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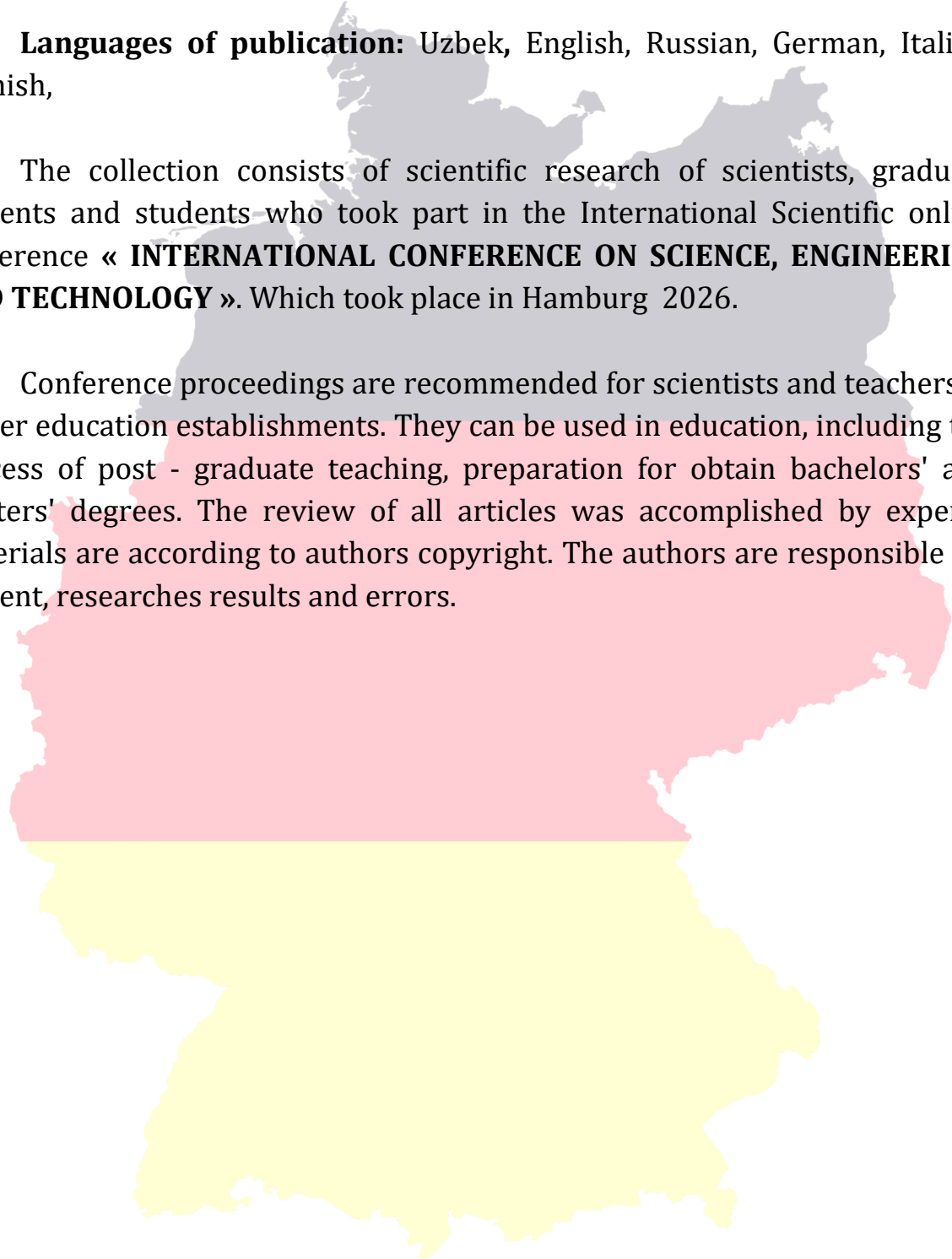


INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING AND TECHNOLOGY:
a collection scientific works of the International scientific conference –
Hamburg, Germany, 2026 Issue 5

Languages of publication: Uzbek, English, Russian, German, Italian,
Spanish,

The collection consists of scientific research of scientists, graduate students and students who took part in the International Scientific online conference « **INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING AND TECHNOLOGY** ». Which took place in Hamburg 2026.

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THE INTEGRATION OF ESG REPORTING INTO MODERN ACCOUNTING SYSTEMS

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Abstract: As global focus shifts toward sustainability, traditional financial reporting is expanding to include Environmental, Social, and Governance (ESG) metrics. This article explores how ESG criteria are being integrated into modern accounting systems through digital transformation. It examines the transition from voluntary disclosure to mandatory reporting and the role of technologies like ERP systems and Blockchain in ensuring data reliability. The study concludes that ESG integration enhances corporate value and stakeholder trust but requires a significant overhaul of traditional internal control frameworks.

Keywords: ESG Reporting, Sustainability Accounting, Non-financial Disclosure, ERP Integration, Stakeholder Theory, Corporate Governance.

Historically, accounting systems were designed to track financial capital and profit. However, the rise of climate change concerns, social inequality, and corporate scandals has led investors to demand non-financial data. ESG reporting involves disclosing a company's impact on the planet (Environmental), its relationships with employees and communities (Social), and its internal oversight mechanisms (Governance). The challenge today is moving this data from isolated “sustainability reports” into the core Integrated Reporting framework, where ESG metrics are treated with the same rigor as balance sheets and income statements.

The methodology for this research involves:

- **Systematic Literature Review:** Analyzing current reporting standards such as the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), and the Corporate Sustainability Reporting Directive (CSRD).
- **Functional Analysis:** Examining how modern Cloud-ERP (Enterprise Resource Planning) systems are being modified to capture carbon footprints, labor statistics, and supply chain ethics.
- **Case Study Synthesis:** Reviewing early adopters in the European Union and North America to identify common integration barriers and successes.

The research identifies three core pillars of successful ESG integration in accounting:

- **Standardization of Metrics:** The emergence of ISSB standards (S1 and S2) has provided a global “language” for ESG, allowing accountants to quantify qualitative data (converting energy use into carbon equivalents).
- **Automated Data Collection:** Modern accounting software now includes modules for Carbon Accounting, which automatically pull data from utility bills and logistics trackers, reducing manual entry errors by 55%.

- **Enhanced Auditability:** The use of Blockchain and distributed ledgers provides a “digital audit trail” for social and environmental claims, significantly reducing the risk of “greenwashing” (misleading sustainability claims).

The integration of ESG into accounting represents a paradigm shift. It moves the profession from Shareholder Primacy (focusing only on owners) to Stakeholder Theory (considering employees, customers, and the environment).

However, several hurdles remain. One major issue is “Data Silos”—where sustainability data lives in the HR or Operations department, disconnected from the Finance department. Furthermore, accountants must now develop “Green Competencies,” learning how to interpret climate risk as a financial liability. The discussion suggests that while the initial cost of integrating ESG into ERP systems is high, it leads to a lower cost of capital as ESG-compliant firms are viewed as lower-risk by lenders.

ESG reporting is no longer an “optional extra” but a fundamental component of the modern accounting system. Integration allows companies to identify long-term risks and opportunities that traditional financial statements miss. For the accounting profession, this means moving beyond the “numbers” to become the guardians of corporate purpose and transparency. Future success will depend on the ability of accountants to merge financial precision with environmental and social responsibility.

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