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THE ROLE OF INTEGRATED REPORTING IN DISCLOSING INFORMATION ON FINANCIAL INSTRUMENTS IN THE VOLATILE MARKET ENVIRONMENT

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Abstract

This article explores the role of integrated reporting in enhancing corporate transparency in a dynamic financial environment. Emphasis is placed on the disclosure of financial instruments within non-financial reports, particularly in the context of ESG (Environmental, Social, and Governance) factors. The paper examines international standards, regulatory requirements such as the EU CSRD directive, and highlights the benefits and challenges associated with the implementation of integrated reporting. It also outlines practical recommendations for companies to improve sustainability reporting through digital tools and stakeholder engagement. The study underlines the growing significance of ESG disclosures in shaping responsible investment and long-term business resilience.

Keywords: Integrated reporting, financial instruments, ESG factors, sustainability reporting, corporate transparency, non-financial disclosure, green bonds, CSRD directive, stakeholder engagement, digitalization.

In the context of a dynamic financial market, the transparency and reliability of data on financial instruments are of critical importance for investors, creditors, and other users of financial statements. One of the modern concepts aimed at improving reporting is integrated reporting, which entails a comprehensive disclosure of both financial and non-financial information, enabling stakeholders to gain a holistic understanding of a company's operations.

Integrated reporting is a corporate reporting concept that combines financial, non-financial, and strategic information into a single document. It allows companies to more fully disclose their performance and the interconnection between financial indicators, as well as social and environmental aspects [1]. The aim of integrated reporting is to provide both financial and non-financial information regarding the allocation of financial capital, taking into account key factors that influence the enterprise's potential over time. The interest in increasing enterprise value, reducing investment risks, and enhancing public trust in corporate activities underscores the necessity for integrated reporting and requires the development of a sound methodological framework [5].

The International Integrated Reporting Council (IIRC) has endorsed the concept of integrated reporting, which unifies information on financials, corporate governance, environmental and social dimensions into a single, integrated format. The main objectives of this concept are as follows: (1) to meet the informational needs of long-term investors; (2) to demonstrate the link between business sustainability and economic value; (3) to reflect the interrelationship between environmental, social, and governance (ESG) factors and financial indicators in decision-making processes that affect long-term business outcomes; (4) to develop a reporting format for ESG-related factors; (5) to shift the focus in performance evaluation metrics from short-term to long-term perspectives [4].

An important aspect of integrated reporting is the disclosure of information about financial instruments within non-financial reports. In this context, special attention is given to the environmental, social, and governance (ESG) aspects of corporate activities. For instance, sustainability-linked financial instruments such as Green Bonds, Social Bonds, and Sustainability Bonds are becoming increasingly prevalent.

Companies issuing such instruments are required to provide detailed reports on the allocation of raised funds, the environmental and social impact assessment, as well as compliance with international standards (e.g., ICMA Green Bond Principles). As such, non-financial reporting includes not only insights into a company's financial position but also its contribution to sustainable development.

The growing role of ESG factors significantly influences the disclosure of financial instruments in corporate reporting. Large international corporations and financial institutions are actively integrating ESG indicators into their reports, promoting a more transparent and responsible business environment. For example, investors are increasingly analyzing ESG risks before making financing decisions. Reports that disclose ESG aspects help assess a

company's long-term resilience and its capacity to manage environmental and social risks.

The European Corporate Sustainability Reporting Directive (CSRD), adopted in 2022, obliges large EU companies to submit sustainability reports starting from 2024. This implies that enterprises must provide extensive information on their environmental and social performance, significantly increasing corporate transparency requirements. Furthermore, companies are required to apply standards developed by the European Financial Reporting Advisory Group (EFRAG) to ensure a unified disclosure approach.

Despite the clear advantages of integrated reporting, its implementation faces several challenges: (1) the absence of unified standards, as different international and national regulators propose divergent approaches to integrated reporting, complicating standardization; (2) data collection complexity, as companies must integrate large volumes of information from various departments; (3) implementation costs, since the development and maintenance of integrated reporting demand substantial financial and human resources; (4) a low level of awareness among companies, with many organizations still unaware of the benefits and necessity of such reporting.

To establish an effective sustainability reporting process, companies should: (1) designate a responsible team or department for ESG data collection and analysis; (2) implement an internal system for monitoring sustainability indicators; (3) use international standards (GRI, SASB, IFRS S1/S2) to structure their reports; (4) invest in the digitalization of non-financial data collection and analysis processes; (5) establish stakeholder communication regarding the impact of financial instruments on sustainable development.

According to global studies such as the KPMG Survey of Sustainability Reporting, over 80% of companies worldwide publish non-financial reports. In Europe, this figure is even higher due to stricter regulatory requirements. Additionally, research conducted by IFRS and GRI demonstrates that companies that integrate financial and non-financial reporting enjoy higher levels of trust from investors and stakeholders [2, 3].

In the future, further standardization of disclosure requirements for financial instruments in non-financial reporting, enhanced regulatory oversight, and the digitalization of reporting practices are expected. The use of Big Data and artificial intelligence will support the automation of data collection and analysis processes, enabling companies to more effectively disclose their activities in an increasingly volatile market environment.

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