



# Boost your Sustainability Performance with ERP-Centric, AI-Driven Solutions



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# Executive Summary

Environmental and carbon management are increasingly important for all levels of an organization. Managing sustainability and environmental, social, and governance (ESG) targets is a board — and customer — priority.

Regulations such as the SEC's new climate disclosure rules and Europe's Corporate Sustainability Reporting Directive raise the stakes for sustainability management. This seismic shift from voluntary to mandatory reporting will necessitate heightened diligence, processes, and procedures to support the emerging requirements.

**However, most organizations are falling short of their stated sustainability and ESG commitments, presenting regulatory, reputational, operational, financial, and stewardship risks.**

Managing financial and other sustainability data in an ERP-centric, cloud-based, AI-enabled solution can help meet rising requirements and future-proof the business.



**AI can drive efficiency and accuracy in environmental data management and reporting.**

# ESG: A Rising Priority for Organizations

As pressure from multiple stakeholders mounted, ESG and sustainability rose as a priority for organizations.

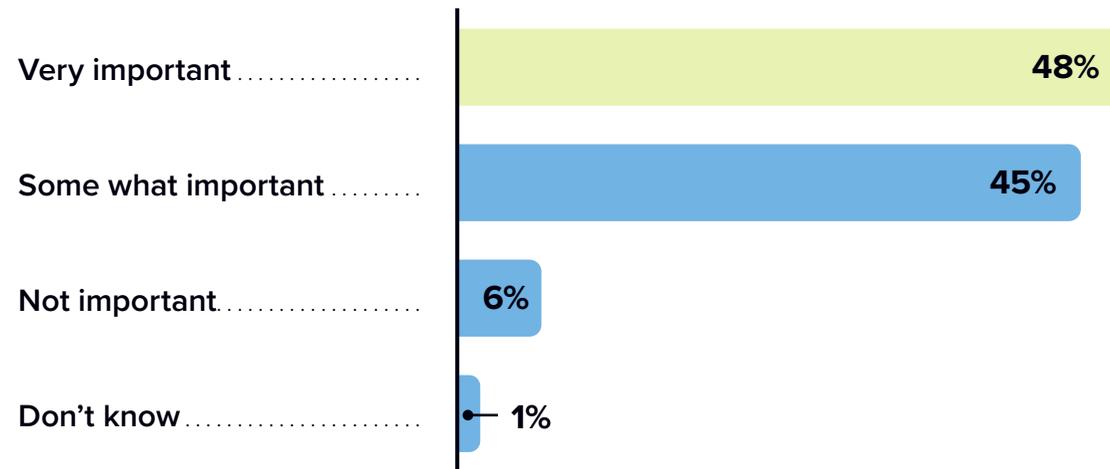


In 2023, nearly 75% of companies surveyed by IDC found ESG factors to be very important to the enterprise value of the organization,

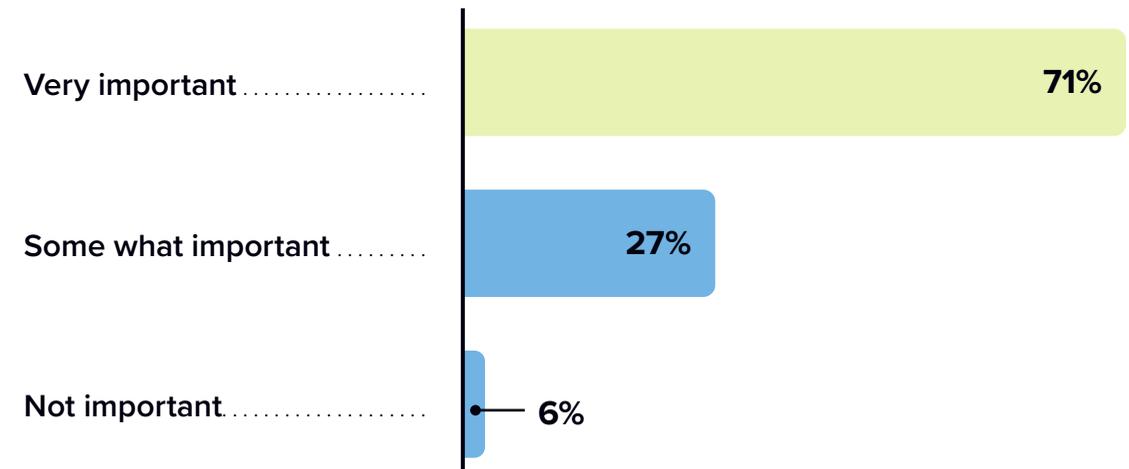


up from under 50% in 2020.

## 2020



## 2023



Source: IDC's ESG/Sustainability Business Services Survey, August 2023

# ESG Regulatory and Sustainability Requirements Are Transforming Organizations

The ESG regulatory environment is rapidly evolving with over 1,000 new developments globally. The truth is, 65% of organizations have not met compliance requirements as of 2023.

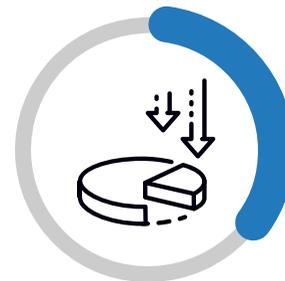


Among the top pain points:



**41%**

of companies report having insufficient internal sustainability expertise.



**37%**

of organizations lack accurate, trusted data for ESG reporting.

Source: IDC's Sustainability Software Survey, July 2024

# Organizations Are Falling Short of Their Sustainability Goals

Organizations are not only challenged with ESG reporting but also struggle to improve their sustainability performance at the pace outlined in their sustainability goal commitments.



With initial commitment dates only a few years off, there is little time to get on track. This is spurring organizations to increase the pace of change and amplify sustainability initiatives.

Source: IDC's *Global Sustainability Readiness Index*, August 2023



**Only one in three organizations** have fully met their sustainability goals.



**40%** of organizations have increased sustainability investment as a response to the shifting environment.

# Integrated Sustainability Software Enables Audit Ready ESG Reporting

Emerging regulations will require a more formal approach to ESG reporting, including heightened diligence, processes, and procedures, particularly regarding the expectation for accurate, defensible, and auditable statements.

Organizations are leveraging ESG software to support these tasks, with the leading use cases including:



**59%**

ESG data management



**54%**

ESG reporting



**51%**

ESG risk management

Source: IDC's ESG Perception Survey, December 2022

# Sustainability Data Must Be Managed With the Same Precision as Financial Data to Be Auditable and Trusted

**ERP-centric sustainability solutions offer a centralized, un-siloed data repository that organizations can leverage to meet their multifaceted sustainability initiatives.**

Sustainability solutions with an ERP foundation will be able to address the data-backed transparency and auditability requirements of emerging ESG reporting legislation.

Companies with an ERP-based sustainability solution have high confidence in their sustainability data.



**74%**

believe their organization has high-quality data on sustainability performance.

**83%**

have high confidence in their ability to automatically source sustainability data.

Source: IDC's Sustainability Software Survey, July 2024

# Transform Business Processes With Sustainability at the Core

To achieve sustainability maturity, where sustainability is integrated into business processes and continuously monitored, reviewed, and improved, organizations are leveraging an ERP-centric platform to:



**Improve ESG reporting efficiencies**



**Strengthen regulatory compliance**



**Automate carbon management**



**Drive business innovations**



Organizations with an ERP-based sustainability solution are **76% more likely to have achieved the highest level of sustainability maturity.**

Source: IDC's Sustainability Software Survey, July 2024

# Evolving Market Conditions Require a Responsive Platform

Cloud-based solutions manage updates so organizations can stay focused on core business.



ESG software vendors often update software every few weeks to keep pace with market developments, making the agility of cloud-based delivery ideal for these market demands.

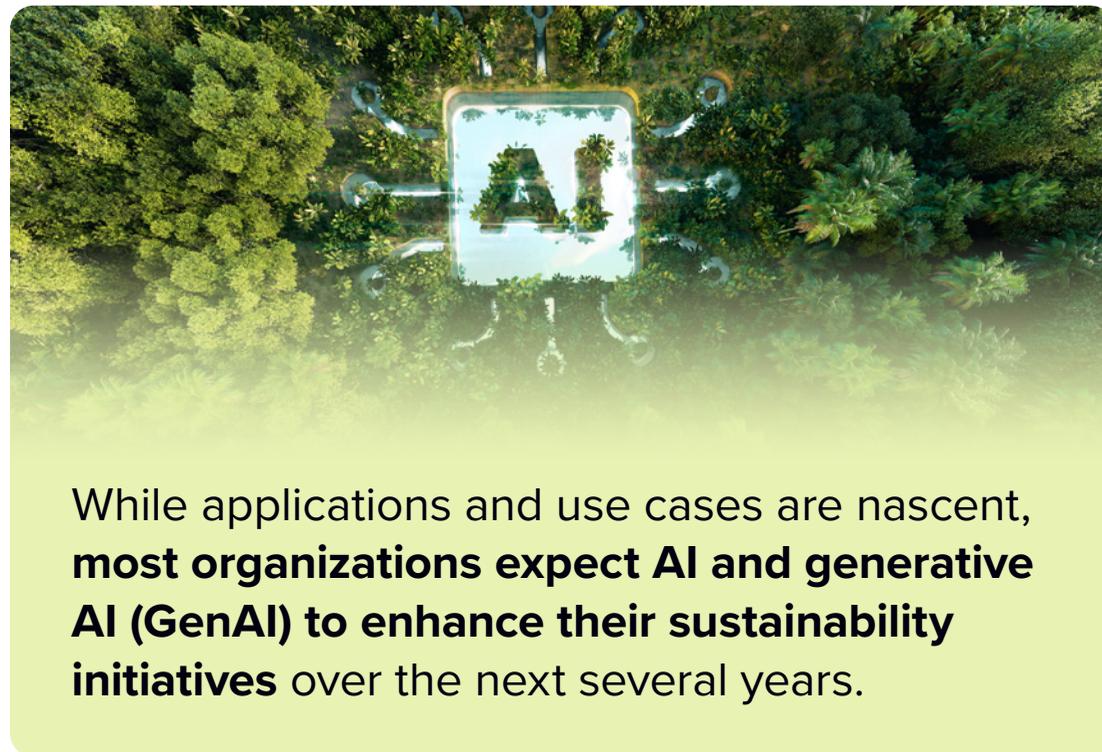


Cloud-based ESG software provides the frequency and automation of updates to keep a business current on sustainability requirements without disruption to daily operations.

Source: IDC's Sustainability Software Survey, July 2024

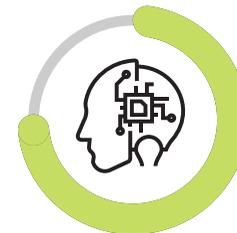
# The Intersection of AI and Sustainability will be Revolutionary

Organizations will rely on AI to support sustainability initiatives enabling both ESG reporting and the pursuit of sustainability goals.

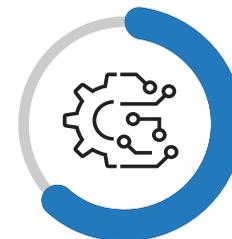


Source: IDC's Sustainability Software Survey, July 2024

In recent IDC tech surveys:



**76%** of organizations think that AI will be very important or critical to supporting their sustainability initiatives.



**64%** expect their sustainability software to incorporate AI/GenAI in the next one to three years.

# Sustainability Requires Agility

Use cases range from stakeholder management to full-scale ESG data collection and analysis.

Investment needs in AI-enabled sustainability software change as organizations move up the sustainable transformation maturity ladder:

## Top investment driver

 <b>Beginner</b>	 <b>Intermediate</b>	 <b>Advanced</b>
<p>Track ESG priorities across stakeholder groups.</p>	<p>Prioritize projects/optimize performance.</p>	<p>Extract and analyze unstructured sustainability and ESG data; break up data silos and unify ESG data across the organization.</p>

Source: IDC's AI & Sustainability Survey, 2024

# AI-Enabled Sustainability Solutions Deliver Efficiencies at Scale

AI-enabled ESG software can help organizations at every step of the sustainability transformation curve improve their process journey to become compliant, create operational efficiencies, and generate long-term ROI.

	 Beginner	 Intermediate	 Advanced
Priorities	<ul style="list-style-type: none"> <li>• Reporting and regulatory compliance</li> <li>• Sustainable sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Product and operations transformation</li> <li>• Reporting and regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• ESG risk management</li> <li>• Generate ROI and competitive advantage through sustainability</li> </ul>
How they leverage AI-enabled ESG software	<ul style="list-style-type: none"> <li>• Understand the regulatory environment</li> <li>• Perform materiality assessments</li> <li>• Practice supplier selection for sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Break up data silos and connect data sources</li> <li>• Provide insights to different business functions</li> <li>• Automate collection from external stakeholders for reporting purposes</li> </ul>	<ul style="list-style-type: none"> <li>• Anticipate climate risks on supply chain activities</li> <li>• Continuously improve operational performance through real-time insights and recommendations</li> </ul>

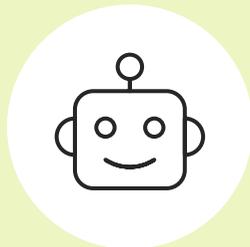
Source: IDC's AI & Sustainability Survey, 2024

# Key Takeaways



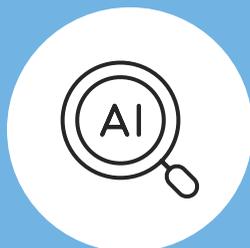
**Manage sustainability data like financial data in an ERP-centric, cloud-based, AI-enabled solution to future-proof an organization.**

As the ESG regulatory landscape continues to evolve, organizations will leverage cloud-based, AI-driven solutions to keep pace with sustainability compliance, trusting ERP-centered sustainability data to produce accurate and auditable disclosures.



**Leverage unique AI capabilities at different steps of the ESG data management process.**

AI technologies like GenAI and predictive AI will help organizations on their ESG data journey. AI allows them to collect data faster from multiple sources in an automated way, recommends remediation actions when they are out of compliance, and lets them anticipate climate-related risks before they impact operations.



**Use AI to automate reporting and gain actionable insights for sustainability decisioning.**

AI can alleviate labor-intensive processes in data collection and dissemination as well as provide heightened analytics to help drive the most impactful sustainability initiatives.

# About the IDC Analysts



## Amy Cravens

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Amy Cravens is Research Manager contributing to IDC's Sustainable Strategies and Technologies Team and IDC's Security and Trust Group. In this role she is responsible for the GRC and ESG Management and Reporting Technologies research program, providing strategic guidance and research on market trends, technology usage, and business strategies. Amy has provided strategic market consulting to companies for over two decades.

[More about Amy Cravens](#)



## Bjoern Stengel

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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. Bjoern also supports IDC's Worldwide Business Consulting and Environmental, Social, and Governance (ESG) Business Services research.

[More about Bjoern Stengel](#)

# Message from the Sponsor



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**For more information please contact your SAP Partner.**

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