Ensuring Transparency of ESG Transformation of Corporations (Using the Example of Retail Companies)

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ABSTRACT

In recent years, companies in the retail sector have begun to introduce and incorporate the principles of sustainable development into their strategies and began to publish reports on sustainable development. ESG transformation of companies in the retail industry has its own characteristics. The purpose of the work is to determine the directions of ESG transformation in retail companies, as well as tools for ensuring transparency of activities in the field of sustainable development. The methodological basis of the study was the concept of sustainable development and ESG, methods of statistical analysis, a systematic approach, scientific works of leading domestic and foreign scientists in the field of sustainable development, ESG transformation of retail companies. In the course of the work the author has identified 6 areas of ESG transformation that are most relevant and consistent with the Sustainable Development Goals and the industry specifics of the retail sector. It was revealed that there is a problem of comparability of ESG ratings and rankings from various agencies, insufficient prevalence of the practice of publishing non-financial reporting by organisations from this segment.

The set of non-financial indicators proposed by the author for retail companies are grouped by areas of ESG transformation, as well as by Sustainable Development Goals. The publication of the proposed indicators in the annual report or sustainability report is intended to help management and interested stakeholders evaluate the results of ESG transformation of retail companies in more depth and detail.

Keyword: sustainable development; corporate environmental responsibility; Sustainable Development Goals; ESG transformation; ESG rankings; ESG ratings; non-financial reporting; greenwashing; retailing

INTRODUCTION

Environmental and climate trends, increasing influence of investors, consumers, and growing number of sustainability ratings are the main drivers of ESG (environment, social development, corporate governance) agenda development in Russia and globally. According to KPMG's brochure "The ESG Agenda for Retail and Consumer Businesses" for 2022 56% of consumers say they consider a firm's environmental and social practices when making decisions about buying its products.[1] International research of 19,000 consumers in 28 countries found that 93% of respondents expect leading companies (or "brands") to help address social and environmental issues [1].

Retailers are later than companies from other industries to integrate sustainability into their strategies and to embark on ESG-transformation, which refers to the selection of sustainability priorities and activities. Retailers are reducing CO_2 emissions, recycling waste, using biodegradable packaging, developing eco-brands, using green energy, producing healthy food products, and more.

An important driver of the spread of the ESG agenda in food retail companies is the pandemic-induced healthy eating market. According to estimates by the Retail Companies Association of Russia, it is growing at the rate of 15–20% per year [2].

The specific nature of the industry determines the high risks of retailers using greenwashing[2] — the number of lawsuits related to greenwashing is growing year after year abroad, with both food and beverage producers and retailers being accused. Russia has set up a committee to prevent greenwashing. Tools to combat such "environmental marketing" (or "green PR") include product certification and the presentation of specific, comparable ESG indicators in sustainability reporting.

However, in Russia, only a few companies in the industry publish non-financial reports. In the National Register of Corporate Non-Financial Reports of the Russian Union of Industrialists and Entrepreneurs, as of January 2024, only 32 reports published over several years by 8 companies belong to retailers (out of 1467 non-financial reports of 258 companies).[3] The growing number of ESG ratings and rankings does not solve the problem either. As a result, stakeholders lack reliable information for decision-making, allowing them to assess and compare companies' sustainability efforts.

The purpose of the author of this paper is to determine the direction of ESG-transformation of organisations belonging to such a business segment as retail, as well as methods of ensuring openness and publicity of their activities in the field of sustainable development to counteract greenwashing. The research object is food retail companies, and it is based on such scientific methods as analysis and systematisation of ESG-transformation practices of retail companies based on non-financial report data; substantiation of the most important Sustainable Development Goals for the industry; analysis and comparison of the values of 8 largest Russian retail companies in ESG-ratings and rankings of Russian agencies.

REVIEW OF PUBLICATIONS ON THE TOPICS OF ESG CONCEPT IMPLEMENTATION IN RETAIL COMPANIES AND GREENWASHING

The main trends of sustainable development and retailing on the basis of bibliometric analysis using online resources Web of Science and

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[1] ESG Agenda for Retail and Consumer Businesses 2022. URL: https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2020/12/esg-retail-consumer-proposition-november-2020.pdf (accessed on 06.01.2024).

[2] Greenwashing — unsubstantiated claims about the environmental friendliness of products.

[3] Russian Union of Industrialists and Entrepreneurs (official website). URL: https://rspp.ru/sustainable_development/registr/ (accessed on 10.12.2023).

Scopus database were considered by J.L Ruiz-Real and colleagues [3]. Many foreign scientists have studied the drivers and directions of implementation of sustainable development practices in the retail industry. Thus, a team of researchers led by D. Styles [4] reviewed the strategies of 25 major European retailers, including: environmental certification of third-party products (e.g., Forest Stewardship Council); labelling of goods in accordance with environmental characteristics; determination of environmental requirements for suppliers, etc. The results revealed that, in terms of environmental performance, speciality retailers and small co-operative retailers, due to their flexibility, tend to be the leaders in terms of supply chain improvement compared to large European chains. A. Ferreira, M. D. Pinheiro and R. Mateus [5] analysed the impact of the adoption of the Paris Agreement on the sustainability strategies of 27 major international retailers. A group of scientists from the USA [1] considered the implementation of the principles of circular economy (namely: Reduce, Reuse, Recycle [3 R]) for companies in the industry and the mechanisms of its implementation, among which they identified: sectoral norms of sustainable development; norms of public and corporate governance; private and public institutions for certification of environmentally friendly products; training and retraining of managers of companies.

M. Naidoo and A. Gasparatos in their article [6] investigated corporate environmental sustainability [CES] strategies and their key provisions applicable to companies in the retail sector and concluded that the motivation for retailers to implement a sustainable development strategy is the economic benefits expected mainly through cost savings (as a result of reduced resource use). Other authors have evaluated the impact of ESG strategies on the use of technologies that reduce water and other resource use, direct and indirect emissions of retailers. M. Naidoo and A. Gasparatos [7] studied the supply chain initiatives of major supermarket chains in South Africa, as well as consumer perceptions and willingness to support supermarket sustainability strategies.

It should be noted that the sphere of scientific interests of foreign researchers included the issues of certification and standardisation in retailers as tools for solving the problem of greenwashing.

For example, the authors of the article [8] O. Chkanikova and M. Lehner studied the role of retail ecobrands and the problems associated with their certification, compared private and public certification in terms of greenwashing risks; they found that ecobranding changes the practice of food production and consumption. Thus, retailers who can certify organic products have a noticeable impact on producers and all actors in the value chain. At the same time, there are risks associated with dishonest certification.

L. Fulponi [9] on the basis of interviews with directors of large retail companies from OECD countries, trading in food products, identified the main economic and institutional incentives for ESG-transformation and the use of private voluntary standardisation and certification. The following were identified as economic motivations: financial markets, which created conditions for the development of ESG investment criteria; increasing purchasing power of the population; growing expectations for increased environmental friendliness of products on the part of consumers, and so on. According to the researcher, the development of private voluntary standardisation in OECD countries acts as a stimulus for the development of the food and agricultural sectors towards sustainable practices.

S. Braga Junior et al. (2019) [10] studied the characteristics of greenwashing in retail through a survey of 880 consumers living in São Paulo, Brazil. The authors found that this problem has a positive relationship with PR and advertising campaigns to increase the consumption of envi-

ronmentally friendly products. This is based on the assertion of marketers S.I. Wu and J.Y. Chen [11] that the choice of a product or service is based on beliefs or expectations based on trust.

The works of Russian experts analyse the key trends of ESG-transformation of retailing in the form of increasing the environmental friendliness of products, economical use of resources, and development of the healthy food industry.

Thus, V.A. Yedemskaya, E.D. Davydov and F.I. Sukhov (2022) [12], while considering the ESG-transformation of Russian retail companies, grouped companies in terms of ESG-position, analysed their activities on the basis of the RAEX ESG-ranking, and identified their practices corresponding to all three aspects "E" (environmental), "S" (social) and "G" (in the field of corporate governance).

M.P. Afanasiev and N.N. Shash [13] studied ESG-transformation of the corporate sector, including the content and sections of ESG-reporting, compared methodological approaches to the construction of ESG-ratings and noted the existence of such a problem as harmonisation of methodologies, as well as acknowledged the need to bring the list of ESG-indicators disclosed in the reporting in line with the industry specifics. N.A. Kolesnik analysed the sustainability communications of five major retailers for the period 2015–2021 and found that the key topics for them were "health", "ecology" and "social projects" [14, p. 90].

The role of retailers in spreading the principles of sustainable development in the supplier network, as well as the ways to solve the problem of greenwashing were considered by D.V. Ralyk, P.K. Root, K.A. Gavrilova [15] and M.A. Vetrova [16], among others. The first three authors, studying the position of industry companies as supporters of the application of ESG principles in commodity supply chains, highlighted the presence of the problem of greenwashing associated with the placement of inaccurate advertising information on packaging and manipulation of product composition [15, p. 166]. M.A. Vetrova identified two types of risks associated with ESG-transformation in retail: rejection of ESG by company management and manipulation of ESG. She pointed out such tools to combat greenwashing as standardisation of ESG-ratings and transparency of assessment methods; publication of data for several years in sustainability reporting and comparing them with the values in the ratings; conducting legal expertise [16, p. 73].

The works cited in the review did not raise the issue of priorities in terms of compliance with the principles of sustainable development, directions of ESG-transformation of retail companies, as well as tools to ensure transparency of these activities for stakeholders.

DIRECTIONS OF ESG-TRANSFORMATION OF RETAIL COMPANIES TO ACHIEVE SUSTAINABLE DEVELOPMENT

This study considers sustainable development as an interdisciplinary, normative and action-oriented concept [17], based on a holistic approach and the understanding that sustainable development challenges require new ways of knowledge production and decision-making [18]. ESG transformation refers to a process consisting of practices related to the integration of sustainability principles into a company's strategy and business processes. It concerns the organisation of responsible supply chains, reducing resource and energy consumption, reducing emissions, switching to renewable energy sources, and much more.

The Sustainable Development Goals (SDGs) were chosen as benchmarks to identify areas of ESG-transformation of enterprises. In the Russian ESG navigator, 17 SDGs are distributed across 8 sectors, taking into account the national specifics; 6 goals were identified for the retail and consumer goods sector: Goal 3 — "Good health and well-being"; Goal 7 — "Af-

fordable and clean energy"; Goal 8 — "Decent work and economic growth"; Goal 10 — "Reducing inequalities"; Goal 12 — "Responsible consumption and production"; Goal 13 — "Climate action".[4]

4 out of 6 goals are environmental (3, 7, 12 and 13), and two are social (8 and 10). Thus, there is a preponderance of greening in the goal-setting of the organisations of the sustainable development strategies of companies in this industry.

For the purposes of this study, 8 retail companies were selected: X5 Group, Magnit, Lenta, Auchan Retail, O'KEY, VkusVill, Dixie Group, Azbuka Vkusa. An analysis of non-financial reports and corporate websites of the majority of Russian food retailers showed that they contribute to Goal 2 — "Zero hunger". In Russia, this problem was overcome in the period of the USSR, so the actions to achieve this goal can be considered by experts and stakeholders as greenwashing.

The greening of retail is impossible without the introduction of practices for waste and water management, control of energy and fuel consumption, sale of healthy food products and so on.

In the course of analysing data from corporate websites, non-financial reports and scientific publications, the main actions of retailers related to the implementation of sustainable development strategy were identified and systematised (*Table 1*).

It should be added that all 8 companies reviewed have adopted sustainable development strategies. X5 Group, Magnit, Lenta, Auchan publish sustainability reports; Dixie Group does not prepare a separate report, but the annual report contains a section on sustainable development.

Lenta adopted this strategy later than the others. Lenta's communications policy previously focused on investors, but now focuses on customers and a wide range of stakeholders, including as part of its work with ESG risks.

EVALUATIONS OF RETAIL COMPANIES IN ESG RATINGS AND RANKINGS

At the next stage of the research, we compared the results of retail companies' evaluation according to ESG-ratings and rankings,[5] compiled by Russian agencies.

Currently, four agencies in the Russian market compile sustainability ratings and rankings: RA-Expert, RAEX, National Rating Agency (hereinafter NRA) and National Credit Ratings (hereinafter NCR). The first three are accredited by the Bank of Russia, which means that core and non-core services provided by the agencies are subject to verification. RA-Expert, RAEX and NRA compile ESG rankings based on open data. NCR jointly with RBC carries out questionnaires when compiling ESG rankings.

Each rating agency has its own methodology and evaluation scales, which from the stakeholders' point of view complicates the use (as well as comparison) of the data provided by their ESG ratings and rankings. In this case, the risks of greenwashing lie in the fact that companies may receive high places in ratings calculated not according to generally accepted and well-known methodologies, but in accordance with the criteria of specific agencies.

The RAEX Rating Agency methodology implies assessment according to 221 indicators, of which 89 are environmental, 91 are social and 41 are dedicated to corporate governance[6] and this methodology assumes a scale corresponding to the letters A, B and C, each of which has three levels (9 rating classes in total). RA-Expert uses 5 categories for evaluation [from ESG-I to ESG-V, as well as ESG-W (corresponding to significant violation of sustainable development interests)].

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[4] Analytical Centre under the Government of the Russian Federation (official website). ESG Navigator. URL: https://ac.gov.ru/uploads/pdf/ESG.pdf (accessed on 10.12.2023).

[5] A ranking is usually a list of companies ranked according to some criteria. A rating, unlike a ranking, is a tool that a company requests from a rating agency by entering into a contract with it. Rating is a numerical or ordinal indicator reflecting the level, importance, significance, competence or popularity of a certain object or phenomenon, calculated, or determined by a certain special methodology.

[6] RAEX Europe website. URL: https://raex-rr.com/files/analytics/RAEX_presentation.pdf (accessed on 10.12.2023).

Table 1

Directions for ESG transformation of retail companies in support of the UN SDGs

Direction of transformation (alignment with UN SDGs)	Characterisation of ESG-transformation direction
Reductions in energy and material intensity (Goal 7 and Goal 12)	Reducing energy and resource wastage, utilising digital technology and solutions, controlling energy and fuel consumption. For grocery retailers, reducing water consumption is of great importance
Circular economy and waste reduction (Goal 12)	Companies in the industry are focusing on reducing waste, encouraging reuse (resale) and improving the circular economy. Some retail chains are abandoning plastic packaging
Environmental performance of products (Goal 3 and Goal 12)	Companies are developing eco-labelled ranges (healthy food products in the categories of "fresh", "ultra-fresh" and FROV "fruit and veg"*)
Sustainable supply chains (Goal 12)	It is about suppliers' compliance with the ESG principles adopted by the retailer. Whereas abroad, emphasis is placed on avoiding the use of forced labour, human trafficking, and modern slavery, in Russia it is mainly a question of compliance with safety and "green" criteria, which are prescribed in the requirements for suppliers. Some chains are conducting social audits of suppliers
Decarbonization (Goal 13)	High carbon dioxide emissions in the retail sector can come from transport, distribution centres and shops (due to energy use). Reducing CO_2 levels is achieved through energy efficiency, green energy sources, digital solutions, etc.
Biodiversity conservation and climate action (Goal 13)	Introduction of regenerative agriculture; regenerative approach to fish catching (both in the wild and on farms), etc.

Source: compiled by the author.

Note: * — FROV — a category of goods that includes vegetables and fruits.

In ESG-II, ESG-III and ESG-IV categories three more subcategories ("A", "B" and "C") are distinguished.[7] The ESG rating methodology of the NCR is not considered here, as it is compiled for companies in the financial sector.[8]

The positions of the food retail organisations under consideration in ESG ratings and rankings of RAEX and Expert-RA agencies are given in *Table 2.*

As it follows from its data, all the companies under consideration have an ESG rating by RAEX agency except for Auchan (as it is not Russian). Let us consider the information in *Table 2* in more detail. As mentioned above, the RAEX methodology for assessing the level of risk and opportunity management assumes 3 ranges: A (ESG risk and opportunity management is at a high level), B (ESG risk and opportunity management is at an average level)

[7] Rating scales used by Expert RA, rating outlooks and "under supervision" status. Expert RA agency website. URL: https://raexpert.ru/ratings/scales (accessed on 10.12.2023).

[8] NCR website. URL: https://ratings.ru/ratings/esg-ratings/ (accessed on 10.12.2023).

**Positions in ESG rankings and ratings of RAEX and Expert-RA agencies
for 2022–2023 of Russian retail companies**

Company name	ESG ranking of Russian companies RAEX		RAEX ESG rating		RAEX Ranking of ESG transparency of Russian companies and banks Expert RA	
	2023 (December)	2022 (December)	2023 (December)	2022 (December)	2023 (October)	2022 (November)
"X5 Group"	18 E Rank − 16, S Rank − 25, G Rank − 27	41 E Rank − 30, S Rank − 53, G Rank − 45	BBB	BB	1,80 E − 0.35, S − 0.45, G − 0.50, St − 0.50	1,70 E − 1.40, S − 1.40, G − 2.00, St − 2.0
"Magnit"	42 E Rank − 45, S Rank − 33, G Rank − 46	49 E Rank − 24, S Rank − 63, G Rank − 78	BB	BB	Not assigned as there is no reporting on sustainable development (SDR)	1.71 E − 1.84, S − 1.40, G − 2.00, St − 1.60
"Lenta"	68 E Rank − 90, S Rank − 86, G Rank − 43	90 E Rank − 94, S Rank − 99, G Rank − 74	CCC	B	0,35 (not included in the top 100, so the data is not fully disclosed)	Not assigned as there is no (SDR) / extended annual report
"Auchan" (Russian subsidiary Auchan Retail)	Not included in the rankings	Not included in the rankings	-	-	0,79 E − 0.29, S − 0.20, G − 0.20, St − 0.10	Not assigned as there is no (SDR) / extended annual report
"O'KEY"	74 E Rank − 149, S Rank − 52, G Rank − 102	79 E Rank − 79, S Rank − 86, G Rank − 53–54	C	B	Not assigned as there is no (SDR) / extended annual report	0.50 (E − 0, S − 0.60, G − 1.40, St − 0)
"VkusVill"	123 E Rank − 71, S Rank − 112, G Rank − 147	143 E Rank − 86, S Rank − 140, G Rank − 158	CC	CC	Not assigned as there is no (SDR) / extended annual report	Not assigned as there is no (SDR) / extended annual report
"Dixie Group"	133 E Rank − 143, S Rank − 150, G Rank − 114	123 E Rank − 150, S Rank − 154, G Rank − 107	CC	CCC	Not assigned as there is no (SDR) / extended annual report	Not assigned as there is no (SDR) / extended annual report
"Azbuka Vkusa"	154 E Rank − 134, S Rank − 154 G Rank − 153	132 E Rank − 123, S Rank − 149 G Rank- 127	C	CC	Not assigned as there is no (SDR) / extended annual report	Not assigned as there is no (SDR) / extended annual report
Total number of companies in the ranking	160	160			100	100

and C (ESG risk and opportunity management is at a low level), each of which has 3 sublevels.

X5 Group is rated BBB (moderately high), Magnit — BB (respectively, medium level of risk management).

The rest of the companies presented in *Table 2* have levels of rating range C: Lenta is assigned with the CCC (low level), VkusVill and DIXY Group — CC (very low), and Azbuka Vkusa and O'KEY — C (the lowest). Level C means that the company is required to take additional measures to manage ESG risks.

X5 Group ranks 18th in the *RAEX monthly ESG ranking* for December 2023 [the value in the ranking for indicator group E ("Environment") is 16, for indicator group "S" ("Social Policy") is 25, and for indicator group "G" ("Governance Quality") is 27]. Magnit company ranked 42nd (ranking for indicator group "E" — 45, for indicator group "S" — 33, for indicator group "G" — 46). "Lenta" is ranked 68th in the ranking (ranking value for indicator group "E" — 90, for indicator group "S" — 86, for indicator group "G" — 43). "Lenta" (43rd) was ahead of "Magnit" (46th) in terms of management quality. In terms of dynamics, the majority of companies improved their ESG rankings of RAEX Agency over the year. Only DIXY Group and Azbuka Vkusa worsened their positions. According to *Table 2*, Lenta is ahead of Magnit in ESG ranking in "E" category.

In the *ESG ranking of publicly traded Russian non-financial companies* in the retail sector of the National Rating Agency, Magnit ranks 1st and Lenta — the 7th. In total, the NRA ranking includes 17 companies, X5 Group is not represented in it.[9]

The analysis of ESG ratings and rankings on the example of companies in the retail industry has allowed us to establish that in 2023 the top three companies are X5 Group (1st place)

and Magnit (2nd place) and Lenta (3rd place). These are the largest grocery chains, which in 2022 held a quarter of the Russian retail market (24.9%), and including sales on marketplaces — more than the third (34.4%). The distribution of places in the top three in ESG ratings coincides with the market share of companies in the industry (*Table 3*).

X5 Group is the only company in the industry to have an *ESG rating from RA-Expert*, namely ESG-II(a) level, which is very high in terms of compliance with sustainability interests when making key decisions. In other words, X5 Group's leadership is confirmed by two rating agencies. This is not the case with the rest of the industry, where the ratings given by different agencies differ; and some retailers are not rated because they do not publish sustainability reports or do not include such a section in their annual reports (i.e., they do not publish an extended version of the annual report).

NON-FINANCIAL INDICATORS TO ENSURE TRANSPARENCY OF ESG TRANSFORMATION

The analysis carried out by the author of this study has shown that there is no open data from retailers required for ESG rankings. This situation has arisen for two reasons: firstly, the publication of sustainability reports is costly, and not all organisations are prepared to incur such expenses; secondly, the diversity of assessment criteria and differences in rating agencies' scales generate greenwashing risks. This conclusion coincides with the opinion of M.P. Afanasiev, N.N. Shash [13], as well as M.A. Vetrova [16].

The Bank of Russia is taking actions to improve methods for assessing the environmental and social impact of companies — for example, in 2023, recommendations were issued to improve the quality of ESG-rating methodologies.[10]

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[9] NRA website. URL: https://www.ra-national.ru/renkingi/esg-rjenking-publichnyh-rossijskih-nefin-2/ (accessed on 10.12.2023).

[10] Information letter of the Bank of Russia on recommendations for developing methodology and assigning ESG ratings (sustainability ratings) dated 30.06.2023 No. IN-02–05/46. URL:

Table 3

Comparison of the three largest food retail companies by market share and financial performance based on 2022 data

Name of the chain store	Revenue for 2022, RUB bln.	Number of shops, units.	Volume of retail space, square metres	Regions of presence	Market share,%
"X5 Group" (FIVE RX)	2596,09	21 760	9 203	67	13,2
"Magnit"	2281,99	27 909	9 623	67	9,5
"Lenta"	530,20	827	1789	58	2,2
Total					24,9

Source: compiled by the author based on Review of the food retail market in Russia in 2023. URL: https://generalinvest.ru/analytics/obzor-rinka-produktovogo-riteila-v-rossii-2023.html

Voluntary publication of non-financial indicators by companies in their annual reports may be a solution to the issue of ensuring transparency of ESG transformation. In line with the Concept for the Development of Public Non-Financial Reporting in Russia 2017[11] in November 2023, the Ministry of Economic Development approved methodological recommendations (containing 44 basic indicators, including 12 economic; 11 environmental; 11 social and 10 management indicators[12]), which apply to state-owned companies, large business entities with revenues of 10 billion roubles or more, as well as companies whose shares are traded on the stock exchange. It is recommended to disclose information in the dynamics for a retrospective period of at least three years from the beginning of reporting. In March 2023, the President of Russia V. Putin at the congress of the Russian Union of Industrialists and Entrepreneurs (RSPP) proposed to make non-financial reporting mandatory for large companies.

In addition to the above-mentioned basic ones, it is proposed to additionally disclose industry-specific indicators by ESG transformation areas. An analysis of the sustainability reports of X5 Group, Magnit, Lenta, Auchan, the annual report of O'KEY Group, as well as leading international retailers has allowed us to identify 12 additional industry indicators (*Table 4*).

The indicators are grouped according to the ESG transformation areas of retail companies, which were summarised in *Table 1* above, and their disclosure is appropriate in an extended version of the annual report or in a sustainability report. In addition, these indicators act as a convenient tool for assessing organisations' contribution to the UN SDGs. For those com-

https://www.cbr.ru/Crosscut/LawActs/File/6225 (accessed on 20.11.2023).

[11] Order of the Government of the Russian Federation No. 876-o dated 05.05.2017. URL: https://normativ.kontur.ru/document?moduleId=1&documentId=293392

[12] Order of the Ministry of Economic Development of Russia No. 764 dated 01.11.2023 "On Approval of Methodological Recommendations for the Preparation of Sustainable Development Reporting" URL: https://www.economy.gov.ru/material/file/70c9039795779d4b5b55c3fb8066afd3/764_2023–11–01.pdf (accessed on 20.11.2023).

Table 4

Basic and additional sustainability reporting indicators for food retail companies

Directions of ESG transformation	Basic (environmental) indicators recommended by the Ministry of Economic Development	Additional indicators for the retail industry
Reduction of material intensity	Volume of water used from all sources, thousand cubic metres	Water consumption per 1 square meter of sales retail space
	Volume of recycled and re-sequential water supply, thousand cubic metres, in%	
	Volume of polluted wastewater discharge (total, including untreated), thousand cubic metres	
	Water use efficiency ("specific water consumption"), thousand cubic metres / thousand RUR.	
Reduction of energy intensity	Renewable and low-carbon energy consumption, kWh, in%	
	Energy efficiency: energy consumption per unit of net value added, kWh/ thousand RUB.	Specific consumption of electricity and heat energy per 1 square metre of retail space.
The circular economy and waste reduction	Hazard Class I–V wastes generated, thousand tonnes (for each class)	Share of waste reduction, including food waste. Absolute values of collection and recycling of clothing, footwear, plastic, and aluminium collected by customers
	Hazard classes I–V waste management, including by category, thousand tonnes	Share of recycled packaging from secondary raw materials in the total volume of packaging
Decarbonisation	Mass of pollutant emissions into the atmospheric air from stationary sources, thousand tonnes	Reduction or prevention of emissions by retail chain shops
	Greenhouse gas emissions, thousand tonnes (in CO_2 equivalent)	Specific greenhouse gas emissions per 1 square metre of retail space
Environmental characteristics of the products	Not provided for by the methodology of the Ministry of Economic Development	Share of ecolabelled products. Share of ecolabelled products compliant with GOST (State Standard). Share of healthy lifestyle in own trade marks (OTM)
Sustainable supply chains	Not provided for by the methodology of the Ministry of Economic Development	Share of products represented by Russian responsible suppliers (ESG-assessed)
Biodiversity conservation, combating climate change	Expenditures on the implementation of measures related to environmental protection, total in RUB thousand, including: - atmospheric air protection and climate change prevention; - wastewater collection and treatment; - waste management; - preservation of biodiversity and protection of natural areas	

Source: compiled by the author.

panies that do not yet prepare sustainability reports, the inclusion of basic and additional sectoral indicators in the expanded version of the annual report will ensure ESG transparency as well as comparability of achievements compared to other companies.

CONCLUSIONS

For retail companies, the drivers of ESG transformation are international trends, as well as the growth of the healthy food market. Only 8 Russian retailers publish non-financial reports so far, and this is despite numerous studies showing that customers and investors pay special attention to the ESG profile of the organisation.

For a segment such as retail, 6 ESG-transformation priorities that are most relevant to its companies can be identified, which contribute to real actions to achieve the Sustainable Development Goals. These are energy and material intensity reduction; waste reduction; environmental performance of products; sustainable supply chains; decarbonisation; biodiversity conservation and combating climate change.

Most retailers have RAEX and RA-Expert rankings, but not all of them have decided on the necessity of ESG-ratings. For Russian retailers in general, the problem of comparability of ESG-indicators is relevant. It can be solved by voluntary publication of both the basic sustainability indicators recommended by the Ministry of Economic Development and additional industry indicators.

In the absence of a national standard for non-financial reporting, the publication of the proposed indicators will make it easier to obtain "green" loans and bond issues under ESG criteria, and will contribute to increased transparency of organisations for stakeholders. Analysing the companies' operational performance according to the proposed indicators will enable top management to promptly assess both the results of actions taken in the field of sustainable development and their contribution to the Sustainable Development Goals. All of the above measures are designed to help improve the reputation and competitiveness of companies.

The following can be emphasised as areas for further research in the field of ESG business transformation:

Determination of additional indicators of sustainability reporting for companies from different segments of the economy.

Identification of ESG-transformation risks and search for tools to solve the problem of greenwashing for companies from different industries.

Assessment of the existing practice of private and state certification of green products in retailers in order to counteract greenwashing.

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