Organizations worldwide are experiencing increased pressure from multiple stakeholders to operate business in a manner that protects people, profit, and the planet. A key part of this effort involves providing a level of transparency into business operations that demonstrate the implementation of sustainable business practices.

**IT's ESG Opportunity: Setting the Sustainable Technology Agenda and Aligning the C-Suite**

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**Questions posed by:** Workday

**Answers by:** Bjoern Stengel, Global Sustainability Research and Practice Lead, Sustainable Strategies and Technologies

**Q. How does ESG drive demand for new technology or data strategies?**

**A.** Current corporate sustainability approaches are typically materiality driven and focused on ESG issues that impact an organization's enterprise value. While this data is critical for internal stakeholders to improve business operations and efficiencies, there is a broader spectrum of external stakeholders (investors, regulators, customers/consumers, employees) that hold organizations accountable for executing on their sustainability goals and demonstrating measurable progress. To demonstrate this progress, organizations must collect, curate, and audit data from across the organization, or even the full value chain, to be able to report/disclose ESG information in a quantified, standardized, metrics-driven way.

Technology is critical to collecting, analyzing, and reporting ESG data and helps inform better business decisions and improve operational and financial performance. Further, IDC sees IT buyers making more deliberate decisions regarding IT purchases that offer sustainable technology, such as IT infrastructure that is energy efficient or made of sustainable materials. Given the import of technologies in this process, IT needs to understand the business case for sustainability, regulatory requirements, investor demands, and the digital tools that can facilitate ESG accounting and reporting.

**Q. How should IT define its role in helping the CFO meet new disclosure requirements?**

**A.** ESG disclosures will require CFOs to work with new data sets, such as information about workforce composition, carbon emissions, and other climate-related disclosures. To facilitate this process, IT and the CFO should work in tandem on ESG strategy, data capture, and reporting. In partnership, the two parties should review ESG goals to ascertain if they are realistic, clear, measurable, or mandated and to determine what benchmarks should be used to capture progress on the stated goals. Further, IT and the CFO should jointly develop the organization's taxonomy, applied standards, metrics, and reporting process.
Once IT and the CFO agree on what data should be captured and how to best capture and manage it, they will need to ensure that the data is clear, dependable, and verifiable. Close collaboration will also be required to assess how ESG efforts are affecting costs, assets, revenue, and liability management as well as meeting appropriate assurance standards. As IT and the CFO learn through this assessment and reporting process, they can jointly refine and improve how these steps are executed over time.

**Q. How will ESG impact core business applications?**

**A.** As organizations identify and collect the relevant data needed to disclose progress on material ESG issues externally, it is extremely important to have a system of record for reporting and management purposes.

Much of the data needed to report on ESG metrics exists in traditional ERP systems. Given the emphasis on reporting ESG metrics, many ERP systems now include extensibility to support a variety of environmental, social, and governance metrics while providing visibility into sustainability performance across functional areas of the business, such as finance, procurement, asset management, human resource management, and operations.

With more stringent requirements coming from regulatory bodies to standardize ESG reporting for environmental issues, IT organizations must determine what incremental functionality is needed from existing business applications to meet reporting requirements and work with existing suppliers to ensure that sustainability feature enhancements are included in the product road map.

**Q. What role should IT play in supporting the organization’s corporate sustainability goals?**

**A.** IT must be involved in the early stages of an organization’s sustainable business strategy development to identify the technology needed to support corporate ESG goals. This includes tight coordination with leaders of functional areas of the business that represent sustainability priorities for the organization. As part of this interaction with functional leadership, CIOs must have a good understanding of the ESG reporting landscape and the concept of ESG materiality to assess the impact that IT investments can have in that context. Like digital transformation, sustainable transformation requires a strategic approach when it comes to IT purchasing decisions for these investments to generate the expected ROI (from financial and nonfinancial perspectives).

CIOs must also understand the sustainability impact of their organizations’ internal IT solutions as well as the impact of the products/solutions their organizations sell to the market. As the lion’s share of GHG emissions is likely occurring outside an organization’s operations (e.g., Scope 3 emissions caused by a third party’s cloud service infrastructure), CIOs need to take their IT vendors’ sustainability performance and footprint into account when assessing technology vendors in the context of their impact on material ESG topics for the organization. IT will play a key role in providing this holistic view of an organization’s sustainability impact.
**Q.** What does a culture of sustainability look like? How can a CIO support this mission?

**A.** Sustainable transformation starts with an organization’s purpose as well as an organization’s mission and vision for having a positive impact on people and the planet. For corporate purpose to come to life, and for organizations to be successful in reaching their sustainability goals, leadership needs to take charge and weave purpose into the fabric of the entire organization — horizontally across functions and vertically across different hierarchy levels. This will help connect employees across the organization to the corporate sustainability vision and purpose. Through shared responsibilities and incentives working toward the established ESG goals, organizations can bring their purpose to life and demonstrate measurable progress.

A key component of achieving ESG/sustainability targets and goals is operationalizing the data needed for ESG and embedding it into existing business processes. This will ensure that CIOs can support sustainability initiatives across various departments. CIOs not only play a critical role in ensuring that IT is a core part of their organization’s sustainable transformation journey but also must ensure that their own function understands and is committed to the broader sustainable business strategy of their organization.

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**About the Analyst**

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Bjoern Stengel is IDC’s global sustainability research lead. His research focuses on how environmental, social, and governance (ESG) topics impact and shape business strategies and technology usage. He provides insights into market opportunities, adoption strategies, and use cases for sustainability-related technologies and services. Bjoern helps IDC’s clients understand the impact of technology-enabled, sustainable transformation processes in the context of sustainable business strategies, operations, and products and services through research reports, news publications, and speaking engagements at industry events such as Climate Week NYC.
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