IDC MarketScape: European ESG Technology Services for CSRD Compliance 2024 Vendor Assessment

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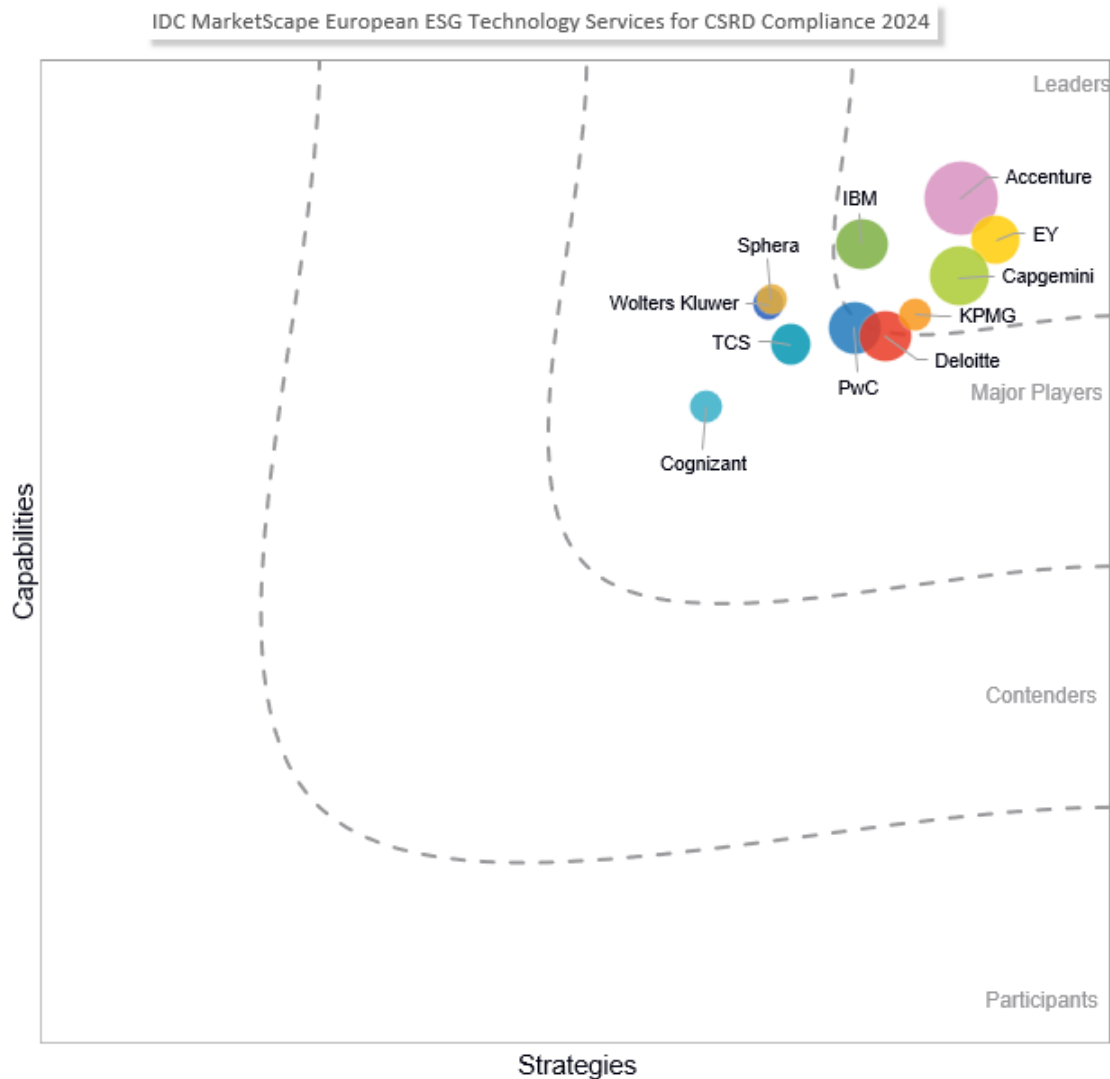
THIS IDC MARKETSCAPE EXCERPT FEATURES ACCENTURE

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape European ESG Technology Services for CSRD Compliance 2024

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Source: IDC, 2024

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

The content for this excerpt was taken directly from IDC MarketScape: European ESG Technology Services for CSRD Compliance 2024 Vendor Assessment (Doc # EUR150734224). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1 and 2.

IDC OPINION

Setting the Context: Why This IDC MarketScape?

Corporate reporting on sustainability (also known as environmental, social and governance [ESG] reporting) is taking a big step forward with the European Union (EU) Corporate Sustainability Reporting Directive (CSRD), which puts sustainability reporting on the same footing as financial reporting. The CSRD came into force in January 2023 and mandates a phased implementation, with the first set of large, listed organizations having to report according to the 12 European Sustainability Reporting Standards (ESRS) as early as 2025 for their financial year 2024.

The CSRD is a much stricter regulatory framework than the previous Non-financial Reporting Directive (NFRD), which was not strictly enforced and applied to a very limited number of companies. The ESRS key performance indicators (KPIs) are now clearly defined. They are much more comprehensive (amounting to over 1,000 data points for certain industries) and will be strictly enforced, as they now require external auditing (assurance). Moreover, the ESRS not only cover data points from within the organization but also include upstream and downstream metrics, such as Scope 3 emissions which are harder to obtain in a regular and reliable way as they lie outside the direct control of an organization.

Data auditability sets very high standards for data quality, the processes and workflows related to gathering data, as well as data governance. It requires an operating model with workflows, assigned responsibilities, and accountability. Through the harmonization of ESG reporting metrics under the CSRD, a much greater level of comparability and transparency will be achieved. This will have a major impact on companies' risk profiles and thus gain significant attention at the board and C-levels.

The required ESG KPIs creates a data challenge for organizations, as typically ESG data is not readily available or held in formats that make it hard to collect and process on a regular basis (e.g., manual processing of Excel sheets). Organizations subject to CSRD regulations are seeking help from technology service providers to get ready for CSRD reporting and ensure compliance. Those providers, in turn, are positioning themselves to support customers with their CSRD reporting efforts and developing technology service offerings.

Key Findings

This IDC MarketScape assesses the strategies and capabilities of tech vendors to support their customers' CSRD reporting and compliance requirements. Some of the key findings of this comprehensive, in-depth analysis are presented below.

IDC found that vendors already had well-established and solid ESG capabilities. Some vendors build on their existing ESG strategy, reporting, and program management consulting expertise, while others build out ESG data management and CSRD reporting capacity based on their existing capabilities in systems integration and data architectures or ESG reporting software solutions.

Given that the detailed reporting requirements (ESRS) were only published in July 2023, it is not surprising that current engagements are mostly in early stages – organizations are focusing on 'getting ready' for CSRD reporting in financial year 2025 and beyond. They are undertaking consulting projects

to understand requirements and conduct double materiality assessments, gap analyses, and strategy road maps. Going forward, organizations will look for help on ESG data collection and road maps for data architecture, digitization, and workflow automation. It is not a given that the same technology service provider will be engaged in these subsequent phases.

Vendors in this study had the strongest value propositions, highest customer satisfaction levels, widest offerings, and extensive business growth strategies:

▪ CSRD reporting is a promising solution with a total addressable market of 51,000 companies in Europe. It is plausible that, given its complexity for the largest companies and novelty for the smallest ones, IT services vendors will be much sought after for such reporting. Therefore, participating vendors are positive about their growth prospects and are investing accordingly.

▪ CSRD compliance is complex and difficult to handle by companies on their own, and relevant skills are scarce. As such, customers value tech vendor support from the outset, starting with advisory services and ending with implementation and integration services. Customer satisfaction is good, although they acknowledge hurdles during the engagement process.

▪ Vendors are aiming to leverage CSRD reporting services to support customers in their broader sustainability journey (e.g., ESG strategy, goal setting, forecasting). Beyond risk management, vendors are developing sustainable business transformation service offerings and seeking to help customers generate business value and long-term growth opportunities.

The CSRD demands requirements that go beyond existing ESG reporting (e.g. double materiality, more KPIs, assurance) and need to be addressed effectively by vendor solutions. The tight schedule for reporting presents some challenges for vendors:

▪ Vendors have to adapt to the ESG reporting maturity levels of their customers. However, with limited experience in CSRD reporting, they find it difficult to adequately address the interests of different stakeholders at customer organizations.

▪ Vendors find it difficult to give credibility to their solution via customer testimonials. Prior deployments refer to other ESG standards and frameworks (e.g., GRI) which, although related, do not necessarily prove capabilities in CSRD reporting services.

▪ Expertise and experience in CSRD reporting are not yet abundant, and ESG skills are generally scarce and in high demand. As such, vendors can find it difficult to meet customer requirements and provide the best suited (local) team for customers. Skills scarcity will drive the digitization and automation of vendor solutions.

While there is much communication about the requirements for and the complexity of CSRD reporting, feedback suggests that some vendors have not yet been able to effectively communicate what they offer to help customers. This communication needs to be adapted also to different types of personas (e.g., what the CSRD means to human resources can be different from what it means to the finance function).

Technology solutions, road maps, and the data architecture supporting CSRD reporting are evolving. For example, some vendors showcased the use of AI-based solutions, advanced analytics, and automation. Relevant use cases and their functionalities and benefits remain to be seen.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

This IDC MarketScape research analyzes vendors that offer ESG technology services for CSRD reporting and compliance. For this research, IDC defines ESG technology services for CSRD compliance as the set of technology services outlined in IDC's 2023 Worldwide Sustainable Strategies and Technologies Taxonomy (IDC #EUR251404023, December 2023), with a focus on project-oriented, managed, and support services for ESG data management solutions. Please see Market Definition in the appendix for more information around CSRD using the ESRS.

Vendors selected in this study have significant offerings for ESG technology services for CSRD compliance in Europe. In addition:

- They generate revenue from the provisioning of standardized technology services that enable and support CSRD-specific data management and reporting.
- They provide project-oriented, managed, and support services to enable their customers build, maintain, and continuously develop ESG data architectures and related digital technologies that fulfil CSRD compliance and regulatory requirements.
- They have referenceable, recently completed customer engagements in ESG technology services for CSRD compliance.

ADVICE FOR TECHNOLOGY BUYERS

This IDC MarketScape should be used as a tool to provide context on tech service providers' capabilities to support CSRD reporting and compliance. All these providers possess advanced capabilities. The selection of a tech partner for CSRD reporting will depend, however, on the specific requirements and priorities as well as existing systems landscape and architectures in your organization. IDC therefore advises you to adapt (or weight) selection criteria according to your enterprise's specific requirements and objectives.

Vendors assessed in this IDC MarketScape have differing focus areas as regards their core capabilities for CSRD reporting services. They can be broadly categorized as follows:

- **Advisory-led**: Advisory-led vendors, typically part of audit companies that have expanded into the IT domain, have comprehensive management consulting capabilities.
- **Systems integration (SI)-led**: These vendors have broad capabilities across technology consulting, SI, and outsourcing services with comprehensive expertise in data architectures and integration/modernization of new or legacy business systems.
- **Software Specialists**: Specialist tech vendors include players that have ESG services as their core business and, in the current case, offer specialist software solutions (ESG reporting software) enhanced with consulting services.
- **Multi-disciplinary**: These vendors have a broad set of capabilities across professional services, IT consulting, SI, technology assets, and ongoing IT and business process operations.

Technology buyers are advised as follows:

- Review/assess the status of your current ESG data architecture (and related technology architecture). Select a provider that can best support you based on your current status and your organization's sustainability objectives. Such a provider should be able to create a suitable technology road map to CSRD compliance and, ideally, wider corporate sustainability objectives.
- Request examples of customer engagements for CSRD reporting services and enquire about the approach taken and the benefits achieved. Experience and references within your organization's industry should be prioritized.
- Ensure that your CSRD reporting service provider has a high quality CSRD-skilled team available with the expert knowledge required. Given the scarcity of ESG skills, this should be valued higher than the price.
- Consider change management and cultural aspects for CSRD reporting initiatives: ESG data management involves effective and ongoing collaboration across multiple business functions and operations. A provider should be able to address and support change management needs.
- Aim for process, workflow, and technology repeatability, scalability, and robustness – the importance of ESG reporting will grow in the future, and it is crucial to be able to drive

sustainability insights for business transformation and new sustainable business models. A provider's innovation capability is important in this respect.

- Consider a combination of vendors – for example, where one of the 'Big 4' companies supports the early (advisory) phase and an SI vendor handles implementation and integration. Buyers are advised to enquire about strategic alliances between the different types of vendors to ensure seamless/integrated handovers.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and opportunities.

Accenture

Accenture is positioned in the Leaders category in this 2024 IDC MarketScape on ESG technology services for CSRD compliance based on IDC analysis and customer feedback.

Accenture is a global professional services company headquartered in Dublin, Ireland. It has over 742,000 people serving customers in more than 120 countries, specializing in strategy, consulting, technology, operations, and interactive services. For over 20 years, Accenture has formed strategic partnerships with organizations, including the United Nations, World Economic Forum, and global charities, to help achieve the United Nations Sustainable Development Goals and tackle climate change (including measuring and reporting critical ESG data for reporting purposes). In 2020, Accenture established ESG Measurement, Analytics, and Performance as a distinct growth division combining technology expertise/functional ESG skills and specializing in customers' regulatory reporting challenges, with a focus on EU regulations, including CSRD requirements.

Accenture offers a broad range of services in sustainability, complementing its digital and cloud-based capabilities with consultancy services through a network of more than 6,500 ESG/sustainability consulting professionals. It has built a team of 150+ dedicated CSRD resources across its services to work on respective engagements. It is also staffing CSRD projects with a larger team of ringfenced professionals out of the general Sustainability Services Team with a strong ESG reporting background.

Accenture has expanded its comprehensive expertise and consulting/technology resources for sustainability services through a number of targeted acquisitions over the past two to three years. It now has a well-established and dedicated team that collaborates with other functions. This enables the company to offer a broad spectrum of CSRD services spanning readiness consulting (double materiality, gap analysis, CSRD reporting strategy), CSRD governance and operating model design and implementation, process and internal control frameworks, CSRD data, architecture, and platforms, as well as CSRD as a service. For each of those offerings, it has built technology assets and established ecosystem partnerships.

Strengths

With its comprehensive expertise, capacity, and resources for CSRD and its technology-agnostic approach, Accenture has been able to develop strong technology partnerships with key platforms (SAP, Microsoft, Oracle, Salesforce etc.) as well as select niche players, and has correspondingly built technology assets for those platforms (e.g., to accelerate CSRD reporting capabilities on SAP). Additionally, Accenture has access to a wide range of external data sources to support customers' data collection challenges for CSRD reporting. Accenture does not consider CSRD reporting as an isolated regulatory requirement; rather, it looks at it from a holistic perspective that also ensures the value creation and transformational potential of the reporting effort.

Challenges

Although customer feedback is very positive overall, Accenture's comprehensive and transformational approach can prove highly complex and may overburden certain less mature or smaller organizations. The company can balance this complexity by addressing business as well as technology executives.

While Accenture has built a comprehensive portfolio of capabilities, services, and technology assets, it may face challenges with executing the growth ambitions for its CSRD reporting portfolio as well as its wider ESG services offering.

Consider Accenture When

Buyers should consider Accenture for large and complex CSRD (or broader ESG) reporting projects that require experts and technologies that span consulting, the building of data platforms and IT architecture implementation/integration, as well as change management aspects. Accenture's approach fits best for broader, transformational engagements where the customer seeks help in selecting an appropriate CSRD data platform, aims for technology integration with existing IT platforms and/or systems, and looks not only at compliance but also considers CSRD implementation as an opportunity to realize opportunities and value for the business model and strategy.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represent the market share of each individual vendor within the specific market segment being assessed.

This IDC MarketScape graph has been weighted according to analyst and customer sentiment to more heavily account for the current capabilities of the vendors in the assessment. In this instance, capabilities were weighted to account for 60% of the positioning in the final graphic.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants and end users. Market weightings are based on user interviews, buyer surveys and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior and capability.

Market Definition

For this research, IDC defines ESG Technology Services for CSRD Compliance as the set of technology services outlined in IDC's 2023 Worldwide Sustainable Strategies and Technologies Taxonomy (IDC #EUR251404023, December 2023) with a focus on project-oriented, managed, and support services for ESG data management solutions that enable customers to adequately report according to CSRD.

CSRD, using the ESRS, requires companies in the EU to report on a range of indicators along 12 topics, as illustrated in Figure 2. Each of the topics comprise a number of KPIs that have to be disclosed. Depending on industry, this can add up to over 1,000 metrics required.

FIGURE 2

European Sustainability Reporting Standards (ESRS)
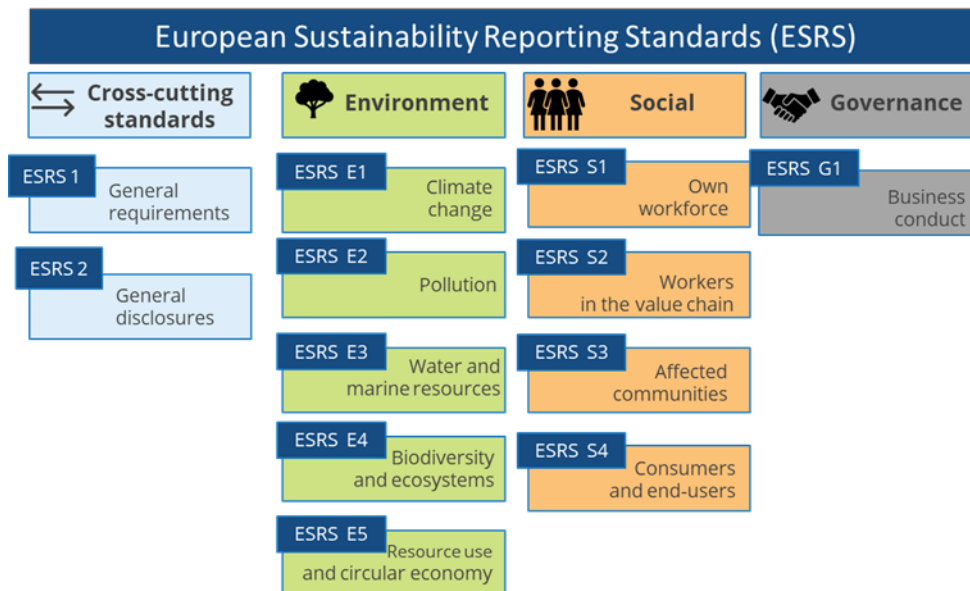
Source: European Financial Reporting Advisory Group (EFRAG)

European technology users are in various stages of ESG reporting maturity with the majority in early or medium stage with regards to ESG reporting processes, workflows, and technologies in place to achieve CSRD compliance. The technology services may include the following:

Designing ESG data architecture for CSRD compliance, mapping the existing technologies, custom adjustments and system integration (e.g., of ERP, SCM, CRM, procurement and other enterprise applications) so that a single source of truth for ESG data is built.

- Implementation of custom and/or standard ESG data management applications in various delivery models (on-premises, cloud, hybrid) while addressing the need for operational and executive dashboards (visualization). ESG data management solutions aggregate and integrate relevant metrics, and underlying data points, to support companies through their full disclosure process, from data collection and management to visualization and CSRD reporting. Moreover, insights derived from ESG data management solutions also support companies in their decision making towards their sustainability goals.

- Implementation of data management capabilities and technologies (AI/ML, NLP for ESG data analysis, modeling and forecasting); integration of external data sources, data quality controls, accountability, secure access controls, data assurance/audit-ready controls (e.g. using blockchain technology)

- Development and implementation of operational technology (OT), related systems, and software applications necessary to monitor physical assets, equipment, processes, and environments that are crucial for measuring and improving business ESG performance in various industry segments.

For additional definition of the market reference IDC's Worldwide Sustainable Strategies and Technologies Taxonomy, 2023 (IDC #EUR251404023, December 2023).

LEARN MORE

Related Research

- *Key Sustainability Trends and Developments in EMEA, 2024* (IDC #EUR151655724, March 2024)
- *IDC's Worldwide Sustainable Strategies and Technologies Taxonomy, 2023* (IDC #EUR251404023, December 2023)
- *Sustainability Readiness Among European Organizations in 2023* (IDC #EUR251385523, December 2023)
- *IDC FutureScape: Worldwide Sustainability/ESG 2024 Predictions* (IDC #US51294923, October 2023)
- *What Gets in the Way of Driving an Ambitious Sustainability Corporate Agenda in Europe?* (IDC #EUR151271423, October 2023)
- *How Advanced are European Organizations in ESG Data Collection Across Their Operations?* (IDC #EUR150938823, June 2023)

Synopsis

This IDC study uses the IDC MarketScape model to provide an assessment of several providers offering ESG technology services for CSRD compliance in Europe. This IDC MarketScape is an evaluation based on a comprehensive framework and a set of parameters that assesses providers relative to one another and to those factors expected to be most conducive to success in each market during both the short and long term.

"The EU CSRD regulation is imminent, and the risks of not being prepared for this new EU directive are significant for any organization operating within EU markets. With a majority of affected companies not sufficiently prepared, more and more companies are seeking support from technology vendors. This IDC assessment has shown that the technology vendors in this relatively new space have rapidly started to build capabilities to support customers with the data and technology challenges associated with CSRD reporting and wider corporate ESG/sustainability efforts. With tech vendors expecting these offerings to form a significant future growth opportunity, the race for market share has only just started, and IDC's evaluation takes a first-ever look at the relative positioning of key vendors in this early stage." Katharina Grimme, associate vice president and research lead on sustainability, IDC Europe.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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