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## Honeywell and EY teams collaborate to digitize emerging compliance obligations

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The better the question. The better the answer. The better the world works.

**In this three-part series, we explore the practical considerations for enabling legal and compliance functions to respond to new compliance obligations, such as the European Union Carbon Border Adjustment Mechanism.**

The European Union (EU) Carbon Border Adjustment Mechanism (CBAM) is transforming global trade and sustainability. CBAM introduces a carbon price on imports of certain goods imported from non-EU countries. Currently in its transitional phase, importers must report quarterly on the embedded emissions of their imports. In 2026, CBAM will require more detailed reporting, including financial obligations.

"CBAM presents unique challenges for legal and compliance professionals and provides a powerful opportunity for technology-driven solutions to advance sustainability goals," said Jeremy Osinski, EY US Forensics Compliance Solutions Principal, Ernst & Young LLP (EY US).

### **The evolving landscape**

Honeywell is leveraging its diverse portfolio of products and services to use technology to drive efficiency, maintain accuracy and manage supplier engagement. What sets CBAM apart is its focus on reporting emissions data rather than monetary values. With a vast and dynamic network of suppliers, Honeywell's filing requirements evolve each quarter. Like other multinational companies, Honeywell faces increased complexity in gathering, processing, calculating and reporting its suppliers' emissions data.

### **Transforming policy into results**

Honeywell and EY professionals worked together to create a comprehensive digital solution to manage the end-to-end process, from emissions data gathering to submission, and to capture and develop institutional knowledge relating to EU requirements.

"Complying with CBAM necessitates a cross-functional team that can move quickly to turn regulatory policy into tangible procedures and deliverables. We are seeing precedent form on an ongoing basis," said Sergio Fontenelle, EY US Global Trade Leader.

### **Responding to EU legislation with a tailored approach**

The Honeywell and EY team formulated an approach to rapidly:

- 1 Mobilize a cross-functional steering committee, consisting of Honeywell leaders from Trade Compliance, General Counsel, Data Management and Procurement
- 2 Design a strategy and policy to engage with vendors
- 3 Collect, consolidate and submit required filings and exhibits
- 4 Develop data and processes enabled by artificial intelligence (AI) to facilitate interactions with vendors and customers

The initiative utilized a digital-first approach, with the two organizations collaborating to enable the efficient data gathering and analysis of supplier-provided data. Honeywell stakeholders and suppliers provided hundreds of thousands of data points that were validated to adhere to the CBAM XML submission formatting. Together with EY advisors, Honeywell's environmental, social and governance (ESG) compliance managers, engineers and data analysts designed a workflow that included guided questionnaires and training sessions for suppliers, along with bird's-eye view reporting to track progress.

### **Innovative solutions for sustainable progress**

"We are turning a regulatory obligation into a competitive advantage by emphasizing innovation in our response to CBAM," said Matthijs Alberts, Assistant General Counsel at Honeywell International.

"Having the ability to collaborate with our suppliers has been fundamental in driving a higher level of precision. We are not only positioned to comply in a far more efficient manner but also have been able to elevate the dialogue with our suppliers toward education to achieve our collective sustainability goals. By fostering strong partnerships and leveraging innovative solutions, we aim to continually enhance our compliance processes and drive sustainable progress for all stakeholders. That's an all-around win," notes Alberts.



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