

Erik Fritzsche's Initial Questions

Procurement of ESG Software (CSRD Implementation)

The following questions provide effective answers and help to effectively guide ESG software selection from the outset. Costly adjustments during the process are avoided. Specifically, roles, responsibilities, existing structures, and future requirements are examined. This also involves software—since **software always reflects a social structure and, through its rules and routines, facilitates clarity and effectiveness.** The following questions help increase the value of the software for the company.

The criteria for ESG software selection usually are:

- **Functional Fit:** Software should fulfill the needs of the organization.
- **Ease of Integration:** Compatibility with existing systems and workflows.
- **Cost-Effectiveness:** Balance between features and budget.
- **Vendor Credibility:** Proven expertise in ESG and reliable customer support.
- **Implementation Support:** Comprehensive onboarding with clear cut steps for implementation.

The right questions will create the path!

Questions that must be addressed *before* selecting software

(And whose answers determine whether and when software is practical)

1. How many branches and subsidiaries (in Germany, the EU, and worldwide) are included in the reporting company?
2. Is it already clear which ESG topics must be reported?
3. Which individuals or organizational units are currently responsible for ESG/sustainability issues?
4. Which specific individuals or organizational units will (likely) need to provide data—such as on finances, workforce, compliance/legal, CSR, environment & sustainability, or strategy?
5. Is the ESG data pool relatively large or small?
 - a. Are there many process-generated quantitative data points?
 - b. Are there numerous documents like policies, strategy papers, status reports, etc.?
 - c. How is data and knowledge management currently organized?

6. Who within the company is currently designated to lead the reporting process?
Specifically:
 - a. Materiality analysis?
 - b. Data collection and data control?
 - c. Report writing/editing?
 - d. Utilization of the report, especially in corporate and market communication?
7. What prior knowledge or understanding exists regarding upcoming reporting obligations, and who holds this knowledge? Are there specific (extensive) insights into the ESRS?
8. Are there requirements from supervisory boards, shareholders, external auditors, or customers?
9. Are there any concepts or plans for the resources to be allocated (staff, finances, time, skills, service providers)?

Questions that significantly simplify software selection

1. Which software is currently being used for data and knowledge management, particularly in the areas of compliance/legal, HR, and sustainability management?
2. Which software is being used for project management (across departments and countries)?
3. What languages are spoken within the company?
4. Is it absolutely necessary to conduct the materiality analysis using the software to be selected? *(This is not recommended, as it significantly complicates the selection process.)*

Based on the answers above, software selection will include or exclude the following functions, narrowing the field of providers significantly:

Materiality Analysis

- Assistance in understanding the materiality analysis process
- Identification of Impacts, Risks, and Opportunities (IROs)
- ESG Mapping (ESRS and optionally SDG, GRI, and other standards)
- Setting thresholds/selecting IROs
- Visual representation of results

Stakeholder Engagement

- Integration of data from stakeholder engagement
- Survey tool (or interface with common survey tools)

Data Collection

- Assistance in understanding the required disclosures
- Integration of data from various business areas and locations
- Support/methodology for calculating complex indicators, e.g., Scope calculations
- Data verification and plausibility checks
- Interfaces with existing ERP or BI systems
- Advanced data pool management (collecting data without yet knowing its application in ESRS)
- Assistance in gathering extensive qualitative information:
 - Document management
 - Content analysis tools (AI, annotation systems, fields for summaries, coding schemes, etc.)

Data Analysis

- Aggregation of data from various business areas and locations
- Trend analysis
- Potential steering functionalities:
 - Targets/KPIs, policies, action plans, and resource allocations
 - Integration of ESG goals and strategies into the company's business strategy and planning

Drafting the Sustainability Declaration

- Assistance in placing and formatting data points
- AI support for drafting
- Cross-referencing system (ESRS numbers)
- Integration into the management report

Auditing

- Interface with auditors
- Audit trail functionality
- Feedback system for comments/revision requests

Publication

- Compilation of a "machine-readable format" (XMLR standard)
- Submission to the Federal Gazette

Creation of Additional Content Pieces

- Texts for landing pages, brochures, social media, etc.
- Briefings for landing pages, brochures, social media, etc.

Project Management and Leadership (Rules, Roles, Rights, Routines)

- Identifying, preparing, and consolidating data across business areas and locations
- Drafting the report:
 - Editors
 - ESRS Supervisors
 - Final editors/approvers
- Auditing/Audit trail
- Publication
- Drafting additional content pieces
- Steering (ESG management system)

Other Considerations

- SaaS
- Language support
- Sector specificity
- Other regulations such as the Supply Chain Act, CSDDD, EU Taxonomy, specific CO2 accounting/offsets, etc. (Therefore, preference for a robust provider with a credible product roadmap to address additional regulations)

Support in Software Setup and Onboarding as well as, if necessary, ESG Consulting Costs**Contact Erik:**

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