

The problem at hand

ESG reporting for SMEs is problematic due to its complexity, high costs (61% of SMEs cite cost as a major barrier to ESG reporting (IFAC)), and lack of standardised frameworks, making it difficult for smaller businesses to accurately and affordably report their environmental, social, and governance practices. The World Business Council for Sustainable Development (WBCSD, 2023) found that 71% of SMEs struggle with overly complex and inconsistent ESG frameworks, leading to fragmented and often inaccurate reporting.

Only 37% of SMEs are aware of and understand the relevance of ESG factors to their business, according to the European Commission, indicating a significant knowledge gap.

Additionally, SMEs face increasing pressure to report on their ESG performance, driven by demands from larger companies in their supply chain. SMEs cannot afford to ignore the trend, especially with the likelihood of further regulations for smaller businesses. And the fact that SMEs hesitate due to complexities and cost, while ESG reporting is becoming the norm for larger corporations. Beyond compliance, embracing ESG can enhance operational efficiency, financial performance, and attractiveness to investors. Additionally, it plays a pivotal role in attracting and retaining top talent, particularly among younger candidates who seek employers that share their values.

Estimated yearly costs of 0.01-0.03% of SME turnover or £99,000 to £198,000 p/yr for every £7.6 million in (EFRAG,2023) in compliance and administrative expenses, disproportionately impacting their competitiveness. This complexity and cost burden divert resources from core business activities, hindering growth and innovation for over 200 million SMEs worldwide.

Our initial chosen sector of logistics, transport, and storage is increasingly dominated by small businesses (98%; ONS,2021); the opportunity to engage with larger players in the supply chain will require ESG transparency.

How ESG HUB addresses the problem

The innovation will develop a new solution for existing areas, focusing on SMEs in logistics, transport, and storage, to level the playing field for smaller businesses trading globally. Competitors target larger businesses with high prices. ESG HUB will make early ESG reporting cost-effective and simple, enabling SMEs to trade with larger organisations and secure funding.

Figure 1 shows an admin interface for managing ESG reporting progress, giving an overview of progress and data input from different stakeholders. Figure 1 also demonstrates a section of the ESG reporting topics created specifically for the users depending on their requirements,

ESG Hub aims to capture market share by focusing on SMEs, especially those needing ESG compliance for supply chains and investor requirements. With 5.5 million SMEs in the UK (DTI 2023), 77% are part of supply chains (FSB,2018). The ESG Reporting Software market is projected to grow from USD 0.95 billion in 2024 to USD 2.1 billion by 2029, with a CAGR of 17% (Markets and Markets 2024). The UK has few providers.



HighDigital has completed the microservices architecture, user management functions, and the first data framework in Databricks. API connections between the front and back ends, integration of three data sources, ESG report design, and front-end design are finished. The project aims to deliver an MVP that ingests multiple data sources and builds AI ESG reports to standardised frameworks. HighDigital will consult experts Ely Zwaal, Melanie Mann, and Albert Omosa monthly for supply chain, ESG strategies, and regional insights.

Post-project plans include recruiting a sales and marketing team and an onboarding specialist. Immediate actions involve final product tests, marketing strategy finalisation, and compliance checks for rapid commercialisation.

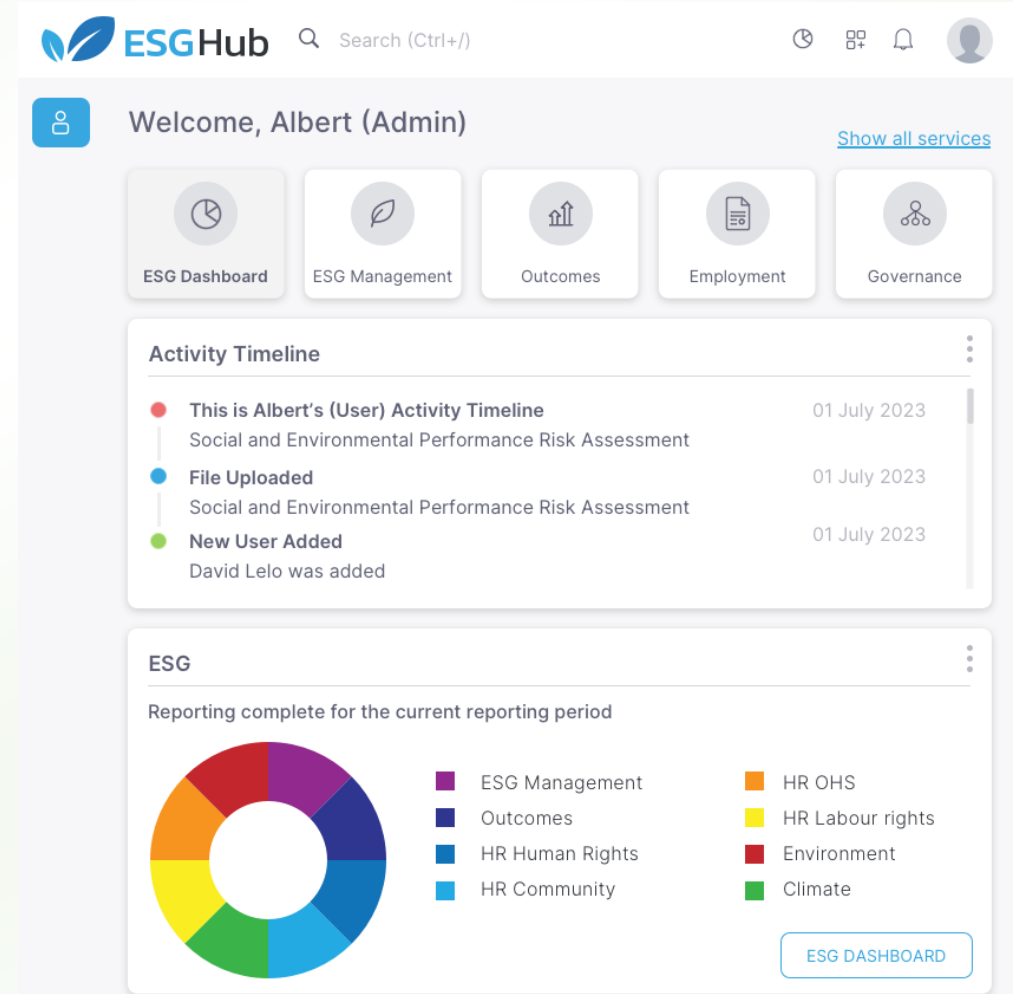


Figure 1: example of the ESG Hub report dashboard (above)

High Digital ESGHub Pros

Simplified and Standardized Reporting:

The ESG Hub platform provides standardized templates and automated data collection, reducing the complexity and cost associated with ESG reporting for SMEs.

Integration with Existing Systems:

By integrating with SMEs' current software through APIs, ESG Hub ensures a seamless implementation process, minimizing disruptions to existing workflows.

Enhanced Accuracy and Transparency:

The platform enhances the accuracy of ESG data and ensures secure, transparent tracking, boosting investor confidence and compliance rates.

High Digital ESGHub Cons

Initial Implementation Time and Costs: Despite long-term savings, the initial setup and integration costs might be a barrier for some SMEs, particularly those with limited time or financial resources.

Data Privacy and Security Concerns: While we offer high security levels, there may still be concerns about data privacy and the potential risks associated with storing sensitive information on a digital platform.

Adaptation and Learning Curve: SMEs may face a learning curve when adopting the new system, requiring time and training to fully leverage the platform's capabilities, which could temporarily affect productivity.

£450/month
or
£5400/year

	APIDAY	Novisto	Pulsora
Benefits	Automation and Efficiency Comprehensive Compliance Support Enhanced Data Management	Automation and AI insights Comprehensive ESG Management Scalability and customisation	Comprehensive platform Cost and energy savings Regulatory and compliance included
Cons	Cost / cost transparency Complexity for Smaller Companies Dependency on Data Availability	Cost / cost transparency Data dependency Complexity	Initial setup and integration Ongoing subscription costs Dependant on accurate data
Cost	Not transparent but estimation of £1500 pm	Approx \$40,000 p/a	Not transparent but estimation of £3000 pm
Risk	Medium	Low	High

Competitors

Our USPs include our SME focus, creating a simpler, quicker and more cost-effective tool. Secondly, we are focusing on logistics, transport, and storage which brings its own specific requirements for ESG reporting specifically around warehouse management, building management and transport management. We are adopting Microservices architecture so SMEs can add functions to their ESG Hub instance as they need them. A key USP is the CMS ESG report which will allow users to create an ESG report from the data captured in their instance. This report can be shared with internal stakeholders and external stakeholders. As well as connecting to data sources to extract and manage raw data for ESG reporting the tool will allow ESG managers to create questionnaires from templates to send to stakeholders to gather critical data that is not stored at another data source. Our advanced user management functions will allow ring-fenced access to the application for business units to add their data independently. Finally, we are future-proofing the application for the addition of AI functions for the 2nd iteration in yr. 2. This will include AI / ML tools to pull anomalies from the data and make suggestions for operational efficiencies utilising Databricks functions. Gen AI will be added to assist with the report creation

Why ESG HUB is so innovative

ESG Hub is so innovative because it is creating a simplified, yet scalable ESG reporting tool focused on SMEs. Initially focusing on SMEs in the logistics, transport, and storage sector as that sector has a large number of SMEs, has a large ESG Impact, and has larger operators in the supply chain with ESG requirements trickling down. The ESG Hub will provide dashboards and analytics for each ESG pillar and a CMS to build bespoke ESG reporting and reporting to a standard GRI framework. SMEs reporting on ESG can expect revenue increases of 15%-20% (PwC 2023). That give Payback on ESGHub annual investment of £5400 in under 1 month. ESGhub is a SaaS platform which subscribers will connect data via APIs and create ESG questionnaires to gather data. The data will be managed in a Lakehouse where formulas queries and algorithms will be applied to create ESG outputs. The outputs can be viewed and analysed by the business owners on dashboards before being imported into an ESG report using bespoke build, templates or GRI framework within the ESG report builder.

We will be early adopters of specific SME ESG reporting frameworks (VSME, ESRS, CSRD)

Freedom to operate checks have been carried out utilising Espacenet to confirm FTO in this domain.