AN OVERVIEW OF NON-FINANCIAL REPORTING PRACTICES AROUND THE WORLD

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ABSTRACT
Environmental, social, and governance (ESG) reporting is the act of revealing details pertaining to a firm's ESG performance. The aforementioned data may encompass a company's emission of greenhouse gases, water consumption, workforce diversity, and human rights performance. ESG reporting is becoming increasingly important as investors, consumers, and other stakeholders demand more transparency from companies about their impact on the environment and society. ESG reporting is a complex and evolving area. However, it is an important tool for companies that are committed to sustainability and responsible business practices. By reporting on their ESG performance, companies can help to build trust with investors, consumers, and other stakeholders. They can also help to drive positive change in the world. The issue at hand pertains to the absence of universally recognised criteria for assessing and appraising endeavours undertaken in the realm of ESG practises. A universally accepted protocol for data collection and reporting is currently lacking. It is exceedingly difficult to compare distinct sets of ESG data. Furthermore, numerous nations consider ESG reporting to be optional or non-compulsory. In certain jurisdictions, the disclosure of ESG information is a legal requirement solely for firms that have been publicly listed on the stock exchange. Therefore, ESG reporting does not encompass unlisted and small to medium enterprises. Various non-profit organisations worldwide are endeavouring to establish ESG reporting standards and encourage their implementation by both listed and unlisted entities.
Keywords: ESG Reporting, CSR Reporting, Non-Financial Reporting, ESG, GRI, SASB, TCFD, VRF, CSR

Introduction

Non-financial reporting refers to the practise of divulging data regarding the operational performance of an entity that is not related to financial matters. The data may encompass a range of factors such as ESG considerations, in addition to other pertinent information that holds significance for stakeholders. The significance of non-financial reporting in terms of corporate accountability and transparency is progressively being acknowledged. The utilisation of this approach enables stakeholders to make well-informed decisions and evaluations pertaining to an organization's performance, sustainability strategies, and creation of long-term value. Non-financial reporting functions as a mechanism for organisations to pinpoint opportunities for enhancement, establish objectives, and convey their dedication to sustainable development.

Non-financial reporting, also known as sustainability reporting or corporate social responsibility (CSR) reporting, refers to the practice of disclosing information about an organization's ESG performance and impacts. It provides stakeholders with insights into an organization's sustainability practices, initiatives, and outcomes beyond the traditional financial metrics. The present investigation employs the terms ESG reporting and CSR reporting interchangeably, given our emphasis on the disclosure of nonfinancial information. It is worth noting, however, that ESG encompasses corporate governance, whereas CSR does not. Non-financial reporting goes beyond financial disclosures and involves a wide range of themes that are crucial for sustainable and ethical business practises. The term "non-financial" refers to any information that is not monetary in nature. The reporting of ESG performance by corporations is regulated in a variety of ways depending on the country. In some nations, participation is still entirely voluntary, whereas in others, participation is required by law. Most countries have passed legislation requiring publicly traded companies to report annually on their ESG performance. Baumüller has emphasised the evolving demands of sustainability reporting in corporate settings, identifying key areas that warrant additional consideration from professionals, scholars, and policymakers (Baumüller, Sopp 2022).

These regulations for disclosures of ESG can be met by filing on relevant stock markets or by publishing annual reports. Dumay proposed a revision of the underlying principles of stewardship and the development of a novel framework and paradigm for corporate disclosure (Dumay et al., 2019). While there are accounting standards

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that may be used anywhere in the world to arrive at a consensus about the interpretation of financial accounting transactions, there are no equivalent standards regarding the reporting of non-financial accounting transactions. Efforts are being undertaken in other parts of the world to set standards for such reporting as well. Turzo posited that the absence of a universal standard in non-functional requirements (NFR) has resulted in incongruities in NFR management approaches worldwide (Turzo et al., 2022).

Literature Review

For several decades, investors and financial analysts have expressed scepticism and criticism towards corporate ESG information. The assertion is made that the financial information in question is deficient in qualitative dimensions such as value relevance, comparability, and credibility, and that it does not contribute to informed financial decision-making (Cho, 2015) , (Abhayawansa et al., 2018). According to Bebbington's argument, companies that fail to disclose information transparently and neglect to address sustainability risks while disregarding stakeholders are likely to face increasing scepticism from the markets. Consequently, they may experience a rise in the cost of capital. These corporations may gradually adjust to a carbon-reduced economy at most. In the most severe scenario, their survival may be jeopardised. Hence, a viable approach for accounting scholars to aid firms in enduring the effects of a constantly evolving climate is by conducting research on the consequences of corporate reporting and disclosures (Bebbington, 2018).

A previous study conducted in 1995 posited that the implementation of sustainability accounting and reporting practises can enhance the legitimacy of a business (Suchman, 1995). However, there exists a discourse within the industry regarding the significance of corporate sustainability. According to Grey, the potential usefulness of corporate sustainability accounting is limited (Gray, 1995). While Cho, Laine, et al. argued that corporate sustainability disclosure is merely a sham, façade and smokescreen (Cho, 2015). Searcy and Buslovich, as critical theorists, have emphasised that while sustainability information can be beneficial, it frequently lacks clarity and comparability (Searcy, 2013). The current practises of reporting and disclosing ESG exhibit various issues that have the potential to undermine their legitimacy instead of enhancing it (Dumay et al., 2019). In addition to establishing legitimacy, it is imperative to ascertain the potential correlation between ESG reporting and corporate performance. Numerous corporations hold the belief that their approach to ESG reporting serves as a reliable gauge of their authentic ESG performance (Rajesh R., Chandrasekharan 2019).

The phenomenon of perceived performance not aligning with actual performance is a common occurrence. Leong's research indicates that the implementation of mandatory ESG reporting under specific circumstances is more likely to enhance performance (Leong, 2019). Hence, despite a company's intention to enhance its performance, it may not achieve the desired outcomes or perceptions due to limitations imposed by the external environment. The research conducted by Elilili demonstrates the noteworthy favourable influence of disclosing ESG factors on investment effectiveness. The results of their study indicate that companies should enhance their ESG information disclosure, elevate the calibre of their financial reports, and adhere to ESG standards in order to optimize their operations (Ellili, 2022). Notwithstanding the challenges associated with both voluntary and regulated reporting of ESG factors, there is a growing demand among investors and financial analysts for increased ESG disclosure in order to evaluate the ESG performance of corporations (Krasodomska, 2017), (Al Hawaj , Buallay, 2022).

Objective

Numerous companies globally offer a form of Corporate Social Responsibility (CSR) disclosure in reaction to the request from investors and other stakeholders. In recent decades, there has been a notable surge in the quantity of CSR disclosures. However, it is worth noting that historically, the majority of these disclosures were not mandatory and were not subject to external auditing (Christensen, 2021). Scholars typically employ the voluntary CSR disclosure context to explore the conditions in which companies perceive CSR disclosure as beneficial. Numerous scholarly investigations have extensively explored the factors that influence companies' choices to voluntarily disclose their CSR practises. These studies have revealed that firms engage in CSR reporting as a means of communicating their anticipated financial performance, decreasing their capital expenses, and mitigating information asymmetry (Ng, 2015), (Clarkson, 2019).

Furthermore, scholars conduct inquiries into the ramifications of CSR disclosure on individuals and entities within the capital market, as well as the effects of such disclosure on various external factors, including but not limited to managerial conduct, workforce dynamics, and environmental conditions (McWilliams, 2001), (Cheng, 2013), (Christensen, 2021). At a fundamental level, it has been demonstrated that ESG reporting is essential for establishing a positive reputation and fostering goodwill for a firm, while also providing benefits for all stakeholders involved. There remains a dearth of agreement among global regulators with respect to the delineation of ESG performance reporting parameters and the degree to which they should be implemented.

Dillard, Vinnari, and La Torre assert that the current regulatory and practical approaches to non-financial reporting (NFR) must shift away from an accounting-centric notion of accountability in order to foster accounting practises that prioritise accountability (Dillard & Vinnari, 2019; La Torre et al., 2020). The purpose of this discussion is to outline the regulatory measures implemented by governments worldwide, as well as the frameworks utilised to disclose information pertaining to ESG performance.

Therefore, the research objectives are formulated as follows:

1. 'To study the evolution of the ESG reporting structure during the last 25 years in general'.
2. 'To understand how different countries are developing compulsory and voluntary guidelines to integrate ESG reporting into their non-financial reporting regime'.

Research Methodology

In this research endeavour, as the objective is to study the evolution in reporting framework over the years, the information is procured from various supplementary sources and online platforms affiliated with various governmental regulatory bodies like financial market regulators of the countries and websites of stock exchanges. Relevant information, reports, policies, regulations, and other documents like governance policies and financial and non-financial reporting standards are also studied by accessing the websites of government regulators and voluntary non-profit organizations working in the field of study. The data collected is categorized as per the purpose of the study and then analyzed and interpreted.

Secondary Data Analysis

Non-Financial Reporting in form of ESG Reporting

ESG reporting has gained significant traction worldwide as businesses and investors recognize the importance of sustainable practices and responsible investment. ESG reporting typically covers a wide range of factors across three main categories: environmental, social, and governance. Here are some of the key factors that companies commonly report on within each category:

E	Climate Change	Greenhouse gas emissions, carbon footprint, climate-related risks, and opportunities.
	Energy and Resource Use	Energy consumption, renewable energy usage, water usage, waste management, and recycling practices.
	Biodiversity and Conservation	Measures taken to protect biodiversity, impact on ecosystems, and conservation efforts.
	Pollution and Emissions	Air and water pollution, waste generation, hazardous material management, and emissions of pollutants.
	Environmental Compliance	Adherence to environmental laws and regulations. And periodic preparation of reports on environmental impact assessments for new projects and expansions.
	Others	Use of renewable energy sources, Supply chain sustainability and environmental practices, environmental performance of suppliers.
S	Labor Practices	Employee rights, working conditions, labor standards, employee health and safety, diversity, inclusion and equal opportunity.
	Human Rights	Respect for human rights, supply chain labor practices, prevention of forced labor and child labor, community engagement.
	Product Responsibility	Product safety, quality, labelling, customer privacy, responsible marketing practices.
	Community Engagement	Contributions to local communities, philanthropy, community development initiatives, stakeholder engagement.
	Social Impact	Positive contributions to society, social programs, engagement with vulnerable groups, human capital development.
	Others	Customer satisfaction and data privacy,
G	Board Structure and Independence	Composition and diversity of the board, separation of chair and CEO roles, independence of directors.
	Executive Compensation	Transparency of executive compensation, alignment with company performance and long-term sustainability.
	Risk Management	Identification and management of risks, including ESG risks, internal control systems, and risk assessment processes.
	Ethics and Integrity	Code of conduct, anti-corruption policies, whistle-blower protection, ethical business practices.
	Shareholder Rights	Protection of shareholder rights, shareholder engagement, transparency in voting practices.

	Others	Stakeholder engagement and grievance mechanisms, Transparency and disclosure practices, Compliance with legal and regulatory requirements, Political contributions and lobbying activities

Table 1: General Disclosures to be made under ESG reporting.
(Source: Generated by the Researcher)

These are just examples of factors that may be included in ESG reporting. The specific factors reported by a company may vary depending on industry, geographical location, and stakeholder expectations. Additionally, different reporting frameworks and standards may provide more detailed guidance on the specific indicators and metrics to be disclosed for each factor.
Following diagram summarize the advantages of ESG Reporting.

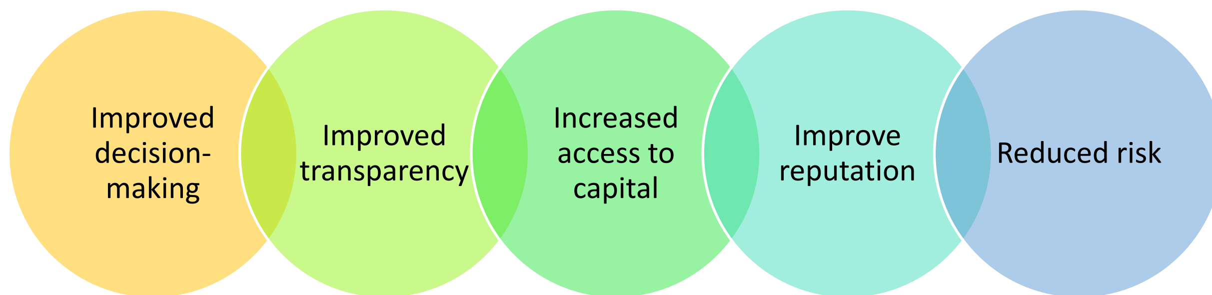

Figure 1: Benefits of Non-Financial Reporting including ESG Reporting
(Source: Generated by the Researcher)

Benefits can be summarised as follows:
Improved decision-making: Companies can improve their ESG performance by using the information provided by ESG reporting to guide their decision-making. They may find that doing so helps them improve their performance while also reducing risk.

Improved transparency: Reporting on ESG factors can assist in making businesses and their stakeholders more transparent. The establishment of trust and confidence between companies and their stakeholders can be facilitated by this.

Improve reputation: The practise of reporting on ESG factors has the potential to enhance the standing of companies among investors, consumers, and other interested parties.

Reduced risk: The implementation of ESG reporting has the potential to mitigate risk for corporations. The reason for this is that ESG factors possess the potential to significantly influence the financial performance of a corporation. Through the disclosure of their ESG performance, corporations can potentially reduce the aforementioned risks.

Overall, ESG reporting is a valuable tool for companies that are committed to sustainability and responsible business practices. It can help to improve transparency, decision-making, access to capital, and risk management.

Early Recognition and Voluntary Initiatives

The early recognition and voluntary initiatives for ESG around the world can be traced back to the 1970s, when environmental concerns began to gain traction. In the 1990s, there was a growing interest in ESG investing, and several investment funds that focused on ESG criteria were launched. In the 2000s, ESG investing continued to grow in popularity, and several major institutional investors, including pension funds and insurance companies, began to incorporate ESG criteria into their investment decisions. The seeds of ESG reporting were sown in the late 20th century as stakeholders began to raise concerns about corporate responsibility and sustainable development. Various voluntary initiatives, such as the Global Reporting Initiative (GRI) and the United Nations Principles for Responsible Investment (UN PRI), emerged during this time, promoting the integration of ESG factors into business practices and investment decisions.

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Brief milestones in the evolution process are as under:

Year	Initiative
1972	United Nations Environment Programme (UNEP) was established to coordinate global environmental efforts. UNEP has played a leading role in raising awareness of environmental issues and promoting sustainable development.
1982	The Calvert Social Investment Fund was founded. It is one of the oldest socially responsible investment funds in the world.
1983	The Brundtland Commission was established by the United Nations in 1983 to address the challenges of economic development and environmental protection. Brundtland Commission released its report, "Our Common Future," which popularized the term "sustainable development."
1990	The launch of the Domini Social Index occurred. The index in question represents an early example of socially responsible indices, intended to assist investors who prioritise social and environmental considerations in their investment decisions. The index underwent a name change, first to Domini 400 Social Index and subsequently to The MSCI KLD 400 Social Index.
1995	The establishment of the World Business Council for Sustainable Development took place in Geneva, Switzerland. The organisation in question is a worldwide entity that facilitates the collaboration of commercial enterprises in order to advance the cause of sustainable development.
1997	The Global Reporting Initiative (GRI) was established in 1997 with the aim of creating standards for sustainability reporting. The Sustainability Reporting Guidelines of GRI are widely employed by corporations globally for the purpose of disclosing their ESG performance.
1999	The launch of the Dow Jones Sustainability Indices (DJSI) occurred. This project involves a partnership between SAM and the Dow Jones Indexes. SAM is a multinational investment firm that concentrates solely on sustainability investing. The creation of indexes is aimed at monitoring the financial performance of prominent sustainability enterprises.
1999	The United Nations Principles for Responsible Investment (UNPRI) were established by a coalition of institutional investors. The UNPRI comprises six principles that enable investors to integrate ESG factors into their investment strategies. The UNPRI has garnered the participation of a substantial number of investors, exceeding 3,000, who collectively represent assets valued at over $100 trillion.

Table 2: Important milestones in ESG reporting in 20th Century.
(Source: Generated by the Researcher)

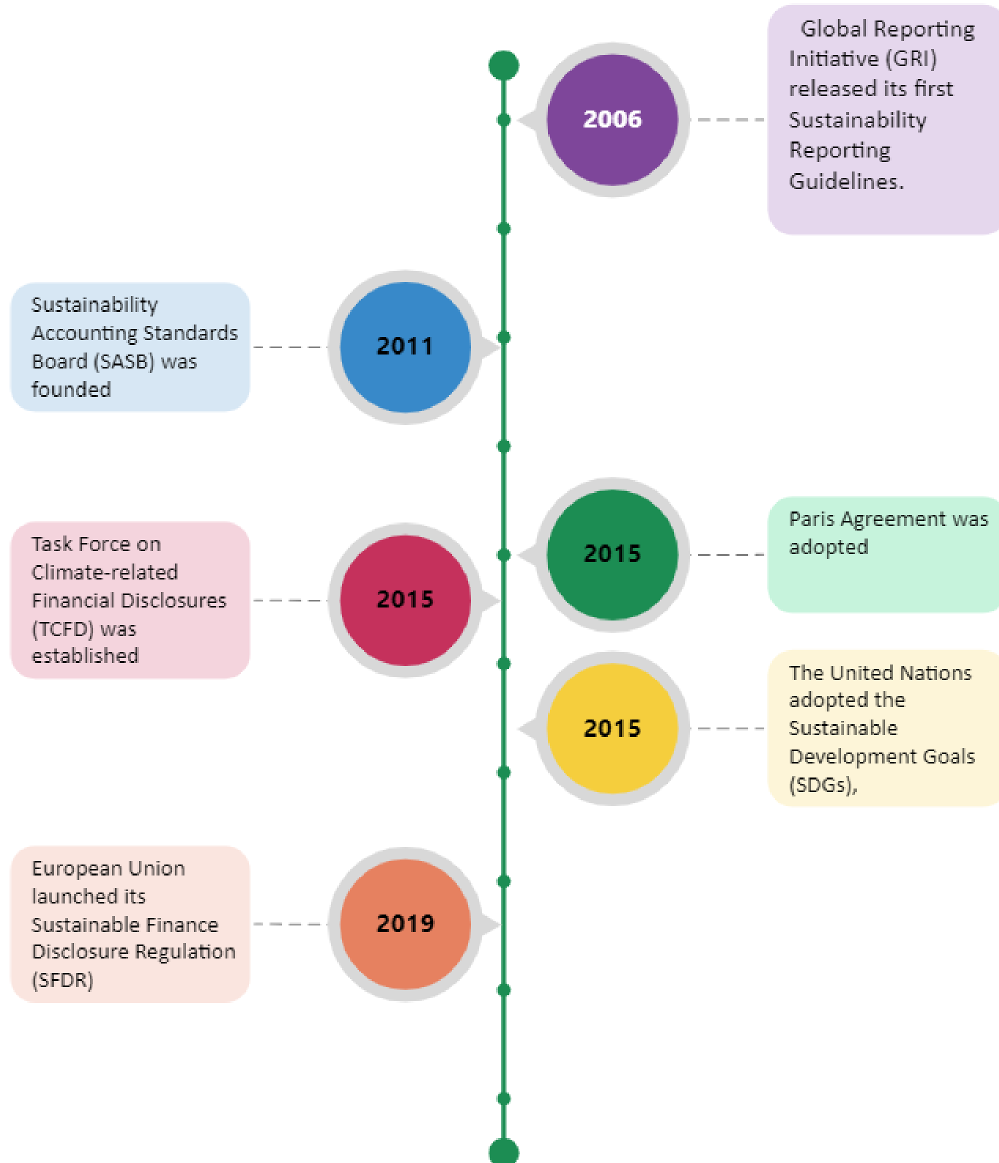
Development in 21st Century

The Principles for Responsible Management Education were launched by The United Nations Environment Programme in 2006. The aforementioned principles entail the integration of sustainability into the academic programmes of business schools. The Global Reporting Initiative (GRI) has recently published its inaugural set of Sustainability Reporting Guidelines. The year 2011 marked the establishment of the Sustainability Accounting Standards Board (SASB), a non-profit entity aimed at facilitating the development of a shared vocabulary concerning the financial ramifications of sustainability for both businesses and investors. The year 2015 held significant importance for ESG reporting, owing to the occurrence of several noteworthy events during that period. The Paris Agreement was adopted in 2015, signifying a commitment by participating nations to undertake measures aimed at mitigating the effects of climate change. The Paris Agreement entails the commitment of nations to undertake measures aimed at mitigating greenhouse gas emissions and adapting to the effects of climate change. The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD). The Task Force on Climate-related Financial Disclosures (TCFD) is a global consortium of proficient professionals that has formulated guidelines for corporations to divulge their climate-related hazards and prospects.

The endorsement of Sustainable Development Goals (SDGs) by the United Nations (UN) represents a pivotal advancement. The United Nations has adopted the Sustainable Development Goals (SDGs) as a comprehensive appeal to address worldwide issues. The Sustainable Development Goals (SDGs) comprise a set of 17 interconnected targets that aim to tackle diverse aspects of human existence and the worldwide economy. The employment of ESG reporting can serve as a means for businesses and investors to demonstrate their backing of the SDGs and the worldwide sustainability agenda. Rosaatti posited that multinational corporations could potentially serve as a pivotal force in promoting the Sustainable Development Agenda. He also suggested that businesses can make a significant contribution towards achieving sustainable development by integrating the Sustainable Development Goals (SDGs) into their plans and operations, as well as by offering innovative solutions to address global challenges (Rosati & Faria, 2019). In 2019, the European Union ratified the

Sustainable Finance Disclosure Regulation (SFDR). As per the Sustainable Finance Disclosure Regulation (SFDR), financial market participants are required to disclose their endeavours towards integrating sustainability risks and opportunities into their business activities.

Figure 2: Important Milestones in the 21st century for ESG reporting



(Source: Generated by the Researcher)

These are just a few examples of the many early recognitions and voluntary initiatives that have been taken to promote ESG. Such initiatives for ESG around the world have helped to raise awareness of the importance of ESG factors and have led to a growing demand for ESG investments. ESG investing is now a mainstream investment strategy, and it is expected to continue to grow in popularity in the years to come. Now a days, ESG, or environmental, social, and governance, is a set of criteria used to evaluate the sustainability and ethical impact of an investment. ESG investing has been growing in popularity in recent years, as investors have become more aware of the environmental and social risks associated with traditional investments.

Various Standards around the Globe for ESG reporting

There is no single global standard for ESG reporting. However, there are a few frameworks and initiatives that are helping to guide companies in their ESG reporting efforts. Some of the important organizations include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD).

I. The Global Reporting Initiative (GRI):

Standards for reporting on sustainability are being developed by the Global Reporting Initiative (GRI), which is a nonprofit organisation. In response to the demand for ESG reporting that is standardised and comparable, international organisations have begun formulating global reporting standards. The GRI Sustainability Reporting Standards, which were initially presented to the public in 1999, serve as a benchmark for all-encompassing sustainability reporting. By providing rules for reporting on economic, environmental, and social impacts, these standards facilitate transparency and accountability. Companies all throughout the world report on their ESG performance using the GRI criteria.

II. The Sustainability Accounting Standards Board (SASB):

The Sustainability Accounting Standards Board (SASB) is a non-profit organisation that produces industry-specific accounting standards for sustainability. The SASB Standards define the subset of information about ESG that should be considered financially significant when evaluating how an organisation develops enterprise value. Companies reveal to investors, lenders, and other stakeholders the results of their efforts to improve environmental and social conditions using the SASB Standards. The Standards are also utilised by investors in order to evaluate the risks and opportunities associated with sustainability posed by companies held within their portfolios.

III. The Task Force on Climate-related Financial Disclosures (TCFD):

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) with the objective of creating guidelines for financial disclosures pertaining to climate-related matters. The TCFD framework has enabled companies to adopt a uniform approach for assessing and disclosing climate-related opportunities and risks. TCFD is an international panel of experts established by the Financial Stability Board. Its primary objective is to develop guidelines for financial disclosures pertaining to climate change. The recommendations put forth by the TCFD are intended to aid enterprises in divulging data pertaining to the risks and opportunities linked to climate change. The proposals have garnered endorsement from a diverse range of interested parties and are progressively being integrated into ESG disclosure frameworks on a global scale.

The GRI Sustainability Reporting Standards, the SASB Standards, and the TCFD Recommendations can all be utilised together to create a more comprehensive view of a company's performance in terms of sustainability if they are applied in combination with one another. For instance, a corporation may utilise the GRI Sustainability Reporting Standards to report on its overall performance in terms of sustainability, the SASB Standards to report on its performance in terms of the sustainability of its industry specifically, and the TCFD Recommendations to report on its performance in terms of the risks and opportunities associated to climate change.

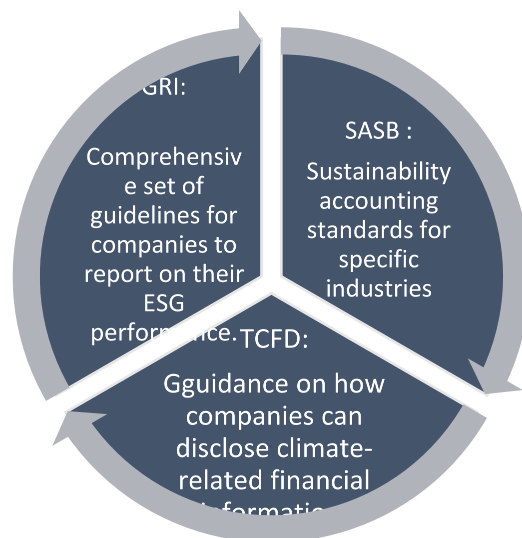


Figure 3: Interdependence of Various Standards for ESG reporting
(Source: Generated by the Researcher)

In addition to these international organisations, a few national governments have also implemented ESG reporting laws. These regulations may be found all throughout the world. These regulations are subject to

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change in each country's unique context. However, they are all working towards the same objective, which is to increase openness regarding the environmental and social effect of businesses. The beginning of the Value Reporting Foundation is the most recent event that has occurred in the process of developing and implementing the standards.

IV. Value Reporting Foundation

In 2010, the Accounting for Sustainability Project (A4S), led by the Prince of Wales, along with a group of international partners, established what would later become known as the International Integrated Reporting Council (IIRC). Integrated reporting is a method of conveying information about an organization's value creation across time in a way that incorporates financial and non-financial information. The objective of the IIRC was to design a framework for integrated reporting, which is a method of communicating this information.
In December of 2013, the Integrated Information and Reporting Council (IIRC) released the first version of its Integrated Reporting Framework. The framework was produced through a multi-stakeholder approach that incorporated input from over a thousand organisations located in a variety of countries all over the world.

The merging of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) resulted in the formation of the Value Reporting Foundation, which brings together the complementary qualities of both organisations to offer a comprehensive approach to corporate reporting. The mission of the foundation is to empower organisations with the ability to communicate the story of how they create value by combining financial and non-financial information in a manner that is clear, pertinent, and useful for making decisions. The goal of the VRF is to allow more informed decision-making on the part of investors, enterprises, and other stakeholders by fostering reporting practises that are both comprehensive and standardised.

Latest Position in various countries adopting ESG Reporting Practices

Recognizing the limitations of voluntary reporting, governments and regulatory bodies worldwide have introduced mandatory ESG reporting requirements. Mandatory ESG reporting requirements are becoming increasingly common around the world. In 2022, there were 39 countries with mandatory ESG reporting requirements, up from 25 in 2021. The requirements vary from country to country, but they typically cover a range of ESG issues, such as environmental impact, social responsibility, and governance. In recent past various studies has been conducted to judge the impact of ESG reporting on performance of corporates. In one study it is found that ESG has been shown to positively affect market performance in a sector-specific analysis as well (Al Hawaj & Buallay, 2022). In other study it is established that ESG reporting certainly and positively affects market performance (Buallay, 2022). Several countries, including the European Union, Australia, France, Denmark, and South Africa, have pioneered this approach by making ESG reporting mandatory for certain companies. These regulations aim to improve transparency, facilitate informed decision-making, and drive sustainable business practices. In addition to these countries, there are a few other countries that are considering or developing mandatory ESG reporting requirements. These countries include Austria, Belgium, Denmark, Finland, Greece, Ireland, Portugal, Russia etc. Some of the key countries with mandatory ESG reporting requirements include: ESG reporting requirements vary from country to country, and they are subject to change as governments and regulatory bodies update their policies. Here are some examples of countries that have introduced or are considering mandatory ESG reporting requirements:

Australia: Although there are no required ESG reporting requirements at the federal level in Australia, several state governments, including New South Wales and Victoria, have implemented legislation that forces organisations in the public sector to report on ESG issues. The Australian Securities Exchange (ASX) encourages companies who are listed on its exchange to also report on ESG issues through the Corporate Governance Principles and Recommendations it has established. Disclosures addressing the environmental and social performance of the company are required to be included in the annual reports of all companies that are listed on the ASX because the Corporations Act of 2001 makes this a requirement for these companies.

China: Reporting on ESG factors is required in China. The Green Bond Endorsed Enterprises List is the rule within this set that is considered to be the most crucial. The Green Bond Endorsed Enterprises List is a compilation of businesses that have been granted permission to present green bonds to investors. Companies that make the list are obligated to make public disclosures regarding the environmental performance of their operations. The Chinese government is now mulling up a plan that would force all state-owned firms to submit information regarding the ESG performance of their respective organisations.

The European Union: Several ESG reporting regulations can be found inside the European Union. The Non-Financial Reporting Directive (NFRD) is the one of these regulations that is considered to be the most

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important. The EU has adopted the EU NFRD, which mandates that big public-interest organisations with more than 500 employees must include non-financial information, including ESG aspects, in their management reports. This requirement came about as a result of the EU NFRD. On the other hand, the EU is currently in the process of rewriting the NFRD in order to enhance and broaden the reporting duties in accordance with the proposed Corporate Sustainability Reporting Directive (CSRD).

France: Every company that employs more than 500 people and operates in France is required by law to produce an annual report that details the measures it has taken to protect the environment. In line with the Grenelle II Law that was enacted in 2010, all large enterprises that have more than 500 employees are required to publish a non-financial statement that provides information regarding their performance in the areas of environmental, social, and employee relations issues. Large companies, institutional investors, and asset managers are required to report on climate-related issues as part of the French Energy Transition for Green Growth Law, which is found in Article 173 of the law. France is responsible for establishing this provision. Disclosure of ESG indicators, such as carbon emissions and energy consumption, is one of the obligations that are enforced by this provision. Other requirements include the disclosure of social and governance elements.

Germany: Large corporations that serve the public interest are required to include a non-financial declaration in their management reports in accordance with the CSR Directive Implementation Act, which was recently passed into law in Germany. This declaration is required to address ESG elements, which include the influence on the environment, social issues, issues relating to employees, respect for human rights, and anti-bribery and anti-corruption actions. In Germany, a law called the CSR Directive Implementation Act was just passed.

India: The Securities and Exchange Board of India (SEBI), the country's securities regulator, has taken initiatives to promote ESG reporting. In February 2021, SEBI mandated the top 1,000 listed companies (based on market capitalization) to disclose their Business Responsibility and Sustainability Report (BRSR) as part of their annual reports. The BRSR includes disclosures on ESG-related aspects and requires companies to adopt globally recognized reporting frameworks.

Japan: Companies and institutional investors in Japan are being encouraged to voluntarily report ESG information thanks to the adoption of the Stewardship Code and the Corporate Governance Code by Japan's Financial Services Agency. These codes were created to standardise the reporting of ESG information. On the other side, there are continuous discussions regarding whether ESG reporting should be made mandatory in the future.

Netherlands: According to the Dutch Corporate Governance Code, all publicly traded companies in the Netherlands are expected to provide disclosures in their annual reports about their performance in the areas of environmental sustainability, social responsibility, and the quality of their relationships with their workforce. Companies with more than 250 employees in the Netherlands are required by law to report on their environmental and social performance.

Norway: ESG reporting, and sustainability have been pioneered in Norway. The Norwegian Corporate Governance Code guides Oslo Stock Exchange-listed enterprises. Sustainability and ESG factors are integrated into corporate governance practises. Companies are encouraged to disclose ESG risks and opportunities, including climate-related risks and targets, under the code. The Transparency Act mandates ESG reporting for Norwegian enterprises with more than 50 workers. Topics must be covered in the report. The Norwegian Accounting Act mandates major corporations to report on environmental and social issues in their annual reports. The Norwegian Government Pension Fund Global mandates ESG disclosure from all companies it invests in.

Singapore: In 2021, the Singapore Exchange (SGX) issued a set of ESG reporting rules for firms that are publicly listed. According to the recommendations contained in the guidelines, businesses should disclose information regarding their ESG performance in a manner that is clear, succinct, and consistent. The recommendations include a wide variety of topics, some of which are greenhouse gas emissions, the use of energy and water, the production of waste, employee diversity and inclusion, human rights, and corporate governance. Even though compliance with the requirements is voluntary, the Singapore Exchange (SGX) has indicated that it expects listed firms to do so in order to be considered for inclusion in the SGX Sustainability Index.

South Africa: Listed companies on the Johannesburg Stock Exchange (JSE), which is in South Africa, are required to provide an integrated report that include information regarding ESG-related topics. The non-

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financial information, such as ESG problems, should be made public, according to a recommendation made in the King IV Report on Corporate Governance for South Africa.

United Kingdom: In the United Kingdom, important firms are expected to report on their levels of greenhouse gas emissions as well as other environmental issues in accordance with the Companies Act 2006 (Strategic Report and Directors' Report Regulations). These regulations were passed in 2006. In addition, the government of the United Kingdom has set the year 2025 as the goal year for the introduction of mandatory TCFD reporting requirements for large enterprises and financial institutions. These requirements are part of the TCFD.

The United States: Despite the absence of comprehensive federal regulations for ESG reporting in the United States, there have been discussions and proposed legislative actions aimed at enhancing ESG disclosures. It is imperative to stay abreast of regulatory developments at both the federal and state levels, as they may have implications for reporting requirements. Several stock exchanges, including Nasdaq and the New York Stock Exchange (NYSE), have established listing requirements related to the disclosure of ESG information. The requirements may include the obligation to meet disclosure obligations or adhere to specified reporting frameworks. Various sectors, such as finance, energy, and extractives, have established industry-specific protocols for disclosing information related to ESG considerations. The Principles for Responsible Investment (PRI) and the Equator Principles provide systematic directives for investors and financial institutions. To enhance their credibility and transparency, corporations may opt to seek third-party assurance or verification of their ESG reports. The accuracy and reliability of the information provided can be assessed and validated by independent auditors or specialised sustainability consultants.

The trend towards mandatory ESG reporting is likely to continue in the coming years. This is because investors, consumers, and regulators are demanding more transparency from companies about their environmental and social impact. ESG reporting can help companies to attract investors, improve their reputation, and reduce their risk.

Challenges of ESG reporting

Here are some of the challenges of ESG reporting:

Lack of standardization: There is no single global standard for ESG reporting. This can make it difficult for investors and other stakeholders to compare the ESG performance of different companies.

Cost: ESG reporting can be costly. This can be a challenge for companies that are already facing financial constraints. Investors in financial institutions believe the cost of sustainability reporting is superfluous and harms the company's competitive position, which may explain the findings (Lee et al., 2013).

Complexity: ESG reporting can be complex and time-consuming. This can be a challenge for small and medium-sized companies. Mandatory ESG reporting can be complex for companies, especially for companies that operate in multiple countries. The complexity of reporting can be due to the different requirements of different countries, as well as the different frameworks that can be used for reporting. Investing in sustainability reporting can be seen as a way to increase a company's worth (Awwad, 2018).

Voluntary vs. mandatory: There is a debate about whether mandatory ESG reporting is necessary. Some people believe that voluntary reporting is sufficient, while others believe that mandatory reporting is necessary to ensure that all companies report on their sustainability performance. Organisations have tried to establish credibility with their constituents through sustainability reporting and assurance of sustainability reports (Junior et al., 2014).

Findings of the study

Notwithstanding these challenges, the practise of ESG reporting can serve as a valuable mechanism for enterprises aiming to enhance their transparency, mitigate risk, and expand their access to financial resources. The significance of ESG reporting is anticipated to increase in the forthcoming years due to the rising demand for ESG data. It is plausible that in the forthcoming years, there will be a persistence of the tendency towards mandatory reporting of ESG factors. The rationale behind the need for increased disclosure pertains to the desire of shareholders and other stakeholders to obtain more comprehensive information regarding the manner in which corporations are addressing environmental and social issues. Compulsory ESG reporting can facilitate transparency in a company's ESG performance, thereby enabling investors and other stakeholders to make informed decisions.

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Effective ESG reporting can facilitate enhanced transparency, mitigate risk exposure, and streamline financial accessibility for businesses. The significance of ESG reporting is anticipated to increase in the forthcoming years due to the escalating demand for ESG data. Asian nations, including Japan, Singapore, and Hong Kong, have emerged as leaders in the recent surge of ESG reporting. The Stewardship Code and the Corporate Governance Code in different countries have exerted pressure on companies in Japan and all around the globe to furnish ESG data. The Sustainability Reporting Guide was officially launched in Singapore, while the ESG Reporting Guide was unveiled in Hong Kong. The aforementioned modifications manifest the region's commitment towards sustainable development and socially responsible financial allocation.
It is anticipated that there will be a sustained inclination towards mandatory ESG reporting in the forthcoming years. As the demand for ESG information continues to rise, it is probable that an increasing number of countries will enforce mandatory ESG reporting regulations. The significance of ESG concerns has been increasingly acknowledged by global investors due to their potential impact on investment returns. Presently, a considerable number of significant investors, including asset managers and pension funds, are contemplating the incorporation of ESG criteria into their investment decision-making process. As a result of heightened investor demands, companies have improved their ESG reporting protocols and expanded the accessibility of their disclosures to the general public.

Conclusion

As the globe moves closer and closer towards achieving sustainable development, the evolution of ESG reporting will continue. Global reporting standards are now being developed through a variety of initiatives, including the IIRC framework and the standards developed by the SASB. In addition, approaches for quantifying the influence of ESG aspects on financial performance are also being developed. This will enable investors to make decisions that are more informed. As more people become aware of the importance of sustainable practises and responsible investment, ESG reporting has developed from a voluntary practise into a global movement. ESG reporting will continue to affect company strategy and financial decision-making around the globe, contributing to a more sustainable and resilient future as governments, regulatory agencies, and investors demand more transparency and accountability.

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