

APPROACH TOWARDS A SUCCESSFUL CSRD REPORTING TOOLING IMPLEMENTATION

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This is article 2 in a series of articles on the journey towards CSRD compliance for Finance.

Now that a decision is made on the tooling to support Finance to report CSRD, the focus has shifted to the practical aspects: what are the concrete next steps in implementing the tool to support and enable such reporting? Let's dive into how to approach this.

Process and ownership

A tool won't create non-existent reporting process, but it will certainly enhance and optimize it. Although sustainability reporting is regulated, it remains flexible and allows for customization. A good sustainability reporting tool accommodates this flexibility. To bridge the gap, internal responsibilities must be clearly assigned to groups, local functions, or business units so that each sustainability indicator or data point collected and reported is meaningful and owned.

Manageable blocks

The list of sustainability indicators, whether GRIs, ESRS, or others, is vast and varied, encompassing common, topical, or sector-specific types. Each regulation provides a framework to group these indicators. Align your company's materiality

assessment results with these groups, purposes, and topics to identify sublists from which to select appropriate and manageable indicators to report on.

Definitions

Sustainability reporting is often referred to as non-financial reporting. However, this doesn't mean it can be inaccurate or lack targets and budgets. Establish and maintain an internal library of sustainability names, codes, related definitions, and owners. Decide on reporting frequency and identify source systems to set a strong foundation for your reporting process, whether it's regulatory or custom indicators/data points. This library serves as a strong base for internal alignment and communication and provides solid requirements for the tooling implementation team.

Tooling implementation

End goal

Visualize your management or annual report section by designing it using simple, familiar tools, incorporating the agreed sustainability KPIs, branding, company guidelines, and all must-haves. This draft is crucial for setting the target for the implementation team and helps converge all efforts towards the ultimate goal: creating and populating the sustainability disclosures.

Implementation approach

Our approach to implementing a sustainability reporting tool involves three major stages:

1. Foundation
2. Development cycles
3. Testing

Foundation

This stage, largely covered by the prior points and ended with a plan to ensure timely compliance, is essential and should not be underestimated. Both internal business and IT resources are key players.

Development cycles

The blocks and processes identified during the foundation phase are implemented through development cycles. The cycles should be short enough to be manageable and concrete. These can be split according to how the regulatory framework categorizes its disclosures, by data origin, or by internal owners. Due to the repetitive nature, we recommend applying an agile approach, including stand-ups and periodic review meetings. The key players are business and IT resources, as well as our tool experts who bring the required expertise and a strong relationship with the software supplier. The output should not be just a technically sound solution but also documentation required for various purposes. Ideally knowledge transfer of the tooling takes place during the project, which is why we advise to address the maintenance operating model at the beginning of the project.

Testing

Depending on the size and complexity, we generally recommend four types of testing practices: unit tests, regression tests, user acceptance tests, and dry runs. Test objectives, acceptance criteria, test data as well as responsibilities and requirements for test documentation for each of the tests are agreed upon in a test-plan. Executing the tests in such a way will allow the company to demonstrate accuracy and completeness and to meet (limited) CSRD assurance requirements. The tests all together should ideally not just cover systems but prepare Finance for overall CSRD business readiness covering also processes, controls, data and governance. Participation by internal business and IT resources is crucial, supported by our technical experts or coordinators.

End-to-end flow first

The first implementation objective is to develop the technical journey of an input through its transformation process from tool to tool or user to tool, all the way to its final presentation. Whether it's one indicator/data point or a group sharing a common source system or regulatory topic, is not important, the key is to ensure it technically works. This approach helps identify major bottlenecks early in the project, allowing for expansion to handle larger data ingestions and repeated testing with each development cycle. Smaller bottlenecks are expected to be found and addressed, and further enhancements included each time.

Celebrate

Don't forget to mark successes with appropriate celebrations. Successes reflect prior efforts or struggles to achieve objectives. Celebrating helps teams release steam, strengthens their bonds, and enhances their connection with each other.

Conclusion

Processes, controls and data governance need to be put in place to meet CSRD requirements.

Tooling will likely be needed to support the end-to-end reporting process. During the tooling implementation there will be many challenges. To ensure timely compliance and to be able to main-

tain the solution according to the agreed operation model it will be essential to apply a structured implementation approach leveraging expertise and lesson's learned.

About us

The authors



Andrea Leandri

Andrea Leandri has over 20 years of experience in EPM consultancy. He is known for driving digital transformation, optimizing financial reporting processes, and leading development in complex projects. While fostering innovation, Andrea combines technical expertise with in-depth knowledge of regulations.



Auke Jan Hulsker

Auke Jan Hulsker is partner of Sofia Consulting and as a project manager specialized in implementing reporting solutions. His strength are bridging the finance, actuarial and IT gap and providing structure in complex regulatory driven projects. During his career, Auke Jan developed numerous implementation best-practices.

Sofia Consulting

Sofia Consulting is a niche consultancy firm specializing in finance and risk reporting for financial institutions. The company emphasizes a pragmatic approach, aiming to help clients streamline their reporting processes and comply with complex regulatory requirements such as Solvency II, IFRS 9/17, CSRD and other sustainability frameworks.

Sofia Consulting offers a comprehensive range of services, including:

- » **System architecture design:** developing robust architectures for finance and risk reporting systems.
- » **System implementation:** assisting with the selection, implementation and maintenance of appropriate systems.
- » **Ongoing operation support:** providing day-to-day operational support to ensure compliance and efficiency.