



## Series: How to set up your ESG data, technology, and people for success

1. Sustainability technology is a necessity, but how to make the right choices?



# 1 Sustainability technology is a necessity, but how to make the right choices?

Sustainability is upon us. Some businesses are ahead of the game, and embracing it – in fact, today’s talent, customers and stakeholders are demanding it. Others might find themselves on the back foot, and reacting to upcoming regulations. There’s no avoiding the work that’s needed, but compliance is ultimately a business necessity rather than a differentiator, and companies that focus on compliance alone could end up working hard simply to stand still.

That’s understandable: the scale and complexity of sustainability can seem overwhelming, so it’s easy to become fixated on the immediate reporting challenge. We can’t take away that pain, but we can outline the bigger picture, and give practical advice for approaching sustainability in a way that also advances your business objectives.

Over five articles, we’ll examine how to assess the data capabilities you’ll need, develop a suitable IT and data strategy, and select the right technology to get your whole organisation on the road to becoming sustainable. To start, this article considers the reality of sustainability for business today.



## Article Series








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## For regulations like CSRD, there is no “silver bullet” solution – yet

The landscape is changing rapidly, as new sustainability initiatives continue to emerge, and technology solutions have yet to stabilise. [Our research<sup>1</sup>](#) suggests that 70% of businesses still haven’t completed the climate assessments needed to meet their reporting obligations, while the social and governance aspects of sustainability remain even further behind. It’s a moving target, often with challenging decisions, and many businesses might find that it’s enough to stay focused on simply hitting the broad target, rather than aiming for the bullseye.

The complexity is unprecedented, and the right data is essential. For example, the EU’s Corporate Sustainability Reporting Directive (CSRD) asks for 1,300 data points, which will require new information to be identified, collected and processed from across the whole business and wider supply chain. The work previously done by a small team with a spreadsheet full of estimates will need rigorous and audited data, processes and governance across the whole enterprise. On top of this, increasing requirements for assurable data add complexity and effort. For example, CSRD makes it mandatory for companies to have an audit of the sustainability information they report. Although the prospect might seem overwhelming, the transition can be made manageable by understanding both the long-term objective and short-term sustainability priorities.

<sup>1</sup> Deloitte. [The Audit Committee Frontier: Addressing climate change.](#)

Sample Regulations 	Summary Overview 
 <p><b><u>Task Force Climate-Related Financial Disclosures</u></b></p>	<p>Public interest entities, banks and insurance companies with 500 or more employees, total assets of more than €20 million and/or sales of more than €40 million are required to report publicly on climate issues. Including</p> <ul style="list-style-type: none"> <li>• The financial risk that a company takes through climate-related activities</li> <li>• Disclosures on the impact the company's business activities have on climate or the environment</li> </ul>
 <p><b><u>Corporate Sustainability Reporting Directive (CSRD)</u></b></p>	<p>CSRD replaces Non-Financial Reporting Directive (NFRD), increasing scope of companies that need to comply (from ~12,000 to 50,000). As well as, introducing a set of 1,300 detailed reporting requirements to improve the applicability and granularity of non-financial reporting, introduction of audit requirements and double materiality. Helping investors, consumers, and key stakeholders evaluate large companies non-financial performance around sustainability.</p>
 <p><b><u>EU Taxonomy</u></b></p>	<p>Classification system comprised of 3,700 data points that defines which activities are environmentally sustainable ("green") and it provides a methodology to calculate the "greenness" of a company's turnover, CAPEX and OPEX.</p>
 <p><b><u>Supply Chain Transparency CSDDD</u></b></p>	<p>Companies are responsible to identify and act against and prevent activities that violate human rights and the environment, across their operations including the full value chain (inclusive of established partners and subsidiaries).</p>
 <p><b><u>Financial Conduct Authority</u></b></p>	<p>FCA requires transition plan disclosure for listed companies, large regulated asset owners and asset managers. In addition to TCFD, UK is rolling out the Transition Plan Taskforce (TST) to establish best practice for firm-level transition plans. Including disclosure guidance and frameworks aligned to Glasgow Financial Alliance for Net Zero (GFANZ) and International Sustainability Standards Board (ISSB). Supporting UK's mission to be the world's first net zero-aligned financial centre and push for higher quality and credibility of reporting.</p>

There is no "silver bullet." Sustainability involves a fundamental transformation of people, processes and data. The technology to support that transformation is still immature, but evolving: novel solutions are being developed, niche products exist, and large market incumbents are building sustainability into existing solutions. The market is growing rapidly, but no single platform or vendor can take the challenge off your hands, even if some claim to! Every organisation might need a different sustainability solution right now, but the right choice of technology can support business objectives as well as compliance needs.

## Setting the course

Although the challenges and uncertainty might seem daunting, everyone's in the same boat (or, at least, sea). Each business has to work out the right approach for its own needs, and the only across-the-board advice is to start early. Companies that are already thinking about sustainability don't have it any easier, but they do have a more realistic idea of the work involved. Often, they have shifted from thinking about a minimal, box-ticking exercise, to considering how to create a sustainable organisation. That journey will involve more initial effort and, as an example, one retailer has moved from 2 to 50 FTEs working exclusively on ESG data technology.<sup>2</sup>

History tells us that sustainability is new in nature, but not in approach. Finance made a similar journey many years ago, as obligations on accounting and reporting introduced new standards, data and on to become normal business practice, and the technology market caught up. Compliance now comes as standard: a necessary, but not sufficient, feature of financial decisions and technology. It has

<sup>2</sup> Deloitte interview.

also brought benefits to businesses by integrating new and detailed management information that has, on the whole, led to more effective and evidence-based financial decision making.

We saw initial friction in finance, but the ultimate result has been beneficial. Looking forward, we expect sustainability to follow a similar route and, ultimately, become a standard part of doing business, with established standards and a few leading technology solutions. However, financial standards affected simply the counting of money – which business has always done – but sustainability asks organisations to consider wholly new factors, many beyond the traditional sphere of commerce.

*Few organisations are recognising this reality, and [Deloitte research](#)<sup>3</sup> indicates that only 3% of consumer businesses believe their sustainability data is as accurate and verifiable as their financial data.*

## Keep calm and start now

Time is of the essence. Many companies have made bold announcements for the coming decades and – while “Net Zero by 2050” is easy to say – it means nothing without practical action in 2023. For instance, CSRD is now in force, and its rules must be applied from 2024, ready for reporting in 2025. While previous regulations have been limited to the largest companies, far more will be affected by CSRD, and many have less than a year in which to get ready. That’s not long, but it’s enough time to avoid a knee-jerk reaction and take a considered approach.

## Where to start?

The coming articles will take a practical approach, and share our experience, by outlining some actions you can take right away, to start (or accelerate) your sustainability journey now. Our next article will consider how to understand and identify what needs to be done, and how to start doing it.

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<sup>3</sup> Deloitte. [Driving Accountable Sustainability in the consumer industry](#).



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