MANAGEMENT

Oksana Bahrich, Postgraduate Student at the Department of Management, Marketing and Entrepreneurship
National University of Kyiv-Mohyla Academy
Kyiv, Ukraine

DOI: https://doi.org/10.30525/978-9934-26-698-0-19

ESG REPORTING AS A PREREQUISITE FOR INTEGRATING SUSTAINABLE DEVELOPMENT INTO ENTERPRISE MANAGEMENT PRACTICES

In today's environment, characterized by uncertainty, security risks, supply chain disruptions, staff shortages, and power supply disruptions, the priority of integrating environmental, social, and governance (ESG) reporting into the operations of modern enterprises is growing significantly, a trend that is also evident in the global business environment. However, while a significant proportion of multinational and resident companies in developed countries are interested in developing ESG initiatives, the situation for developing countries, particularly small and medium-sized enterprises (SMEs), remains unchanged. In other words, companies with sufficient resources and a need to maintain a responsible image are integrating ESG into their strategic decision-making processes. In particular, over 96% of the world's largest corporations currently report on sustainability or ESG issues [1], and over 79% of global investors incorporate ESG risks and opportunities into their investment decisions [2]. These figures are reflected across many sectors; for example, in capital markets, the global ESG investment market was valued at approximately US$25.1 trillion in 2023, with an average annual growth rate of 18.8% from 2024 to 2030 [3]. There is therefore no doubt that ESG reporting, despite certain fluctuations in asset flows and varying regional trends, should be viewed precisely as a strategic tool for disclosing key information on corporate sustainability across all dimensions, with the aim of engaging stakeholders. And, speaking of regional dynamics, attention should be paid to the views of Ukrainian industry observers, who, in the materials of the National Securities and Stock Market Commission [4], note that as of 2025, approximately 20 companies provide ESG reporting.

All this dashes hopes for quick solutions in the context of achieving sustainable business development, although these challenges have prompted initiatives such as national forums on ESG integration and strategic public-private dialogues aimed at comparing Ukrainian practices with global standards. Furthermore, one should not overlook the systemic crisis, caused primarily by military and political challenges, which necessitates both the expenditure of significant resources and the restructuring of the economy to support a military system, as well as the acceleration of European integration and institutional reform. Thus, the main challenge in ensuring the consistency of ESG reporting in Ukraine stems from a situation in which business representatives face simultaneous pressures related to business continuity, stakeholder trust, and long-term legitimacy, which is not typical for entities in a stable market environment, where the implementation of ESG may be driven by compliance with regulatory requirements or reputational considerations.

Another significant challenge is ensuring that ESG reporting is consistent not through compulsion – which would lead to the formalization of this area – but through genuine ESG integration. This brings us back to the previous issue, as such reporting aims to ensure the availability of information on the company's activities related to ESG criteria in order to mitigate potential negative impacts; therefore, it cannot be merely declarative in nature but must instead reflect the level of institutionalization of sustainable development and the achievement of its priorities.

It is therefore worth focusing on the internal motivation of business representatives to adopt ESG reporting practices. This should combine both a well-established understanding of the analysis of the activities of the business sector, considering its financial, operational, social, environmental, and governance components, and a more tailored approach to assessing the challenges faced by businesses in wartime conditions. This evaluation cannot be restricted to profitability indicators or a formal list of ESG measures for Ukrainian enterprises, as the risks of war necessitate the inclusion of precautionary measures regarding business continuity, staff retention, community support, energy resilience, supply chain adaptation, and so forth.

Therefore, within a strategic management framework, ESG reporting can be viewed as a practical tool for organizing sustainable development. When considering individual businesses, the problem with ESG integration lies not merely in the absence of specific environmental or social initiatives, but rather in the lack of a management framework that would link specific initiatives to strategy, accountability, risks, resources, and outcomes. In this context, the practical value of strategic management can be interpreted as a promising direction for standardizing such reporting. An example in this regard is the structure of IFRS S1, within which ESG must be linked to issues of management accountability, the impact of risks and opportunities on the business model, risk management processes, indicators, and targets. However, the GRI Standards can be considered no less valuable, as they complement this logic by emphasizing an organization's impacts on the economy, the environment, and people. And although some Ukrainian companies claim that their ESG reporting complies with GRI standards, this is only half the story, as the data presented often remains a collection of isolated topics, lacks clarity in presenting the starting points and results achieved, or is incorporated into strategic analysis. In this context, a promising area for further research is the development of a system and subsequent assessment of the maturity of ESG integration in Ukrainian business.

It is also worth noting the integration of the marketing-centric sustainable management paradigm into the activities of modern businesses, as discussed in the previous work [5], as an opportunity to rethink marketing from a tool of competitive struggle into a part of organizational culture that serves as the driving force behind sustainable development and a systemic integrator of values reflecting the new ethics of modern business. This approach allows for the coverage of a multidimensional organizational system, encompassing strategic planning, business model development, sustainable development policy, corporate social responsibility, and reporting in accordance with ESG standards. In this context, it is appropriate to regard the sustainable business priorities reflected in ESG reporting as part of marketing-centric management, which is precisely the strategic element of the overall management system that, in the long term, builds trust and reputation, establishes responsible positioning, and stakeholder value and long-term relationships with employees, investors, communities, customers, partners, and the state. At the same time, ESG reporting can function as a strategic marketing tool only when there is no significant disconnect between a company's public communications and its internal management decisions. In particular, building a reputation based on ESG communication with stakeholders may help to project the image of a responsible business, but does not prove that sustainable development has been genuinely integrated into management practices – something that is actually achieved by establishing a fundamental management framework for sustainability (including the identification of responsible individuals, procedures, resource sources, quantitative and/or qualitative indicators, and the frequency of monitoring). In the absence of this level of integration, ESG remains symbolic, and the problem lies in a deeper management disconnect, where strategic marketing loses its integrative function and begins to operate separately from the management system. Therefore, ESG reporting should be viewed as a tool for assessing the maturity of marketing-centric sustainable management, indicating the extent to which the company's stated values are embedded in its strategy, corporate governance, HR policies, environmental objectives, risk management and stakeholder engagement.

Given the above-mentioned challenges and prospects for integrating ESG reporting practices to ensure sustainable corporate development, with a qualitatively new approach to this process, it can be reimagined as one of the mechanisms for a company's transition to a mature strategic management system, in which sustainable development is linked to objectives, resources, accountability, results and stakeholder trust. Under this approach, it is expected that ESG maturity will be viewed primarily as an indicator of strategic alignment, management complexity and organizational adaptability, rather than solely as a measure of the extent of sustainability disclosures.

References:

1. KPMG. (2022) Key global trends in sustainability reporting. Available at: https://kpmg.com/dk/en/esg/key-global-trends-in-sustainability-reporting.html
2. PwC. (2021) Companies failing to act on ESG issues risk losing investors, finds new PwC survey. Available at: https://www.pwc.com/ee/en/press-room/news-and-articles/companies-failing-to-act-on-esg-issues-risk-losing-investors--fi.html
3. Grand View Research. (2024) ESG investing market size, share & trends analysis report by type, investor types, application, region, and segment forecasts, 2024–2030. Available at: https://www.grandviewresearch.com/industry-analysis/esg-investing-market-report
4. National Securities and Stock Market Commission. (2025) Yaroslav Shliakhov: ESG reporting is an indicator of business maturity and the key to investing in Ukraine's reconstruction. Available at: https://www.nssmc.gov.ua/en/iaroslav-shliakhov-esg-zvitnist-pokaznyk-zrilosti-biznesu-ta-kliuch-do-investytsii-u-vidbudovu-ukrainy/
5. Bahrich O. (2025) Stratehichnyi marketynh yak koordynator staloho rozvytku: teoretyko-kontseptualni osnovy novoi upravlinskoi paradyhmy [Strategic marketing as a coordinator of sustainable development: theoretical and conceptual foundations of a new management paradigm]. *Ekonomika ta suspilstvo*, no. 77. DOI: https://doi.org/10.32782/2524-0072/2025-77-106