“Standardization of sustainability reporting: rationale for better investment decision-making”

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ARTICLE INFO	Henry Mynhardt, Inna Makarenko and Alex Plastun (2017). Standardization of sustainability reporting: rationale for better investment decision-making. <i>Public and Municipal Finance</i> , 6(2), 7-15. doi: 10.21511/pmf.06(2).2017.01
DOI	http://dx.doi.org/10.21511/pmf.06(2).2017.01
RELEASED ON	Monday, 29 May 2017
RECEIVED ON	Wednesday, 15 February 2017
ACCEPTED ON	Monday, 08 May 2017
LICENSE	This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Public and Municipal Finance"
ISSN PRINT	2222-1867
ISSN ONLINE	2222-1875
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES

42

NUMBER OF FIGURES

1

NUMBER OF TABLES

7

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Standardization of sustainability reporting: rationale for better investment decision-making

Abstract

The role of sustainability reporting in investment decision-making is not clear and obvious. Despite the steady increase of such statements in corporate annual reports, the relationship between the sustainability reporting and the financial performance of companies is not always positive. The main problems of sustainability reporting nowadays are insufficient comparability of reporting, accuracy (lack of materiality, reliability and validity of indicators), lack of common approaches for its verification.

Synthesis of standardization and regulation features of sustainability reporting, which is provided in this paper in different dimensions (countries, regulatory standards), allows to identify long-term trends of this reporting to ensure its quality during investment decision-making in traditional and responsible financial markets.

Keywords: sustainability reporting, corporate social responsibility, mandatory reporting, standardization, regulatory instruments.

JEL Classification: G02, G14, M41.

Received on: 15th of February, 2017.

Accepted on: 8th of May, 2017.

Introduction

Sustainability reporting (SR) is an important part of sustainable development (SD). According to objective of sustainable development 12.6, SR is a revolutionary product of accounting systems. It reveals both the dimensions of sustainable development (environmental, social and governance (ESG)) and their corresponding criteria for responsible investment in financial markets.

Considering the theory of legitimacy, stakeholder theory and agency theory, the modern practice of distributing integrated reporting is a mainstream trend in research of SR and corporate social responsibility (CSR) of companies to establish their interrelationship with the financial performance of companies. SR ensures long-term value for stakeholders in general, improves the image, competitiveness and reputation, flexibility in attracting financing and ability to respond to the challenges of the environment, attracting public support, transparency of the company for counterparties and regulators, the loyalty of employees, as well as performance on the financial markets: prices and earnings per share, market capitalization, etc.

Friede (2015) finds more than 2000 evidences that there is a positive correlation between the ESG criteria of the companies and their financial effectiveness.

Despite the wide distribution of SR, it is still quite varied in format, scope of information, approaches

to CSR indicators (according to ESG criteria), measurement and interpretation, as well as ways of presenting overall corporate performance. Important issues are SR assurance and verification by independent third parties and quality criteria.

These aspects raise a question about standardization of SR and its mandatory disclosure for meeting growing needs of different stakeholders in more transparent and relevant reporting, especially in investors' decision-making processes.

The question is, therefore, whether the more transparent and complex voluntary SR with ESG criteria is better for investor decision-making? Do we really need to introduce mandatory SR for more grounded investor decisions and close linkage between SR and companies financial performance?

The aim of the present study was to explore the main problem areas of SR; tendencies in SR standardization, mandatory disclosure, regulation; and to provide some propositions for further development of the SR as a ground for better decision-making in traditional and responsible financial markets.

The practical implementation of research results is the substantiation of necessity of further development and standardization of SR as a basis for making traditional and responsible investment decisions and the companies' financial efficiency.

In this paper, the following aspects of the SR are discussed: standardization and mandatory regulation both globally and for the individual countries; key issues of the voluntary distribution during investment decision-making in traditional and responsible financial markets. Also, promising regulatory directions are proposed.

The remainder of the paper is organized as follows: section 1 briefly reviews the literature on linkages between SR and companies' financial performance and rationale for its standardization. Section 2 contains problem areas of SR; section 3 outlines recent tendencies in SR regulation all over the world. Finally, last section presents some policy implications concerning future prospects of SR as a ground for investor decision-making.

1. SR as a basis for better investment decision-making

The study of the relationship between adhering to the principles and goals of sustainable development by companies that are disclosed in SR and financial performance of companies acquired considerable popularity in academic circles over the past 35 years.

A study of the literature, which focuses on the three main groups, revealed three relationships.

Firstly, there is a **positive relationship** between reporting on sustainable development and corporate financial performance in market efficiency measurements, as studied by the following researchers: Eccles et al. (2012) – companies with high sustainable development are significantly superior to competitors with low rates in terms of stock market and accounting activities (efficiency); Khavesh et al. (2012) – there is a significant positive relationship between reporting on sustainable development and the price of shares of companies; Ngwakwe (2009) – there is a link between investments in sustainable development indicators and improving interaction with stakeholders; Schade-witz and Niskala (2010) – there is a connection between reporting standard GRI and reduction of information asymmetry between stakeholders and the market value of the company; Bayoud et al. (2012) studied the connection between the disclosure of CSR and reputation of the company for stakeholders; Reddy and Gordon (2010) – SR is statistically significant for explaining abnormal returns for Australian companies and reporting on CSR for companies from New Zealand); and Ekwueme et al. (2013) report on the triple outcome (triple bottom line disclosures), which has a dual positive effect on the growth of market share and market capitalization of companies.

Secondly, there is a **negative relationship** between sustainable development reporting and corporate financial performance, as reported by these researchers: Cormier and Magnan (2007) – the rising cost of disclosure and the possibilities of using it by competitors lead to reduced efficiency of financial activity; Detre and Gunderson

(2011) – there is a negative connection between the price of the shares of agricultural enterprises and their inclusion in the DJSI Index in the short term; and Lewis (2016) – most of the multinational companies analyzed in the context of disclosure of the environmental impact of their supply chains can be accused of 'green camouflage' or 'green-washing'. Additional costs on disclosure and reporting of sustainable development and its verification, specific cases of 'green camouflage' do not give SR advantages to investors for greater validity, relevance and reliability in making investment decisions in financial markets. This link between CSR and financial performance is negative (Chong et al., 2006; Geczy et al., 2005; Hong & Kacperczyk, 2009). A landmark in this regard is the work of Friedman (1970) who insisted that CSR is a rather costly activity, which reduces the competitiveness and financial effectiveness of companies.

Thirdly, a **neutral relationship** exists between reporting on sustainable development and corporate financial performance, as reported by: McWilliams and Siegel (2000) who found that the link is random; Adams et al. (2012) – the link between inclusion in the DJSI Index and financial activity is absent in the short term, but is possible in the long term due to improved reputation; Buys et al. (2011) – voluntary disclosure according to the GRI standards has no statistically significant effect on return on earning (ROE); Humphrey et al. (2012) – there is no difference between high and low ranking companies according to ESG criteria and the financial activity of the companies; Najah and Jarboui (2013) – there is no statistically significant link between the disclosure of social criteria of French companies and their financial performance; and Quia (2016) – there is no statistically significant link between the disclosure of environmental information and the profitability of companies, while profitability in the past determines the current disclosure of social information.

Also, there is a number of studies which analyze relationship between compliance to the ESG criteria and financial effectiveness of the companies. Among the researchers who define a positive relationship between a set of sustainable development criteria, which correspond to the company and their financial effectiveness, the following authors should be named: Abramson and Chung (2000); Schröder (2004); and Van de Velde et al. (2005). Among those who studied separate criteria – environmental and social – are: Barnett and Salomon (2006); Brammer et al. (2006); Scholtens and Plantinga (2001); Klassen and McLaughlin (1996). Researchers who studied mainly social criteria are: Statman

(2006); and Shank et al. (2005), while those who studied governmental criteria are: Gompers et al. (2003); and Opler and Sokobin (1995).

Rüdiger and Kühnen (2013) describe main research gaps in SR regulation as groups of issues concerning voluntary and mandatory reporting, reporting on government and company level, reporting quality, stakeholder perception and external assurance. Similar results are obtained by Eccles and Serafeim (2014) who discuss a role of regulation in integrated reporting (Anglo-American) and Ioannou and Serafeim (2011) who examine the effect of mandatory sustainability reporting on corporate disclosure practices in China, Denmark, Malaysia, and South Africa, Wensen et al. who researched the needs of stakeholders involved in CSR are met business reports when reporting is centrally regulated.

As can be seen, there is no single answer to the question “Does SR provide a basis for better investment decision-making?” That is why the role of standardized SR in investment decision-making needs further study.

2. Problematic areas of SR

Despite obvious advantages of the SR for the companies, its coverage is still very low. According to Gray and Milne (2007), only 2K of analyzed 60K companies use SR. The other problems are incomparability and low quality of SR.

An important aspect of the SR is disclosure of negative aspects of the companies according to ESG criteria. Hahn and Lülfs (2014) analyzed the communicative legitimization strategies of companies with reported “negative aspects”, i.e., negative ecological and social impact caused by corporate activity. They investigate such strategies as marginalization, abstraction, indicating facts, rationalization, authorization and corrective actions and SR itself, do not meet the requirement of impartiality, as postulated by the GRI guidelines.

There is an interesting idea, described in a study by the Organization for Economic Co-operation and Development (OECD, 2014), reporting on ESG criteria. The study originated as a voluntary practice in response to the needs of stakeholders, exchanges, investors and international Organizations after the summits for sustainable development

(such as the Rio+20 Summit 2012), which gradually became compulsory for listed companies in selected countries. According to the representatives of the Organization, such reporting should be mandatory not only for the listed, but for all companies, and should attract the attention of the government for ordering volume, structure, its key characteristics and role in ensuring the investors’ decision-making process on traditional and responsible financial markets.

Among the key reasons that arise during the preparation of SR and its integration with the financial statements there are:

- ◆ the lack of relevant data in the company;
- ◆ the poor quality of their completeness and accuracy;
- ◆ limited resources; and
- ◆ the need for external confirmation of SR.

A specified list of procedural reasons may be supplemented by such factors as a significant lack of a unified methodology for preparation and submission of SR in an integrated format. Except for voluntary practices GRI, there exist disparate standards ISO 26000 (International Organization for Standardization), the UN Global Compact, SA 8000.

Another important aspect in the presentation of SR is that it should not only ensure comparability of reporting, but also its quality characteristics (Table 1):

- ◆ materiality (low level of focusing on the key areas of companies on sustainable development/information requests by stakeholders);
- ◆ validation of indicators (which do not fully disclose the activities of companies in the social, environmental and economic dimensions); and
- ◆ reliability of indicators (no single methodology for their calculation and interpretation).

Finally, there remains an open problem to provide independent confirmation of SR as part of a corporate report and SR in an integrated format by the existence of different approaches to standardization of such a confirmation (AA1000), Assurance Standard, International Standard for Assurance Engagements (ISAE 3000), additional cost of services of such a confirmation for SR issuers, and the absence of generally accepted criteria of quality of such statements.

Table 1. Problematic areas of SR presentation

Problem direction	Gist
General questions of SR preparation and submission	The lack of clear understanding and defining target groups of stakeholders and their information needs in SR
	The lack of communication between SR and the overall corporate strategy of companies
	The need for the involvement of external stakeholders to form an integral vision of SR indicators

Table 1 (cont.). Problematic areas of SR presentation

Problem direction	Gist	
General questions of SR preparation and submission	SR and its relevant formats (CSR report, triple total report) often do not correspond to a real understanding of sustainability and do not focus on the needs of future generations	
Providing quality characteristics of SR	Significance	The low level of focus on the key areas of companies with sustainable development/information requests of stakeholders
	Validation of indicators	Indicators of social, environmental and economic dimensions of sustainable development, which are in the SR, do not fully disclose the activities of companies in these dimensions
	Reliability of indicators	The lack of a uniform method of calculation and interpretation of SR indicators
	Objectivity of SR	The use of SR to create 'green camouflage' and data manipulation
	Balance of information	The need to determine the relationship between different dimensions of sustainable development and financial activities at their disclosure in an integrated format
	The need for an integrated format	Eliminating duplication between financial information and indicators of the economic dimension of sustainable development
	Comparability	The low level of comparability of SR given the sectoral features, especially in the regulation and representation (financial and retail Organizations focused on disclosing social information, automotive and mining companies on the environment)
	Clarity	The lack of standardized approaches to the preparation and submission of SR in terms of a significant number of indicators, stakeholder requests and formats of reports do not provide a clear understanding of the essence
Ensuring the proper level of assurance for SR	In the absence of independent verification of data, consumers of reported information are not inclined to trust its content	
	Ensuring quality information requires independent confirmation with different types of assurance	

3. Empirical evidence in standardization of SR

Standardization of SR is an important way of ensuring quality, comparability and linkage between SR, CSR and financial performance of companies. This linkage can be realized by better investment decision making based on more understandable SR.

To explore standardization of SR all over the world we will make the following steps:

- ◆ outline general trends in the implementation of regulatory instruments to SR in the world;
- ◆ review experience of some countries in standardization and regulation of SR;
- ◆ analyze the initiatives of financial regulators and exchanges in SR regulation;

- ◆ examine the prevailing standards of SR and their verification.

Carrots and Sticks (2016) analyze regulation of SR in the world. They show that the number of regulatory instruments in the sphere of SR has increased dramatically during 2013-2016. For example the number of regulatory instruments used in 44 countries for the purposes of SR was 180, but in 2016, this number was close to 400 (see Table 2).

As can be seen, key role is played by the state. 80% of the countries all over the world implement requirements for such reporting as an official rule. Most of these instruments are developed and adopted by public authorities in the fields of Environmental Protection (57 instruments), Business and Commerce (28), Finance and Treasury (22).

Table 2. The number of regulatory instruments used in the SR all over the world, period 2013-2016

Status	2006		2010		2013		2016	
	Instruments	%	Instruments	%	Instruments	%	Instruments	%
Mandatory	35	58	94	62	130	72	248	65
Voluntary	25	42	57	38	50	28	135	35
Total	60	100	151	100	180	100	383	100

Source: Carrots and Sticks (2016).

The vast majority of these instruments (two-thirds) in 2016 have a mandatory status. The gradual increase in the proportion of voluntary standards and 35% also needs to be mentioned.

Geographically, the largest number of regulatory instruments and the fastest growth rates are demonstrated European countries – 40.5% of all the instruments used in the world in 2016. This is

caused by the implementation of Directive and the requirements for trading GHG emission.

Mandatory requirements are mostly used for the big companies both listed and non-listed ones (Figure 1). Most of these mandatory requirements are developed by financial and exchange regulators to protect investors. Financial companies have the biggest number of regulatory instruments in SR (40% of all).

Fig. 1. Instruments of standardization and regulation in SR by the company types in 2016

Source: based on Carrots and Sticks (2016).

Significant distribution of SR in the world on the early stages was due to voluntary initiatives of companies and their desire to attract investors. The KPMG study on corporate social responsibility (CSR) (KPMG, 2011, 2013, 2015) showed that in

2011, SR was presented by 64% of the top 100 companies from 41 countries, while in 2013, it was 71% and in 2015, 73%. Nevertheless, nowadays the main drivers of SR development are mandatory requirements (see Table 3).

Table 3. Countries with the biggest portion of SR in annual reports of the companies and mandatory requirements used for these purposes

Country	Requirements for mandatory SR disclosure	Quote of SR, %
India	The Securities Exchange Board and the Companies Act requires companies include SR in annual report	100
Indonesia	SR is mandatory for publicly listed and limited liability companies	99
Malaysia	SR is mandatory for publicly owned companies	99
South Africa	All companies are encouraged to apply the King III Code of Governance Principles. Listed companies are required to apply King III and mandatory disclose SR on exchange	99
France	The Grenelle II Act requires listed and large companies to report on sustainability	93
UK	The Companies Act requires quoted companies to report GHG emissions in the annual report	90
Norway	SR is mandatory for publicly owned and listed companies	86
Denmark	1,100 of the largest companies in Denmark are required to disclose SR	82

Source: KPMG (2015).

Financial crisis 2007-2009 causes a new wave of regulation and standardization in SR. The aim was to increase the quality of investment decisions by stakeholders, especially in the financial sector (37%

of all regulatory instruments) and heavy industry companies (39%). Regulatory instruments for mandatory SR disclosure in financial sector are presented in Table 4.

Table 4. Regulatory instruments for mandatory SR disclosure in financial sector

Country	Requirements	Year
USA	Dodd-Frank Wall Street Reform and Consumer Protection Act	2010
	Regulation S-K	2010
UK	Stewardship Code	2010
Germany	Corporate Governance Code for Investors	2005
Sweden	the Swedish Mandatory ESG Disclosure for Pension Funds	2000
Spain	Spanish Sustainable Economy Law	2011

Table 4 (cont.). Regulatory instruments for mandatory SR disclosure in financial sector

Country	Requirements	Year
Italy	Mandatory ESG Disclosure and Investment Policy	2012
Australia	Financial Services Reform Act	2010
China	Guidelines on CSR for Financial Institutions	2009
Malaysia	Code for Institutional Investors	2014
South Korea	Social Contribution Performance Reporting System	2013
Bangladesh	Environmental Risk Management Guidelines for Financial Institutions	2011

Source: Carrots and Sticks (2016).

Financial regulators and exchanges in 2016 implemented 29% of regulatory instruments for SR. This provides better investment decision making. For example, Guidance Regarding Disclosure Related to Climate Changes designed by US Securities and Exchanges Commission.

The number of regulatory instruments for SR implemented by exchanges increased significantly: from 23 in 2013 to 44 in 2016. Emerging countries (Singapore, Hong-Kong, Brazil, SAR, Malaysia) are among leaders in this process. In such a way, they try to increase attractiveness of their financial markets for investors.

Cooperation between exchanges in SR in 2009 take a form of The Sustainable Stock Exchanges (SSE) organized by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Programme Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI).

In September 2015, the Sustainable Stock Exchanges Initiative (SSE) launched its Model Guidance for exchanges on sustainability reporting. Among 81 explored exchanges 14 (17%) provide ESG reporting as a listing rule (Table 5).

Table 5. Exchanges with ESG reporting as a listing rule as of 01/01/2017

Country	Exchange	Number of listed companies	Domestic market capitalization, mln. USD	SSE CL	Written guidance on ESG reporting	Sustainability-related indices	Green bond listings
Brazil	B3 (formerly BM&FBOVESPA)	359	856,304	Yes	No	Yes	No
Canada	TMX Group Inc.	3,59	1,712,803	No	Yes	Yes	No
Germany	Deutsche Börse AG	630	1,718,508	Yes	No	Yes	No
Hong Kong	Hong Kong Exchanges (HKEx)	1,83	3,236,337	No	Yes	No	No
India	BSE India Ltd.	5,789	5,789	Yes	Yes	Yes	No
India	National Stock Exchange of India	1,822	1,630,008	Yes	Yes	No	No
Malaysia	Bursa Malaysia	904	437,805	Yes	Yes	Yes	No
Nigeria	Nigerian Stock Exchange	186	44,299.6	Yes	Yes	No	–
Seychelles	Trop-X	4	40.7	Yes	No	No	No
Singapore	Singapore Exchange	769	663,122	Yes	Yes	Yes	No
South Africa	Johannesburg Stock Exchange	397	1,015,541	Yes	Yes	Yes	Yes
Sri Lanka	Colombo Stock Exchange	295	21,523	Yes	No	No	No
Thailand	Stock Exchange of Thailand	634	379,713	Yes	Yes	No	No
Vietnam	Hochiminh Stock Exchange	307	51,019	Yes	Yes	No	No

Source: SSE initiatives (2017).

The SSE has launched a campaign to close the ESG guidance gap. The goal is that all World Federation of Exchanges (WFE) and SSE Partner Exchanges will provide their listed companies with guidance on sustainability reporting.

At that time, just under a half (45.5%) of stock exchanges around the world were providing guidance to issuers on ESG criteria and 51.8% provides sustainability's indexes.

Basics of the SR standardization developed by United Nations Global Compact (UNGC), OECD Guidelines for Multinational Enterprises, ISO 26000, Carbon Disclosure Project (CDP), Greenhouse Gas Protocol (GHG Protocol) Corporate Standard, International Labor Organization (ILO) Tripartite declaration of principles concerning multinational enterprises and social policy, UN Guiding Principles on Business and Human Rights, PRI Reporting Framework, CDSB

(Climate Disclosure Standards Board), GRI standards, The International Integrated Reporting Council (IIRC), SASB. According to Carrots and Sticks (2016), GRI standards are used in 42 countries. The

share of reports prepared on the basis of GRI standards (G1, G2, G3, G3.1, G4, GRI Standards, Citing GRI, GRI referenced) deviates in the interval 68.5-89.2% (see Table 6 for details).

Table 6. SR standards all over the world in 2006-2016 as of 01/01/2017

Standard		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Non GRI	units	89	149	179	212	338	920	1121	1265	1521	1643	1587
	%	13.1	15.1	12.0	10.8	13.0	23.5	24.3	24.4	26.7	26.5	31.5
GRI	units	592	836	1313	1751	2270	2990	3492	3910	4181	4560	3452
	%	86.9	84.9	88.0	89.2	87.0	76.5	75.7	75.6	73.3	73.5	68.5
Total		681	985	1492	1963	2608	3910	4613	5175	5702	6203	5039

Source: GRI SDD Database (2017).

To guarantee the quality and reliability of SR for the use of investment decision-making, audit opinions should be used. Standardization of audit activity in SR allows to unify audit methodology in this sphere and to provide reasonable (or high) level of assurance.

On the global level, there are 3 standards for SR assurance: The International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial

Information developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and AA1000 Assurance Standard (AA1000AS), 2008 issued by the UK-based Accountability and ISO 14064-3 Specification with guidance for the validation and verification of greenhouse gas assertions issued by ISO.

Nowadays there is variety of regulatory instruments for SR assurance (Table 7).

Table 7. Regulatory instruments for assurance of SR

Region/Country	Assurance standard	Developer	Year
North America	SOP 03-2, Attest Engagements on Greenhouse Gas Emissions Information	AICPA and the Canadian Institute of Chartered Accountants (CICA)	2002
Australia	Standard DR03422: General Guidelines on the Verification, Validation and Assurance of Environmental and Sustainability Reports	Standards Australia and Standards New Zealand Committee QR 011 Environmental Management Systems	2003, 2008
Brazil	NBC TO 3000 assurance engagements other than audit and review of historical financial information	The Federal Accounting Council (CFC)	2009
China	No. 3101 Assurance Engagements other than Audits or Reviews of Historical Financial Information (CAS3101)	Ministry of Finance	2006
	China Sustainability Reporting Verification Rules and Instructions (CSR VRAI)	China National Textile and Apparel Council	2008
France	Order of 13 May 2013	-	2013
Italy	Research Document n. 190: limited assurance report on social or sustainability report	ASSIREVI (the Italian Association of Internal Auditors)	
Japan	Practical Guidelines for the Assurance of Sustainability Information	Japanese Association of Assurance Organizations for Sustainability	2007
The Netherlands	Standard COS 3810N Assurance Engagements relating to Sustainability Reports	The Royal Dutch Institute for Registered Accountants (NIVRA)	2007
Spain	ICJCE Action Guide	Institute of Chartered Accountants of Spain	2008
Sweden	Standard RevR 6 Independent Assurance of Separate Voluntary Sustainability reports	The Swedish Institute for the Accountancy Profession (FAR)	2004, 2008

Source: Carrots and Sticks (2016).

Despite a fact that some of the above mentioned standards (for example, Order of 13 May 2013, No. 3101, Assurance Engagements other than Audits or Reviews of Historical Financial Information (CAS3101), NBC TO 3000 assurance engagements other than audit and review of historical financial information, Practical Guidelines for the Assurance of Sustainability Information, Standard COS 3810N Assurance Engagements relating to Sustainability Reports) are based on ISAE 3000, they have to incorporate provisions from existing standards in SR.

Regulation and standardization are the key trends in SR, and GRI is the most famous system of standards in SR. Still a number of unsolved problems evidences in favor of further development of these aspects, especially for the voluntary reporting.

Policy implications and conclusions

Due to the lack of standardized approaches to the preparation and submission of SR in terms of a significant number of indicators, stakeholder requests and report formats, unverified reporting creates a set

of options in its interpretation, reducing its quality for consumers of information. Finding the balance between the benefits and problems of SR creates preconditions to the further spread of SR and better investor decision-making process. Among the main directions of further development of SR in the context of ensuring its comparability and reliability on traditional financial markets and responsible investment markets, we can name the following:

- ◆ in order to reduce information asymmetry in financial markets it is necessary to ensure transparency at the corporate level to perform qualitative characteristics of accounting information in general and complete disclosure of indicators, which reveal its activity, corresponding with ESG criteria and appropriate objectives of sustainable development;
- ◆ coordination of sustainable development goals, mission and corporate strategy, operational policies and disclosures in the SR progress in achieving them interdependently and influencing the activity of companies at the corporate level;
- ◆ setting at global level, the criteria and requirements for the use of SR of companies to rate them in terms of sustainable development, evaluation of methodology of responsible formation of investment indices at global level (for example promotion of initiatives of the Global Initiative for Sustainability Ratings);
- ◆ ensuring SR at global level of comparability by developing a common methodology of compilation and reporting and bringing it to a single conceptual framework of standards (Global Reporting Initiative, Sunshine standards, GRI, AA1000 [AccountAbility], SA8000, ISO 14000, 26000, UN Global Compact, IIRC, etc.);
- ◆ identification, investigation of the 'green camouflage' practice and of mechanisms responsible for unfair disclosure of the objectives of sustainable development at the level of national regulators;
- ◆ working out at the international level the approaches to verification and ensuring the reliability of SR, laying as the foundation the efforts of IFAC to standardise criteria of auditory confirmation of SR; and
- ◆ the harmonisation of global efforts of regulators on display in SR and integrated reporting of progress towards achieving the objectives of sustainable development Objective 12.6 (the sustainable development goals [SDGs] [Goal 12.6]), which indicates the need for integration of the reporting cycle of companies of the information on sustainable development (for example, in 64 countries, there are about 400 regulatory tools to regulate SR).

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