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RAPORTAREA REZULTATELOR DE MEDIU, SOCIAL ȘI GUVERNANȚĂ (ESG)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING

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Abstract. *Raportarea ESG este un aspect inovator care oferă organizațiilor oportunitatea de a identifica, evalua și gestiona riscuri precum schimbările climatice, drepturile omului și practicile slabe de guvernare, pentru a se proteja de viabilitatea și reziliența pe termen lung. Mai mult, ESG este o modalitate reală de a atrage și reține clienți, angajați și, precum și alte părți interesate. Am selectat o serie de surse, cum ar fi link-uri, cărți și unele rapoarte financiare pentru a dezvolta conceptul de ESG în acest raport. Pentru a adăuga, metodologia noastră constă în analiză conceptuală, legislativă, comparativă atât a practicii naționale, cât și internaționale. Vom începe cu descrierea celor trei piloni principali, astfel încât literele care reprezintă ESG vor clarifica și argumenta numele acestuia. În cele din urmă, am ajuns să înțelegem avantajele noțiunii și nevoia acesteia pentru viitorul companiilor. Entitățile trebuie să fie în continuă dezvoltare pentru a exista pe piață și pentru a supraviețui expunerii la risc.*

Keywords: *reporting, environment, social, government, pillars, risks, company*
JEL: M14,G30, Q56, M41

Introduction

Environmental, social, and governance (ESG) issues have received more attention in recent years from financiers, constituents, and the general public. Companies must take responsibility for their administration practices, as well as for how they affect the community and environment. Businesses now have a framework for revealing to stakeholders their ESG risks and efforts through ESG reporting. The purpose of this scholarly paper is to provide readers with a basic overview of ESG reporting, including its definition, requirements, and evaluation process. The article will also discuss the importance of ESG reporting for companies, investors, and other consumers, as well as its benefits and drawbacks. This article seeks to offer insights and suggestions for businesses and stakeholders interested in enhancing their ESG performance and reporting by investigating the status of ESG reporting at the moment and industry trends.

Basic content

Beginning with developing the notion of ESG reporting, we shall mention that it refers to a framework that is in need of helping stakeholders understand how the entity is managing some concrete risks and opportunities. These can be related to environmental, social and governance criteria also written under the name of ESG factors. This type of reporting has the ability of ensuring companies they fund, that their transformation into stewards of the environment as well as into good corporate citizens, has begun. Moreover, the responsibility of ESG is to provide to entities leaders from accountable managers' spheres. Moving on to the concept's requirements, we shall mention that it varies by jurisdiction as well as by industry. To add, the conditions are evolving constantly. The most suitable and relevant information for any company to report is the one based on the entity's operations, management, and stakeholders' expectations. ESG reporting holds its name on three grand pillars: environmental, social and of course, governance.

Firstly, the "E" from ESG stands for responsibility of a company towards environmental risks, including the use of energy and how the management of their specific pillar, impacts as stewards of our planet Earth. For better understanding, we have brought some examples which were subtracted from a number of sources. An important mention is for carbon emissions, pollution, waste disposal, resource depletion, renewable energy, energy consumption and climate change effects.

Second of all, we move on to the letter "S" from the concept which underlines the word "social". The data embraced by this pillar, covers a wide range of topics regarding how companies are fostering humans and culture to the diversification of statistics and community impacts. Examples like human rights, discrimination, diversity and community relations are perfect for describing the data type.

Lastly, but not the least important pillar, is governance for the "G" from ESG. It discloses how entities are being controlled and directed, as well as how leaders are held from accounting sides. The biggest expectation in this case is increasing the transparency of corporate governance. We brought such examples as board elections, executive compensation, shareholders rights, independent directors, takeover defense and of course, staggered boards.

Mentioning about ESG standards, here shall be recognised: Global Reporting Initiative (GRI) Standards, Task Force on Climate-related Financial Disclosures (TCFD), and SASB Standards. GRI Standards is the one to help companies report on significant impacts on the economy, environment, and surrounding society. GRI embraces a focus on a wide range of stakeholders instead of shareholders and are the most used ESG reporting standards globally. TCFD is a principles-based framework for climate-related financial data. SASB Standards are focused on the needs and interests of shareholders and designed to produce information that is financially material, decision useful, and cost-effective. SASB Standards are commonly used by public companies with more than half of the companies in the S&P Global 1200 Index. It is a fact that nearly 1,300 businesses use SASB Standards.

Environmental, Social and Governance (ESG) reporting is becoming increasingly important for enterprises that want to demonstrate their commitment to responsible and sustainable business practices. To achieve successful ESG reporting, enterprises should follow six stages.

The first stage is to establish a clear ESG policy that reflects the values of the enterprise and its commitment to responsible and sustainable business practices. This policy should set out the goals, objectives, and targets that the enterprise intends to achieve through its ESG efforts.

The second stage is to identify and prioritize the key ESG issues that are relevant to the enterprise's operations and stakeholders. This involves conducting a materiality assessment to identify the issues that have the greatest impact on the enterprise and its stakeholders and prioritizing these issues based on their significance.

The third stage is to develop a robust ESG data collection and management system. This involves establishing processes and systems for collecting, verifying, and reporting ESG data, as well as ensuring that the data is accurate, complete, and reliable.

The fourth stage is to report on ESG performance using a range of communication channels, including annual reports, sustainability reports, websites, and other forms of disclosure. This reporting should be transparent and informative and should provide stakeholders with a clear understanding of the enterprise's ESG performance.

The fifth stage is to engage with stakeholders on ESG issues. This involves establishing ongoing dialogue with stakeholders, including investors, customers, employees, suppliers, and communities, and responding to their feedback and concerns.

The final stage is to continuously monitor and improve ESG performance. This involves setting performance targets, monitoring progress against these targets, and continuously improving ESG performance based on feedback from stakeholders and changes in the business and regulatory environment.

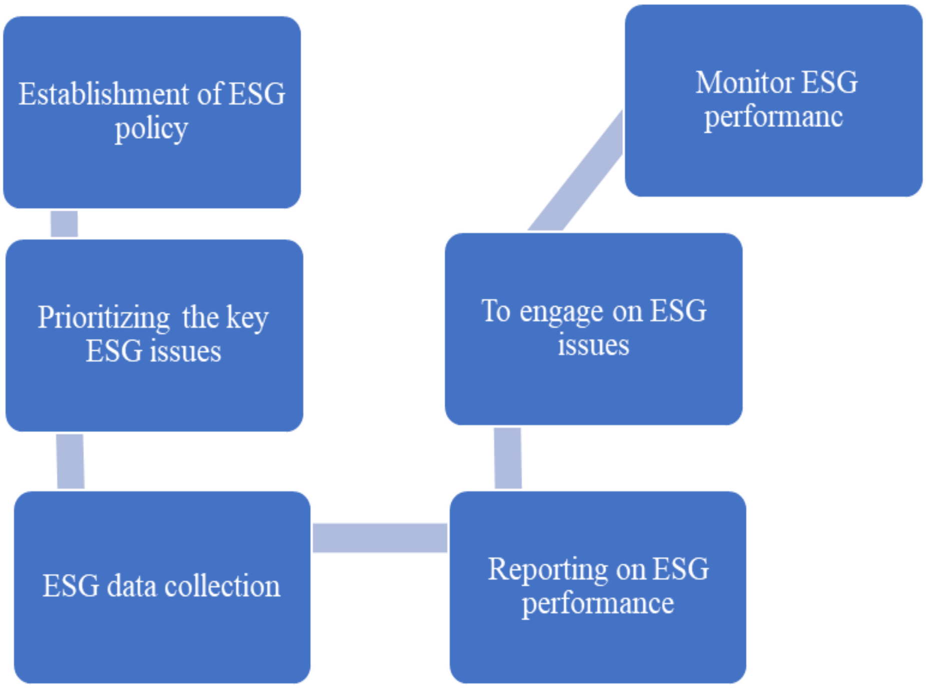

Figure 1: Stages for ESG reporting

Source: Own elaboration of authors

By following these stages, enterprises can establish a robust and effective ESG reporting framework that supports their commitment to responsible and sustainable business practices, and helps them build trust and credibility with their stakeholders. This, in turn, can lead to improved financial performance, increased stakeholder loyalty, and enhanced reputation and brand value.

Once an enterprise has established its ESG reporting framework, it is important to evaluate the effectiveness of the reporting process and the impact of the ESG initiatives on the enterprise and its stakeholders. This evaluation process can help enterprises identify areas where they can improve their ESG reporting and identify opportunities to enhance their ESG performance.

One key element of the ESG report evaluation process is the assessment of the quality and completeness of the ESG data. This involves evaluating the accuracy, reliability, and transparency of the data, as well as the scope and depth of the ESG reporting. The quality of the ESG data is critical to the credibility of the ESG reporting and the ability of stakeholders to make informed decisions based on the data.

The study of the enterprise's ESG success is another critical component of the ESG report evaluation procedure. This includes evaluating the enterprise's progress toward its ESG goals and objectives, as well as comparing its ESG performance to rivals and standards in the industry. This research can assist businesses in identifying areas where they excel and areas where they need to develop.

Stakeholder involvement is also part of the evaluation process, which entails soliciting input from stakeholders on the enterprise's ESG performance and reporting. This input can assist enterprises in identifying areas for improvement in their ESG reporting as well as chances to improve their ESG performance.

The assessment process is an important component of ESG reporting because it can assist businesses in improving their ESG performance, increasing their trustworthiness with stakeholders, and achieving their ESG goals and objectives. Enterprises can show their dedication to responsible and sustainable business practices and support the long-term success of their company by creating a robust and effective ESG reporting structure and performing regular evaluations (Cosmulese et al., 2019).

Recent studies show that the proportion of worldwide companies reporting environmental, social, and governance (ESG) risks is gradually rising. By 2022, the proportion of S&P 500 businesses reporting on ESG problems will have risen to 90%, up from 20% in 2011. Similarly, the percentage of MSCI World Index businesses reporting on ESG problems grew from 14% in 2012 to 55% in 2022.

However, there are still major differences between businesses in terms of ESG reporting. Large corporations with larger market capitalizations report on ESG problems more frequently than lesser corporations. In 2022, for example, 97% of S&P 500 businesses reported on ESG problems, compared to only 24% of S&P SmallCap 600 companies.

In addition, the degree of ESG reporting differs by business sector. firms in the energy and materials sectors have greater rates of ESG reporting than firms in the technology and consumer sectors, which are usually linked with higher environmental hazards. This is most likely due to increased investor and shareholder pressure on businesses in high-risk industries to report on ESG problems.

The proportion of global businesses reporting on ESG problems is gradually growing, but there are still gaps in reporting levels across companies and industry sectors. As ESG problems become more essential to investors and constituents, businesses are likely to experience increased demand to report on their ESG risks and efforts.

Conclusion

Coming to the final part of research, we would like to re-mention that ESG reporting is becoming increasingly important for companies, investors, and other stakeholders. It helps companies to manage risks, enhance their reputation, and increase their competitive advantage. Moreover, ESG reporting also enables investors to make informed investment decisions and improve their long-term investment performance. However, companies face several challenges in ESG reporting, including the lack of standardization in reporting frameworks and the availability of reliable and accurate data for reporting. As ESG factors continue to gain prominence, companies need to prioritize ESG reporting and work towards overcoming these challenges. We believe that as for future implementations, this notion will be able to achieve Standardization, Integration, Technology, Disclosure. Finally, we were able to make clear for ourselves as well as in this research, that ESG reporting is the tool of innovation and a risk cushion.

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