

How to get the best out of End-User Computing applications for sustainability reporting

Introduction

Around 50,000 companies will soon need to report on their sustainability performance under the EU’s Corporate Sustainability Reporting Directive (CSRD). What is more, their reporting will need to conform to the new European Sustainability Reporting Standards (ESRSs) and will be subject to assurance.

These changes present significant data challenges for many businesses. Firstly, the CSRD may greatly increase the amount of sustainability data that some companies need to collect and analyze. The CSRD requires reporting on multiple metrics covering various sustainability topics such as carbon emissions, waste and recycling, diversity and inclusion and responsible tax. Many companies will need to generate certain types of data for the first time.

Secondly, the data must be complete, reliable and ready for assurance. For many organizations this is a challenge because sustainability data may not be covered by existing operational or financial reporting systems. Instead, it is often managed separately through End-User Computing applications (EUCs) such as Microsoft Excel and Power BI.

The CSRD requirements highlight the need for many businesses to invest in software that embeds their corporate sustainability data into an automated control environment, thereby reducing risks both for the company and its auditor.

However, large scale changes in data management technology take time to plan and implement. So, in the short term at least, many companies will continue to rely on EUCs to collect, manage and analyze their sustainability data.

While EUCs offer some benefits for managing sustainability data, they also bring significant risks. This paper outlines the key benefits and risks of using EUCs to manage sustainability data and provides guidance for organizations to address them.

What are EUCs?

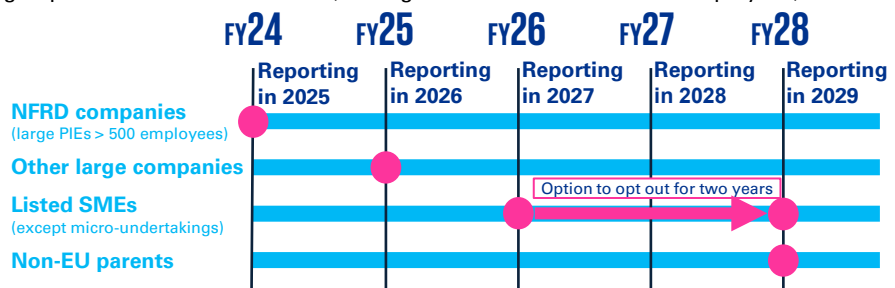
An EUC is software that enables end users to create or customize data management applications without the direct involvement of IT professionals. The end users are often not software developers or data experts, but general business users focused on solving specific problems or streamlining workflows. EUCs can include spreadsheets, databases, macros, RPA robots and other types of software commonly used to automate or support business functions, for example Microsoft Excel and Power BI.

An example of an EUC being used in a sustainability reporting context is an Excel spreadsheet used to register fleet CO₂ emissions at multiple locations which is subsequently consolidated using a macro to import and combine the data.

When: ESRSs would apply for years beginning on/after 1 January 2024 (reporting in 2025). Phased introduction would start with companies already subject to reporting requirements under the NFRD (i.e. large PIEs with more than 500 employees).

Who: Ultimately, ESRSs would be applied by (exemptions may apply):

- large EU companies;
- listed EU companies (except micro-undertakings); and
- ultimate non-EU parent companies with a combined group turnover in the EU of more than EUR 150 million.



What are the benefits of using EUCs to manage sustainability data?

EUCs can be excellent business tools for solving problems quickly and flexibly. In some cases, they are central to business decision-making and external reporting to clients or regulators. They are currently a popular choice to manage sustainability data at businesses of all sizes because they offer benefits in terms of flexibility, speed and cost. Furthermore, given that broader business reporting systems may not yet be ready to include new sustainability data fields, EUCs can be the only realistic choice in the short term.

EUCs also provide end users with flexibility to customize software applications to meet their own unique requirements. This enables end users to automate manual processes, improve productivity and enhance decision-making capabilities, which can in turn lead to greater operational efficiency overall.

An additional benefit is that EUCs can be implemented without IT capabilities and support. Many IT departments lack the time and resources to develop custom applications for every business need; EUCs therefore provide a useful fix by enabling end users to create their own solutions without relying on IT support.

What are the risks of using EUCs to manage sustainability data?

Given that sustainability reporting is now mandatory for many companies in the EU, company boards are responsible for ensuring sustainability disclosures are accurate and reliable.

Yet, the same elements that make EUCs so appealing can also make them challenging to manage and control effectively with the result that using EUCs – and the associated limitations of internal controls – can pose risks to sustainability data accuracy and completeness, security and regulatory compliance.

This can be a serious problem given that the CSRD requires sustainability reporting and data to be subject to audit for limited assurance and a growing number of companies are opting for more rigorous reasonable assurance.

The following recurring risks can arise when an organization uses EUCs to manage sustainability data:

Spreadsheet errors. For example, an employee creates a spreadsheet to track sustainability data using a template found online. The spreadsheet contains an error in a formula, leading to incorrect calculations and incorrect reporting without being noticed. Reporting incorrect data can lead to accusations of “greenwashing” or fraud with attendant regulatory and compliance risks.

Inadequate documentation. For example, an employee creates a database to manage suppliers’ sustainability information without properly documenting the input fields, leading to confusion and inaccurate data entry, which can create operational and reporting risks.

Unauthorized access. For example, an employee creates a macro to automate a process that requires login credentials, but the macro does not have proper security controls, allowing unauthorized users to gain access to sensitive data, which can lead to security risks.

Lack of version control. For example, an employee creates a report using a spreadsheet, but over time, the report is modified by multiple people, making it difficult to identify the original source of the data and creating compliance risks.

Non-compliance. For example, an employee creates sustainability reports but the data in the database does not comply with the CSRD requirements and/or the ESRs, thereby creating legal and regulatory risks. Failing to provide accurate and transparent information can lead to reputational harm and regulatory scrutiny.

Inconsistent data. For example, an employee creates a report using sustainability data from multiple sources, but the sources use different formats, leading to inconsistent data which can create risks if the report is used for disclosures or for decision-making.



More than 90% of European banks agree that the top challenge related to implementing ESG Risk management is data availability and quality. [Source: KPMG ESG Risk Survey 2023]

Avoid or mitigate the risks of using EUCs to manage sustainability data

To ensure compliance with reporting regulations and to mitigate EUC-related risks to data accuracy, organizations should implement effective control frameworks that include clear policies and procedures, appropriate controls and oversight, and regular monitoring and review processes. Over time, we recommend organizations to explore opportunities in order to replace EUCs with more robust and scalable solutions that enable sustainability data to be embedded into automated control environments.

Practical strategies for managing EUCs

In order to mitigate risks faced when using EUCs, the following good practices should be applied:

Source data guidelines. Set up source data guidelines to minimize data input errors. For example, separate data input from calculations and output; the data input area generally should not contain formulas and it is preferable to enter data in the same order as the source data (whether obtained manually or through automatic interfaces).

Logic guidelines. Have logic guidelines to minimize errors by logic. For example, lock certain cells or sheets to prevent changes to static data or formulas and treat critical and/or fixed values as input data and include them in a separate input cell which is referenced in the formula to prevent this value from being included in formulas.

Source output guidelines. Set up source output guidelines to minimize data transformation errors. For example, separate the output from input and calculations (preferably on a separate worksheet), document an audit trail of what has been changed, also when preparing a what-if analysis and consider what the final presentation format needs to look like so that potential errors of manually retyping the output into other formats and tools can be reduced

Testing guidelines. Have testing guidelines to make sure the EUCs are formally requested, documented and tested. For example, have the correct segregation of duties between user, developer and tester when dealing with complex or critical calculations and logic.

Access guidelines. Set up access guidelines to shared spreadsheets and other end-user systems. For example, manage access on a need-to-know basis according to job responsibilities.

Version, backup and archiving guidelines. Have version, backup and archiving guidelines to prevent data loss. For example, use unique folder and file naming conventions to ensure that only current and approved versions of EUCs are used, and ensure data backups by backing up EUCs.

Documentation guidelines. Set up documentation guidelines to prevent, for example, the loss of knowledge when an employee leaves the company. The documentation should include the business objective, inputs, outputs and sequence of execution steps. Additionally, clear document assumptions applied and leveraged to generate data or perform calculations. Making an inventory of all key spreadsheets and other EUCs impacting financial or sustainability reporting preparation is seen as good practice.

The impact of EUCs & ESG deficiencies on organizations



1: <https://www.reuters.com/article/uk-astrazeneca-idUKTRE8080BX20120109>
2: <https://www.ft.com/content/60cea058-778b-11e2-9e6e-00144feabd0>
3: <https://www.reuters.com/article/us-volkswagen-results-diesel-idUSKBN2141JB>

How can we help

We know at first hand the importance of creating and retaining stakeholder trust. Our business depends on it. KPMG has developed the following solution to support organizations in managing their ESG data reliably through EUCs to inspire trust as a company. [More info on the Trusted Enterprise.](#)

1. Define & Discover

Defining the framework

1. Making an inventory of all EUCs used for ESG and existing controls over these EUCs (EUC repository and categorization tool).
2. Defining risk assessment criteria to identify EUC complexity and business materiality impact (e.g., confidentiality, integrity, availability).

2. Assess

Current state assessment & development

1. Conducting a maturity and risk assessment of EUCs and controls over these EUCs.
2. Compare existing control framework over EUCs to best practice control framework.
3. Compare existing controls over EUCs with the control framework to identify gaps and opportunities for improvement.

3. Optimize & Monitor

Setting up the monitoring & reviewing

1. Optimize the controls to enhance the control framework regarding development, maintenance and use of EUCs. Including the governance over changes.
2. The control framework will be tested and reviewed periodically, paying attention to the existence and operating effectiveness of the EUCs.

4. Non-financial data management system

Creating a robust non-financial data management system

1. Replacing EUCs by implementing a robust non-financial data management system. Mitigating the risks that arise when using EUCs.

We support you in managing EUC risks and controls by:

- **Expertise.** We have subject matter experts that combine our knowledge of risk management on EUCs (risks, controls) with ESG knowledge.
- **Pragmatic approach.** ESG has been incorporated in our methodology for risk management and internal audit support, applying international best practices.
- **Thought leadership.** Periodically, we organize roundtables and inspiration sessions to share our knowledge and expertise on ESG. If you would like to get the latest information, you can subscribe to our [ESG Today Newsletter](#)

Our experts on managing ESG End-User Computing risks

Interested in our approach to managing ESG EUC risks? We understand the challenges that companies face in collecting, managing, and analyzing sustainability data.

Our experts have deep knowledge on these challenges. We can provide guidance tailored to your organization's specific needs. Contact one of our experienced professionals to learn how we can help you navigate the complexities of your ESG transition.

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Further reading

- Subscribe to our [ESG Today newsletter](#)
- Discover our [ESG & Sustainability services](#)



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