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TWO MODELS OF ESG-REPORTING IN SUSTAINABILITY ENVIRONMENT

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Recent decades, increasingly attention has been paid to ESG-reporting as a sustainable development driver of corporations, territories, and the whole socius. This practice has significantly expanded the information's scope deriving to stakeholders and highlighted new key points of corporative management government and international "soft" regulation. There are currently more than 600 ESG standards and frameworks, data providers and ratings [1], but two ESG-reporting "leaders" were loomed: GRI and Integrate Reporting, these frameworks represented in the database Corporate Register where one can find both IIRC Framework, the number of relevant reports is 10,063 reports and GRI Framework with 69,595 reports as of 21.11.2023 [2].

All the diversity of non-financial reporting systems can be structured by scope of users (investors or all stakeholders), materiality meaning (financial, impact or dual materiality), nature of information (including quantitative, or qualitative data), considering industry specifics (universal or industry), coverage of topics (broad range of topics, or selected topics). We believe this list should be supplemented to define ESG-reporting models that have been formed for a moment. Firstly, it is a complex or bloc outcome, e. g., integrated report is a complex model that indicates company's ability to create value, while larger part of sustainability/ corporate responsibility reports provides information different topic blocks. Afterwards, reports could differ by common logic and possibility of results generalization in one integrable output. This possibility is inherent to integrated reporting unlike else frameworks' ESG-reports with findings cannot be summarized into an overall result or common inference.

Reporting model is a new concept could be defined as a logic of building interrelated system of financial and non-financial indicators and explanations to give users possibility assess company's sustainability contribution and its impact for all types of capital involved to the value creation. The difference in characteristics listed precisely allows one to distinguish two basic reporting models – sustainability reports and integrated reporting, with either a few "bottom lines" set of ESG-indicators or complex model of further value creation.

Sustainability reports assume comprehensive coverage of all aspects of the company's activities. This reporting is addressed to the wide scope of stakeholders and based mostly on the impact materiality principle – disclosing the organization's impact on nature and society. This approach with same or less coverage of topics and indicators applies in many other frameworks' sustainability / corporate responsibility reports because they mostly use block logic with not integrated output. It should be noted the movement to the double materiality for many reports, as well as combination of few ESG-frameworks' requirements and ideas in one report. Integrated reporting is more focused on providers of financial capital, although gives a comprehensive vision of the business for user wide range. Relying the financial materiality, this reporting model shows the ability to value creation, through the impact for capital (financial, industrial, intellectual, human, social, natural), in a business model transforming resources into products and results. Both models have certain advantages that do not overlap and should be used in sustainability pro-active governance. This will enable us not only to predict reaction and behavior of market, society, institutions, and authorities, but to highlight areas of importance for ESG-governance and risk management.

References

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