CORPORATER

Key challenges for

internal controls of
sustainability
reporting.

Effective internal controls are key for companies to meet the
new reporting requirements and the increased expectations
of ESG risk handling. Here are a few significant challenges
for internal controls of sustainable reporting according
to COSO.

1

Immature Systems:
Sustainability reporting often lacks mature systems and processes, which can lead to inconsistencies and inaccuracies in data collection and reporting.

2

Unstructured Data:
Sustainability reporting relies on unstructured data from various sources, such as spreadsheets and emails, making it difficult to manage, analyze, and ensure data quality.

3

Data Variety:
Sustainability reporting integrates data from multiple internal systems, including human resources, facilities, operations, and procurement, which can be complex to coordinate and consolidate.

4

Incomplete Data:
Ensuring the completeness of data for sustainability reporting is challenging, as different data sources may not provide a comprehensive picture of an organization's sustainability performance.

5

Data Accuracy:
Maintaining the accuracy of sustainability reporting data can be difficult due to data errors, inconsistencies, and manual data entry processes.

6

Data Integration:
Integrating sustainability data from various systems and sources can be a significant challenge, as data may not be easily compatible or standardized.

7

Inadequate Technology:

Many existing platforms for Environmental, Social, and Governance (ESG) reporting are inflexible and may not provide the necessary tools for effective data management and reporting.

8

Reporting Framework Complexity:

The complexity of different reporting frameworks (e.g., GRI, SASB) can make it challenging to align data collection and reporting processes with industry-specific standards and stakeholder expectations.

9

Lack of Expertise:

Organizations often struggle to find personnel with the necessary expertise in sustainability reporting, internal controls, and data management, leading to potential errors and inefficiencies.

10

Regulatory Changes:

Evolving sustainability reporting regulations and standards can create challenges in keeping internal controls up to date and compliant with new requirements.

11

Stakeholder Expectations:

Meeting the diverse expectations of various stakeholders, including investors, customers, and regulators, can be a complex task, as their sustainability reporting needs may differ.

12 Data Security:

Ensuring the security of sustainability data, especially if it includes sensitive information, is essential but can be challenging in a world with increasing cybersecurity threats.

13 Resource Constraints:

Many organizations may lack the necessary resources, both financial and human, to effectively manage and control sustainability reporting processes.

Addressing these challenges requires a systematic approach to internal controls for sustainability reporting, involving the integration of technology, data management practices, and expertise to ensure the reliability, accuracy, and compliance of sustainability reporting efforts.