

**Sustainability Reporting –
Core (SRC) content
package**

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Sustainability Reporting - Core (SRC) Content Package

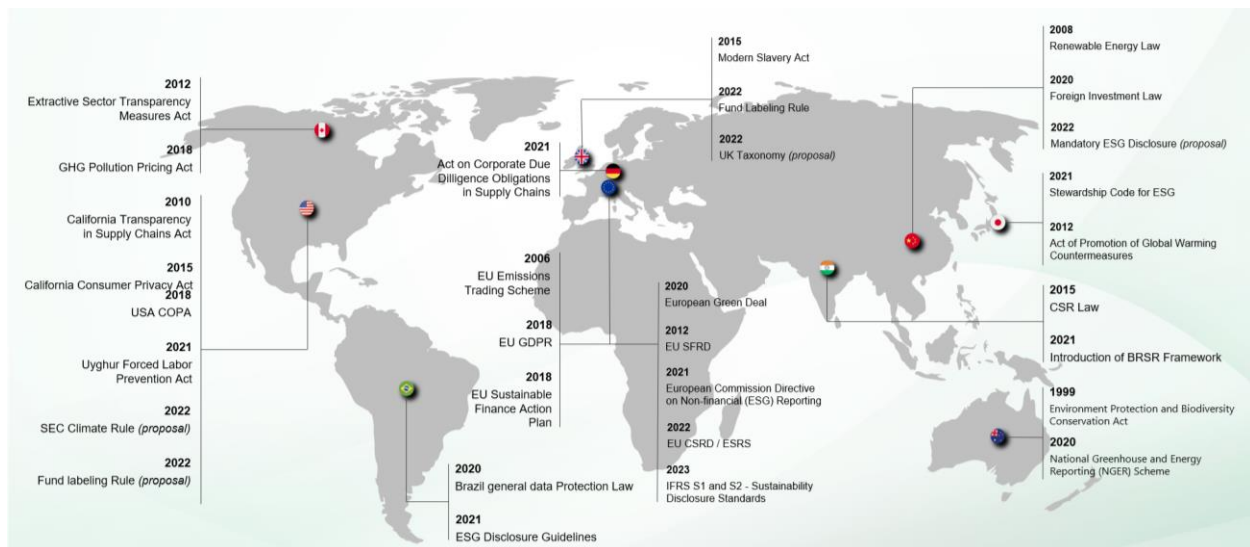
msg global solutions has created a Sustainability Reporting – Core (SRC) Content Package to be used as an optional tool on the SAP Sustainability Control Tower (SAP SCT) platform with the aim of accelerating Sustainability Corporate Reporting.

1. Introduction

For many companies globally, the increasing demand to disclose social and environmental performance and plans in line with the 2015 Paris Agreement becomes part of today's volatile business environment. With that in mind, once voluntary, **non-financial reporting already became or will become soon mandatory, aligned in importance, and equal to financial reporting.**

For a broader scope of companies in Europe, starting from 2024, the way in approach how to manage their sustainability reports will increase in scale, demanding them to evaluate their impacts even beyond their core business operations to every part of the value chain. In line with this, the European Sustainability Reporting Standards also set up requirements for comprehensive reporting from many companies globally based on their existing operations within the EU.

Figure 1. Sustainability Reporting – driven by increasing and evolving regulations globally.



Source: ESG Book, 2023

The increasing demand in the scope of sustainability disclosures and reporting arose globally. It has been estimated that **over 500 both voluntary and mandatory sustainability reporting standards and frameworks exist today**, dependable on the ESG field, location, and industry.

Therefore, the trend of global standardization in sustainability reporting will be inevitable for companies to respond to such requirements and raise regulatory disclosures more easily. For this reason, capabilities from companies to structure their Sustainability Reports based on higher interoperability of reporting frameworks and standards will result in higher operationalization and efficient, high-quality implementation of sustainability management and reporting.

Data management in the context of sustainability involves collecting, analysing, and managing a wide range of information related to an organization's operations, from natural resource consumption to labour practices and greenhouse gas emissions. **This effective data management is essential for informed decision-making, goal-setting, and continuous improvement.** It also helps to identify areas for improvement and measure progress towards long-term sustainable goals.

Adopting sustainable practices and sustainability reporting is an ethical responsibility and can provide significant business benefits. Companies that effectively manage their data and **communicate their sustainability efforts can strengthen their reputation, attract investors committed to sustainability, and improve their competitive position** in an increasingly environmentally and socially conscious marketplace.

The need for sustainability reporting and effective management of sustainability-related data is undeniable in today's business world. These practices not only contribute to a more sustainable future but are also critical to the long-term success of organizations in an ever-changing business environment.

2. Challenges

With building foundations as the first step of collecting relevant data to structure ESG reports, companies can rethink their current strategies and challenge business models to establish more sustainable operations by **implementing regular processes to manage and report on their sustainability actions.**

But for most companies, even such a first step in obtaining relevant data as a baseline to calculate their direct impact may be challenging. Particularly, mid-sized companies, even with teams dedicated to Sustainability management and performance, may need more internal competencies and know-how in defining what kind of data should be considered as input for their Sustainability

reporting. In addition, **data inputs may diversify in demand depending on industry-specific requirements or geolocation from operations subject to reports.**

Such specific requirements may put additional burden and complexity in identifying what data to collect, **how to prepare data needed to calculate required Key Performance Indicators (KPIs), and what metric systems and methodologies to apply** to report on sustainable performance.

Even companies that established sustainability teams responsible for managing sustainability-related activities as a central spot in the company may need support in establishing processes across the company to support its purpose. In many companies, responsibility lines for **sustainability reporting have been shifted from corporate management and communications to financial executives**, requiring them to build new expertise and skills in developing ESG metrics and producing consolidated sustainability reports.

Smaller companies without dedicated sustainability teams may face a more demanding challenge in establishing a transparent approach to maintaining sustainability management and reporting. It is due to the difficulty of defining responsibility lines and ownership on data sets and parts of the process related to sustainability activities.

Even when all data is needed and sustainability-related processes are in place, **the ability to respond and keep track of ever-evolving ESG regulations may be an additional challenge.** With increasing numbers, diversified and interconnected regulatory frameworks, and constantly evolving and changing standards, companies must bring the operation processes to new, higher levels.

The additional challenge that may affect successful operationalization is that most data and processes are structured in silos. To be responsive and flexible enough to adjust to more comprehensive and holistic approaches by evolving regulations, companies will have to adopt a more standardized framework as a fundamental ground to build to transform data into meaningful disclosures and to produce their sustainability reports quickly.

Some of the main challenges in data management for corporate sustainability reporting are:

- **Data complexity:** Sustainability data covers a wide range of metrics, from greenhouse gas emissions to social impact indicators and business ethics. Each of these data may have different units of measurement and collection methods, complicating data standardisation and aggregation.
- **Dispersed data sources:** Sustainability data is often generated in different parts of the organisation, such as production, supply chain, human resources, and more. Integrating this information in a consistent way can be challenging and requires close collaboration between departments.

- **Data quality:** Errors in sustainability data can significantly impact the accuracy of reporting. This includes human error, data collection problems, and inconsistency issues. Maintaining data quality requires continuous verification and cleaning processes.
- **Volume of data:** With the growing awareness of sustainability, companies are collecting and managing more data than ever before. This can overwhelm existing data management systems and require investments in infrastructure for storing and processing large volumes of information.
- **Constantly changing standards:** Sustainability regulations and standards evolve over time. Companies need to be aware of these changes and ensure that their data complies with the latest standards. This may require ongoing investment in training and updating.
- **Verification and Auditing:** To ensure the credibility of sustainability reporting, many organisations undergo third-party verification and auditing processes. Preparing the documentation and data required for these reviews can be an intensive process and requires detailed and transparent documentation.
- **Appropriate technology and tools:** Choosing the right tools and technologies for sustainability data management is critical. This includes data management systems, data analysis software, and visualisation tools that can handle the complexity and volume of sustainability data.
- **Organisational culture:** Changing organisational culture to focus on sustainability and data management can be a challenging process. This involves education and commitment from all levels of the organisation to adopt sustainable practices and collect data effectively.
- **Associated costs:** Sustainability data management involves investments in systems, technology, and trained staff. Companies must carefully weigh the long-term costs and benefits of these investments, considering the benefits in terms of improved reputation, efficiency, and attracting investors committed to sustainability.

In summary, sustainability data management is a complex process involving a number of challenges, from collecting and standardising data to integrating dispersed data and adapting to changing standards. However, the ability to create relevant and Audit-ready Corporate Sustainability Reports is just the beginning of the process to manage sustainability actions and curve the path for more sustainable development.

3. Solution

The **msg Sustainability Reporting Core (SRC)** is a content package created in 2023 to support the reporting of **GRI (Global Reporting Initiative) indicators** for companies that face these different challenges when responding to these changing sustainability requirements and contexts.

Non-financial indicators can be more difficult to obtain and calculate. The input data required can be controlled by different teams and may vary within the business unit. Being newer indicators, compared to financial indicators, the calculation methodology can diverge and is not always clear to those without a sustainability background. **The SRC content provides an end-to-end solution for sustainability reporting aligned with the GRI and Greenhouse Gas (GHG) Protocol.**

SRC (combined with SR3) allows the client to have a simple, fast, and effective way to report GRI indicators. This content includes the most common and standard quantitative GRI indicators. **Currently, GRI standards remain the most widely used sustainability reporting standard, with over 10,000 organizations in over 100 countries**, that officially report according to the framework. It provides a standardized approach to sustainability reporting, increasing the organization's accountability as well as building trust with stakeholders and other interested parties.

The content is designed to speed up the reporting process by assuming that clients will report their **input data following simple structure templates that identify all the requirements of the different KPIs** and provide **guidance and background on the KPIs as well as what type of input data they should provide**. With the collection of this data, the quantitative KPIs are calculated automatically in SAP SCT, where the most suitable methodology is being applied always aligned with GRI and GHG protocol, and reports are generated where all quantitative KPIs will be incorporated and represented in accordance with the GRI guidelines.

SRC content is also prepared to be adapted to add other internal or qualitative KPIs that clients may want to include in the final report.

As mentioned, **SRC content is based on the most common, relevant, and standard indicators, covering over 200 quantitative KPIs**. Such indicators are structured into three main pillars: Environment (GRI 300), Social (GRI 2 and 400), and Governance (GRI 2 and 200).

When a customer chooses SRC as a way to optimize their sustainability reporting process, at the beginning of the project, the content and format of the templates will be discussed to be aligned with the overall structure, teams, type of data available, and other requirements.

The purpose of the templates will be to facilitate and improve the data upload and reduce the potential mistakes that usually appear in this process by **using master data, having shortcuts, and containing relevant information among other features**. All of them will be provided by msg, however, these can also be modified according to the needs and requirements.

All templates will have, as an initial requirement, the name, department, and contact of the person responsible for reporting and verifying data. Thus, it will be possible to have more robust traceability of the input, speeding up the Audit process. **All templates will also have background explanations aligned with the GRI, giving an initial context, definitions, and disclosure requirements**. Additionally, the templates will have a clear and summarized explanation of each field to be filled in.

Each of the templates follows a consistent format, featuring tables that can be customized with master data. These templates provide introductory information about the specific KPI being addressed, along with a list of explanations related to the KPI and field definitions.

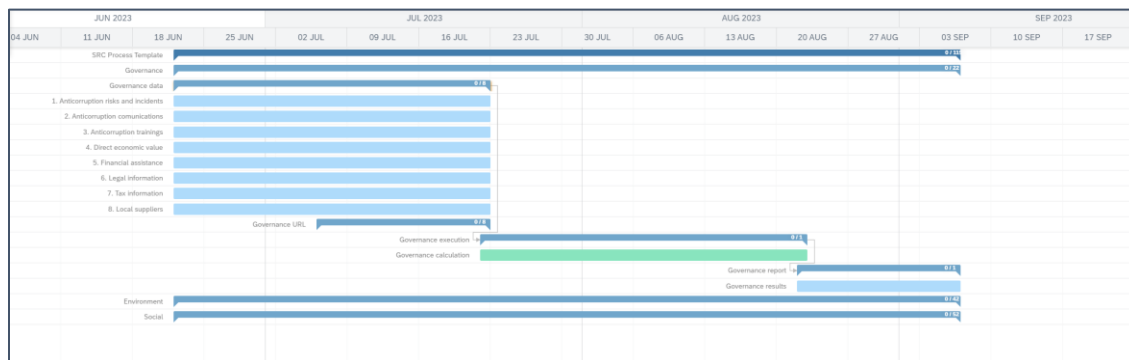
Within the introductory sheet, there is a list of fields contained in each model table of the template. Here, users can find the names of each field, instructions indicating whether they require master data, and additional information to understand their purpose in the tables. Additionally, an example image illustrating how to complete the templates is included.

In the model tables, each cell containing a field has a note comment providing additional information to assist users in completing it.

Once users have input the data into the templates, this information is uploaded to the system to facilitate the calculations defined in the tool. **There is also the possibility to connect the environment to the client's Business Technology Platform (BTP) or data systems, to automatize the process**.

The process used to upload data into the system is referred to as the "Process Template." Within this process template, users can upload data, establish connections, execute calculations, review data, define teams, and access other related features.

Figure 2. SRC - Process Template

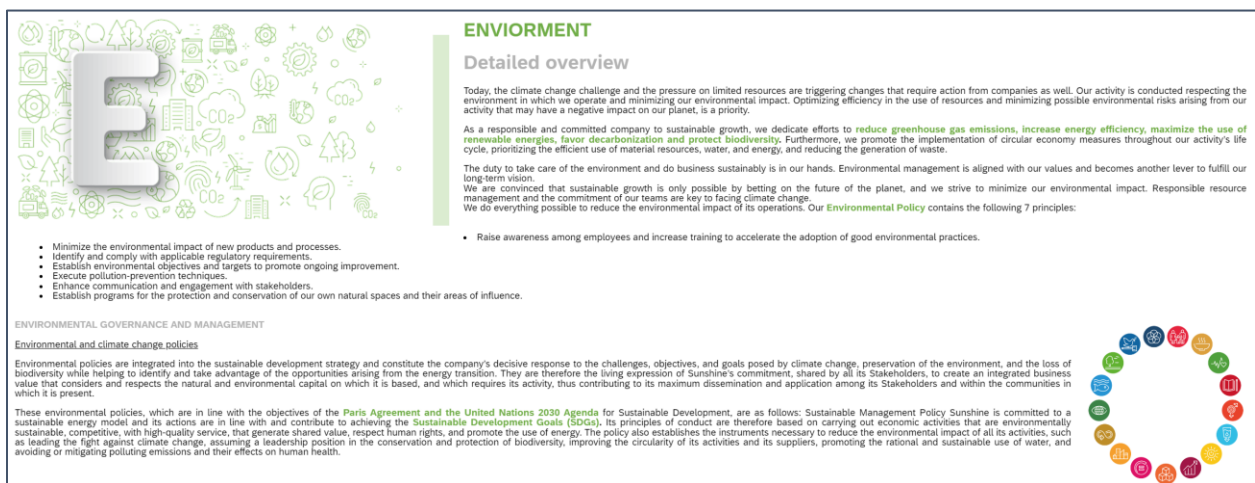


The structure of the process templates for SRC content is predefined but can always be adapted to the customer's needs.

This is where users can create and define different teams and workflows, consisting of a performer and a reviewer. The performer is responsible for uploading or executing activities, while the reviewer is responsible for reviewing the information. The reviewer can also approve or reject an activity, and in the case of rejection, the performer will receive an email notification. Additionally, once the performer finishes uploading data or completing the activity, the tool will automatically send a notification email to the reviewer.

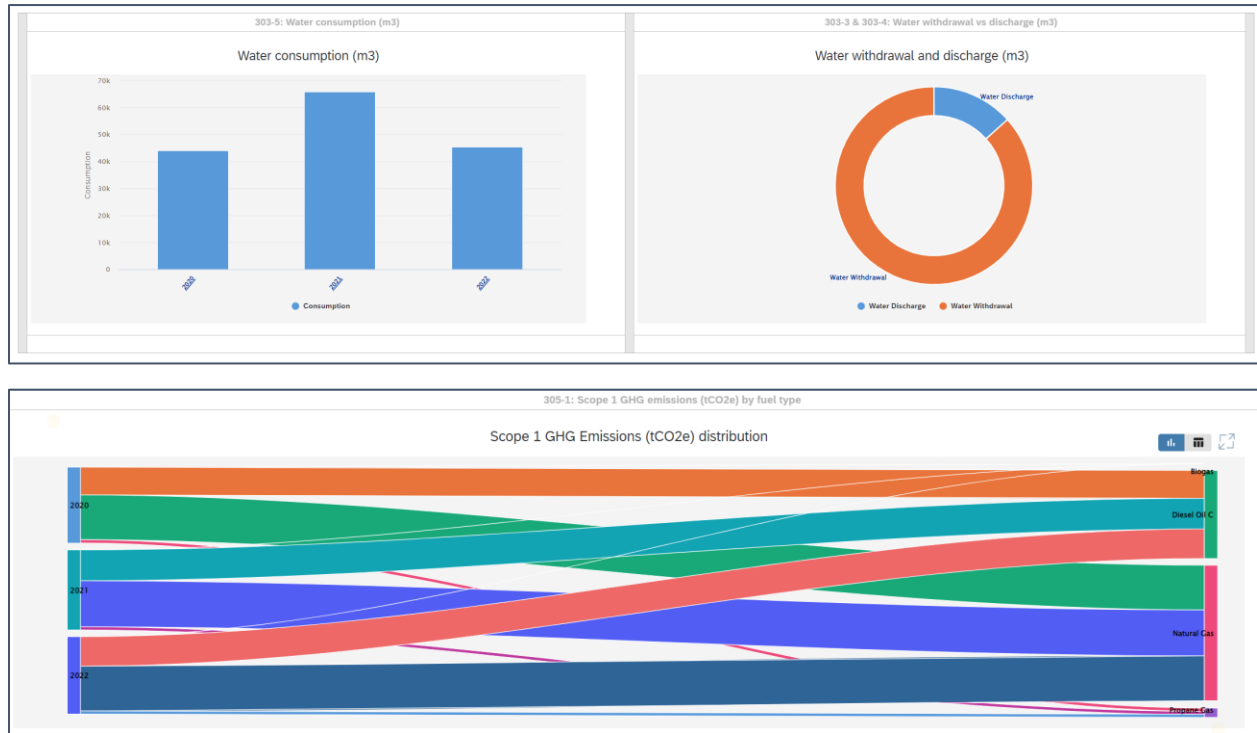
Once the definition of the process template structure is completed, and the information is uploaded, reviewed, and approved, the third and final step of the project involves creating the report with all the desired client information.

Figure 3. SRC - Report



SRC content provides a predefined report with an example of how to present the information for each KPI. In this report, there is a summary that consolidates all the KPIs, as well as a separate sheet for each topic (Environment, Social, and Governance). However, just like the previous steps, this report can be fully adapted and customized by the user. Users can utilize all the standard features of a word-processing document, including text editing, copying, inserting images, videos, icons, adjusting font type and size, inserting charts, logos, and more.

Figure 4. SRC – Reporting graphs



All the data managed within the tool can be visualized and included in the report, represented using various charts, numbers, and units. **Each chart or graph offers a dropdown feature, allowing users to present information with as much granularity as needed, ensuring that the company's data can be effectively represented and explained.**

Finally, this report can be exported to PDF or copied into another format. It's worth noting that in case any data requires recalculation, the charts will automatically adjust accordingly.

4. Conclusions

The SRC Content Package offered by msg global solutions serves as a valuable tool on the SAP SCT platform, designed to streamline sustainability corporate reporting. As the demand for sustainability disclosures continues to grow globally, driven by evolving regulations and standards, companies are facing increasing challenges in managing and reporting their sustainability efforts.

The challenges are numerous, encompassing data complexity, dispersed data sources, data quality, the volume of data, constantly changing standards, verification and Auditing, the need for appropriate technology and tools, organizational culture transformation, and associated costs. Sustainability data management requires companies to overcome these hurdles to successfully navigate the complex landscape of sustainability reporting.

The SRC Content Package addresses these challenges by providing a comprehensive solution for sustainability reporting. It is specifically designed to simplify reporting for GRI indicators, making it accessible to companies with varying levels of maturity in sustainability practices. **The package includes templates for data input, automated calculations in the SAP SCT, and report generation in alignment with GRI guidelines.**

SRC content covers three main pillars: Environment, Social, and Governance, making it a versatile tool for reporting across various sustainability dimensions. The templates are customizable to meet the specific needs of each client, and they provide clear guidance and explanations for data input.

This Content Package's approach of using predefined templates streamlines data collection ensures accuracy and reduces potential errors. It also supports transparency by specifying the person responsible for reporting and verifying data. This approach accelerates the Audit process and enhances traceability.

Furthermore, **the SRC Content Package promotes standardization in sustainability reporting, ensuring compliance with evolving regulations and standards.** It enables companies to transform data into meaningful disclosures and respond quickly to changing requirements.

In summary, sustainability reporting is no longer optional; it's a crucial aspect of modern business. The SRC Content Package equips companies with the tools and guidance needed to navigate the complexities of sustainability data management and reporting effectively. By addressing challenges, promoting standardization, and providing a structured approach, SRC Content empowers organizations to contribute to a more sustainable future while enhancing their competitiveness in an environmentally and socially conscious marketplace.