

Strengthening sustainability: A guide to effective sustainability reporting controls

December 2025



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

EY

Shape the future
with confidence

Contents

1. Introduction
2. Framework to consider: Committee of Sponsoring Organizations of the Treadway Commission (COSO)
3. Practical steps to implement the internal control framework
4. Ten common findings
5. An example: Climate metric control
6. Summary
7. EY contacts



Introduction

Sustainability reporting has become an essential aspect of corporate governance and stakeholder engagement. However, given the ever-evolving reporting requirements and data needed – combined with the relative immaturity of the reporting process – a significant amount of sustainability reporting is being conducted without adequate controls in place. This has led to numerous challenges, including inconsistencies in data or lack of an audit trail (which can increase the risk of greenwashing), increased review requirements, restatements, alongside inefficient assurance processes.

Regardless of the reporting standards adopted, companies are facing mounting pressure to ensure that their sustainability disclosures are transparent, reliable and verifiable. As the demand for accountability grows, establishing robust reporting controls is imperative to navigate the complexities of sustainability reporting and to reinforce organizational commitments to responsible business practices.



Framework to consider: Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Recognizing this need for an enhanced control environment, in March 2023, the Committee of Sponsoring Organizations of the Treadway Commission issued guidance to help companies establish effective internal controls over sustainability reporting on environmental, social and governance (ESG) topics. This guidance introduced a comprehensive framework consisting of five essential components (see next page). It provided organizations with a structured roadmap for the implementation and execution of robust internal controls that is aligned to their components for internal controls over financial reporting.

Although the concept of internal control over sustainability reporting (ICSR) may be relatively new, it presents an opportunity for companies to adapt and enhance their existing processes and controls to incorporate sustainability considerations. By doing so, organizations can not only align their reporting practices with emerging standards but also strengthen their overall governance framework.

As stakeholders increasingly demand transparency and accountability, the integration of ICSR can help empower companies to navigate the complexities of sustainability reporting effectively. Further information on the framework can be found [here](#).

Practical steps to implement the internal control framework

Key areas for practical steps

When designing and implementing an internal control system (ICS), like the one described by COSO, there are several key areas to consider.

1. Governance structure: Establish a governance structure defining sustainability reporting roles and responsibilities. This foundational step is essential for creating accountability and making sure that sustainability considerations are integrated into decision-making processes.

2. Risk assessment: Identify and evaluate sustainability risks that may impact organization's operations and reporting. This involves conducting thorough assessments to understand how ESG factors could affect an organization's financial performance and reputation.

3. Control activities: Implement specific control measures to support the accuracy and reliability of sustainability data.

This includes establishing procedures for data collection, validation and reporting, as well as making sure that there are checks and balances in place to mitigate the risk of errors or misstatements.

4. Information and communication: Develop effective communication strategies that facilitate the flow of relevant sustainability information both internally and externally. This includes checking that stakeholders are informed about sustainability initiatives, progress and challenges, thereby fostering transparency and trust.

5. Monitoring activities: Establish processes to regularly review and assess the effectiveness of their internal controls over sustainability reporting. This involves conducting audits, gathering feedback and making necessary adjustments to improve the reporting process continuously.

The below practical steps can be taken to help enhance current processes and achieve alignment with the COSO framework.

Practical steps to follow

1 Identify what processes are in scope of the relevant sustainability reporting

2 Walk through and document the process end to end, identifying key steps, systems and existing controls in place

3 Identify what could go wrong with the current process (i.e., assess and validate risks and gaps in process)

4 Design and implement new and enhanced controls, to help establish an appropriate mixture of preventative and detective controls

5 Update documentation, including policies, procedures, risks and controls

6 Design risk control self-assessment (RCSA) to revalidate risks and assess controls on annual basis



Ten common findings

In EY teams' experience, there are a number of common control findings around sustainability reporting. Many of these are agnostic of the reporting standard and can be tailored to meet diverse compliance needs.

Below, we highlight a number of challenges that reveal a landscape where process ownership, data accuracy, and governance controls are often lacking, underscoring the urgent need for improvement in sustainability reporting practices.

1. Lack of process ownership and oversight: Calculation and reporting decisions may have been made in past years without a clear decisioning approach and framework. Governance and disclosure committees are beginning to emerge to oversee sustainability reporting.

2. Lack of an audit trail: There is no clear understanding of data sources and calculation approach. Data lineage remains a challenge. Internal review of key calculations should be performed to validate the audit trail.

3. Third-party management: Many third parties can be used throughout the emissions calculation process, from data providers to calculating emissions. A third-party oversight framework should be applied, understanding the controls at the provider and entity level oversight.

4. Basis of reporting complexities: Basis of reporting is unclear, incomplete or inconsistent and not reflecting the latest approach. Basis of reporting should be updated and approved annually.

5. Incomplete data and data proxies not reviewed: Unavailable data is a common issue that requires proxies to be applied. Proxies should be reviewed and validated annually.

6. Inconsistent data: Where possible, data should be reconciled to the same data used for other purposes, including financial and regulator reporting. For example, scope 1 data encompasses direct emissions from owned or controlled sources, covering the operational footprint of the entity. The site list to calculate emissions should be reconciled with financial data.

7. Insufficient analytical review: Management analysis of movements in emissions or social metrics can lack precision or understanding of movements. Internal analytical review should be performed including identifying and understanding outliers.

8. Unclear scope of social metrics reported: Some social metrics are less objective than climate emissions reporting. They can be focused on support provided to customers or the market. The scope and evidence of these metrics should be clear to match to underlying evidence.

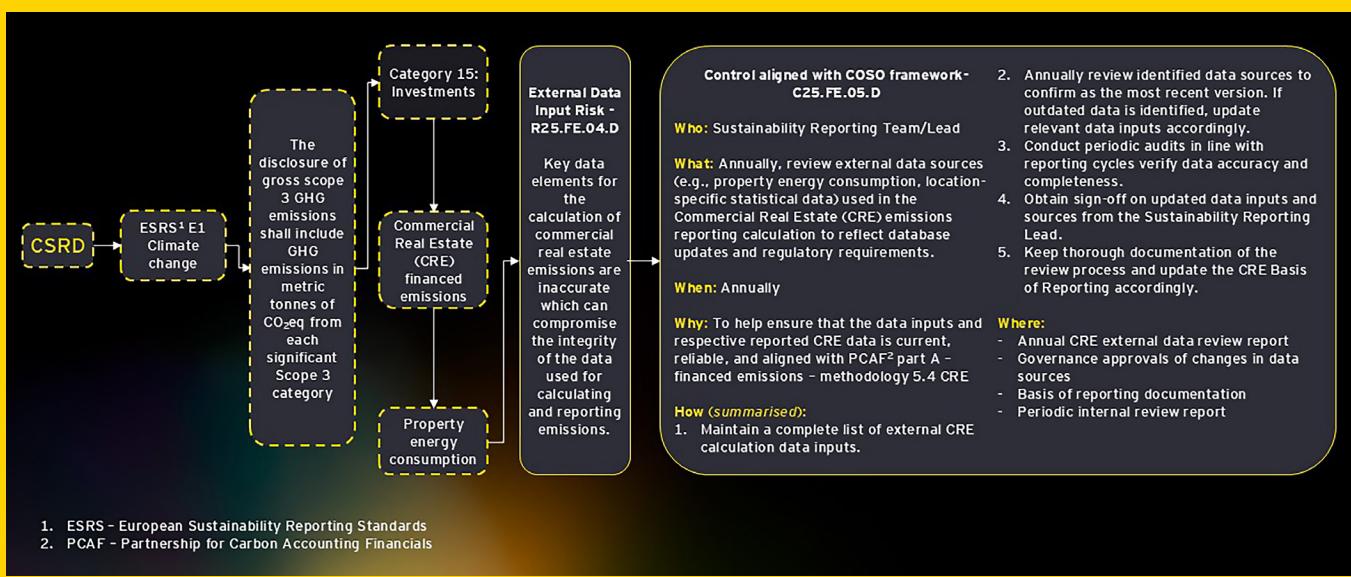
9. Immature model governance: Models used to calculate emissions are not always subjected to the same level of governance controls as other models. These models should go through the same development, monitoring and validation as other models.

10. Immature controls around greenwashing risks: Greenwashing continues to be a regulatory focus area, and controls should be further developed and formalized, including any internal or external legal review before publication of any reports.

An example: Climate metric control

Our dedicated sustainability reporting controls library provides examples of sustainability reporting related controls we typically expect to see firms employ to establish effective internal control environment over sustainability reporting. Controls can be tailored to specific aspects of sustainability reporting, such as financed emissions, scope 1 and 2 greenhouse gas (GHG) emissions, social and governance reporting. Drawing from EY teams' experience across sustainability assurance and advisory engagements, these controls can help to facilitate efforts to meet COSO guidance and address common pitfalls.

An example of how to develop a COSO framework aligned control which addresses the above challenge “5. *Incomplete data and data proxies not reviewed*” for the calculation of scope 3 category 15 commercial real estate financed emissions can be seen in the flowchart below.



Summary

Strengthening sustainability reporting controls is vital for companies to maintain transparency and accountability in their disclosures. By adopting the COSO framework and implementing practical steps, organizations can address common challenges in sustainability reporting. This approach helps navigate its complexities and reinforces a commitment to responsible business practices. Ultimately, it drives long-term value and builds trust among stakeholders.

How EY can help

With over 25 years of experience in sustainability, EY teams have experience advising clients across all sectors and beyond to help define their sustainability goals so they can create value through measured and meaningful action. With a dedicated team of more than 4,000 sustainability professionals worldwide, EY teams have been recognized for their contributions to sustainability, effectively supporting clients stay aligned with regulatory requirements and broader business objectives. By leveraging our extensive knowledge and innovative solutions, EY teams support clients in their efforts to enhance sustainability reporting, manage risks and pursue long-term value in an increasingly complex landscape.

EY teams can provide support with sustainability reporting considerations including:

Control review

- Design and implement tailored control activities.
- Entity wide risk assessment.

Control automation

- Enhance technology systems and interconnectivities.
- AI-enabled controls integration.

Control testing

- Internal audit.
- Identify and address control deficiencies.

Operating model review

- Align sustainability reporting objectives.
- Sustainability governance framework enhancement.
- Internal policy and communications.

Process mapping

- Data governance and traceability enhancement across systems.
- Risk and control self-assessment (RCSA) development.

Key contacts



Cassandra Polegri
Partner

Climate Change and
Sustainability Services
Ernst & Young LLP
cpolegri@uk.ey.com



Carl Vanderwerff
Director

Climate Change and
Sustainability Services
Ernst & Young LLP
cvanderwerff@uk.ey.com



Sam Havis
Senior Manager

Climate Change and
Sustainability Services
Ernst & Young LLP
sam.havis@uk.ey.com



Evgenia Kotsyuba
Manager

Climate Change and
Sustainability Services
Ernst & Young LLP
evgenia.kotsyuba@uk.ey.com

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 EYGM Limited.
All Rights Reserved.

EYG no. 009762-25Gbl
ED None

UKC-041288.indd (UK) 11/25.
Artwork by Creative UK.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com