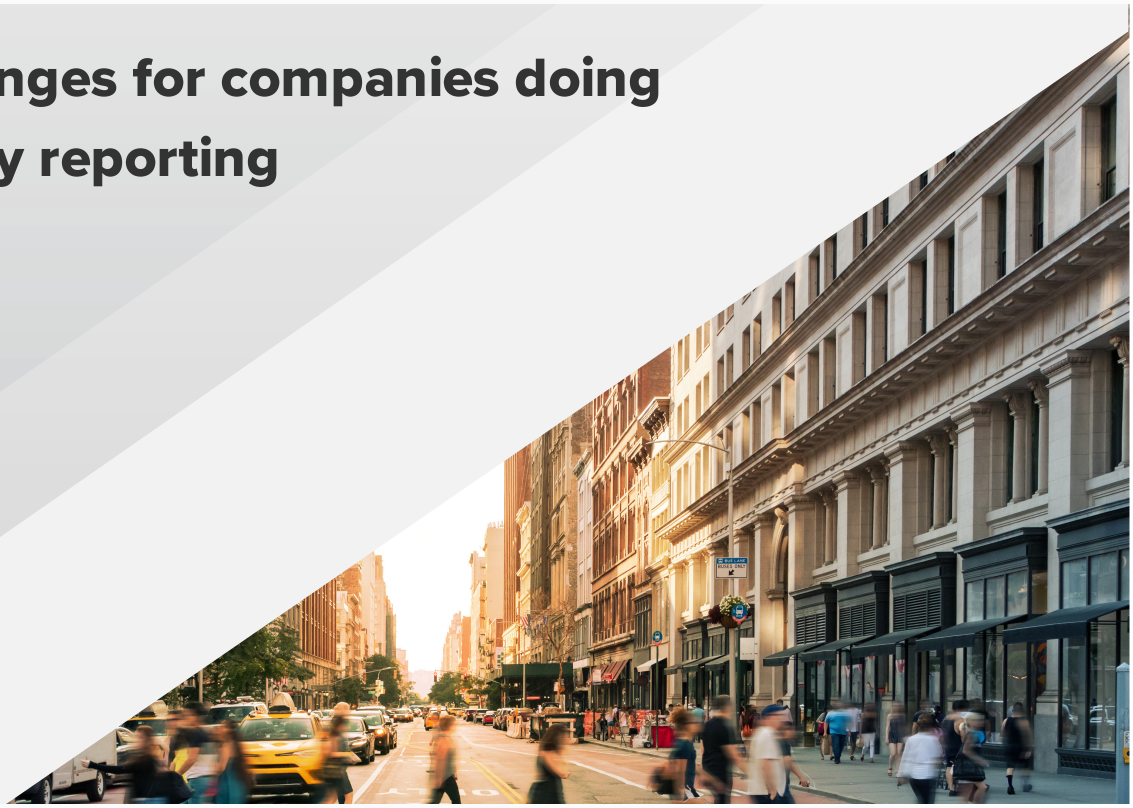
Three challenges for companies doing sustainability reporting



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Sustainability reporting is becoming an inescapable part of corporate responsibility, especially as regulations like the Corporate Sustainability Reporting Directive (CSRD) impose stringent requirements.

At its core, CSRD mandates that companies conduct a Double Materiality Assessment (DMA) - a process to identify emissions and sustainability impacts that are material both internally (how sustainability issues affect the company) and externally (how the company affects society and the environment).

For BDO's Global Office, DMA isn't just a regulatory checkbox; it's central to our global efforts to align with CSRD. When the CSRD becomes required for your firm depends on its size and scope of operations, but the preparation needs to start now.

However, as we've rolled up our sleeves to implement DMA and establish robust reporting frameworks, we've learned that the road to sustainability reporting is filled with unexpected challenges.

Here I share three of these challenges and the lessons we've learned to help you avoid similar pitfalls.

Challenge #1: Your suppliers aren't ready to help

Before reaching out to suppliers, we began with a stakeholder mapping exercise, identifying critical data providers and prioritising them. This part went quickly, giving us confidence - perhaps too much confidence - that supplier engagement would proceed smoothly.

When it came time to collect data from one of our major technology suppliers, the reality was anything but smooth. Despite their size and their own regulatory obligations, we encountered delays and communication gaps that set us back weeks. This experience showed us that even seemingly well-resourced suppliers can struggle to respond to sustainability inquiries due to a huge volume of similar requests from other clients as well as their own organisational pressures.

We learned that relying on publicly available reports and secondary data can keep the process moving, but it compromises accuracy and may not withstand stricter audits in the future.

In my view, it's important to:

- Start supplier engagement well in advance of deadlines
- Focus on relationship-building to improve responsiveness
- Have a backup plan, like leveraging secondary data, while keeping long-term goals of primary data collection in sight

Challenge #2: The time commitment is much greater than expected

When I took on the responsibility of leading the CSRD project and supporting double materiality assessment (DMA) process, I estimated it would take two to three days per week of my time. I was wrong. This project has consumed closer to four full days weekly, and at times, it felt like an all-encompassing effort. The unexpected demands came from coordinating across our global network, working with external consultants and ensuring senior management alignment - all while navigating complex and unfamiliar compliance requirements.
It wasn't just me. Senior management also had to contribute significant time, adding this to their already full plates. The steep learning curve affects everyone, including auditors and regulators, who are also grappling with this new landscape. However, the exercise does allow for a structured look at your business strategy and can drive positive internal change. This obviously requires senior level engagement and education.

Thankfully, our work now is a prototype ahead of formal deadlines. This will help us refine the process before reporting is mandatory. Still, narrowing 89 potential material topics down to 18 left us with over 1,650 data points to address - a stark reminder of the scale of the task.

We've learned that underestimating the time and resources required can jeopardise compliance, overburden your teams, and risk reputational damage.

Therefore, I suggest:

- Running a prototype provides critical insights into workload and process gaps, helping to refine priorities and reduce surprises
- Ensure senior management is ready to allocate the necessary time and resources upfront
- While the first year is arduous, the lessons learned will ease the workload for subsequent reporting cycles

Challenge #3: You'll need more education than you expect

A third challenge is the knowledge gap within organisations. Sustainability reporting isn't just a technical exercise - it requires buy-in and understanding at all levels, from leadership to data providers. Basically, it's all-consuming. At BDO, we realised that many staff members didn't fully grasp the importance of their contributions to the process.

Education gaps slow down the reporting process and can lead to inconsistent or incomplete data submissions, undermining the credibility of reports.

It's important to:

- Invest in structured training sessions to align teams on key principles, such as relevance, completeness, consistency, transparency, and accuracy
- Foster a culture of continuous learning and adaptation, emphasising that sustainability reporting is an evolving process, not a one-time task.

The path to sustainability reporting is complex, requiring patience, agility and a willingness to learn from missteps. By proactively addressing these surprises - engaging suppliers strategically, accurately estimating time needs, and closing education gaps - your company can build a resilient framework that not only meets regulatory requirements but also positions you as a leader in sustainability.

As we've found at BDO, the journey toward sustainability is about much more than compliance. It's an opportunity to demonstrate our values, enhance our credibility and drive meaningful change - both within our organisation and in the broader world.

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