

[Role of Digital in ESG compliance](#)

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Companies are increasingly being called upon to file ESG data by regulators, investors and customers. At the outset, this calls for timely and accurate data management, which is a challenge for most firms, given the myriad data sources they manage and the complex landscape they operate in. And since ESG compliance is the need of the hour, the opportunity is ripe for the usage of digital tools in this area. A quick compendium of the various areas wherein technology can be leveraged for ESG reporting compliance is as given below.

Centralization and digitization of data: A single source of data minimizes the effort of collation. Also, it enhances accuracy since the need to conduct dedupe across different sources is eliminated. This is precisely where centralization of data management kicks in. Also, the more digitized the data, the easier it is to ingest. There are a plethora of tools out there on both these fronts.

Use AI for matching data with the requirements of frameworks: Since the data requirements can be complex and multi-dimensional, the usage of Artificial Intelligence (AI) to ensure that the data available is matched with the requirements of the frameworks in vogue can mitigate efforts significantly. Also, this can aid the development of standardized frameworks in the long term.

Navigate spaghetti landscape: Since different functions & businesses drive a tendency to develop a complex labyrinth of scattered sub-systems and platforms over a period of time, technology can help the ESG team navigate the spaghetti landscape to arrive at a single source of truth!

Cross-functional: Since ESG reporting is typically cross-functional, digital tools can help the ESG team collate the right metrics across functions to ensure timely compliance.

Platforms and visualization: Enterprise-wide data can be collated from core platforms. Depiction of this data in a meaningful manner can be done by leveraging various BI and visualization tools.

Use of disruptive technologies: Internet of things, for instance, can be used to collect data from various sources by making them “smart”.

Hyper-automation: Process re-engineering, and automation, can significantly enhance the availability of data at various touchpoints.

Paperless: Digital tools also enable ESG compliance at the root by ensuring a switch to paperless transactions, for instance. This not only aids timely reporting via the form factor (mountains of paper to digital data), but also enhances the firm’s adherence to ESG parameters!

Validation: Since most firms find poor quality or availability of ESG data and analytics a roadblock, a system of record for collating and validating ESG data is beneficial. Blockchain-enabled ESG tools are also available. It is for firms to assess the viability of such tools, given the need to balance the cost – compliance equation.

Integration: Technology can also be used for integration with various partners in the ecosystem to ensure seamless provision and processing of data.

Going beyond compliance & reporting, digital tools can also be used to train folks at large and contribute to the culture of ESG at an enterprise level.

The use of digital tools can, therefore, help firms push boundaries rather than retreat from them! Especially in an era when a firm commitment to ESG is a prime reflection of the firm’s commitment to the world in general and society at large!

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