeholders (Government, Employees, Investors, Industry, etc.) will be yielding true value from the **Interactive Data**.



## Now What?

Once you have a starting point on the data you want to collect, let the software vendors take it from here. Using XBRL certified technologies is key to reaching the goal of having **Interactive Data**. Proper integration of your taxonomy that follows the XBRL standard ensures portability and efficiency between different modules and tools. Depending on your selected tool, this means you can immediately have a form ready for organizations to enter the data. The data (machine readable) can be validated and then even rendered in different formats for people to view or transfer data. This is in essence the whole process of **Interactive Data** and why it is so important to realize, this levels the playing field for all organizations, creates transparent, reliable, secure, and standardized data that anyone can submit or access via proven XBRL software and processes.

Most government/regulatory bodies have established a public and centralized database of the information collected by the government. This level of transparency is the norm now. Which also means that the data is available for vendors to use in creating analytic tools. Imagine a world where you can take your reported information and compared it to your competitors. You would be able to use it to A) make decisions to make sure you’re competitive moving forward and B) highlight your selling points that your competition can’t match. In addition, people trying to find you (employees, customers, investors) have access to the same data you do to make decisions at the important intersection of corporate sustainability and financial health.

## The Standard Business Reporting Netherlands Use Case

The Netherlands is the premier example in the world on establishing and implementing **Interactive Data** via the SBR program that benefited all groups involved (regulatory bodies, investors, consumers, software vendors, and companies).

The regulatory bodies started early and simple. They're now at their 16th revision of the taxonomy and it fulfills multiple different agency requirements. Updates are done in coordination with the private industry (software vendors and supporting service provider companies) to minimize the impacts as well as communicate well in advance to the companies. These operational benefits have reduced duplicate and incorrect filings from companies by over 50%. The regulatory bodies have more direct access to data to use and guide the government in policy decisions.

There was a clear boundary between the regulatory body and private industry. The private industry would provide the tools necessary for companies to submit business reports and the government would make the taxonomy publicly accessible. The APIs created by the government would be publicly accessible and secured. A small private industry established themselves and evolved together. Through the years, the costs lowered through competition and innovation. We even saw enterprise custom solutions and services developed for higher requirements than those dictate by regulatory requirements.

Finally, companies benefited greatly from access to this **Interactive Data**. Yes, they had an initial burden of reporting, but their accountants and auditors could support them as subject matter experts. Enabling these accountants and auditors with efficient tools from the software vendors also dropped the time necessary to the point of automation. With automation, it led to less errors and discrepancies during the process. That's where the industry stands today, with a consistent set of machine-readable data (XBRL) is fully automated with technology doing the heavy lifting of validation, rendering and delivery making it efficient and giving more confidence for all parties involved.

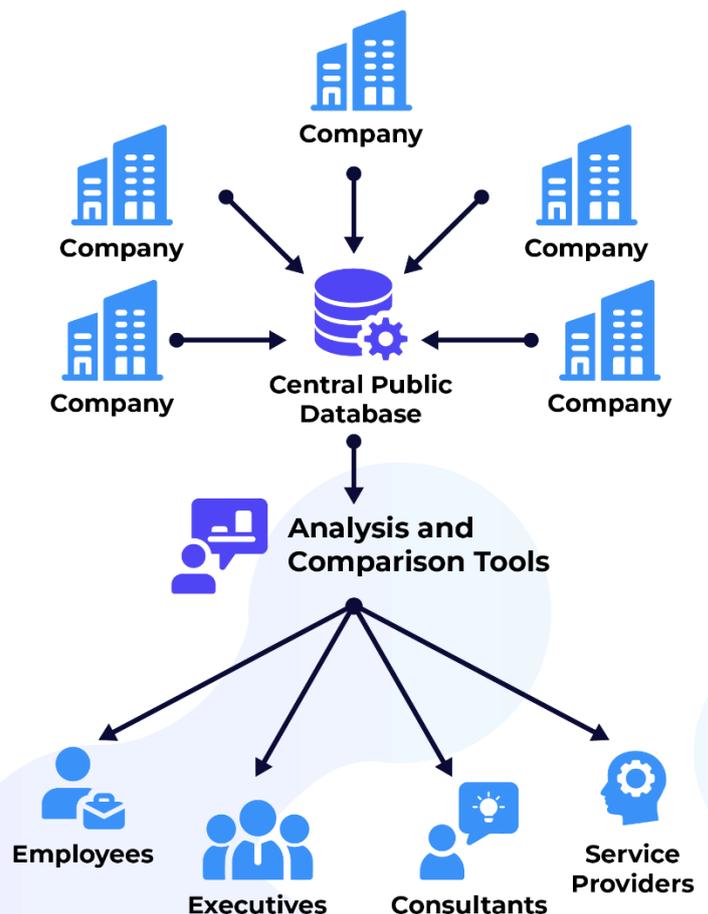
*"This is not science fiction. It's already happening in the Netherlands, where, through the Standard Business Reporting program, the Dutch tax authority, lead business regulator, and statistical agency have adopted consistent data formats across their different reporting regimes. This means Dutch companies can comply with tax, business, and statistical reporting requirements automatically and electronically, using the same data."*

*-Rob Kuipers*

## The future is not the data, but how you use the data

The most important lesson learned, especially in regulatory reporting is that the data collected sitting there provides no value. You must make the data accessible and interactive for all stakeholders. This is the holy grail in the business reporting industry and more relevant than ever in ESG reporting.

Companies often find themselves doing business with different companies, in different countries, to different industries and with various globally located resources. This situation changes often, at some points month to month on a global scale in time. While tracking all of this movement and data this was insurmountable in the past, it's no longer the case with just a little pre-work and good usage of standards already established for **Interactive Data**.



With standards you can tackle multiple different issues simultaneously. Global **Interactive Data** standards already exist on ESG reporting, financial reporting, tax, and only need to be applied partially to suit the needs of the region/industry in question. This benefits everyone since this ensures everyone is reporting similar data but still has compatibility globally with the original standards. If everyone is reporting the same data, you're collecting the data for different industries, different markets it allows you the ability to compare your company at a global scale to evaluate how you're doing, how your suppliers are doing, how your industry is doing and how your competitors are doing (dependent on transparency). This allows you to not only look at this year, but look backward and forward to compare years, quarters or even months to establish trends and react upon them as soon as possible.

With this data at your fingertips in easy to access tools to zoom in and out where needed, you can now make informed data driven decisions for planning the future. This level of governance for a company gives you the edge over your competitors. Imagine you see an environmental concern in your industry that's starting now. With this data, you can adapt immediately ahead of the market that might receive summarized news based on the same data when you received it directly.

**Interactive Data** allows your company to operate with full visibility in real time both internally and externally, allowing you to not only the rising consumer uptake to sustainable causes at your company but those within or outside the industry itself. You would be able to pinpoint which ones are creating the most value by statistics on new talent being drawn in versus those leaving. Customer retention can be better evaluated by seeing statistics across borders and industries. No more will you have to wonder if it is just bad inflation causing the lower customer retention, you can see in the data itself and how it compares with other organizations. Reliable, secure, transparent data makes conjecture and best guesses an outdated concept.

**Interactive Data** solves the problem where many governments/public intuitions around the world do not have the visibility into the utilization of their funds to create the greatest good for the least cost. If you have the data from ESG reports it will better

inform the public sector about where infrastructure investments and environmental regulation will have the most impact by having a set method of measuring organizations, per sector, location, involvement, etc. Changes required will be seen in the reliable data and unlike in the past when companies were able to submit favorable results this new format of data is consistent based on a set formula and required entries by the provided XBRL taxonomy."

*The ultimate objective(s) of monetary policy should be specified in legislation and publicly disclosed and explained."*

*-IMF*

## What if you do nothing?

Especially in the ESG and CSRD spaces, the impacts can be tremendous. Most countries and regulatory bodies and their constituencies recognize that today, not tomorrow they must start being accountable for the future and this starts with **Interactive Data (XBRL)**. Collecting the data now is of utmost importance to ensure that all parties not only realize their current position, but also adapt quickly with better decision-making tools.

The impact of climate change, social injustice and inequality by companies' needs to be measured and analyzed. Companies' consideration to prepare for this impact and their part will be rewarded by loyal employees, investors, and customers that value this equally. In this market, that reward is the difference between successful companies and unsuccessful companies.

Additionally, capitalism is being replaced with "socially responsible capitalism", asking the question of how much is enough? The world is changing from individual pressure on billionaires to the lack of support for companies that have a proven track record to ignore their social responsibility for only shareholder value. They can exist together, and the newer generations (executives, employees, and civil servants) demand this change to occur today rather than tomorrow.