



Navigating ESG reporting challenges through innovation and collaboration

Understanding how automation can enable better ESG data insights and decision-making to meet new sustainability standards

Contents

03	Executive summary
04	Introduction and background
06	 Challenges and pain points
10	 Navigating multiple frameworks
12	 Addressing the ESG data problem
15	 Barriers to adoption
16	 Better collaboration, better results
19	Conclusion



Executive summary

Collecting environmental, social and governance (ESG) data continues to be a cumbersome challenge for many companies. It can lead to inaccurate information and, in turn, put organisations at risk of unintentionally greenwashing their reports, misleading investors, and non-compliance with emerging regulations.

At the same time, regulatory developments – including new global reporting standards issued by the International Sustainability Standards Board that come into effect in 2024 – are set to pile more pressure on companies to provide more detailed ESG reports, with spotlight on ESG risks and opportunities.

Amid this, UiPath commissioned Eco-Business, an independent media and business intelligence company dedicated to sustainable development and ESG performance, to develop *Navigating*

ESG reporting challenges through innovation and collaboration. Through interviews conducted with senior decision-makers from companies in the finance, manufacturing, and government sectors in Australia and Singapore, this whitepaper aims to shed light on their challenges specific to ESG reporting, and how companies are dealing with these obstacles.

This whitepaper will also cite quantitative data from a study conducted by Eco-Business and UiPath from March to May 2023. The insights were gathered from 87 senior decision-makers based in Singapore and Australia representing various sectors, including finance, engineering, information technology, government, manufacturing, and professional services. Sixteen per cent of the respondents were part of upper management or C-suite level.

Introduction and background

If there is one thing that is clearer than ever to companies and investors today, it is that ESG is a top-of-mind concern.

Indeed, around 89 per cent of investors worldwide considered ESG issues in some form as part of their investment approach in 2022 – up from 84 per cent in 2021 – according to a study by asset management company Capital Group.

Another study by asset management company Blackrock found that 81 per cent of globally representative companies with strong ESG performance outperformed their counterparts in 2020. PwC Australia also found that ESG leaders in the ASX200, a stock market index that tracks the performance of the top 200 companies listed on the Australian Securities Exchange, performed significantly better than their lower-ranked counterparts in terms of value-weighted total shareholder return.

These patterns underscore the value of accurate and transparent ESG disclosures. However, this has also led some companies to end up unintentionally greenwashing – or producing ESG reports that paint a misleading picture of how sustainable their business operations and processes are.

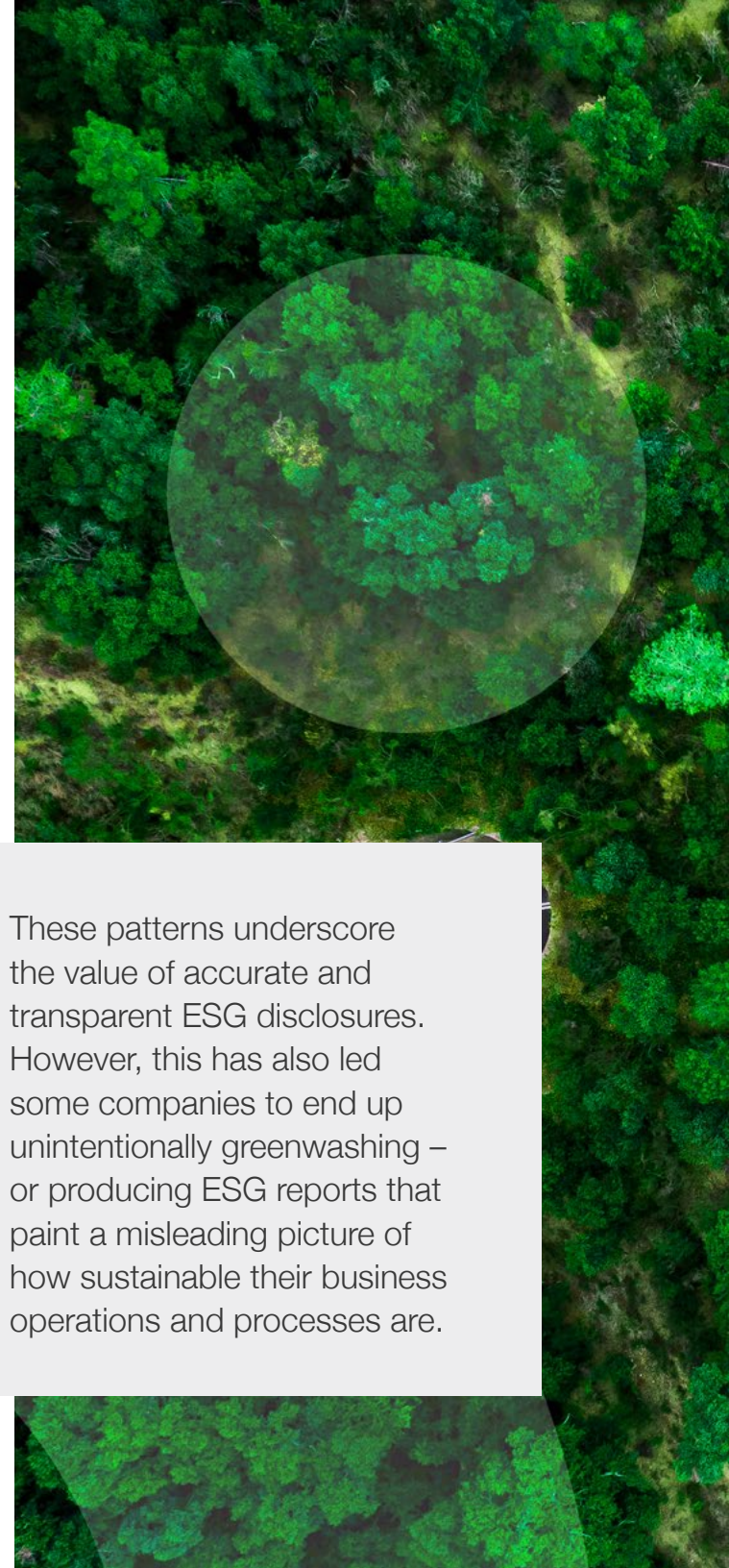
While it may be easy to accuse organisations of greenwashing to maintain their image, there are various factors at play that can lead businesses to issue inaccurate reports. For instance, one challenge is the lack of harmonisation among ESG reporting frameworks, an issue that companies continue to contend with. Additionally, some organisations might have to deal with imprecise or missing data due to inadequate data collection processes within their own companies or the enterprises that they work with. This, in turn, can inevitably – and perhaps inadvertently – lead to poorly drawn-out

conclusions in ESG reports. In the United States, for example, a survey conducted by market research company Harris Poll for Google Cloud saw 68 per cent of executives admit that their companies are guilty of publishing misleading claims about how green their operations are. The Australian Competition and Consumer Commission also recently identified 57 per cent of 247 businesses as making claims that may constitute as greenwashing.

Beyond working with inadequate or misinterpreted data from a company's supply chain, some greenwashing is the result of an organisation's failure to seek external verification of ESG data.

This has led regulators such as the Monetary Authority of Singapore (MAS), the city-state's financial regulator and central bank, to issue disclosure and reporting guidelines for retail ESG funds with the aim of helping eradicate greenwashing.

These patterns underscore the value of accurate and transparent ESG disclosures. However, this has also led some companies to end up unintentionally greenwashing – or producing ESG reports that paint a misleading picture of how sustainable their business operations and processes are.



Thankfully, a new sustainability reporting framework – and one that hopes to eradicate greenwashing – is emerging. This framework aims to simplify the complex landscape of sustainability reporting by harmonising standards to help guide companies on reporting.

The International Sustainability Standards Board (ISSB), a standard-setting body established in 2021 under the IFRS Foundation to create global ESG reporting standards, published its long-awaited disclosure standards on 26 June 2023. The standards provide guidelines for companies to disclose general sustainability and climate-related disclosures and will be effective from January 2024, although it is still up to individual jurisdictions to decide whether and when to adopt the standards. Australia, for instance, is preparing to align with ISSB's sustainability and climate-related disclosures from 2024 onwards, while Singapore has launched

a public consultation on mandatory climate reporting in accordance with ISSB from 2025 onwards.

The ISSB hopes to clamp down on corporate greenwashing with its set of universal climate and sustainability standards and make it easier for investors and stakeholders to compare and evaluate company sustainability efforts.

In Europe, the European Union Sustainability Reporting Directive (EU CSRD) also entered into force in January 2023, while the associated European Sustainability Reporting Standards were adopted in July 2023.

Companies are also turning to one particular solution to assist in the ESG data collection and ESG report writing process – automation.

With the help of software robots, companies can better track their performance against ESG targets, such as carbon emissions. Automation also streamlines data collection,

processing, analysis, and reporting – reducing the likelihood of mistakes and empowering organisations with more informed decision-making through real-time insights. Tools that leverage automation such as smart meters and energy management systems, as well as Internet-of-Things sensors, for instance, allow companies to track and analyse their energy consumption or carbon emissions patterns in real-time, and enable them to leverage trends to make meaningful changes.

This real-time data – which is often collected and stored in chronological order over extended periods of time – also creates an audit trail, making data collected via automation tools auditable. Audit trails for sustainability data are particularly critical, as they allow companies to identify gaps and assess risks related to their ESG reporting, while enabling stakeholders to verify whether that data is reliable. Auditability helps better place organisations to comply with new and evolving ESG and climate-related

disclosure regulations in their respective jurisdictions.

Given its programmability, automation can highlight exceptions and anomalies, which can also simplify ESG auditing. But beyond ESG reporting and compliance, automation can help with process mining, enabling organisations to discover new ways to reduce waste and improve energy efficiency.

Market intelligence company IDC predicts that by 2024, three-quarters of major firms will have implemented some form of ESG data management and reporting software as a response to emerging legislation and increased stakeholder expectations.

Despite the potential for automation technology to help companies meet their sustainability goals, there are still various barriers to adoption, such as ensuring company buy-in and that automation tools can work as intended.

Many enterprises still lack the internal processes to collect

data, rely on traditional collection methods, or are forced to work with inadequate or incomplete information. Particularly in situations where there are tight reporting timelines, this presents additional challenges in using manual processes.

Currently, this seems to be the case across the finance, manufacturing, and government sectors, according to our study, with organisations across all three industries noting that they still work with incomplete ESG data and are forced to make forecasts or assumptions based on this data. However, while some automation is used, it does not seem to be fully utilised yet or prioritised across the finance, manufacturing, and government sectors in Australia and Singapore.



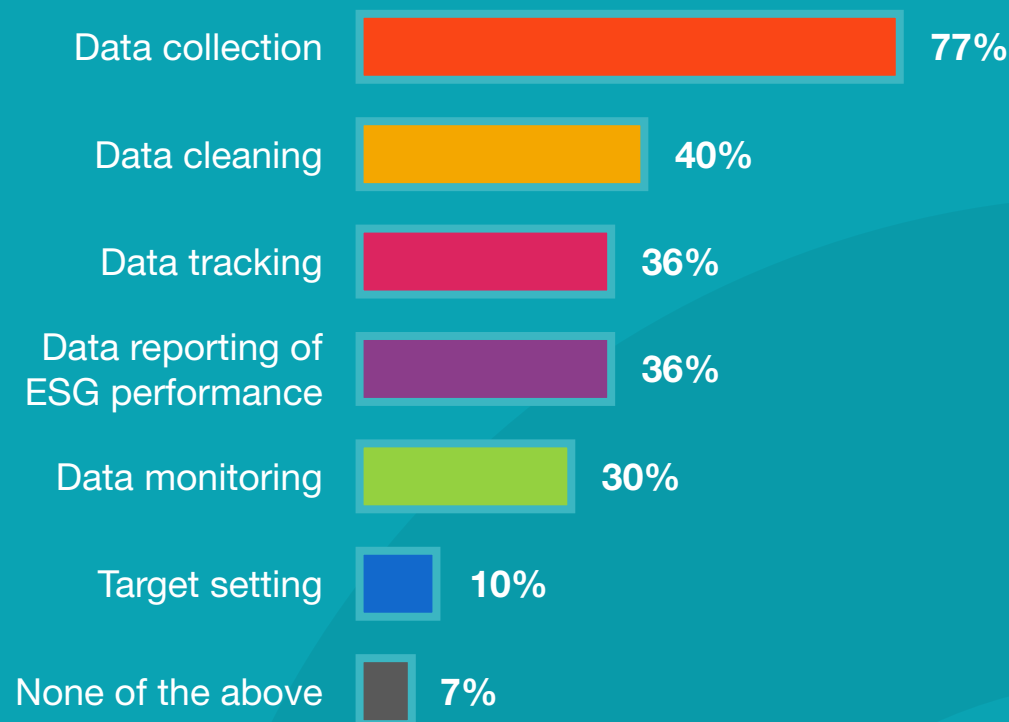
Challenges and pain points

It is important to first understand the ESG reporting process. Companies start by identifying the ESG factors that are most “material” or important to their business or stakeholders, usually through materiality assessments. Organisations then begin the painstaking task of collecting and analysing data on their own ESG performance. Provided they have the right internal processes in place to track data, this may involve measuring their carbon emissions, energy, and water usage, as well as social and governance factors such as employee turnover rates and board diversity. Using the information gathered, companies then decide which ESG reporting framework or frameworks to use before preparing and disclosing their ESG report. In jurisdictions where specific sustainability reporting frameworks are mandated (e.g. CRSD in the EU), companies would also need to report in accordance with these frameworks.

In the study by Eco-Business and UiPath, ESG data collection was found to be the most demanding aspect of the entire ESG reporting process, according to 77 per cent of the respondents. This was also a trend seen across the three sectors surveyed.

Which of the following areas are the most resource-intensive?

(Choose all that apply)



A further 53 per cent of the participants identified incomplete and missing ESG data as a significant obstacle, while 51 per cent reported that their organisation had inconsistent and irregular data collection procedures.

In Singapore's finance industry, one main challenge that banks face in collecting ESG data is working with incomplete or inaccurate client data, notes Jaclyn Yeo, senior vice president of the chief sustainability office at DBS Bank, Southeast Asia's largest bank.

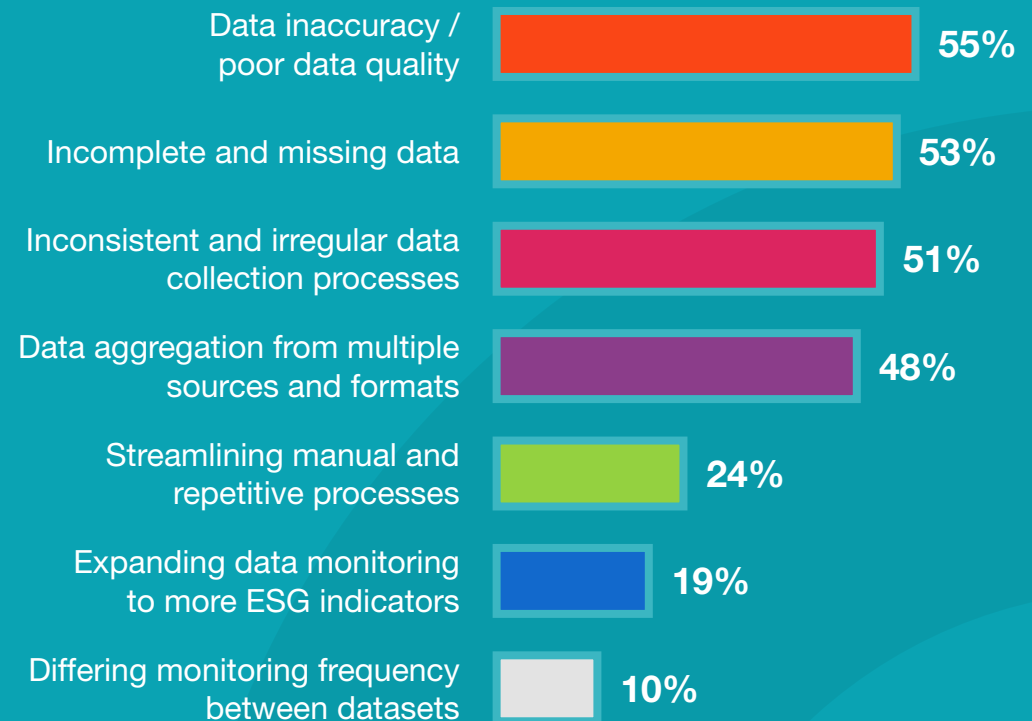
"Today, reporting is not mandatory for many organisations, and the frequency and certainty of the information (collected) are often beyond the bank's control," she says. Restatements as data quality improves subsequently, Yeo adds, also create challenges for the bank to make informed decisions.

The lack of complete data is also a challenge in the public sector. This makes it difficult to analyse data at granular levels, which is often key to decision-making, according to Liew Hui Ming, director, digitalisation strategy & partnership office at the Government Technology Agency, which is a statutory board of the Government of Singapore. The agency leads Singapore's Digital Government initiative and public sector digital transformation.

Liew notes that government agencies would benefit from having all of their sustainability data stored in one single central repository and regularly updated.

Which aspect(s) is sustainability / ESG data collection and monitoring do you consider to be the most challenging within your organisation?

(Choose the top 3)



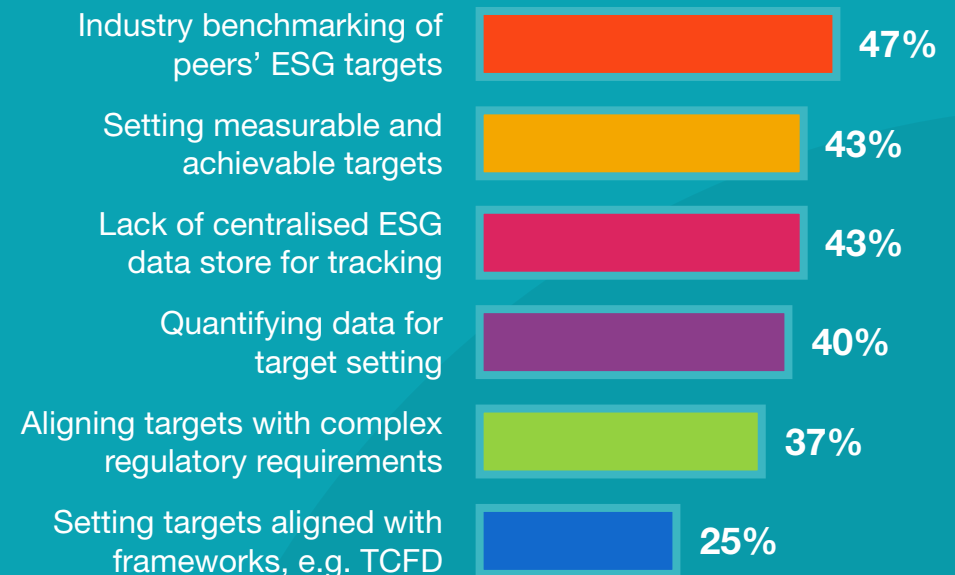
The study also revealed that a lack of a centralised repository or space was among the three most challenging tasks when tracking and monitoring ESG or sustainability related targets, according to 43 per cent of respondents. 47 per cent noted that industry benchmarking against their peers' ESG targets was the most challenging, followed by setting measurable and achievable targets (43 per cent).

The existence of multiple ESG reporting frameworks makes it challenging for companies to set and align targets, since each framework has its own indicators, metrics, and reporting requirements, with **25 per cent** of respondents acknowledging this difficulty.



Which aspect(s) in sustainability / ESG target setting and tracking do you consider to be the most challenging within your organisation?

(Choose the top 3)



When it comes to ESG reporting, **66 per cent** of those surveyed said that compiling and digitising unstructured data from multiple sources and formats was considered to be the most challenging aspect.

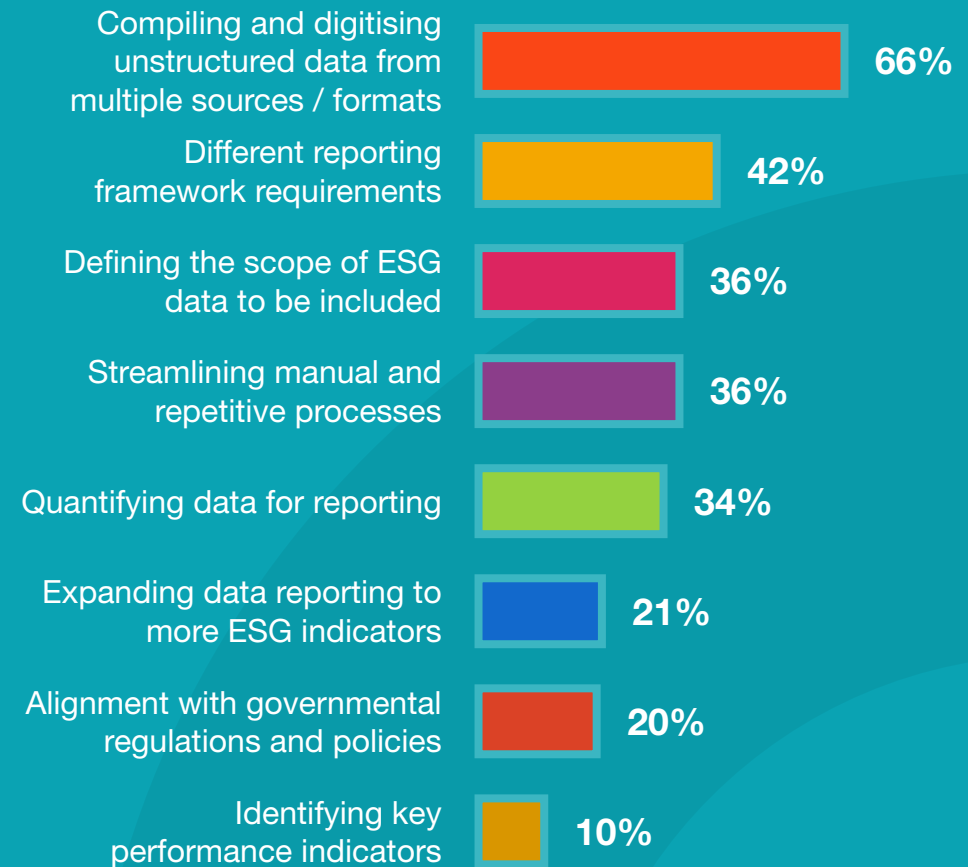
In some cases, companies may resort to supplementing their data with estimations, notes Lynn Loh, global head of ESG reporting, of multinational hardware and software technology company HP, who is based in Singapore.

“Lack of access to accurate and reliable data is a common challenge faced by reporting practitioners. In HP, we utilise estimations, proxies, and extrapolations in accordance with relevant standards where available, followed by documentation to substantiate how the final metric is arrived,” she says.

This issue is most pressing when disclosing scope three emissions, adds Loh, which are indirect emissions that occur in a company’s value chain, including those from suppliers, customers, and transportation. “We don’t always have data from suppliers and may need to fill in the gaps of missing data with reasonable and verifiable assumptions.”

Which aspect(s) in sustainability / ESG data reporting do you consider to be the most challenging within your organisation?

(Choose the top 3)



Navigating multiple frameworks

The need to address the incompleteness of data, combined with difficulty of navigating several ESG reporting frameworks, complicates the sustainability reporting process and makes it difficult for investors to compare different companies' ESG reports.

According to a study conducted by the International Federation of Accountants (IFAC) and AICPA & CIMA, 86 per cent of companies surveyed globally are using multiple ESG reporting frameworks. This can lead to inconsistencies in reporting practices.

In addition to more common frameworks such as standards by the Global Reporting Initiative (GRI), International Integrated Reporting Framework, Sustainability Accounting Standards Board (SASB) Standards, Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, and the Carbon Disclosure Project, there are over 100 different reporting ESG frameworks and standards worldwide, according to the European Commission. Nonetheless, there has been good progress in consolidating sustainability reporting frameworks, such as the bundling of SASB standards and TCFD monitoring responsibilities into ISSB, although these changes are only likely to take place in the next few years.

The GRI Standards are the world's most widely used standards for sustainability reporting, adopted by leading companies in more than 100 countries, and referenced in policy instruments and stock exchange guidance around the world. According to a KPMG survey, 78 per cent of the world's largest 250 companies

(G250) by revenue, now adopt the GRI Standards for ESG reporting. A further 68 per cent of 5,800 companies use GRI, according to the KPMG survey.

In Singapore and Australia specifically, **38 per cent** make ESG disclosures using GRI Standards based on the Eco-Business and UiPath study.

Has your organisation ever reported using an ESG / sustainability reporting framework? (Choose all that apply)



Adhering to different reporting framework requirements was a key challenge according to 43 per cent of respondents in the study.

“Aggregating data can be a challenge since we need to work with different sources, inputs and outputs. This makes it difficult to obtain meaningful assessments,” says Steph Rich, climate change and strategic sustainability specialist, at John Holland, a Melbourne-headquartered construction engineering company.

Singapore is one of the first countries to propose mandating ESG reporting via the ISSB’s new standards. The city-state’s accounting and listing regulators announced that it will require public companies to make climate-related financial disclosures from 2025 onwards, and for private companies that report annual revenues of at least US\$740 million to start making disclosures in 2027 through a public consultation.

ESG reporting in Singapore has indeed gained momentum in recent years; since June 2016, companies listed on the Singapore Exchange (SGX) have been required to complete annual sustainability reporting on a “comply or explain” basis and, since 2022, have been mandated by the SGX to make disclosures based on the TCFD recommendations. The MAS has also established guidelines for financial institutions to incorporate ESG factors into risk management and investments.

While there are currently no mandatory ESG disclosures required for companies listed on the Australian Securities Exchange, Australia plans to mandate climate disclosures made via ISSB standards starting 1 July 2024.

Before the announcement of ISSB standards, the Australian government had already considered developing a climate risk disclosure framework for businesses and financial institutions, with plans to make the climate reporting rules mandatory for large entities. The majority of the ASX200 already provide

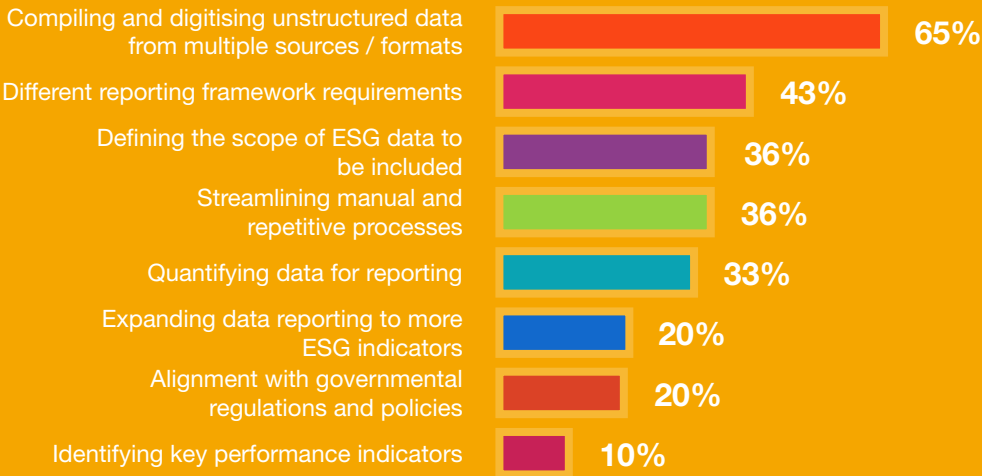
detailed information to investors on ESG factors, according to the Australian Council of Superannuation Investors.

Despite the challenges that come with ESG reporting, not enough companies are leveraging automation technology to help with their ESG reporting.

The World Economic Forum (WEF) conducted a study in 2022 to highlight the challenge of integrating ongoing and real-time data for ESG reporting. The study revealed that only nine per cent of surveyed companies actively use software that supports data collection, analysis, and reporting on ESG.



Which aspect(s) in sustainability / ESG data reporting do you consider to be the most challenging within your organisation? (Choose the top 3)



Addressing the ESG data problem

Automation has the potential to help companies with their reporting and data management. Automation tools, which are capable of increasing efficiency, are already being implemented across various industries today, such as the manufacturing, finance, healthcare, food and beverage, logistics, and retail sectors.

ESG is no exception; since automation tools are more widely used across different industries, they may also help companies collect, analyse and report their ESG data more effectively and accurately, according to software company Diligent. For instance, automation tools can simplify the data collection process from different operations, which can allow real-time tracking of an enterprise's carbon emissions.

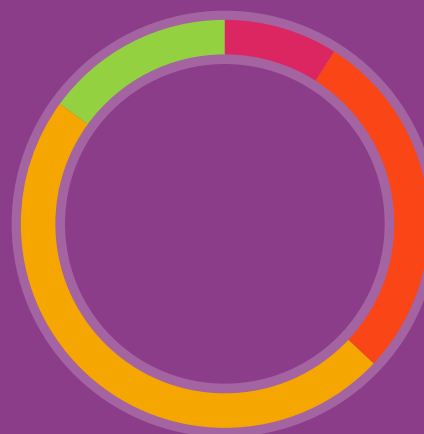
Real-time ESG data can also provide companies with a visible audit trail, help organisations identify areas of improvement, and meet compliance regulations and standards.

Perhaps most importantly, access to better ESG insights through automation can help businesses in the decision-making process. Some automation tools can also generate charts and graphs on the go, providing more visual insights to aid investors and other companies. With a better understanding of their ESG performance and risks, companies can spot trends, track their progress over time, and make more data-driven and strategic investments in ESG initiatives that deliver greater benefits to stakeholders. Liew notes that GovTech has taken steps to organise its sustainability dataset and create visualisation storyboards to gain insights that are used to shape some of its workplace policies.

In essence, automation tools help organisations save a large amount of time – up to 240 work hours a year and annual cost savings of around US\$4 million, according to WorkMarket.

Our study shows that automation software has increased productivity, with most respondents (48 per cent) reporting a moderate improvement since adopting it for sustainability management. 15 per cent of those surveyed noted that there was a significant improvement, while 27 per cent said there was only a slight improvement.

Has the company seen any improvements in business aspects of ESG / sustainability management since automation adoption?



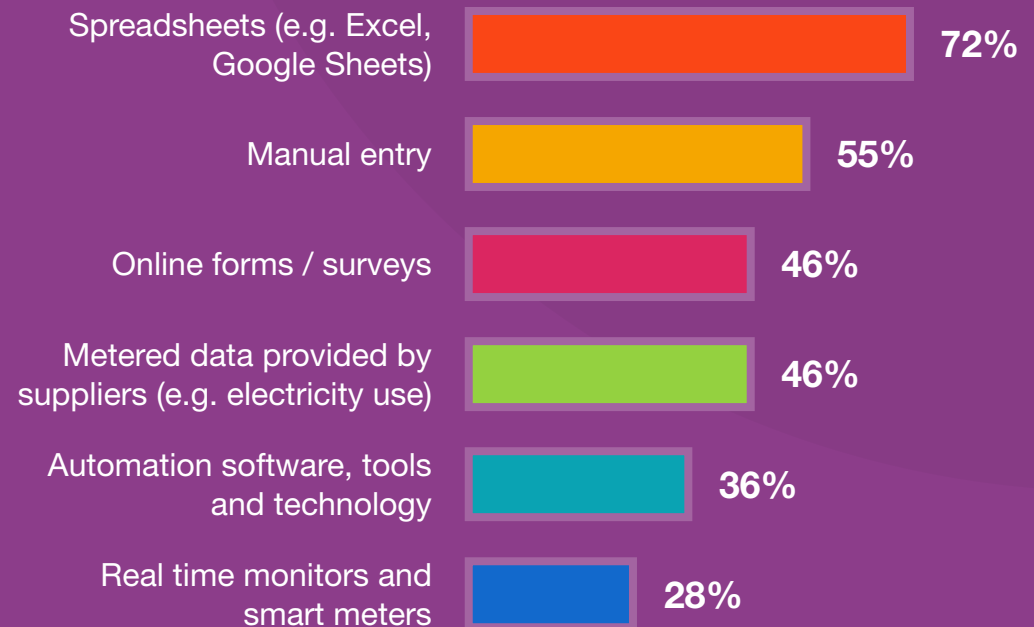
- No improvement 10%
- Slight improvement 27%
- Moderate improvement 48%
- Significant improvement 15%

Spreadsheets appear to be the most popular way for companies to collect ESG data, according to **72 per cent** of respondents in the UiPath study. **55 per cent** still rely on manual entry, while **46 per cent** collect data through online forms and surveys, as well as metered data (including electricity data) provided by suppliers. Only around **36 per cent** make use of automation software tools.



Does your company use any of the following tools for data collection?

(Choose all that apply)



37 per cent said their company did not have plans to adopt automation software, while 25 per cent indicated they are unaware whether their organisation has any plans in place.

“Automation is already helping to turn a number of organisations’ good intentions for ESG into a workable reality. Software robots are tackling a significant part of the workload to simplify ESG compliance and data collection processes, translating to improvements in organisations’ sustainability management,” said Jess O’Reilly, Area Vice President, Asia at UiPath.

In the case of Singapore, some companies have incorporated some form of automation solution. Some processes, however, still require manual input. “We have implemented a data tool that requires individuals to input their data into specific fields, and then substantiate it by uploading supporting documentation, including their Excel computation files,” notes Loh at HP.

According to Loh, HP also uses online surveys to reach out to suppliers and attain meter data from invoices, making use of dashboards and an application to track progress and trends.

The company’s automation system links the data tool to the report production tool, aiding the report-writing process. “Data updates will digitally flow into the relevant spots in report, dramatically reducing manual work and avoiding errors in final report,” Loh explains.

Land transport company ComfortDelGro Australia also uses an automation solution to categorise and classify expenses on receipts and invoices. “The tool reduces the time and cost involved in collating information at the end of the year, which helps with our ESG reporting,” says Nicholas Yap, chief executive

officer of ComfortDelGro Australia. “This task used to take anywhere from three to 12 days. By automatically classifying costs, we can avoid incurring additional costs on our back end.”

Navigating the transition towards automating sustainability tracking reporting processes also requires change management in many companies. “While people are comfortable with our current processes, they can be manual and repetitive. We make do and continue to use these processes, but there is still room for improvement,” says Oliver Lovat of Green Industries, South Australia, noting that the company still uses spreadsheets and forms for policy consultation and continuous feedback. “Metered data is mainly tracked through billing cycles, as we don’t have real-time monitors or smart meters,” he adds.

Does the company currently adopt automation software, tools and technology to help with ESG / sustainability management?



Barriers to adoption

Despite the many advantages of automation, there remain various barriers within organisations. In addition to inadequate data, companies still need to ensure buy-in from the board across the organisation and find ways of integrating automation into their existing legacy systems.

Still, there are limitations to some automation tools themselves. While automation can reduce the likelihood of human error and may lead to more accurate ESG reports and disclosures, teams must work with accurate data to begin with.

Another barrier to adoption is data privacy concerns, cautions Yeo at DBS, noting that some automation tools still need time to mature. “How do we make sure that the automation is modelled in an ethical way? What if there are data infringement issues? When it comes to what data can be used in automation, we need to look at this from both ethical and legal perspectives to ensure responsible, legal and lawful use of data,” she says.

Liew agrees, noting that the idea of allowing automation software to sift through data – especially sensitive data – within government agencies will need to be managed carefully and within the Government Data Security Framework. For instance, feeding automation software inaccurate data or processes may disrupt the entire automated process and lead to errors.

While these issues can be overcome as long as there is human oversight to ensure that automation tools are correctly programmed at the outset, some sectors, such as the public sector, may need more time to recognise the value that automation can offer. “Some vendors claim that they can automatically produce general reports based on the framework you choose. But when that report is generated, it isn’t very useful, at least not for us,” Liew says.



“Organisations need to adopt a holistic perspective and move beyond piecemeal efforts to realise the full benefits of automation in the age of ESG,” said O’Reilly. “Integrating automation across the ESG infrastructure fosters **better data-sharing, streamlined workflows, and enhanced decision-making**, driving positive outcomes for businesses and the larger society.”

Better collaboration, better results

One way to overcome data accuracy issues is by having sustainability and IT teams work together. However, there needs to be improved collaboration between sustainability teams and IT teams within the workplace. While sustainability teams may have the data to work with, they may not have the tools to quickly analyse that information, and vice versa.

Susanna Hasenoehrl, head of sustainability – Asia Pacific & Japan at SAP, a multinational software company, notes that the right tools can help employees make more informed decisions regarding the sustainability of their company's operations and where to focus decarbonisation efforts.

“Managing risk is a crucial aspect of sustainability – but companies may lack tools to simulate potential future scenarios where a more sustainable approach would pay off better than a ‘business-as-usual’ approach,” she says.

Better collaboration between both sustainability and IT teams could also guide company investments. “Tech-enabled initiatives are key to scaling sustainability efforts,” says Hasenoehrl.

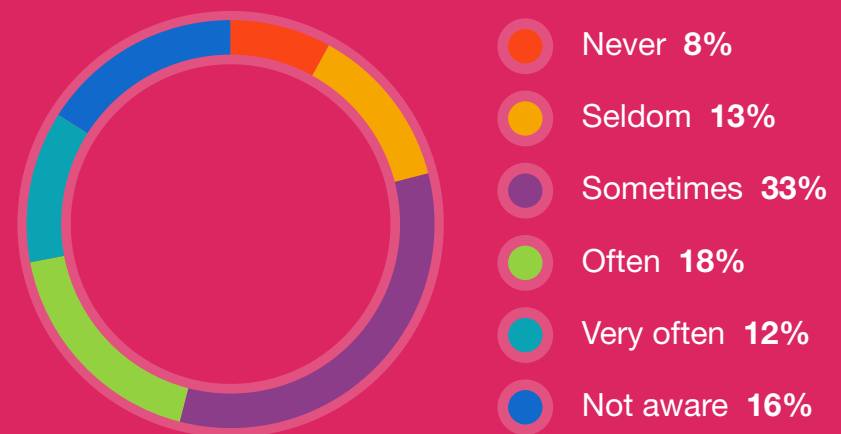
“Even if companies have sustainability data, it can be challenging to project or forecast the impact of certain sustainability investments on their overall business or specific lines of business. This can make it difficult to argue for sustainable investments.”

Even if a company has the right expertise, the lack of meaningful and regular communication between both sustainability and IT teams may bring a company even further away from its sustainability goals, Hasenoehrl cautions.

“Despite having skilled and knowledgeable sustainability individuals, they often struggle to communicate effectively with other departments or individuals who may not be familiar with related challenges,” she says. “This gap needs to be bridged to create the best outcomes.”

Eco-Business and UiPath's study suggests that there isn't enough collaboration between sustainability and IT teams in both Singapore and Australia; a third of respondents noted that within the last 12 months, the two teams met “sometimes” with only 18 per cent of those surveyed noting that both teams met “often.” Additionally, 13 per cent of respondents noted that their sustainability and IT teams seldom met, while eight per cent of respondents admitted that they never met.

Over the past 12 months, to what extent do sustainability and IT teams work together?

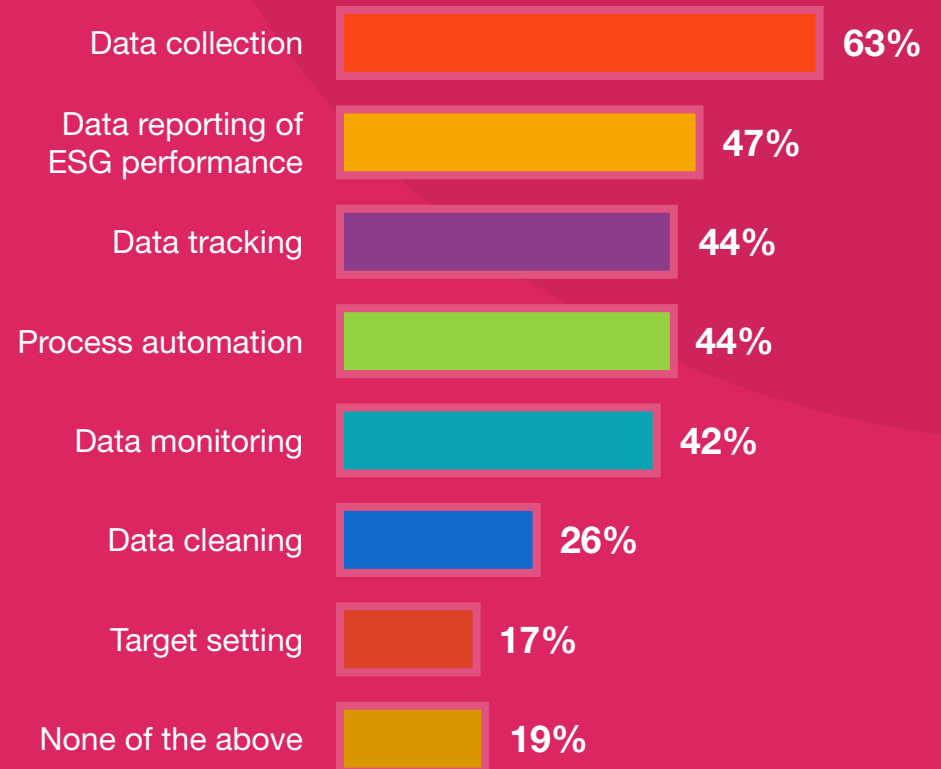


Just over **63 per cent** of respondents noted that data collection was the most popular task the sustainability team would involve the technology or IT team, followed by data reporting of ESG performance (**47 per cent**), data tracking (**44 per cent**), and process automation (**44 per cent**).



Which of the following areas does the sustainability team involve IT or technology in?

(Choose all that apply)



Our study also suggests that company technology decision-makers would benefit from having more clearly defined sustainability responsibilities. Over 23 per cent of respondents noted that their technology decision-maker has no defined responsibility regarding sustainability, with 33 per cent – or most of those surveyed – noting that they have some responsibilities, but that these are not clearly defined. 17 per cent said their technology decision-makers have clearly defined responsibilities over the company's ESG portfolio, while only 14 per cent noted that their company's decision-maker is a core part of their sustainability committee and helps to shape the company's ESG strategy.

To close the communication gap between sustainability and IT teams, both teams must establish clearly defined goals at the outset to ensure that efforts are aligned. Companies can also consider organising regular training sessions to allow both teams to enhance their understanding of each other's work or establishing regular communication channels where both teams can discuss progress or challenges, according to a 2021 research paper Exploring team members' Perceptions of internal sustainability communication in sustainable project management. Businesses can also utilise tools such as project management software or collaboration platforms to enhance communication between both teams.

Does the company's technology decision maker have a defined sustainability / ESG responsibility?



Conclusion

With heightened expectations from investors, regulators, and stakeholders worldwide for transparent and detailed ESG disclosures amid greenwashing threats, the onus is now on companies to measure and collect ESG-related data – and find the most efficient and cost-effective way of doing so in the long term.

Our study and interviews with companies in Australia and Singapore suggest that automation software and tools can play an important role in assisting in the ESG data collection and ESG reporting process, but there is still room for automation adoption, especially in Singapore.

While there may be various obstacles to adoption – such as those that involve overhauling existing processes or obtaining buy-in from the board – it is imperative that companies start now,

especially in light of ever-evolving standards and regulations.

With ISSB standards coming into effect in 2024 and progressively being mandated in many jurisdictions, businesses will need to find ways of complying with these standards. In doing so, companies will require the most updated data across their supply chains to supplement their ESG claims. As our research has found, automation tools have the potential to aid in these tasks.

Understanding what processes to measure and ensure a smooth implementation of automation tools will require better collaboration between a company's sustainability and IT teams.

In essence, by knowing how to leverage automation technologies, it is clear that

businesses can increase efficiency and obtain more accurate information, which will lead to better decisions in their ESG management processes.

This will enable companies to drive long-term positive outcomes not only within their organisation and among their investors, stakeholders, and customers, but also on the very planet on which they operate.





Eco-Business

Visit uipath.com to learn more