

# **Leveraging Global Sustainability Requirements to Enhance Business Performance**



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Companies are increasingly encountering [market access](#) and [regulatory requirements](#) tied to the sustainability of their business.

Those that are unable to satisfy customer requirements or delay action risk losing important business and contracts, while those that fail to prepare for legislative requirements may expose themselves to legal risks such as fines or enforcement actions.

Although expectations for sustainability compliance often share high-level similarities across customers and jurisdictions, they rarely align closely enough to allow for a fully standardized response. As a result, companies may also be at increased risk of inefficient workflows and inconsistent disclosures, in addition to complications during the assurance process.

These risk factors, along with the resource-intensive nature of compliance activities, make establishing an enterprise-wide sustainability compliance roadmap and strategy critical. By creating a practical, executable plan, companies can more consistently manage compliance pressures across customers and jurisdictions, while also identifying opportunities to leverage efforts to enhance business performance.



# Laying the Foundation for Compliance

## WITHOUT A STRUCTURED COMPLIANCE MODEL, COMPANIES MAY EXPERIENCE:

- ▶ Failure to fulfill contractual obligations in client contracts
- ▶ Barriers to entry in new markets, particularly outside the U.S.
- ▶ Parallel workflows across regions and functions, driving cost and inefficiency
- ▶ Inconsistent disclosures across reports, increasing legal and reputational risk
- ▶ Late-stage assurance findings that require rework or delay filings
- ▶ Limited ability to leverage compliance data for broader business decision-making

To help companies lay the foundation for building an effective sustainability compliance roadmap and strategy, BDO's approach begins with a structured regulatory scoping and mapping exercise.

Because many sustainability requirements are disclosure-based, this is often supported by a materiality assessment and gap assessment, which help provide the necessary focus and detail to steer reporting. It's important to note that as jurisdictions across the globe work to define their regulatory approach to sustainability, the landscape continues to evolve rapidly. Therefore, leading companies should treat regulatory scoping as a dynamic process, rather than a one-time exercise.



### REGULATORY SCOPING AND COMPLIANCE MAPPING

Regulatory scoping begins by identifying potentially applicable, enacted sustainability legislation relevant to a company's operating locations, industry, and value chain characteristics, while also highlighting emerging legislation to monitor. To pinpoint the legislation companies are most likely to need to comply with, this initial long list should be further refined through a deeper assessment of scoping criteria and company-specific data such as revenue, assets, or employee headcount. Compliance requirements from customers, including company-specific obligations from large global businesses, EcoVadis, and CDP, should also be included in this inventory.



### MATERIALITY ASSESSMENT

A materiality assessment acts as a strategic filter, helping focus compliance efforts on the issues most meaningful to companies and their stakeholders. While not always legally required, some sustainability disclosure regulations include obligations to assess financial and/or impact materiality. This means companies must evaluate how sustainability-related information could reasonably be expected to impact their financial value and/or how their business could significantly impact the environment and communities where they operate.



### GAP ASSESSMENT

A gap assessment is another important tool for supporting compliance with sustainability disclosure regulations. The process creates a detailed inventory of new data and information companies will need to gather and report to fulfill regulatory and customer requirements. It also catalogs companies' existing disclosures — some may help satisfy reporting requirements, but others could potentially create risk when examined in the context of new, mandatory disclosures. Without this level of visibility, companies risk introducing inconsistencies between legacy disclosures and regulated reporting.

# Questions to Guide an Effective Strategy

BDO professionals leverage these foundational analyses to help companies develop a centralized, executable sustainability compliance roadmap and strategy for managing requirements across customers and jurisdictions through consistent processes.

In addition to defining data flows, core roles and responsibilities, and distinguishing between immediate reporting needs and longer-term requirements, an effective plan should address the following key questions that go beyond compliance to help manage risk and enhance business performance.



## DO CURRENT GOVERNANCE PRACTICES EFFECTIVELY SUPPORT COMPLIANCE OBLIGATIONS?

Established sustainability governance structures and oversight should be evaluated to determine whether they are representative of how a business is currently operating, whether they are likely to meet organizational needs moving forward, and whether they align with market and regulatory expectations. As stakeholder scrutiny increases, governance structures may be held to higher standards than they were during initial iterations of a sustainability program. If governance falls short, the compliance roadmap and strategy should guide relevant action such as increasing oversight of sustainability, strengthening related policies and internal controls, and better integrating sustainability into operations and enterprise risk management.



## IS SUSTAINABILITY BEING LEVERAGED TO ENHANCE BUSINESS PERFORMANCE?

Sustainability compliance can be operationally demanding, and companies should capitalize on every opportunity to make use of related work and data to support business strategy and performance at a broader scale. To help advance business objectives, sustainability should be integrated across functions such as operations, procurement, and risk management, where insights can be leveraged to identify opportunities for enhanced efficiency, performance, and resilience. Including sustainability teams early in decision-making processes is critical, as they can provide perspective on compliance expectations and leading practices that are often more difficult and costly to integrate later in product development or operational cycles.



## DO EXISTING DISCLOSURES CREATE COMMUNICATIONS RISK?

By now, many companies have existing sustainability reporting programs with disclosures that date back several years and span multiple communication formats, including voluntary reports, investor presentations and earnings calls, company websites, and press releases. As mandatory reporting expands, those prior statements may be compared against new disclosure requirements, creating risk if messaging is inconsistent, incomplete, or no longer supportable. Companies should assess existing sustainability communications for potential conflicts, involve legal and communications teams early, and establish controls to support consistent, defensible reporting going forward.



# Evaluate, Learn, and Improve

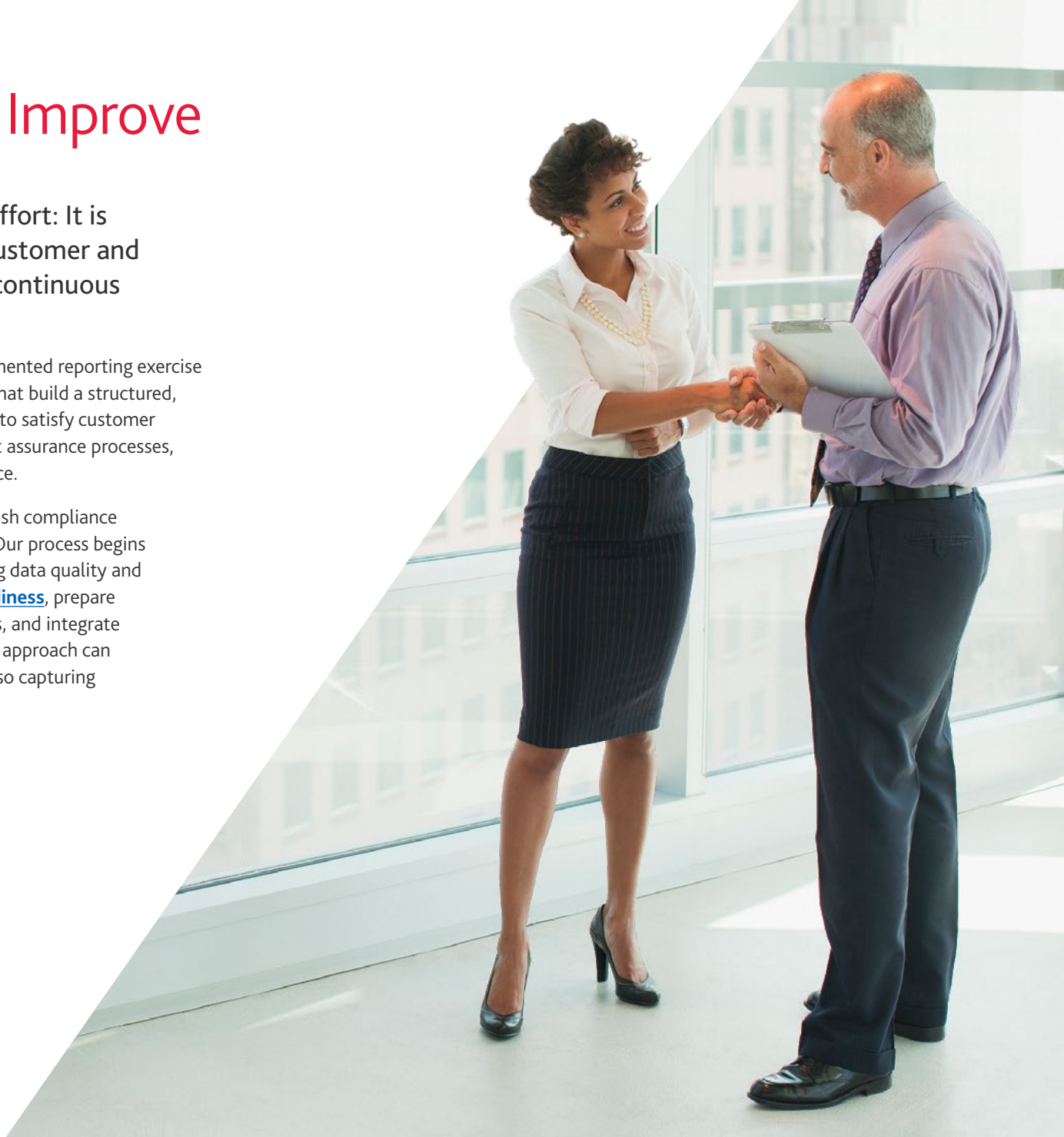
Sustainability compliance is not a one-off effort: It is an evolving capability that must adapt as customer and regulatory requirements mature and drive continuous improvement for companies over time.

Companies that approach sustainability compliance as a fragmented reporting exercise may face increasing risk and inefficiencies. In contrast, those that build a structured, enterprise-wide compliance model become better positioned to satisfy customer expectations, manage increasing regulatory demands, support assurance processes, and leverage compliance to help improve business performance.

Rather than taking an overly rigid approach or trying to establish compliance all at once, BDO helps companies prioritize action in phases. Our process begins by supporting immediate compliance deadlines and evaluating data quality and collection processes, then expands to support [assurance readiness](#), prepare for future regulations and longer-term customer requirements, and integrate business opportunities and risks into strategy. Ultimately, this approach can help companies strengthen sustainability compliance while also capturing operational and strategic value.

## CONTACT BDO

Learn how BDO can help develop a sustainability compliance roadmap and strategy tailored to your business.





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