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Sustainability (ESG) Reporting in Emerging Markets: Frameworks, Challenges and a Path to Credible Disclosure

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ABSTRACT

Investors, lenders, customers and regulators increasingly expect companies to report on environmental, social and governance (ESG) matters. For companies in emerging markets, these expectations often arrive through international supply chains and capital providers before domestic regulation requires them. This review explains the main reporting frameworks — the GRI Standards, the recommendations of the Task Force on Climate-related Financial Disclosures, the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) and the European Union's Corporate Sustainability Reporting Directive — and the concepts of impact and financial materiality that distinguish them. It identifies the principal challenges for emerging-market companies: data availability, cost and capacity, value-chain information, assurance and the risk of selective or exaggerated claims. It proposes a staged path to credible disclosure based on a materiality assessment, a small set of reliable indicators, internal controls and gradual alignment with international standards. The article argues that credibility, rather than volume, should be the guiding objective.

Keywords: ESG; sustainability reporting; GRI; ISSB; IFRS S1; IFRS S2; CSRD; emerging markets

1. Introduction

Sustainability reporting has moved from voluntary corporate communication towards regulated disclosure. Large investors use ESG information in their decisions; banks include climate and social risks in lending; multinational buyers ask suppliers for emissions data and labour-practice information. For companies in emerging markets, these demands frequently come from outside — from export customers, foreign investors and development finance institutions — and may precede national rules.

This review explains the main frameworks, the concept of materiality on which they depend, the particular challenges faced by companies in emerging markets, and a practical path towards credible disclosure. It is a conceptual synthesis and does not report new data.

2. Stakeholders and the purpose of reporting

Stakeholder theory (Freeman, 1984) holds that organisations should consider the interests of all groups that affect or are affected by them, not only shareholders. Sustainability reporting can be understood as a means of accounting to these stakeholders — investors, employees, communities,

customers and regulators — for the organisation's impacts and for the risks and opportunities it faces.

3. The main frameworks

3.1 GRI Standards

The Global Reporting Initiative (GRI) Standards, whose universal standards were revised in 2021, focus on an organisation's most significant **impacts on the economy, environment and people**, including impacts on human rights. They are widely used by companies of all sizes and in all regions.

3.2 TCFD recommendations

The Task Force on Climate-related Financial Disclosures (TCFD, 2017) recommended disclosures in four areas: governance, strategy, risk management, and metrics and targets, with an emphasis on how climate-related risks and opportunities affect the company's financial position.

3.3 IFRS Sustainability Disclosure Standards

In 2023 the International Sustainability Standards Board (ISSB) of the IFRS Foundation issued IFRS S1 (general requirements for disclosure of sustainability-related financial information) and IFRS S2 (climate-related disclosures). They build on the TCFD structure and are designed for investors, focusing on sustainability matters that could reasonably be expected to affect the company's prospects. Jurisdictions decide whether and how to adopt them.

3.4 The EU Corporate Sustainability Reporting Directive

Directive (EU) 2022/2464, the Corporate Sustainability Reporting Directive (CSRD), requires in-scope companies to report according to European Sustainability Reporting Standards and introduces the principle of **double materiality**. Although it applies directly to companies within its scope, its value-chain requirements mean that suppliers elsewhere, including in emerging markets, may be asked for information.

4. Materiality

The frameworks differ in their concept of materiality. **Impact materiality** concerns the company's effects on people and the environment (the GRI perspective). **Financial materiality** concerns sustainability matters that affect the company's value (the ISSB perspective). **Double materiality** combines both (the CSRD perspective). A materiality assessment — identifying and prioritising the sustainability topics that matter for a particular company — is therefore the foundation of any credible report.

5. Challenges in emerging markets

- **Data availability.** Systems for measuring energy use, emissions, water, waste and workforce data may not exist or may be manual.
- **Cost and capacity.** Specialist staff and consultants are expensive, and smaller listed companies may have limited resources.
- **Value-chain information.** Many material impacts occur among suppliers or customers, where information is even harder to obtain.

- **Assurance.** Independent assurance of sustainability information is developing, and assurance capacity may be limited locally.
- **Credibility risk.** Under pressure to present a positive image, companies may report selectively or make broad claims without evidence ("greenwashing"), which damages trust and can create legal risk.

6. A staged path to credible disclosure

1. **Materiality assessment.** Engage key stakeholders and identify a short list of material topics.
2. **Few reliable indicators.** Start with a small number of indicators that can be measured accurately — for example energy consumption, scope 1 and 2 greenhouse-gas emissions, workforce composition, health and safety incidents, and governance policies.
3. **Internal controls.** Assign responsibility for each indicator, document methods and sources, and apply the same review discipline used for financial information.
4. **Honest narrative.** Explain progress, gaps and plans; acknowledge limitations rather than concealing them.
5. **Gradual alignment.** Map disclosures to GRI and to IFRS S1/S2 or the CSRD as relevant to the company's investors and customers, extending coverage each year.
6. **Assurance when ready.** Begin with limited assurance on key indicators before seeking broader assurance.

7. Implications

For companies, the main implication is that a modest but reliable report is more valuable than an extensive but unsupported one. For regulators and stock exchanges in emerging markets, proportionate and phased requirements, guidance and capacity-building can help companies meet international expectations without excessive cost. For educators, there is a clear need for practical training in sustainability measurement and reporting.

8. Limitations and future directions

This review describes frameworks at a general level, and their adoption and detailed requirements continue to evolve. Research on how emerging-market companies implement these standards, and on the costs and benefits of different approaches, would be valuable.

9. Conclusion

ESG reporting is becoming a condition of access to international capital and supply chains. Companies in emerging markets can respond effectively by grounding reporting in a materiality assessment, starting with a limited set of reliable indicators, building internal controls and aligning gradually with international standards. Credibility is the objective; volume is not.

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