

GreenWire

ESG MAGAZINE

FEATURED INTERVIEW

The man driving climate action through data and insight

ESG SUPPLIER ALIGNMENT

Tackling the unique challenge

THE DATA PROBLEM IN ESG

Challenges of information overload

GREEN SUPPLY CHAIN

Get to the grips of the unique challenge

DIGITAL TRANSFORMATION MEETS ESG

Is your business ready for it?

HESSAM LAVI

Founder & CEO,
Climatiq

POWERING THE FUTURE

Practical ESG Challenges and Their Way Around

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From the Editor

Welcome to the first edition of GreenWire, where we dive deep into the world of ESG transformation and innovation. As the pace of change accelerates in our pursuit of sustainability, we recognize the challenges you face—from managing vast data sets to navigating new regulations. But within these challenges lie immense opportunities.

In this issue, we explore groundbreaking approaches to building a greener future. From exclusive insights with thought leaders like Hessam Lavi, to practical tips on aligning your supply chain with ESG goals, our goal is to arm you with the knowledge and tools to drive meaningful change in your organization.

We believe the future belongs to those who can turn data into actionable insights, and sustainability into a core business advantage. As always, we're here to help you make that journey smoother, smarter, and more impactful.

So, grab a cup of coffee, settle in, and let's chart the course for a more sustainable tomorrow—together.

Amit Shah

Editor-in-Chief



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ESG REPORTING AND REGULATIONS

What's new?

THE DATA PROBLEM IN

ESG



ESG is essentially a data problem because the core of environmental, social, and governance (ESG) initiatives relies on the accurate collection, management, and analysis of vast amounts of complex data.

If you've ever felt overwhelmed trying to sort through your company's ESG data, you're not alone. With sustainability being the buzzword of the decade, everyone is scrambling to gather data that paints them in the greenest possible light—literally and figuratively. But what happens when you're buried under a mountain of information, unsure of how to make sense of it all?

Welcome to the world of ESG reporting, where the good intentions of transparency can quickly devolve into chaos if the data isn't managed properly.



At Lythouse, we've seen the same story play out time and again: companies that care deeply about sustainability struggle to keep up with the sheer volume and complexity of ESG data. It's not that they're unwilling to put in the work—it's that they're drowning in data. The question is, how do we turn this overwhelming tide into something useful? Let's break it down.

Why Is ESG Data So Complicated?

It all started out simple enough: report your carbon emissions, track your energy consumption, maybe mention a few diversity initiatives. Fast forward to today, ESG reporting has turned into a full-blown data marathon. Every company now faces pressure to track everything from Scope 1 emissions to how many trees their suppliers plant on weekends.

The problem?

ESG data isn't just abundant—it's scattered, inconsistent, and often comes in from dozens of sources. Think about it: you're pulling metrics from HR, finance, procurement, legal, and the supply chain. Then you've got to match all of this to evolving frameworks like GRI, SASB, and TCFD. It's like trying to put together a jigsaw puzzle where the pieces come from 10 different puzzles.

This complexity only increases when dealing with Scope 3 emissions, the hardest to track and often the most significant. These emissions result from activities not directly under your control—like those produced by suppliers or during product use. Mapping all this data accurately is a monumental task, requiring input from across your organization and beyond.

Data Mapping: The Black Hole of ESG

Even when you've got all your data collected, the real headache begins with data mapping. This is the process of sorting, categorizing, and linking data to the right ESG metrics. Sound simple? It isn't. Without the right tools, you're left with a mess of spreadsheets, conflicting data points, and endless versions of the same report.

Imagine trying to calculate your company's total carbon footprint while dealing with supplier data that hasn't been verified. Or worse, trying to determine which emissions fall under Scope 1, 2, or 3 without clear guidelines. That's the reality for most ESG teams today.



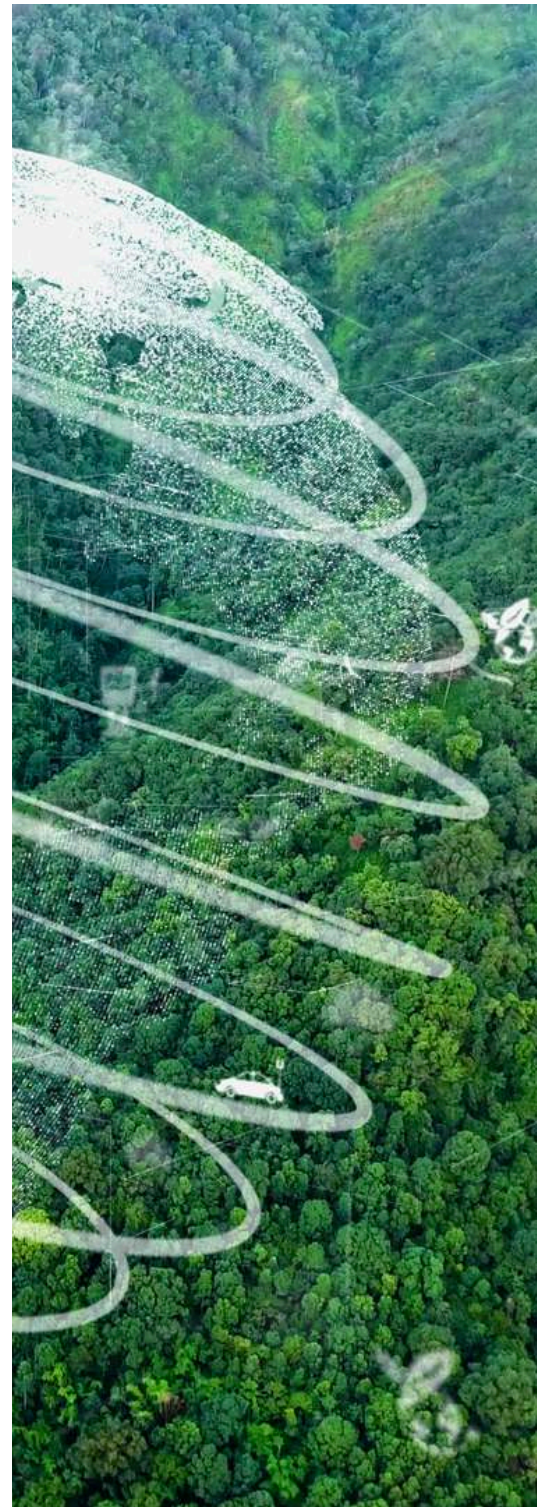
And the challenge doesn't stop there. ESG metrics differ across industries, and stakeholders demand tailored reporting. What's material to one sector might be irrelevant to another. This makes mapping and categorizing ESG data a uniquely customized challenge for each business. The lack of standardized reporting also adds to the chaos, with companies juggling multiple frameworks—each with different reporting requirements. You've got to satisfy regulatory bodies, meet investor expectations, and address consumer demands all at once.

Data Management Pitfalls:

More than just compliance data overload isn't just a logistical nightmare. There are real consequences to getting it wrong.

Let's be honest—nobody wants to get called out for greenwashing or releasing inaccurate ESG reports. Yet, with so much data, the chances of making mistakes grow exponentially. Inaccurate data can lead to non-compliance with regulations, damage to your brand's reputation, and loss of investor trust. Plus, if you're not getting your ESG data right, you're probably missing out on key insights that could actually help your business become more sustainable (and profitable).

Investors are increasingly ESG-savvy and rely on this data to make informed decisions. If your reporting doesn't measure up, it could mean losing out on capital investment. On top of that, compliance is now non-negotiable. Companies need to report not only for transparency but also to avoid regulatory fines and penalties. A small mistake in mapping or categorizing your emissions data could result in costly consequences.



Accurate ESG data turns compliance challenges
into sustainability opportunities and growth.



The Lythouse Solution: From Chaos to Clarity

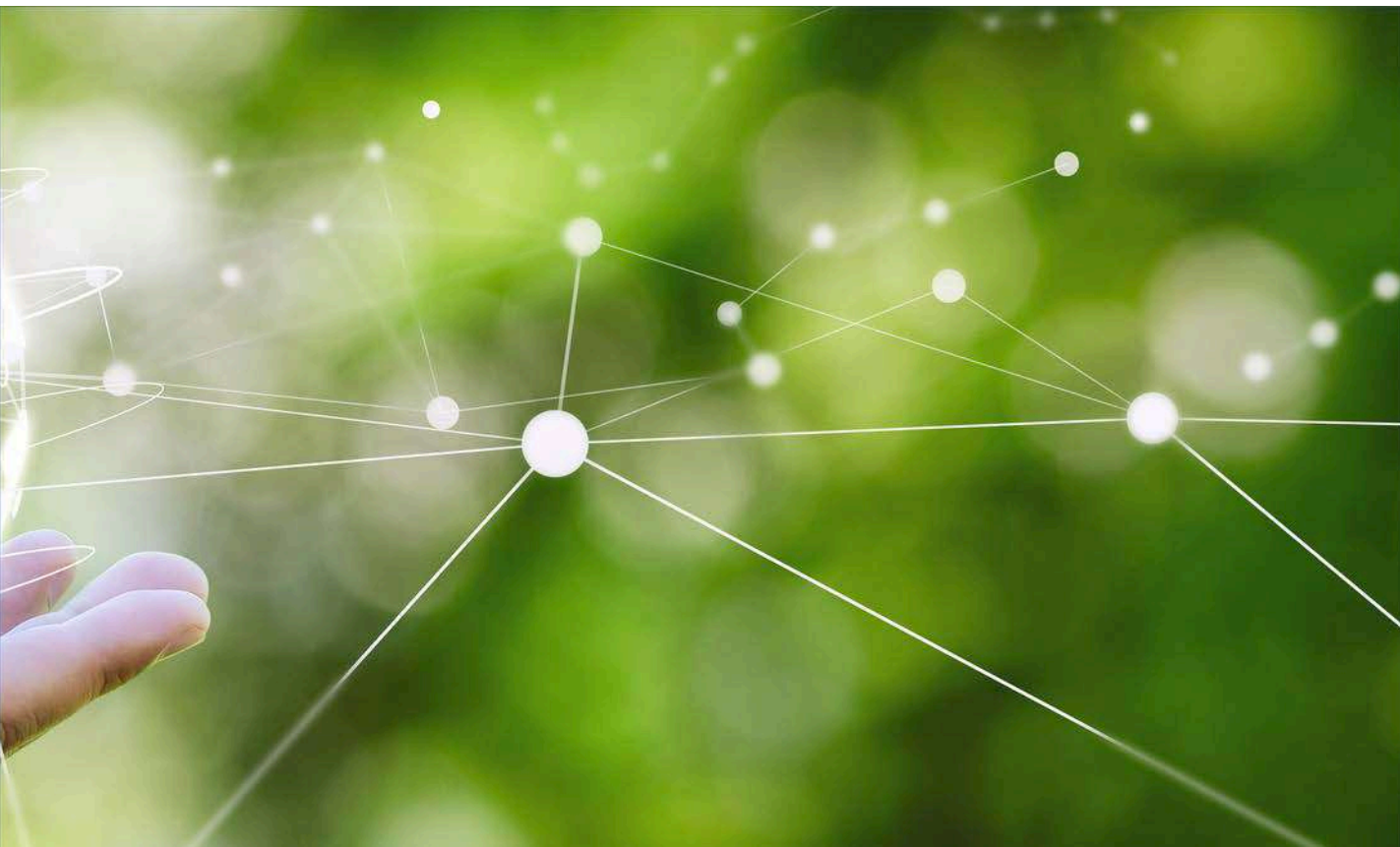
At Lythouse, we believe the data problem shouldn't feel like an unsolvable riddle. With the right technology, companies can collect, analyze, and report ESG data without pulling their hair out. Our solution? Automating the entire process—from integrating data from various sources to real-time verification and reporting.

Instead of juggling spreadsheets and manually matching supplier data, our platform connects with your existing systems (ERP, CRM, HR, you name it) and automates data collection. Then, it analyzes everything with AI, giving you clean, actionable insights that don't just tick the compliance box but actually help you drive meaningful sustainability initiatives.

Our solution is built with scalability in mind. Whether you're a small business or a global enterprise, Lythouse ensures that data collection is seamless and automated across your operations. This reduces the likelihood of human error and eliminates the need for time-consuming manual processes. And the best part? You can access real-time data insights to make informed decisions on the fly, rather than waiting for a quarterly report to show you what's happening.

Turning Data into Opportunity

Yes, the world of ESG is data-heavy, but here's the flip side: with all this information, companies have more opportunities than ever to make strategic decisions. The trick is having a system that doesn't just store data but transforms it into something that informs your business strategy, whether it's improving energy efficiency, reducing emissions, or managing supplier risks.



Data is the fuel, but the engine needs to be efficient. At Lythouse, we ensure that you can actually use it the data. Our platform goes beyond just collecting and categorizing data, it contextualizes it within your ESG goals, offering you a bird's-eye view of your progress. We help you see the big picture—how every metric fits into your long-term sustainability strategy.

What this means for your business is simple: smarter decisions, faster compliance, and a clearer path to meeting your ESG objectives. Imagine turning what was once an overwhelming flood of data into a roadmap for reducing your carbon footprint, enhancing diversity, or managing social risks in your supply chain.

The Future of ESG Reporting

The world of ESG data is evolving, and businesses need to keep up. Regulations are tightening, stakeholder expectations are rising, and the data requirements are becoming more complex. Companies that can't manage their ESG data effectively are at high risk of falling behind.

But with the right tools, what seems like an insurmountable challenge can become a competitive advantage. By embracing automated data solutions, you can reduce the burden of ESG reporting, streamline your operations, and focus on what really matters—creating lasting, positive impact.

Digital Transformation Meets



Is your business ready for it?

Remember when “going digital” was the ultimate badge of honor for businesses? It felt like the future was all about faster apps, smoother processes, and slick customer experiences. But guess what? There’s a new twist in the story. Now, it’s not just about embracing digital tools—it’s about aligning those tools with sustainability and social responsibility. Welcome to the age where digital transformation meets ESG (Environmental, Social, and Governance). And if you’re not ready, well, you might want to buckle up because the future is already here.

At Lythouse, we’ve seen a massive shift in how companies are tackling these two powerful trends. You can’t have a serious digital strategy without addressing ESG—and you can’t truly embrace ESG without the help of digital transformation. The question for you is: Is your business prepared to merge these two forces and thrive?

Why You Can’t Just “Go Digital” Anymore

Let’s get real for a second. Remember when “going digital” was all about cutting down on paperwork and throwing your company into the cloud? Sure, those were good times, but the stakes are much higher now. Digital transformation isn’t just about efficiency or keeping up with tech-savvy competitors anymore. It’s about leveraging that digital shift to achieve more meaningful goals, like reducing your carbon footprint, improving labor practices, and maintaining transparent governance.

Think about it. Every decision your business makes in the digital world has a ripple effect. Cloud computing sounds great until you consider the energy required to power those data centers. AI and automation? Amazing—until you start asking questions about how those systems affect job displacement or data privacy. It’s not enough to have a “cool tech stack.” You need to know how that stack fits into a sustainable, responsible future.

Why ESG Isn’t Just a Box to Check Anymore

We all have to face it—there was a time when ESG was treated like a buzzword. It showed up in annual reports, and companies made some vague promises about sustainability and governance, but it wasn’t at the heart of most strategies. Now? That’s changed in a big way. ESG is no longer a “nice-to-have.” It’s become a must-have for businesses that want to survive and thrive.

According to research, ~90% of investors now look at ESG factors before making decisions. Consumers are no different—studies show that ~88% expect companies to focus on sustainability, and many are willing to switch brands if they think your company doesn't align with their values.

Here's the kicker: It's not just external pressure driving this. Internally, your employees are starting to expect more. They want to know that the company they work for is making a real impact. If your company is lagging behind on ESG, you're not just at risk of losing customers or investors—you could lose top talent too.

The Magic Happens When Digital Meets ESG.

So, how do digital transformation and ESG actually complement each other?

Well, it turns out they fit together like **puzzle** pieces.

Digital transformation allows businesses to gather, analyze, and report on ESG data with more precision and less effort. Instead of being bogged down by manual data collection and spreadsheets, modern technologies—like AI and machine learning—automate the entire process.

Here's an example: ESG reporting requires you to track everything from carbon emissions to supply chain labor practices. Without digital tools, this would be an administrative nightmare. But with smart tech, you can automate data collection from your CRM, ERP, or even supplier networks. This means faster reporting, fewer errors, and more transparency for investors, consumers, and regulatory bodies.

And that's not all. Blockchain

technology is now being used to provide even more transparency in ESG efforts. Imagine tracking every single stage of your supply chain to ensure that all products are ethically sourced and environmentally friendly. Blockchain makes it possible to create an unalterable record of all your ESG efforts, so you can prove your commitments with confidence.

The Challenges—and How to Overcome Them

Okay, so it's not all smooth sailing. Yes, there are some hurdles when it comes to integrating ESG into your digital strategy. For starters, many companies are working with outdated systems—legacy systems that aren't built to handle the complexity of ESG data. Then, there are data silos, where each department keeps its own ESG metrics, making it difficult to create a unified report.



Digital transformation isn't just about efficiency, it's about leveraging technology to achieve meaningful ESG goals like reducing your carbon footprint and building a sustainable, responsible future.



But here's the good news: Tackling these challenges is absolutely doable, and the payoff is huge. The key is to start small and scale up. Begin by identifying the areas where your digital strategy can have the biggest impact on your ESG goals. Maybe that's your supply chain, or maybe it's your energy use. Once you've got that figured out, use automation tools and AI to integrate and streamline those processes.

At Lythouse, we've seen companies transform their entire ESG approach by focusing on just one area at a time. Once they see the results like lower operational costs, increased efficiency, and stronger stakeholder trust they're motivated to apply those digital tools across the board.

Ready or Not: The Opportunity Ahead

We're at a tipping point, and the intersection of digital transformation and ESG presents one of the greatest business opportunities of our time.

This isn't about making a choice between doing good for the world or doing well in business. The truth is, you can do both. In fact, companies that are leading the way in digital ESG integration are seeing improved financial performance and operational resilience.

The question isn't whether your business should adopt these practices it's when and how. And the answer is now!

So, is your business ready for this new era? Or are you still clinging to a digital strategy that doesn't align with the values of your consumers, investors, or employees? It's time to embrace the future, and Lythouse is here to help you navigate that journey. We believe that with the right tools and strategies, every business can align its digital transformation with its ESG goals and thrive while doing it.

Get Started with Lythouse

At Lythouse, we specialize in helping businesses like yours bridge the gap between digital transformation and ESG. We know that every company's journey is unique, and that's why we offer tailored solutions that fit your specific needs. Whether it's automating your ESG data collection, ensuring compliance, or building transparency into your supply chain, we've got the tools to make it happen.

Don't let your business get left behind in the dust. The future is now, and those who embrace the combination of digital transformation and ESG will be the ones who come out on top.

So, are you ready to take your business into the next generation of sustainability and technology?

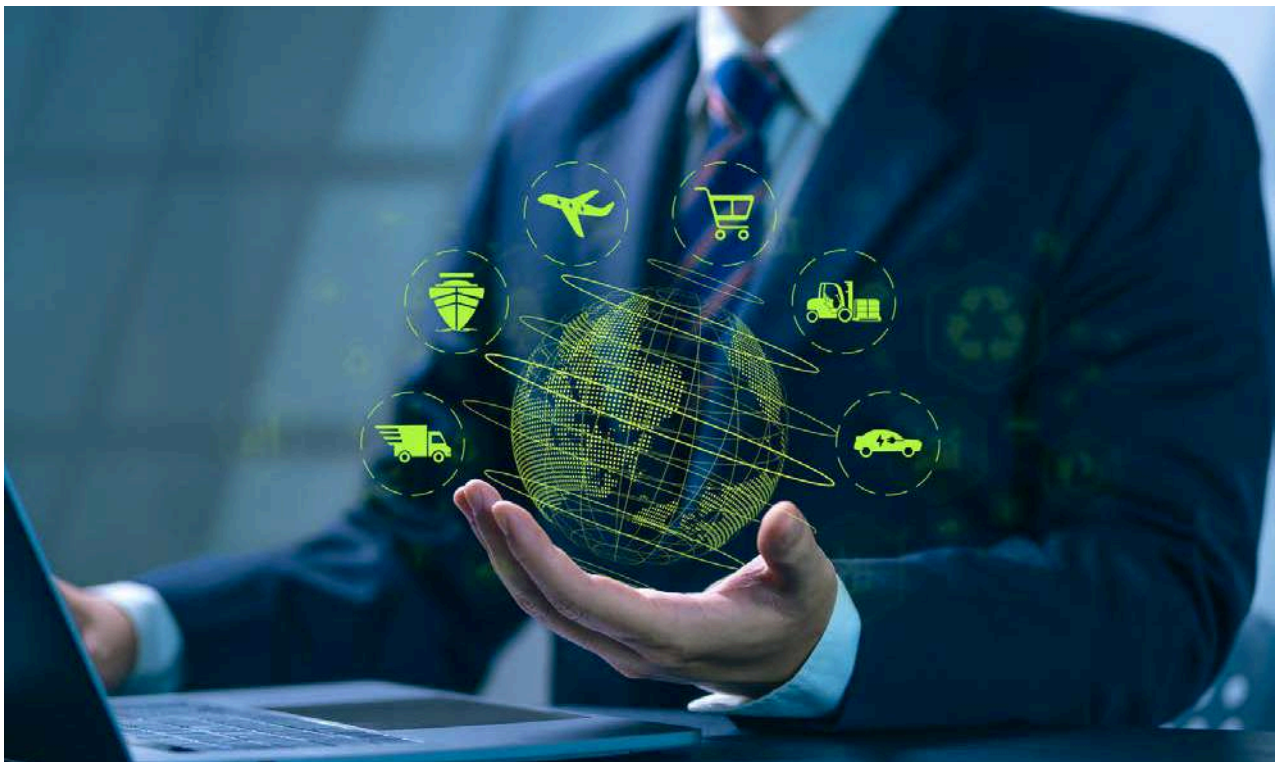
Building a Green Supply Chain: No Longer Optional, But Essential

Imagine a world where every product you buy has a clear, environmentally friendly footprint where companies aren't just shipping goods but also leading the charge toward a sustainable future. Sounds utopian, right? Well, this is the vision behind the green supply chain. But here's the catch: building and managing one is no small feat. It's like climbing a mountain, challenging but entirely worth it for those who make the journey.

At Lythouse, we've had a front-row seat to the complexities businesses face when it comes to greening their supply chains. And here's the thing: it's no longer just a "nice to have"—it's an urgent necessity. From regulatory pressures to consumer demand, the push for sustainable supply chains has reached a tipping point. But let's be honest—it's not without its unique challenges.

So, how do businesses tackle these challenges while staying profitable and competitive?

Let's dive into the complexities of the green supply chain and explore the steps companies can take to embrace sustainability in their operations.



The Need for a Green Supply Chain: What's Driving the Shift?

Before we get into the nitty-gritty of building a green supply chain, it's important to understand why the shift toward sustainability is happening. There are a few key drivers pushing companies in this direction:

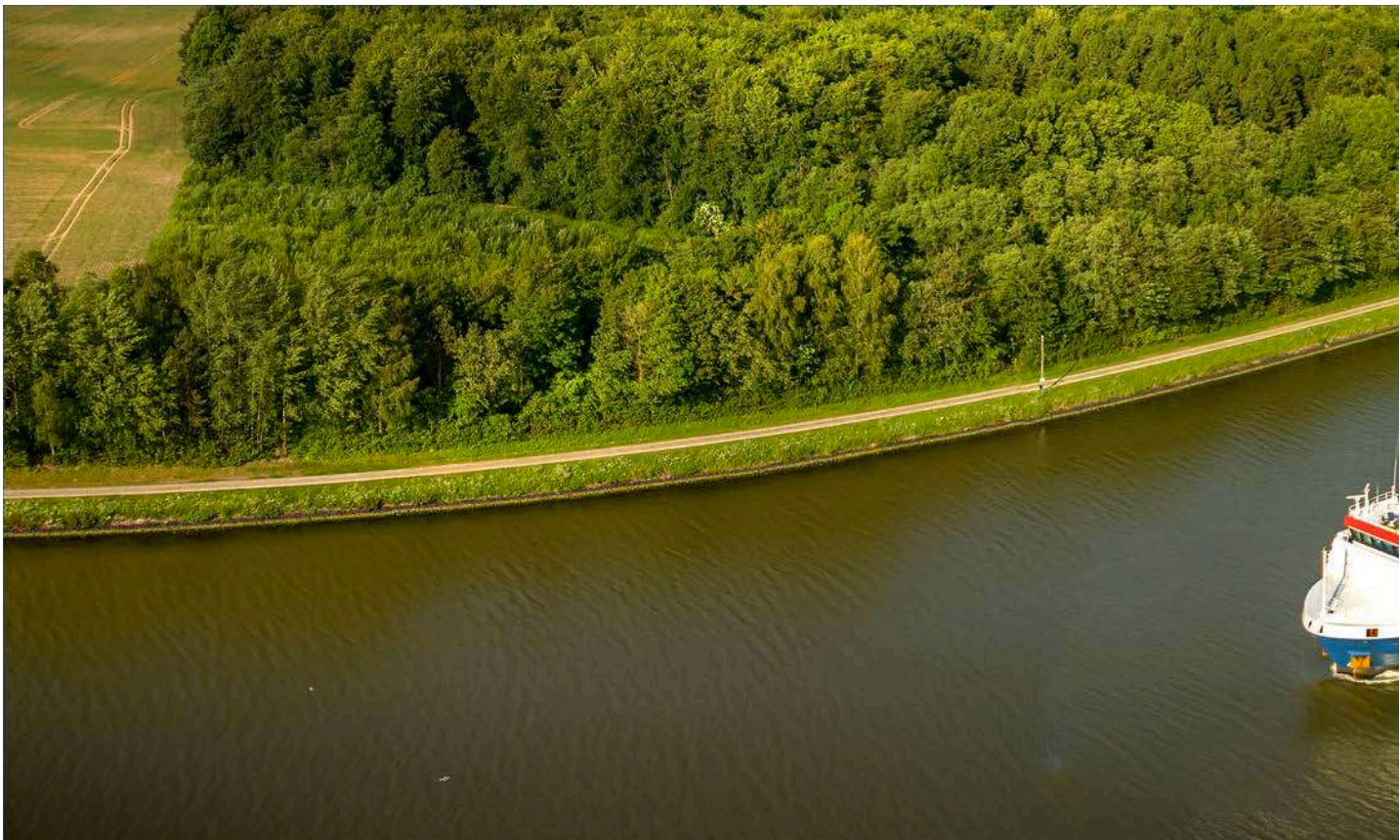
Consumer Demand: Today's consumers are more environmentally conscious than ever before. They want to know where their products come from, how they're made, and what impact they're having on the planet. Research shows that more than 70% of consumers are willing to pay a premium for products from sustainable brands. This has put immense pressure on businesses to clean up their act—not just in terms of what they produce but how they produce it.

Regulatory Pressure: Governments and international bodies are tightening regulations around environmental impact. Carbon taxes, emissions reporting, and waste management laws are becoming more stringent. Failing to comply with these regulations can lead to hefty fines and reputational damage. This means that for many companies, going green is no longer optional—it's a compliance issue.

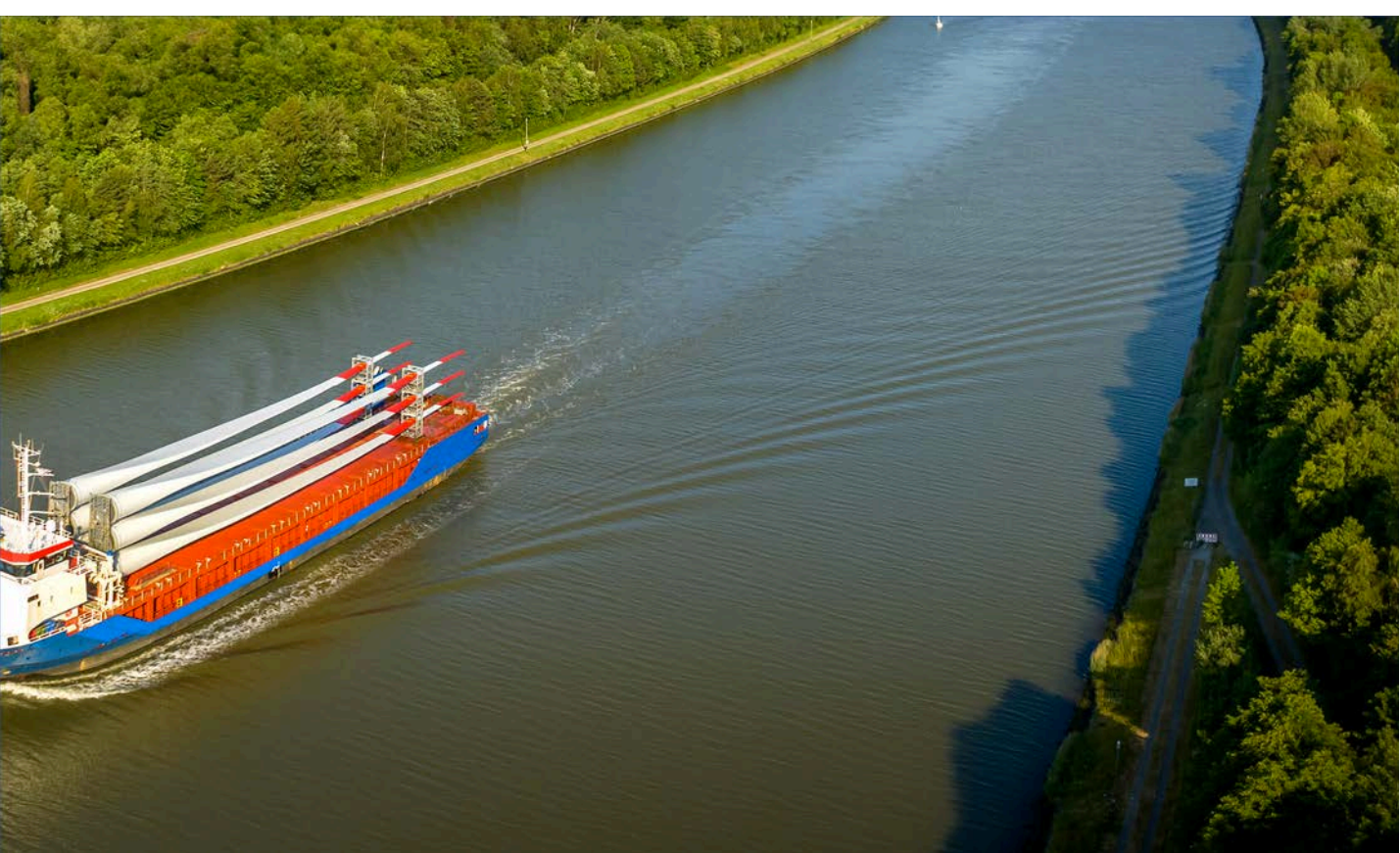
Investor Expectations: ESG (Environmental, Social, and Governance) metrics have become crucial for investors looking to assess long-term risk. Companies that demonstrate strong sustainability practices are not only more attractive to investors but also benefit from increased access to capital. Investors are actively looking for businesses that can manage their environmental impact effectively, and having a green supply chain is often a major component of that.


The Challenge: Why Is Building a Green Supply Chain So Hard?

Okay, so the need for a green supply chain is clear. But why is it such a unique challenge? Let's break it down.



- **Complexity of Global Supply Chains:** Modern supply chains are incredibly complex, often spanning multiple countries and involving thousands of suppliers. Each link in the chain—whether it's raw material extraction, manufacturing, or transportation—has its own environmental footprint. Ensuring that every player in the chain follows sustainable practices can feel like herding cats. For example, how do you ensure that a supplier halfway across the world is using renewable energy in their production process?
- **Lack of Visibility:** One of the biggest challenges in greening a supply chain is visibility. Many businesses lack insight into what's happening in the deeper tiers of their supply chain. While companies may have control over their immediate suppliers, they often have little information about the practices of those suppliers' suppliers. This lack of transparency makes it difficult to track the environmental impact of every stage of production.
- **Cost Considerations:** Transitioning to a green supply chain can be expensive—at least in the short term. From switching to renewable energy sources to investing in energy-efficient technologies, the upfront costs can be significant. Many businesses, particularly smaller ones, are hesitant to make the investment because they fear it will hurt their bottom line. However, what's often overlooked is the long-term savings that come from reducing energy consumption, minimizing waste, and improving efficiency.
- **Supplier Resistance:** Even if your company is committed to greening its supply chain, you can't do it alone. You need your suppliers on board. But not all suppliers are ready or willing to make the shift to more sustainable practices. Some may lack the resources to make the necessary changes, while others may resist because they believe it will hurt their profitability.






So, with all these challenges, how can businesses actually build a green supply chain? Here are a few strategies that companies can use to tackle the unique challenges of supply chain sustainability.

- **Start with the Data:** One of the first steps in building a green supply chain is understanding the current state of your operations. This means collecting data on everything from energy usage and emissions to waste generation and resource consumption. Having a clear picture of your environmental impact allows you to identify the areas that need the most attention.

Additionally, using tools like blockchain technology can help provide transparency across the supply chain. Blockchain allows companies to track products through every stage of production, ensuring that sustainability standards are met from start to finish.

- **Work Closely with Suppliers:** You can't build a green supply chain without the support of your suppliers. Start by engaging them in your sustainability goals and encouraging them to adopt more eco-friendly practices. Offer incentives for suppliers that meet your sustainability criteria and consider offering training or resources to help them make the transition.

It's also worth noting that many businesses have begun collaborating with competitors to encourage industry-wide sustainability standards. By working together, companies can create a ripple effect that pushes suppliers to adopt greener practices across the board.

- 
- **Focus on Long-Term Savings:** Yes, going green may come with upfront costs, but the long-term savings can't be ignored. By improving energy efficiency, reducing waste, and streamlining operations, businesses can save money in the long run.

For example, companies that switch to renewable energy often find that they save on electricity costs over time, while those that invest in more efficient transportation methods can cut down on fuel expenses.

- **Embrace Circularity:** A key aspect of a green supply chain is moving toward a circular economy model, where products are designed for reuse, recycling, or repurposing. This reduces waste and extends the lifecycle of materials, creating a more sustainable production cycle.

Companies can begin incorporating circular principles into their supply chain by working with suppliers who prioritize recycled or recyclable materials, designing products with end-of-life in mind, and exploring take-back programs.

The Green Supply Chain of the Future

The truth is, the transition to a green supply chain won't happen overnight. It's a journey, and businesses will face bumps along the way. But here's the good news: those who get ahead of the curve stand to reap significant benefits—not just in terms of sustainability but also in profitability, brand loyalty, and investor confidence. As consumer and regulatory pressures continue to mount, having a green supply chain won't just be an advantage—it will be essential for survival. The companies that take proactive steps to reduce their environmental impact, work closely with their suppliers, and embrace innovative technologies will be the ones to lead the charge into a more sustainable future.

At the end of the day, greening your supply chain is not just about reducing your carbon footprint it's about building a business that's ready for the future. So, while the challenge may be unique, the opportunity it presents is one that no company can afford to ignore.



AI

Your New Superpower for Smarter, Faster Sustainability

Let's be honest: the world of Environmental, Social, and Governance (ESG) is complex, and it's not getting any simpler. Companies are expected to track everything from carbon emissions to employee diversity, all while navigating a maze of regulatory requirements, investor expectations, and shifting consumer priorities. It's enough to make even the most organized business leaders' head spin.

Enter Generative AI (Gen AI), the latest innovation promising to revolutionize how businesses approach their ESG strategies. You've probably heard the hype AI is everywhere these days but the real question is: how can Gen AI become your company's secret weapon in tackling the ESG challenge?

Here at Lythouse, we've seen how this technology is already transforming the way businesses handle ESG data and reporting, and we're here to demystify it. What is Gen AI exactly, how can it supercharge your ESG efforts, and why is it the new ESG superpower? Let's break it down.

What is Gen AI and Why Should You Care?

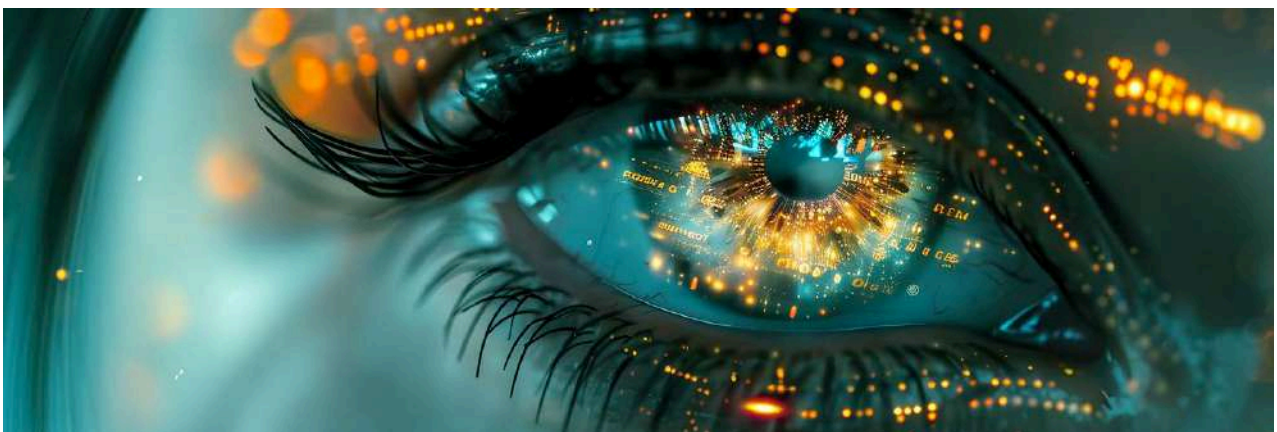
Before diving into how Gen AI can enhance ESG initiatives, let's make sure we're on the same page about what it actually is. In simple terms, Generative AI is a type of artificial intelligence that can create new content—be it text, images, or even music—based on the data it's trained on. Unlike traditional AI, which only analyzes data, Gen AI can generate entirely new outputs based on patterns it detects. So, why should you care? Because Gen AI has the ability to analyze large, complex data sets and generate useful insights faster and more accurately than any human ever could. When it comes to ESG, where data collection, analysis, and reporting are often cumbersome and error-prone, the idea of automating and streamlining those processes with Gen AI sounds like a dream come true.

The Data Deluge: Where Gen AI Can Help

One of the biggest challenges facing businesses in the ESG space is the data deluge. You've got mountains of information pouring in from every corner whether it's energy usage data, supply chain emissions, or employee diversity statistics. Managing all of this data manually is not only time-consuming but also prone to errors. And let's face it, with ESG, errors aren't just a minor inconvenience they can lead to regulatory fines, loss of investor trust, and damage to your brand's reputation.

This is where Gen AI comes in. By leveraging Gen AI, businesses can automate the process of data collection, analysis, and reporting. AI systems can sift through vast amounts of data in real time, identifying patterns, flagging discrepancies, and even predicting future trends based on historical data.

Let's say you're trying to track your company's Scope 3 emissions (the emissions from your supply chain, which are notoriously difficult to measure). Gen AI can process data from multiple suppliers, map out the full emissions picture, and generate accurate reports that meet regulatory standards all while you focus on other aspects of your business.



Reporting and Compliance: A Gen AI Game-Changer

If you've ever been involved in ESG reporting, you know that it's not exactly a walk in the park. The reporting requirements are dense, the metrics are numerous, and the pressure to get it right is immense. For many businesses, keeping up with evolving ESG regulations is one of the biggest pain points. But with Gen AI, this becomes less of a burden.

Gen AI can automate the creation of ESG reports by gathering and organizing data from various sources, ensuring that your company stays compliant with the latest regulations. But it doesn't stop there—Gen AI systems can adapt to new reporting requirements as they emerge, meaning you're always up to date without having to scramble for last-minute fixes.

For example, the EU's Corporate Sustainability Reporting Directive (CSRD) is one of the latest regulatory updates to hit businesses, requiring detailed disclosures on a company's sustainability practices. Keeping up with the CSRD's evolving guidelines can be a headache, but with Gen AI, companies can generate reports that align with these new standards automatically, ensuring compliance without breaking a sweat.

Sustainability Insights on Autopilot

Imagine if you could predict the impact of your company's sustainability initiatives in real time. With Gen AI, that's not just wishful thinking it's entirely possible.

One of the most exciting aspects of Generative AI is its ability to forecast outcomes based on historical data. Let's say you're considering switching to a more sustainable material in your product packaging. Gen AI can analyze past data, model the environmental impact of the change, and predict how it will affect your company's carbon footprint in the future.

It's like having a crystal ball for sustainability decisions.

This kind of predictive analysis helps businesses make more informed, strategic choices about their ESG efforts. Rather than guessing or relying on static data, companies can base their sustainability decisions on real-time insights generated by AI.

Transparency and Trust: The Gen AI Boost

One of the biggest challenges in the ESG world is building trust and transparency with stakeholders. Investors, consumers, and employees want to know that companies are walking the talk when it comes to sustainability and ethical governance. But how do you prove that your ESG efforts are legitimate and not just greenwashing?

Gen AI helps bridge the trust gap by providing transparent, verifiable data. Because AI systems can track and document every step of the data collection and reporting process, businesses can offer stakeholders a clear and reliable view of their ESG performance. This transparency is especially important in industries where consumer trust can make or break a brand.

Moreover, blockchain technology combined with Gen AI offers even greater levels of transparency. Blockchain provides an immutable record of every step in a company's supply chain, while Gen AI can analyze that data and generate insights about ethical sourcing, fair labor practices, or environmental impact. Together, these technologies create a level of accountability that was previously unattainable.

Overcoming the Complexity of ESG with Gen AI
Let's face it ESG is complicated. From carbon accounting to diversity metrics, the sheer scope of what businesses need to track can be overwhelming.



For many companies, it's not a lack of will to engage in ESG that's the problem, but the logistical challenges of gathering,

analyzing, and reporting on the necessary data. This is where Generative AI can turn a monumental task into something manageable. By automating data processes, AI removes much of the manual labor and room for error involved in ESG tracking. Companies can spend less time worrying about data entry and more time focusing on strategic initiatives that actually move the needle on sustainability.

AI also helps businesses overcome one of the most frustrating aspects of ESG: the lack of standardization across frameworks. Different countries, investors, and consumers expect different things when it comes to ESG metrics. Gen AI can help companies navigate this complexity by automatically tailoring reports and insights to meet the specific needs of different stakeholders.

The Road Ahead: Embracing the Power of Gen AI

So, is Gen AI the new ESG superpower? Absolutely. With its ability to streamline data processes, enhance reporting, predict outcomes, and build trust, it's clear that AI is already reshaping the ESG landscape. But like any superpower, the key is knowing how to wield it effectively.

At the end of the day, Generative AI won't solve every ESG challenge on its own. It's a tool an incredibly powerful one but companies still need to pair it with strong governance, clear values, and a commitment to sustainability. Those who do will find themselves not just meeting ESG requirements but leading the charge toward a more sustainable future. The future of ESG is bright, and Gen AI is here to help light the way. Are you ready to harness its power? The journey starts now.

Struggling with Scope 3 emissions? You're not alone. This piece will unpack the headaches of data collection and reporting and reveal smart solutions for getting your supply chain on board with your ESG goals

Aceing Carbon Intelligence

The man driving climate action through data and insight

Hessam Lavi

Founder & CEO,
Climatiq



With climate action taking centre stage for businesses worldwide, managing supply chain emissions has become a pressing issue. We sat down with Hessam Lavi, the CEO and Co-founder of Climatiq, to discuss how his company is revolutionizing carbon management and what businesses can do to effectively reduce their emissions.

TACKLING SUPPLY CHAIN EMISSIONS

A CONVERSATION WITH HESSAM LAVI, CEO OF CLIMATIQ

- **Magazine:** Hessam, thank you for joining us. Climatiq has emerged as a leading player in carbon intelligence. Can you start by giving us an overview of what Climatiq does and how your solution is helping companies manage their emissions?

Hessam Lavi: Thank you for having me. Climatiq is a carbon intelligence engine. We work with hundreds of software providers to integrate carbon metrics directly into their platforms, so their customers can measure their carbon footprint, make informed decisions, and drive meaningful emission reductions. Our focus is on giving companies the ability to access precise, real-time emissions data across their activities, particularly Scope 3, which is notoriously difficult to measure and track.

- **Magazine:** You mentioned Scope 3 emissions. Why are these emissions so difficult to track compared to Scope 1 and 2?

Hessam Lavi: Scope 3 emissions are complex because they cover indirect emissions that occur across the entire value chain—everything from the raw materials a company purchases to the transportation and distribution of its products. These emissions often depend on data from suppliers, which can be challenging to obtain and standardize. Unlike Scope 1 and 2, which focus on emissions directly under a company's control, Scope 3 requires deep collaboration across the supply chain. And that's where the real challenge lies—in getting accurate, consistent data from multiple sources.

- **Magazine:** That sounds challenging! So how does Climatiq help companies overcome these barriers?

Hessam Lavi: Our carbon calculation API pulls from a vast and continuously updated database of emission factors from verified sources like government agencies and scientific institutions. This allows companies to calculate their carbon footprint accurately based on specific business activities across Scopes 1, 2, and 3. Even when primary data from suppliers is unavailable, our platform can estimate emissions using reliable, sector-specific data. We've made it scalable, so whether you're a small company or a large multinational, you can measure your emissions effectively.

■ **Magazine:** You mentioned emission factors. Could you explain how Climatiq sources and updates these factors?

Hessam Lavi: Absolutely. Climatiq maintains the most comprehensive database of standardized and vetted emission factors, sourcing data from authoritative bodies like DEFRA, the U.S. EPA, and more. Our 80,000+ emission factors cover a wide range of activities, from energy usage to supply chain logistics. The database is overseen by Climatiq's in-house climate scientists, as well as a scientific advisory board consisting of world-class scientists. We also update this database regularly, often on a monthly basis, ensuring our users always have the most accurate data at their fingertips. This ongoing update process means companies can trust the results of their carbon calculations, no matter how complex their operations are.

■ **Magazine:** It's clear that you're making the carbon accounting process more accessible for companies. How does Climatiq's technology integrate into existing business systems?

Hessam Lavi: Our solution is designed to be highly flexible. We offer an API that can be integrated into any software solution, whether it's an ERP, procurement, or logistics system. This allows businesses to seamlessly incorporate carbon insights into their daily operations. In addition to our emission factor database, we also provide tools that enable real-time carbon calculations. Our goal is to make carbon management a natural part of business processes, without adding unnecessary complexity.



- **Magazine:** That sounds incredibly useful. Speaking of partnerships, how do you collaborate with other companies, such as Lythouse, to enhance carbon management?

Hessam Lavi: Partnerships are crucial to our strategy. With Lythouse, for instance, we integrate our comprehensive emission factor database into their ESG platform. This means that Lythouse users can now access accurate emission insights for all 15 categories in Scope 3. By working together, we help companies get a clearer picture of their overall impact, particularly across supply chain activities. It's about creating a seamless experience that brings together carbon data and other sustainability metrics, all in one place.

- **Magazine:** What advice would you give to businesses that are just beginning their journey to reduce their Scope 3 emissions?

Hessam Lavi: The first step is to start measuring. You can't reduce what you don't measure. Many businesses hesitate because Scope 3 emissions seem overwhelming, but with tools like Climatiq, you can begin by using available data to estimate emissions. From there, it's about engaging your suppliers, gathering more detailed data, and continuously refining your carbon accounting. It's not about perfection from day one it's about making progress and using the data to inform strategic decisions that reduce your carbon footprint over time.

- **Magazine:** Finally, what's next for Climatiq?

Hessam Lavi: We're excited about the future. We're continuing to expand our database of emission factors and refining our technology to make carbon accounting even more accessible. We're also focusing on deepening our partnerships with other platforms and expanding our reach globally. Ultimately, our goal is to help businesses surface carbon visibility in their operations, so they can reduce their impact and drive meaningful climate action.

- **Magazine:** Thank you for your time, Hessam. It's been great learning about how Climatiq is driving change in carbon visibility.

Hessam Lavi: Thank you! It was a pleasure to share what we're doing, and I'm excited to see what's ahead in our partnership with Lythouse.

You can't reduce what you don't measure.

Carbon visibility is the first step toward **meaningful climate action** and supply chain transformation.

ESG REPORTING AND REGULATIONS

WHAT'S NEW?

The quiet ticking of ESG compliance is getting louder. What started as a murmur has now grown into a full-blown symphony of regulations demanding attention from businesses across the globe. If you thought you could ignore the nuances of ESG reporting, think again this isn't just about staying green anymore, it's about survival in a market where transparency is king, and accountability rules.

The latest wave of regulations isn't just nudging companies toward sustainability it's pushing them headfirst into a new era where reporting, tracking, and verifying ESG metrics are no longer optional. From Europe's ambitious Corporate Sustainability Reporting Directive (CSRD) to the SEC's upcoming climate disclosures in the U.S., companies now face a complex regulatory landscape that's evolving faster than ever. So, what's changed, and what should you be watching for next? Let's break it down.

In Europe, the Corporate Sustainability Reporting Directive (CSRD) has been making waves. This isn't just an upgrade from the Non-Financial Reporting Directive (NFRD); it's a whole new level of rigor. Think of it as the difference between jogging on a treadmill and running a marathon—more companies, more data, and a lot more accountability.

The CSRD casts a much wider net, applying to companies with over 250 employees or €40 million in revenue, and even listed small- and medium-sized enterprises (SMEs). This means if you're doing business in the EU, you're likely on the hook for ESG reporting, even if you previously flew under the radar.

So, what's new?



Standardization: The CSRD mandates a set of standardized sustainability reporting rules based on the European Sustainability Reporting Standards (ESRS). This will make it much easier to compare companies on their ESG performance—no more vague, feel-good sustainability reports.



Third-Party Assurance: Yes, external audits are now required. Just like financial audits, your ESG reports will need to be verified by a third party. If you've been fudging your carbon data or rounding down your emissions, this is where things get real.



Digital Tagging: The EU is serious about making ESG data usable, requiring companies to tag their reports in digital formats so they can be easily read and analyzed by regulators, investors, and even machines.

While these rules don't fully kick in until 2024, companies should be preparing now. The clock is ticking, and getting ahead of these regulations could give you a competitive advantage.

On the other side of the Atlantic, the Securities and Exchange Commission (SEC) has proposed sweeping new climate disclosure rules for U.S.-based companies. While not as comprehensive as the CSRD, the SEC's rules mark a significant shift toward mandatory ESG reporting in the U.S. These proposals focus on climate-related risks and disclosures that investors can use to assess how a company is positioned in the face of climate change.

Here's what you need to know:

- **Scope 1, 2, and 3 Emissions:** Under the proposed rules, companies will need to report not just their direct emissions (Scope 1) and indirect emissions from energy usage (Scope 2), but also their value chain emissions (Scope 3). For many companies, this will be the hardest part—getting reliable emissions data from suppliers and partners is no easy task.
- **Climate Risk Integration:** Investors want to know how climate risk is affecting your bottom line, and the SEC wants you to spell that out. How are you factoring climate risks into your business strategy? Are you prepared for disruptions caused by extreme weather, regulations, or the transition to a low-carbon economy? This kind of transparency will be crucial going forward.
- **Financial Impact:** Companies will also need to report on how climate-related risks are affecting their financial performance, from asset values to future liabilities. Climate risks are no longer a side note in financial reports—they're front and center.

Though these rules are still in the proposal stage, it's clear that ESG is becoming a key concern for U.S. regulators. Even if you're not a publicly traded company, expect the ripple effects of these regulations to influence the broader business environment.



Another major development is the creation of the International Sustainability Standards Board (ISSB), which is aiming to harmonize the various ESG frameworks out there into a single global standard. If you've been struggling to comply with multiple reporting frameworks—GRI, TCFD, SASB—you'll be glad to know that the ISSB is working on simplifying things.

Why is this important? For companies operating across borders, having one global ESG standard makes life a whole lot easier. No more juggling different reporting requirements depending on where you do business. Investors, too, will benefit from more comparable and consistent data, which should make ESG performance easier to track and evaluate.

The ISSB is still in its infancy, but with governments and regulators from the U.K. to Japan backing it, the board's influence is likely to grow quickly. Expect ISSB standards to become the global benchmark in the next few years.

Environmental issues often steal the ESG spotlight, but social and governance matters are climbing up the regulatory agenda. Companies are now being asked to disclose more about their impacts on human rights, labor practices, and diversity efforts. Governance transparency, particularly around executive pay and board diversity, is also under scrutiny.

For instance, in the U.S., the Nasdaq recently introduced new board diversity rules, requiring listed companies to have at least one woman and one person from an underrepresented minority on their boards, or to explain why they don't. Similarly, the EU is working on a Corporate Sustainability Due Diligence Directive, which will require companies to conduct human rights and environmental due diligence across their value chains.

These new rules emphasize that ESG isn't just about going green—it's about ensuring businesses are socially responsible and properly governed.

With regulations tightening around the globe, ESG reporting is no longer just a "check-the-box" exercise. It's an integral part of corporate strategy, and businesses that adapt will have a clear advantage. So how do you stay ahead in this ever-evolving landscape?

Here's a simple roadmap to keep your company on track:

Start Early: Regulations like the CSRD and SEC proposals may not be fully enforced yet, but early preparation is key. Begin building the systems to track and report your ESG metrics now.

Engage Your Supply Chain: Scope 3 emissions reporting will likely be the most challenging part of any new regulation, so work closely with your suppliers to gather reliable data.

Invest in the Right Tools: ESG reporting is complex, and managing it manually won't cut it anymore. Invest in software and platforms that can automate data collection, analysis, and reporting.
Stay Informed: Keep a close eye on regulatory changes in your region and globally. Subscribe to ESG newsletters, follow industry groups, and join webinars to stay in the loop.

Be Transparent: Don't wait until regulations force your hand. Transparent ESG reporting builds trust with stakeholders and demonstrates that your company is future-ready.

ESG reporting is rapidly becoming the rule, not the exception. With global regulations tightening and stakeholder expectations rising, businesses need to be proactive, not reactive. The good news? With the right strategy and tools, ESG reporting can become a competitive advantage, helping your business not just comply but thrive.

THE FUTURE OF ESG IS HERE
ARE YOU READY TO LEAD?

IS THE
'S' SILENT
IN YOUR
ESG?

