

ANALYSIS OF THE REGULATORY FRAMEWORK ON SUSTAINABILITY REPORTING

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Abstract: *A corporation's ability to occupy and maintain a respectable position in the global market has a positive impact not only on its image, but also on its country's standing internationally. At the same time, globalization trends increase competition, which can lead to a number of negative phenomena affecting both the sustainable development of corporations and the development of countries and the global community as a whole. In this regard, provisions relating to corporate sustainability reporting are of particular importance. This article analyzes the stages of development of a sustainable economy and examines regulatory acts in the field of sustainable development and related reporting. It considers the problems and difficulties of introducing or applying reporting by corporations. It also examines the problems of applying sustainable development reporting in the Republic of Moldova and proposes ways to solve these problems.*

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1. Introduction

Currently, corporate responsibility indicators are one of the factors that should be taken into account when making investment decisions. This is primarily due to numerous scandals in the field of corporate governance (Enron, Parmalat, etc.), corporate bankruptcies, and the environmental crisis. These circumstances, on the one hand, undermined the trust of society and investors, and on the other hand, led to the need to obtain more complete, reliable and transparent information from corporations. All this has led to the need to compile and provide sustainability reports.

Initially, corporations provided this information on a voluntary basis to demonstrate their openness and provide more complete non-financial information to users of financial statements. Subsequently, the approach to non-financial reporting became more structured, and currently 96% of the world's 250 largest corporations (G250) publish sustainability reports.

2. Literature Review

Analyzing specialized literature on sustainable development, it should be noted that the main emphasis is placed on disclosing indicators that must be presented in sustainable development reports. For example, in his work "Sustainability Indicators and Sustainability Performance Management," Professor A. Warhurst of the University of Warwick, UK, notes that: "Despite the apparent vagueness of the term, indicators have been widely used for monitoring and assessing numerous environmental impacts of operations, and are increasingly used in the social and economic arenas." (Warhurst, 2002) At the same time, it should be noted that environmental pollution indicators are currently the most relevant. If we examine environmental pollution indicators on the Numbeo website, (Index, 2025) it is noteworthy that southeastern Europe is the most polluted.

Table 1. Europe: Pollution Index by Country 2025 Mid-Year

Rank	Country	Pollution Index	Exp Pollution Index
1	North Macedonia	79.2	144.1
2	Monaco	78.2	140.2
3	Albania	77.3	135.5
4	Malta	75.7	132.7
7	Ukraine	62.2	107.1
8	Moldova	60.5	104.4
38	Estonia	16.9	27.1
39	Iceland	16.7	27.9
40	Finland	11.7	19.6

Source: Numbeo https://www.numbeo.com/pollution/rankings_by_country.jsp?title=2025-mid®ion=150

In his work “Sustainability indicators and indices: an overview,” (Wu, 2012) Wu J examines the interrelationship between three main blocks of indicators: economic, social, and environmental. He notes that for the relationship to be sustainable, it must be based on the economy, which is included in the social sphere, which in turn is reflected in the environmental indicator.

It should be noted that in its normative act Indicators of sustainable development: guidelines and methodologies, the United Nations establishes four groups of sustainable development indicators that will help countries and governments develop their sustainable development programs. (Nations., 2001)

Table 2: DSR Framework for Sustainable Development Indicators

SD Dimension	State Indicators
Social	Education, Employment, Health/water supply/sanitation, Housing, Welfare and quality of life, Cultural heritage, Poverty/Income distribution, Population, Social and ethical values, Role of women, Access to land and resources, Community structure.
Economic	Economic dependency/Indebtedness/ODA, Energy, Consumption and production patterns, Waste management, Transportation, Mining, Economic structure and development, Trade, Productivity.
Environmental	Freshwater/groundwater, Agriculture/secure food supply, Urban, Coastal Zone, Marine environment/coral reef protection, Fisheries, Biodiversity/biotechnology, Sustainable forest management, Air pollution and ozone depletion, Global climate change/sea level rise, Sustainable use of natural resources, Sustainable tourism, Restricted carrying capacity, Land use change.
Institutional	Integrated decision-making, Capacity building, Science and technology, Public awareness and information, International conventions and cooperation, Governance/role of civic society, Institutional and legislative frameworks, Disaster preparedness, Public participation.

Source: UN <https://www.un.org/esa/sustdev/natlinfo/indicators/isdms2001/isd-ms2001isd.htm>

It should be emphasized that some of the indicators in this table can also be used by corporations for sustainability reporting. However, there are no approved, unified standards at the global level that are mandatory for all corporations. Currently, there are various sustainability indicators developed by various public and private organizations that can be used by absolutely all companies in their reporting.

According to the definition of the UN World Commission on Environment and Development, sustainable development is «the satisfaction of the needs of today, which does not deprive future generations of the opportunity to satisfy their own needs».

The United Nations' 2025 Sustainable Development Goals Report notes that it has been 10 years since world leaders adopted a transformative agenda across a significant area of development, reaching 2030. (United Nations) During this period, the world has transformed significantly: internet access has increased by 70 percent, women now hold 27 percent of parliamentary seats worldwide, and access to green energy has expanded. However, clear development threats are emerging: conflict, climate chaos, geopolitical instability, and sudden shocks continue to impede progress at the pace and scale needed to achieve the 2030 goals. The 2025 Development Goals Report shows that only 35 percent of goals are on track, and 18 percent are being set with the opposite effect. Meanwhile, debt servicing costs in low-income countries are reaching a record \$1.4 trillion, limiting the resources needed for development.

3. Methodology

When writing this scientific article, the author used a research approach based on analysis and synthesis. United Nations regulatory documents on the methodology for calculating and presenting sustainable development indicators were analyzed. The study analyzed relevant scientific literature and articles in the field of indicators presented in integrated reporting.

The methodological approach is aimed at analyzing regulatory documents and scientific literature on the subject, identifying trends and key indicators necessary for integrated reporting, and proposing a comparative approach to different contexts of integrated reporting.

This study is based on general scientific and special methods of cognition of socio-economic processes and phenomena, in particular, methods such as deduction, induction, and scientific abstraction were used.

4. Results and Discussion

Information on sustainable development of an enterprise can be presented both in integrated reporting and in separate reports. Sustainable development represents a balance between the economic, social, and environmental development of an enterprise. The economic decisions made by a company can have a significant impact on the environment and society. Sustainable development of a company should contribute to the creation of systems that preserve natural resources and reduce negative impacts on the environment. A distinctive feature of the advanced development of companies in the modern economy is the emergence of so-called ecosystems, such as the Netflix ecosystem and others.

The need for sustainability reporting was first justified in the mid-20th century by Greenpeace as a requirement for transparency in corporate environmental impacts. Thus,

beginning in the mid-20th century, a number of companies began publicly disclosing information about their environmental impact. Initially, particular attention was paid to environmental issues, such as carbon emissions, water use, and waste disposal. Subsequently, reports began to include a broader range of aspects, such as social and economic ones. Sustainability reporting required the development of specific indicators and standards to unify them.

There are several sustainability reporting standards that are popular among organizations and businesses. Some of the most common standards and platforms for sustainability reporting are the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Organization for Standardization (ISO).

Global Reporting Initiative (GRI) is one of the very first sustainability reporting platforms. It offers recommendations on topics such as human rights, HR practices, and corporate governance. Due to its complexity, GRI is commonly used by medium and large organizations.

The Sustainability Accounting Standards Board (SASB) standard was elaborated in 2011 with a focus on the financial implications of sustainable development; in other words, it focuses primarily on how an organization's commitment to sustainable development practices affects its profitability. This standard provides 13 accounting indicators for each industry that can be used for accurate reporting on the organization's performance.

International Organization for Standardization (ISO) standards such as 14001:2015 and 26000:2010 are designed to provide guidance on environmental management systems and corporate social responsibility (CSR) systems, respectively. These standards cover topics such as human rights, human resource practices, environmental protection, product safety and quality control, and fair labor practices.

The United Nations has issued the following standards:

- SDG 6 Standards: Clean Water and Sanitation;
- SDG 7 Standards: Affordable and Clean Energy;
- SDG 11 Standards: Sustainable Cities and Communities;
- SDG 13 Standards: Climate Action.

In turn, the EU's regulatory and legislative framework for sustainable development is represented by the following regulatory acts:

- **The European Green Deal** - a plan to achieve net-zero greenhouse gas emissions and zero total environmental pollution by transitioning from fossil fuels to renewable energy and raw materials in European Union member states by 2050;
- **Directive (EU) 2022/2464**, CSRD (Corporate Sustainability Reporting Directive), of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting;
- **Regulation (EU) 2019/2088** of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR);

- **Regulation (EU) 2020/852** of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, known as the EU Taxonomy.

The European Central Bank, acting as the direct supervisory authority for the largest banks in the eurozone, and the European Banking Authority (EBA) have placed climate and environmental risk management at the center of their agenda.

On July 31, 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD).

The ESRS is a set of technical standards developed by the European Financial Reporting Advisory Group (EFRAG) to support the implementation of the CSRD and covers various environmental, social, and governance (ESG) aspects, including climate change, pollution, biodiversity, labor conditions, human rights, and more.

The ESRS are part of Directive (EU) 2022/2464, the CSRD, and their primary objective is to provide a simpler, more transparent, and more logical structure for information in sustainability reports. (Directive (EU) 2022/2464)

There are currently 12 comprehensive ESRS standards, with others in development:

- 2 cross-cutting standards on general topics containing basic principles,
- 10 specific standards covering environmental (E1–E5), social (S1–S4), and governance (G1) topics.

Voluntary Sustainability Reporting Standard (VSME) for Non-Listed Micro, Small, and Medium Enterprises. It is a framework developed by the European Financial Reporting Advisory Group (EFRAG) to help smaller companies in the EU report on their sustainability and ESG (Environmental, Social, and Governance) performance.

The VSME (Reporting) standard is intended to be less complex than the CSRD/ESRS. It contains far fewer data points and follows the "if applicable" principle, meaning that firms only need to report in areas that are relevant to their specific operations.

Modular Structure: The standard is divided into two modules:

- *Basic Module*: This is the fundamental level, ideal for businesses that are just starting out with sustainability reporting. It covers essential metrics such as energy consumption, greenhouse gas emissions, and workforce data.
- *Comprehensive Module*: This module builds on the basic module with additional information that may be requested by financial institutions and investors.

Analyzing the Republic of Moldova's regulatory and legislative acts pertaining to sustainability reports, it is worth noting that Article 23, "Management Report," of Law No. 287 of December 15, 2017, "On Accounting and Financial Reporting" stipulates that medium-sized, large, and public-interest entities annually prepare and submit a management report along with their financial statements. The management report includes, at a minimum, information on environmental protection and employee professional development. (Law No. 287 of December 15)

The report of the management of the public interest entity of the Republic of Moldova, whose securities are admitted to trading on the regulated market, includes a section on corporate governance, which should contain information on:

- the corporate governance code applied by the entity with reference to the source of its publication;
- the degree of compliance of the entity with the provisions of the corporate governance code and in case of deviations from them, explanations for the parts of the code that they do not apply, and the reasons for non-application;
- the entity's internal control and risk management systems in relation to the financial reporting process.

A large entity and a public interest entity of the Republic of Moldova that is a mining industry or a forest management company include in the management's report a separate chapter on payments to the state, containing amounts paid in cash or in kind, in the form of fees for natural resources, income tax, royalties, dividends, license fees, if at least one of these payments exceeds 1,700,000 lei in the reporting period.

On June 2023 the International Sustainability Standards Board (ISSB) published its first two International Sustainability Disclosure Standards (IFRS /SDS or the Standards) that become effective for periods beginning on or after 1 January 2024:

1. *IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information,,;*
2. *IFRS S2 "Climate-related Disclosures".*

The International Auditing and Assurance Standards Board (IAASB) has taken a significant step forward in sustainability reporting with the approval and issuance of the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, effective for periods beginning on or after December 15, 2026,

The ISSO 5000 framework is based on the ESG (environment, social responsibility, governance) framework, a set of standards used by companies and investors to evaluate the effectiveness and level of compliance with sustainability policies regarding environmental, social, and governance impacts: (5000)

Environmental: Describes how a company manages its environmental impact. This includes policies related to carbon emissions, natural resource use, waste management, etc.

Social: Describes a company's relationships with employees, the local community, and society at large. This aspect includes practices related to diversity and inclusion, fair labor practices, contributions to community development, etc.

Governance: Describes the management structure and how the company governs itself. This includes aspects such as transparency, business ethics, legal compliance, board independence, etc.

A company's disclosure of information on such matters may relate to several different topics (e.g., climate, labor practices, biodiversity) and aspects of the topics (e.g., risks and opportunities, indicators, and key performance indicators). Legislation, regulations, or reporting systems in the field of sustainable development may describe sustainability issues, topics, or aspects of topics in different ways, and may also contain requirements or

recommendations for an organization in determining the information on sustainable development to be provided.

Examples of topics and aspects of topics include the following:

- Environment (Climate, including emissions, Energy, for example, type of energy and consumption, Water and wastewater, such as water consumption and water discharge, Biodiversity, for example, impacts on biodiversity or protected and restored habitats),
- Social issues (Work practices such as diversity and equal opportunities, vocational training and education, and occupational health and safety, Human rights and public relations, such as community engagement, impact assessment, and development programs, Customer health and safety), Governance (Monitoring, management and oversight of sustainable development issues and related impacts).

Information on sustainable development is provided in accordance with criteria that are fixed in law or regulations or established by authorized or recognized organizations that follow a transparent due process. In different countries, information on sustainable development is presented in accordance with different rules, which must necessarily be confirmed, or in some jurisdictions, regulations may require that only climate-related information disclosure in the sustainable development information of an enterprise be subject to verification.

Thus, the sustainability information provided by a corporation may be limited to certain aspects, such as selected indicators, targets, or key performance indicators. Alternatively, sustainability information may cover a variety of different aspects, as required by a sustainability reporting framework, legislation, or regulations, or as the organization chooses to provide voluntarily.

Sustainability information may be presented in various ways, such as in a stand-alone sustainability report issued by the company, as part of an annual report (e.g., a separate report in the annual financial report, or as part of the management report or management commentary), in an integrated report, or in a supplement to the financial statements or management report. Depending on the applicable criteria, sustainability information may relate to an individual company or may include information about companies within a group or other companies in the reporting company's value chain.

The role of information technology in sustainability reporting should also be considered, as some sustainability solutions help corporations accurately and effectively track progress toward their ESG goals. For example, cloud solutions (Microsoft Cloud for Sustainability) help corporations unify data analysis, create a resilient IT infrastructure, logical value chains, and reduce the environmental impact of their operations. Overall, cloud computing is a sustainable technology because moving workloads from on-premises to the cloud can reduce emissions by up to 98%.

The use of information technology (IT) helps streamline processes often involved in creating sustainability reports, such as sorting relevant data sets to improve analysis efficiency. This is especially necessary when analyzing large volumes of data or complex information, which can be time-consuming to sort manually. Microsoft Azure and Microsoft 365 cloud services enable monitoring the impact of emissions, helping to assess carbon emissions and the reductions already achieved.

IT not only helps corporations improve the accuracy of their reporting but also provides reliable evidence for third-party audits, such as those required by the GRI platform. It's worth

noting that the use of IT assists corporations in preparing sustainability reports and offers numerous benefits. Corporations can use technology to track the environmental impact of their actions, assess opportunities in operational processes and product lifecycles, and develop strategies to reduce emissions and improve environmental conditions.

5. Conclusions

Sustainability reporting is an important aspect of corporate sustainability, as it helps stakeholders and customers better understand the progress of ESG initiatives. However, there are several challenges associated with the implementation and use of sustainability reporting, primarily the difficulty in determining which factors should be disclosed and published. There are different opinions on what should be included in sustainability reporting. Some companies may focus on environmental issues such as carbon emissions or water consumption, while others focus on social indicators. This makes it difficult to compare different companies in terms of their overall environmental or social responsibility.

Another important issue in reporting and disclosure remains the methodology for calculating specific indicators across various industries. To accurately measure progress over time and compare itself with competitors, corporations must use consistent methodologies when collecting data and creating sustainability reports. Clearly, not all corporations use the same method for collecting and analyzing data, and revising individual methods can be labor-intensive and resource-intensive. Therefore, the need arises for a unified regulatory framework for sustainability reporting. Universal standardization will require a large-scale oversight program to closely monitor and ensure compliance. This will ensure accurate reporting and prevent organizations from manipulating results or data to create the appearance of a favorable ESG profile. However, implementing such a program requires many years and significant resources.

The benefits of implementing ESG standards and developing sustainability reporting for corporations include:

- Wider access to financing, investment, and new business opportunities,
- Improved corporate reputation,
- Reduced operational risks,
- Improved business decision-making,
- Strengthened brand reputation,
- Achieve a competitive advantage in the marketplace,
- Increased operational efficiency and cost reduction,
- Improved communication with external stakeholders.

Analyzing the procedure for applying sustainability reporting at the global level, it should be noted that there are certain challenges that an enterprise in the Republic of Moldova may face when applying ESG standards and compiling a sustainability report, namely:

1. The nascent regulatory framework and the complexity of transposing the *acquis Communautaire*;

2. Lack of an operational national Taxonomy and the risk of “Greenwashing”;
3. Lack of credible and standardized ESG data;
4. Limited technical capacity and expertise at all levels;
5. Implementation costs and limited access to sustainable finance;
6. Low awareness and market pressure.

For more effective implementation of sustainable development reporting provisions in the Republic of Moldova, it is necessary to:

- 1) Approve the application of European regulatory documents in the field of sustainable development (Directive (EU) 2022/2464, CSRD (Corporate Sustainability Reporting Directive), Regulation (EU) 2020/852 known as the EU Taxonomy,
- 2) Modify Law No. 287 of December 15, 2017, “On Accounting and Financial Reporting” and, in particular, supplement it with provisions disclosing information on sustainable development by enterprises, specifying what kind of report public interest entities and large enterprises should submit: a separate report or an appendix to the annual financial statements. In the author's opinion, this should be a separate report on sustainable development,
- 3) Provide corporations with tax incentives for effective management that leads to a reduction in greenhouse gas emissions and environmental pollution. Also, expand the preferences that employers and the state provide to employees in the form of tax incentives.

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