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INTERNAL CONTROL OVER THE FORMATION AND RELIABILITY OF ESG INFORMATION IN CORPORATE REPORTING OF ENTERPRISES

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The expansion of sustainability disclosure requirements is changing the role of corporate reporting and increasing the requirements for the quality of non-financial data. The introduction of the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards requires systematic disclosure of environmental, social and governance information and strengthens the importance of its completeness, comparability and verifiability [1; 2]. Under these conditions, internal control should cover not only the final report but the entire process of ESG information formation, from primary data sources to aggregation and disclosure in corporate reporting.

ESG information is generated from heterogeneous data sources. These may include accounting and management systems, production information systems, data on resource consumption and emissions, human resource systems, internal registers, occupational safety information, compliance data and corporate governance records. Such diversity increases the risks of incompleteness, untimeliness, methodological inconsistency and insufficient documentary evidence. The ESRS requirements regarding the structure and content of sustainability disclosures further increase the need for clear procedures for the formation, verification and reconciliation of ESG data [2].

The COSO approach to internal control over sustainability reporting may serve as a methodological basis for building an ESG information control system. It combines the control environment, risk assessment, control activities, information and communication, and monitoring [3]. For ESG reporting, particular importance should be attached to identifying persons responsible for indicator preparation, defining data sources, documenting calculation methodologies, controlling data completeness, cross-checking indicators and recording methodological changes. In this context, internal control should be regarded not as a final verification of the completed report but as a continuous process integrated into the formation of ESG information.

A practical illustration of this approach is provided by the corporate reporting of Interpipe Group, which discloses environmental, social and governance aspects of the Group’s activities [4]. At the same time, the independent assurance performed by Ernst & Young covered a defined set of greenhouse gas emissions data for 2023–2024 rather than the entire scope of ESG information [5]. This demonstrates that individual non-financial indicators may be subject to different levels of independent assurance and therefore require differentiated internal control procedures.

Internal control over ESG information formation should ensure the traceability of each indicator from its primary source to corporate disclosure, consistency of calculation methodologies, documentary evidence and the possibility of independent verification. Its effectiveness depends not on the number of control procedures but on their ability to identify risks of misstatement in a timely manner and ensure the required quality of information. The development of an internal control system for ESG information increases the reliability of corporate reporting and creates an appropriate information basis for subsequent independent assurance of ESG indicators.

References

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