

THE EVOLUTION OF STANDARDIZATION OF SUSTAINABLE DEVELOPMENT REPORTING

Vahe Gasparyan

Northern University, Ph.D. student
vaheartnet@gmail.com

Abstract: Accountability for sustainable development process is currently in high demand. Partners of business activities are interested not only in the financial condition and business activity of organizations, but also in the attitude towards environmental protection, implementation of social programs, fulfillment of public obligations. To this end, the problem arises of organizations preparing and publishing reports on sustainable development with international standards. The article presents the evolution of sustainability reporting standardization, which includes the GRI-SAAB-IFRS-S process chain and analyzing opportunities for financial and non-financial information reporting.

Keywords: sustainable development, accountability standardization, GRI, SAAB, IFRS-S, financial and non-financial integrated reporting

JEL code: M40

Research objectives: to link the key pillars of the global reporting initiative, sustainable accounting and international financial reporting standards.

Research novelty: based on the global reporting initiative (GRI), sustainable accounting (SASB) and the international of financial reporting standards (IFRS), integrated financial and non-financial information reporting methods are presented for companies.

Introduction

The demand for accountability of sustainable development was still formed in the 1970s, when organizations concern for environmental protection, reasonable use of natural resources, and implementation of social programs were considered the most attractive in the stock market. In this regard, there was a claim to present the accountability of organizations in sustainable development processes with certain standards (Tshughuryan A, Khachatryan N. 2023). Currently, the GRI, SAAB, IFRS-S standards are in acting process, which are aimed at the regulated publication of sustainable development reports by organizations. However, it should be noted, that these standards are somewhat different from each other in terms of their goals. Moreover, there is currently a tendency to combine the key approaches of different standards for the presentation of sustainable development information and present them as an integrated reporting system (Hakobyan A., Tshughuryan A., & Martirosyan G., 2023). And that process goes through certain evolutionary stages.

Research results

GRI standards began their active use in the early 2000s, aiming to reveal the impact of the organization's business activities on the

environment. Sustainability reporting is quickly becoming a prevalent force for driving positive change in organizations. Through the adoption of sustainability reporting, organizations not only enhance their credibility and stakeholder appeal but also show their commitment to sustainable development. The Global Reporting Initiative (GRI) standards provide one robust and popular path to achieve this (GRI standards. 2019). Currently, the GRI standards are applied with a clear classification (see Figure 1).

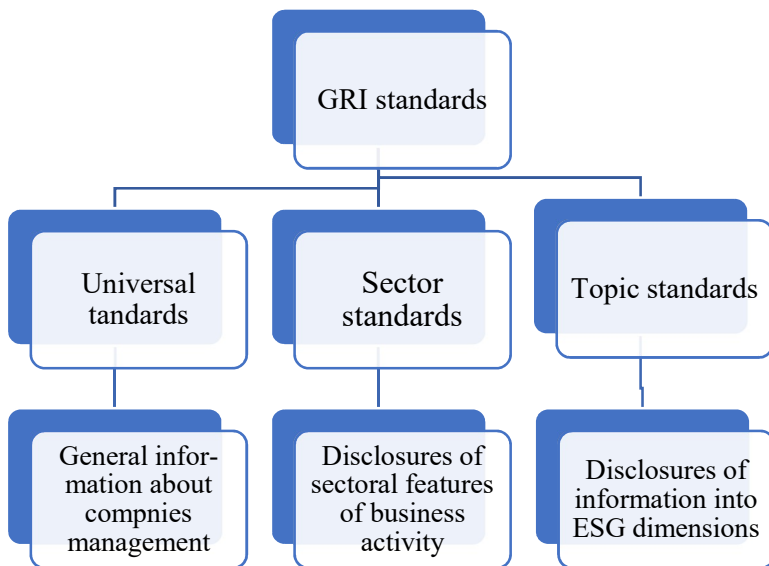


Figure 1. The classification of GRI standards⁷

Universal standards apply to all businesses and organizations and serve as a guide in identifying material topics. These standards

⁷ Composed by author

have been revised to focus on delivering quality disclosures and responsible business conduct. The Foundation (GRI 101), General Disclosures (GRI 102), and Management Approach (GRI 103) cover the foundations of GRI reporting. Its key concepts include impact, material topic, due diligence, and stakeholder.

Ultimately, the sector standards formed to improve reporting quality and consistency, these standards cover specific material topics, such as basic materials and needs, and group them into priority groups. Its making possibility to use the sector standard that applies organization to identify material topics. It can be from the Oil and Gas sector (GR 11), Coal Sector (GR 12), and Agriculture Aquaculture and Fishing Sectors (GR 13). While Sector Standards uphold strict guidelines, they do not intend to replace the company's internal process for identifying material topics.

Topic standards covers specific matters, such as waste management and indirect economic impacts. It is divided into three subcategories - the Economic (GRI 200), Environmental (GRI 300), and Social (GRI 400) dimensions. In case of statement performance, the company is choosing from these topics to report specific information on material topics.

Sustainability reporting varies across industries, considering each sectors' unique challenges and impacts. Based on these considerations, businesses must identify and prioritize relevant sustainability topics. For example, the energy industry may focus on carbon emissions, while the manufacturing industry may priorities labor practices, and the agricultural sector may emphasize water management.

However, the accountability of sustainable development is somewhat universal only with GRI standards, because it does not take into account the specifics of the specific sector, supply chains, cash flow risks. In this regard, following the GRI standards, the SAAB standards were put into effect, which are more relevant to traditional accounting standards (Demir, M.; Min, M., 2019).

The Sustainability Accounting Standards Board (SASB), a non-profit organization founded in 2011, creates and maintains industry-specific standards that guide companies' disclosure of financially material sustainability information to investors and other financial stakeholders (Abesadze O., Martirosyan G., 2023). The SASB Standards were framed by using an open standard-setting process that included evidence-based research, open participation from companies, investors and subject matter experts, and oversight and approval from the SASB Standards Board. Organizations might use these standards for guidance as they disclose sustainability risks and opportunities impacting their enterprise value.

Serving as an environmental, social and governance guidance framework, the SASB Standards identify sustainability issues, that might impact financial performance and enterprise value for companies in 77 industries. These industry-specific standards include 6 disclosure topics and 13 accounting metrics across 5 key dimensions of sustainability - environment, social capital, human capital, business model and innovation, and leadership and governance.

In the last decade, there has been a challenge for organizations to publish integrated reports that include financial and non-financial information related to sustainable development. For this

very purpose, the IFRS-S standards came into force in 2023. In contrast to general purpose financial reports, which traditionally present information characterizing the internal situation of organizations, sustainable development standards require the disclosure of sustainable development outside the organization in other parts of the business value chain. The consequences of the development, which arise as a result of changes in the financial management of the reporting organization. By doing so, the beneficiaries are informed about the extent to which the reporting organization affects the sustainable development of other business organizations included in the business value chain (Asatryan G., 2023).

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

IFRS S standards provides the basic requirements for sustainability disclosures, such as:

- ✓ Requires disclosure of material information about sustainability-related risks and opportunities with the financial statements, to meet investor information needs;
- ✓ Requires industry specific disclosures and refers to the industry-based SASB standards for guidance when identifying disclosures about sustainability-related risks or opportunities;
- ✓ Requires disclosures that enable investors to understand the connections between the sustainability-related risks

and opportunities and the sustainability-related financial disclosures and financial statements (IFRS-S1, 2023).

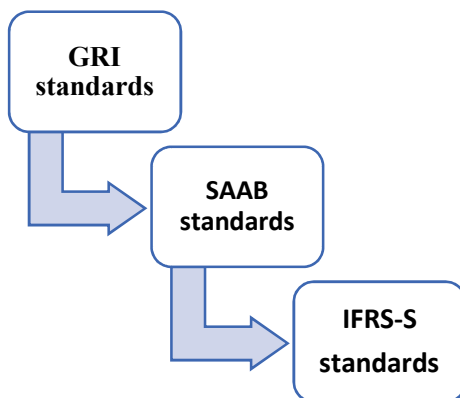


Figure 2. The evolution of standardization of accountability for sustainable development.⁸

Conclusion

Thus, the evolution of sustainable development accountability of organizations can be generally presented in three stages, which includes the GRI-SAAB-IFRS-S process chain (see Figure 2). At the same time, it can be believed, that IFRS-S standards integrate the key provisions of the GRI and SAAB standards in such a way that they are more relevant to the financial consequences of the organization's activities, not only retrospectively, but also in the medium-term and long-term perspective. In this case, the beneficiaries of sustainable development are provided with financial and non-financial integrated reports, which make it possible to assess the opportunities for sustainable development of

⁸ Composed by author

organizations and the risks of their realization, and to make realistic decisions based on this.

References:

1. **Abesadze, O., Martirosyan, G.** (2023), Issues of strategic accounting for sustainable development of enterprises, //Economics, Finance and Accounting, Vol.1, (11), pp. 44-51.
<https://doi.org/10.59503/29538009-2023.1.11-44>
2. **Asatryan, G.** (2023), Human capital and its humanistic dimension, Journal of Social Sciences <http://iraber.asj-oa.am/6160/> (in Armenian)
3. **Demir, M.; Min, M.** (2019), Consistencies and discrepancies in corporate social responsibility reporting in the pharmaceutical industry. Sustain. Account. Manag. Policy J., 10, 333–364.
4. **Hakobyan, A., Tshughuryan, A., Martirosyan, G.** (2023), The integrated reporting philosophy in business strategy, //Wisdom, 1 (25), pp. 174-175, DOI: 10.24234/wisdom.v25i1.978
5. IFRS-S1 "General Requirements for Disclosure of Financial Information Related to Sustainability", 2023
6. GRI standards (2019), //www.globalreporting.org/standards/
7. **Martirosyan, G.** (2023), Conceptual problems of implementation strategic accounting. //Economics, Finance and Accounting, Vol.1, (11), pp. 76-82. DOI: <https://doi.org/10.59503/29538009-2023.1.11-76>
8. **Tshughuryan, A., Khachatryan, N.** (2023), Ecosystem services financial management information security issues, History and politics scientific journal, (2), 25, pp. 71-94.
doi:10.59630/10.59630/25792644-2023.2.25-71

ԿԱՅՈՒՆ ԶԱՐԳԱՑՄԱՆ ՀԱՇՎԵՏՎՈՐԱԿԱՆՈՒԹՅԱՆ ՍՏԱՆԴԱՐՏԱՑՄԱՆ ԷՎՈԼՅՈՒՑԻԱՆ

Վահե Գասպարյան

Հյուսիսային համալսարան, ասպիրանտ

Բանալի բառեր - կայուն զարգացում, հաշվետվողականության ստանդարտացում, GRI, SAAB, IFRS-S, ֆինանսական և ոչ ֆինանսական ինտեգրացված հաշվետվություններ

Կազմակերպությունների կողմից կայուն զարգացման գործընթացին աջակցման հաշվետվողականությունը ներկայումս շահառուների շրջանում մեծ պահանջարկ ունի: Բիզնես գործունեության գործընկերներին հետաքրքրում է ոչ միայն կազմակերպությունների ֆինանսական վիճակը և գործարար ակտիվությունը, այլև վերաբերմունքը շրջակա միջավայրի պաշտպանության, սոցիալական ծրագրերի իրագործման, հանրային պարտավորությունների կատարման գործառույթներում: Այս նպատակով, խնդիր է առաջանում կազմակերպությունների կողմից միջազգային ստանդարտներով հաշվետվություններ պատրաստելու և հրատարակելու կայուն զարգացման վերաբերյալ:

Հոդվածում ներկայացվում է կայուն զարգացման հաշվետվողականության ստանդարտացման էվոլյուցիան, որը ներառում է GRI-SAAB-IFRS-S գործընթացի շղթան:

Միևնույն ժամանակ, կարելի է ենթադրել, որ IFRS-S ստանդարտները միավորում են GRI և SAAB ստանդարտների հիմնական դրույթները այնպես, որ դրանք ավելի առնչություն ունենան կազմակերպության գործունեության ֆինանսական

հետևանքների հետ, Այս դեպքում կայուն զարգացման շահառուներին տրամադրվում են ֆինանսական և ոչ ֆինանսական ինտեգրված հաշվետվություններ, որոնք թույլ են տալիս գնահատել կազմակերպությունների կայուն զարգացման հնարավորությունները և դրանց իրացման ռիսկերը:

Submitted: 01.03.2024; Revised: 22.03.2024; Accepted: 26.03.2024