OPPORTUNITY #31

HOW CAN WE MORE QUICKLY HOLD COMPANIES ACCOUNTABLE?

24/7 360° COMPANY DATA

Fully automated, public reporting of a company's financial, environmental and social impact and the value it is creating

WHY IT MATTERS TODAY

Companies already report on their financial impact and now investors are increasingly demanding companies disclose the environmental, social and governance (ESG) factors and targets that are important in achieving their strategic objectives.[312]

ESG monitoring and reporting is widely seen to reduce risks and boost value creation,[313] enable cost reductions and increase employee productivity and retention.[314]

In 2019, the Global Reporting Initiative (GRI) revealed that 93% of the world's largest companies by revenue already report ESG performance.[315] Increasingly, more investors are seeking ESG disclosures that identify the factors and targets that are important to the company in achieving its strategic objectives not just in the short term, but over the medium and long term as well.[316]

Globally, ESG-labelled assets are expected to reach $53 trillion by 2025, representing more than a third of the $140.5 trillion in projected total assets under management.[317] Credit rating agencies and financial analysts such as S&P,[318] Fitch, Nasdaq,[319] Bloomberg, MSCI and Refinitiv[320] all provide offerings and services to assess and report on ESG metrics.[321]

SECTORS

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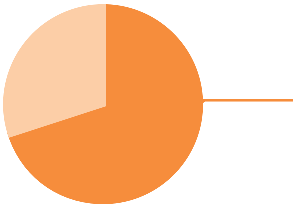
However, ESG monitoring and reporting is complex. Even if companies and governments have access to relevant data, not all of them are actively using software that support forms of data collection, analysis and reporting that demonstrate their full ESG-related impact.

In particular, beyond a company's core activities, those of third-parties need to be considered as, for example, they can account for 70% of a company's own carbon footprint.[322] The Organisation for Economic Cooperation and Development (OECD) looked into the environment reporting part of ESG and noted that environmental scores do not tend to align with actual current carbon emissions exposures, being difficult to interpret due to the multitude of diverse metrics on environmental factors.[323]

Taking steps towards common metrics and frameworks for ESG, the World Economic Forum and the 'Big Four' accounting firms (Deloitte, EY, KPMG and PwC) defined 21 core and 34 expanded metrics and disclosures[324] that have been adopted by over 50 companies.[325] Announced at the COP26 conference, the creation of the International Sustainability Standard Board (ISSB) aims to develop standards that are globally consistent and trusted.[326]



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THE OPPORTUNITY TOMORROW

Access to traceable 24/7 360° data can allow companies to report on their ESG performance and impact in real time, going beyond turnover and profits. Investors, decision-makers and regulators would have full oversight of a company's activities and be able to attribute costs of ESG factors to their source.

Real-time reporting or 'fast data' gives investors more regular updates on performance than quarterly results. For example, data on daily or weekly sales can indicate trends in returns among retailers. Throughput data can show how manufacturers are responding to demand and provide early warnings of shortages or surpluses. Timely reporting of acquisitions or divestments can signal prospective shifts in the valuation of a business.

BENEFITS

Real-time 'triple bottom line' reporting informs corporate decisions and drives new incentives to be more efficient and reduce negative externalities, such as resource depletion or pollution. Greater transparency generates higher levels of trust in business among employees and consumers, giving companies a stronger licence to operate and rewarding those making a positive impact. Resource allocation and societal and financial outcomes are optimised, improving corporate bottom lines but also prosperity and well-being.

RISKS

Risks include malicious or accidental data corruption resulting in false reporting with financial consequences such as the share prices.


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FIXLOC
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GETMKS
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