

International non-financial reporting systems from the perspective of establishing the sustainable development concept

Olesia Solodovnik*, Ievgeniia Gavrylychenko

O.M. Beketov National University of Urban Economy in Kharkiv
61002, 17 Marshal Bazhanov Str., Kharkiv, Ukraine

Abstract. Under modern conditions of the growing trend of sustainable development the issue of disclosing relevant, high-quality and user-friendly reports of non-financial information about the economic, environmental and social aspects of business entities' activities is of particular importance. The purpose of the article was to study international non-financial reporting systems from the perspective of establishing the sustainable development concept to substantiate the directions for improving the process of information disclosure about sustainable development by business entities. The comparative analysis, abstract-logical generalization, historical and chronological methods have been applied. The evolution of the sustainable development concept has been studied and the key characteristics of the stages of its formation at all levels of the management hierarchy have been identified. The peculiarities and areas of application of the most widespread modern international non-financial reporting systems among economic entities have been studied and their general characteristics and shortcomings have been summarized. The ways of improving the process of such information disclosure in accordance to the set requirements have been suggested in the following areas: the development of the state non-financial reporting standard on sustainable development, which is based on the concept of the triple bottom line and contains provisions for drawing up a report that must be standardised according to the Sustainable Development Goals; the introduction of a mandatory audit of such reporting and the business entity responsibility for its non-submission; the creation of conditions for the training of persons responsible for drawing up non-financial reporting on sustainable development and those performing its audit; the provision of development and free software distribution for compiling and submitting such reports. The practical significance of the obtained results is stipulated by the creation of prerequisites for increasing the awareness of business entities regarding activities in the direction of sustainable development and increasing the effectiveness of the state policy of sustainable development

Keywords: evolution, information disclosure, initiative, social responsibility, standard

Article's History: Received: 24.03.2021; Revised: 05.07.2021; Accepted: 27.08.2021

● INTRODUCTION

Stakeholders' requirements to business entities regarding the disclosure of specific environmental or social data concerning their activities appeared as early as the 70s of the 20th century. In the 1990s, more and more companies began to get involved in non-financial reporting, and in the 21st century, the challenges associated with it became the object of close attention from business entities, investors and the financial sector, international organizations, state institutions and academic community [1]. This is represented by the increase in the number of non-financial reports published by business entities, non-financial reporting systems developed at the initiative of international organizations, professional associations, financial institutions, etc., legal acts regulating relations in this area at the

national and international levels, scientific research on the essence and determinants of non-financial reporting in the context of corporate social responsibility, business ethics, values, the triple bottom line paradigm, etc.

A number of scientists and practitioners have paid much attention to determining the prerequisites and reasons for business entities to disclose non-financial information about their activities. A. Szadziewska [2] points out that one of the main reasons for the increase in public interest in non-financial information disclosure is the need to run business steadily, that is, considering economic efficiency, environmental protection and new social needs. After analysing the non-financial reports of companies within the same capital group operating in both the European

Suggested Citation:

Solodovnik, O., & Gavrylychenko, Ie. (2021). International non-financial reporting systems from the perspective of establishing the sustainable development concept. *Development Management*, 20(3), 8-15.

*Corresponding author

Union and other regions, the authors have found notable variations in the extent to which non-financial metrics were disclosed by the capital group and its branches. However, researchers did not pay attention to ways of solving the problem of ensuring methodological compatibility of non-financial reports of companies operating in different countries. Based on the study of 61 articles on sustainable development published between 2010 and 2020, C.A. Stefanescu [3] analysed approaches to understanding sustainable development in the literature and proved that misconceptions in the definition of this concept, as a rule, decrease its applicability and significance, and that the reporting frequently puts more emphasis on confirming the reliability of those who report rather than on enhancing their results. Therefore, the business entity's understanding of the sustainable development concept is an important condition for making a justified choice of a non-financial reporting system, the application of which will ensure the formation of relevant and high-quality information about sustainable development in all its aspects.

According to the experts from the European Bank for Reconstruction and Development and the Warsaw Stock Exchange [4], the issue of proper management of environmental, social and corporate management factors is exacerbated by growing pressure from the environment, including changing of investors and the financial sector expectations, legislative changes, growing public awareness and, as a result, concerns about the deterioration of the company's image. New business opportunities are also strong motivators, such as the growing demand for green products and services, the desire to increase one's attractiveness in the labour market, and the response to changing consumer behaviour. For companies to disclose information regarding the management of sustainable development factors, experts recommended using generally accepted non-financial reporting standards and developed recommendations for the selection of reporting indicators in terms of sustainable development components, but only according to three international standards (GRI, IIRC, SASB).

During the relatively short (compared to financial reporting) period of non-financial reporting by business entities, various developers have offered a wide range of international reporting systems that differ in content, scope, form, areas of application, availability and other characteristics, which is confirmed by numerous empirical studies, for example, European Commission [5], European Securities and Markets Authority [6], European Reporting Lab [7]. On the other hand, a single universally recognized international non-financial reporting system on sustainable development does not yet exist. This significantly complicates the formation and publication by business entities of relevant, high-quality, and user-friendly reports that reveal all aspects of sustainable development.

Thus, under the conditions of the growing trend of sustainable development on a global scale, the task of disclosing information by economic entities about the economic, environmental and social aspects of their activities according to the international system of non-financial reporting is of great importance. The purpose of the present paper was to study international non-financial reporting systems from the perspective of establishing the sustainable development concept to substantiate the directions

for improving the process of information disclosure about sustainable development by business entities. The goal is achieved through the following objectives: to investigate the evolution of the sustainable development; to study the peculiarities and areas of application of the most widespread modern international non-financial reporting systems in the practical activity of business entities; to determine directions for improving the process of disclosing information about sustainable development by business entities.

The study is based on conceptual documents of the UN on sustainable development, sources of law of the European Union, analytical studies of the European Commission and other European institutions, guidelines and regulations of international non-financial reporting systems, as well as data posted on the official websites of their developers. The establishment of the sustainable development concept and the process of forming a set of standards for non-financial reporting of business entities have been analysed using historical, chronological and comparative method and characterization of their relationship has been provided. The content, features and areas of application of international standards of non-financial reporting have been determined and compared using the method of comparative analysis. Using the method of abstract-logical generalization, the general shortcomings of international non-financial reporting systems, preventing from using them for the comprehensive disclosure of information about sustainable development by business entities, have been identified, and directions for improving the process of disclosure of such information by business entities have been proposed.

● HISTORY OF SUSTAINABLE DEVELOPMENT CONCEPT AND PREREQUISITES FOR NON-FINANCIAL REPORTING CREATION

The concept of Sustainable Development appeared in the 70s of the 20th centuries as a logical transition from the acquired scientific knowledge about the planet's ecology and rapid socio-economic progress. It turned out to be obvious that solving crisis situations in the environmental protection field cannot be confined to the level of states but requires mutual understanding and active cooperation at the international level [8]. In 1972, the United Nations held the Conference on the Human Environment (the "Stockholm Conference") to form a common worldview and unified principles for the activation of actions to preserve natural systems and improve the quality of the environment, resulting in the adoption of the Stockholm Declaration and Action Plan for the Human Environment [9].

In 1983, on the initiative of the U.N. Secretary-General, the World Commission on Environment and Development was created, headed by the well-known political figure of Norway, Mrs. H.-Kh. Brundtland [10]. The commission prepared the report "Our Common Future", presented at the 42nd session of the UN in 1987, which proclaimed the concept of "sustainable development" and developed the theoretical and methodological foundations of the concept of sustainable development. The Commission defined the concept of sustainable development as "meeting the needs of the present without compromising the ability of future generations to meet their own needs".

The concept of sustainable development gained further logical development and at the largest UN conference on environmental and development problems in Rio de Janeiro in 1992, which was attended by the heads and representatives of governments of more than 170 countries of the world [11], many important decisions were made and a number of documents were adopted, including Declaration, which formulates the principles of environmental protection and development policy; Agenda (program of actions) for the XXI century; Statement on the principles of protection and rational use of forests; Convention on Climate Change; Convention on the Protection of Biological Diversity; Convention to combat desertification. At this conference, the fundamental principles of sustainable development were recorded at the conceptual level – its socio-economic and ecological balance and sustainable development was declared a global strategy, the formation and implementation of which requires the fulfilment of range of conditions and the development of national guidelines for sustainable development [12].

At the World Summit on Sustainable Development, a Political Declaration and Plan of Implementation were adopted, including provisions that cover the set of measures to be taken to achieve sustainable development [13]. The Political Declaration declared that participants take collective responsibility to enhance the interconnected and mutually reinforcing fundamentals which encompass economic progress, social advancement, and environmental preservation, at various scales – from local to global. At the summit, along with environmental issues, provision of wider access to water resources and sanitation, proper use of toxic chemicals, preservation of biological diversity, more rational use of ecosystems and other social and economic issues were also considered. It is important to note that on the agenda priority was given to solving social problems with the aim of achieving sustainable development, namely the elimination of poverty, the development of health care and education. At the same time, the need to ensure wider participation of all interested parties in a certain direction, including international financial institutions was emphasized [8].

In 2012, the UN held another global conference in Rio de Janeiro, known as Rio + 20. Its priorities were to find ways to solve socio-economic problems, including poverty alleviation and the appropriate institutionalization of economic relations, aimed at implementing the principles of sustainable development in life [14]. The main topics discussed during the conference included: the green economy within the framework of sustainable development and the reduction of poverty; 2) institutional framework of sustainable development.

Based on the UN recommendations, most countries in the world have developed national concepts and strategies for sustainable development. In such countries, the system of global Sustainable Development Goals until 2030, which were announced in the resolution of the UN General Assembly dated September 25, 2015, No. 70/1 at the 2015 summit, are the guidelines for determining priority areas and targets in strategic development planning at all levels, called “Transforming our world: the 2030 sustainable development agenda” [15]. This system of global Goals includes 17 goals, which complement each other: actions in

one area also affect results in others, thus economic, social, and environmental sustainability must be balanced in development.

Therefore, in a short period, by historical measures, the following changes took place: 1) a significant change in the content of the sustainable development – a transition from a vector focus on overcoming the problems of environmental contamination to the paradigmatic idea of the triple result of socio-economic-ecological balance; 2) political recognition of sustainable development as a target guide for strategic development at all levels of the management hierarchy; 3) activation of the process of forming the institutional framework for the implementation of the relevant economic activity.

Achievement of strategic development goals at the macro level directly depends on the level of their perception and support at the micro level. The adoption of the sustainable development paradigm by business entities leads to significant transformations – in the target orientation of their activities (three-fold summary), in relations (collaboration based on social solidarity) and responsibility (corporate responsibility for sustainable development) [16]. Such transformations affect the business entity’s operating environment and may have different consequences. Disclosure of complete, accurate, objective and understandable information on issues of sustainable development makes it possible in conditions of uncertainty to reconcile the expectations of the state and society regarding conducting business on the sustainable development principles, and ensuring open access of all stakeholders to the reporting of business entities acts as a basis for ensuring accountability and transparency of their activities.

To determine the effectiveness of business activities in the sustainable development field, it is necessary to disclose non-financial information that allows evaluating the effectiveness of the business entity in relation to the requirements of legislation, codes, standards of activity and voluntary initiatives, market self-regulation mechanisms, stakeholder expectations, etc. in the context of three dimensions – economic, social, and environmental. At the same time, under specific circumstances, the inclusion of non-financial reporting may lead to an increase in a company’s market value, a reduction in the cost of obtaining financial resources, or an extension of the duration period for which financial resources can be secured, which is significant from a perspective of increasing the efficiency of financial support for the implementation of sustainable development initiatives [17].

The involvement of business entities in the information disclosure about sustainable development in non-financial reporting has become a global trend. According to estimates, most large companies in the world and in Ukraine have already switched to the annual mode of preparing non-financial reports in accordance with the recommendations of international initiatives [18]. At the same time, in order to improve the non-financial information disclosure by companies, the European Parliament and the Council of the EU adopted Directive 2014/95/EU on the disclosure of non-financial and diversified information by certain large companies and groups, which lists international reporting systems that can be used by companies [19]. At the same time, companies are given the

right to independently choose any or several international reporting systems, which allows for a flexible approach to information disclosure about the impact of company activities on the economy, ecology and society. To make a reasonable choice of the reporting system, it is necessary to clearly understand its features and scope, thus, they should be considered in more detail.

● AN OVERVIEW OF THE COMMONLY USED STANDARDS FOR NON-FINANCIAL REPORTING ON SUSTAINABLE DEVELOPMENT BY BUSINESSES

Understanding the evolution of commonly used standards and their predecessors is crucial in non-financial reporting on sustainable development for businesses. This historical perspective allows organizations to build upon existing frameworks, benefiting from the best established practices and avoiding redundancy in data collection and reporting. From the list of international non-financial reporting systems given in Directive 2014/95/EU, the longest history of application is the OECD Guidelines for Multinational Enterprises, developed by experts from the Organization for Economic Cooperation and Development (OECD) in 1976 [20]. The OECD Guidelines are not reporting standards but rather provide guidance on responsible business conduct for multinational enterprises, including companies or organizations operating across multiple countries. These guidelines facilitate the coordination of their operations. It is important to note that these principles were updated in 2011. In the latest edition of the Guidelines, presented in open access on the official website of the OECD, it is stated that enterprises must comply with national legislation, principles of sustainable development and social responsibility in such areas as: information disclosure; Human Rights; employment and industrial relations; natural environment; fight against corruption; consumer interests; science and technology; competition; taxation [20]. The OECD guidelines are universal – they can be used by businesses in all industries, including small and medium-sized enterprises and can help define reporting areas. These principles were used by 17% of companies that prepared and published non-financial statements in the EU in 2019 [6].

Next in the chronology of the creation of international non-financial reporting systems was the International Labour Organization's Tripartite Declaration of principles concerning multinational enterprises and social policy, developed by the Administrative Council of the International Labour Organization in 1977 [21]. International corporations, governments, employers' and workers' organizations are the addressees of this Declaration. It contains recommendations in such areas as: employment, development, working and living conditions, as well as employer-employee relations. The provisions of the declaration are based on international conventions and recommendations and can be used by all entities that conduct their economic activities on an international scale [22]. In 2019, 28% of the EU companies that disclosed non-financial information about their activities used this Declaration for reporting on social and labour issues and compliance with human rights, that is, the social component of sustainable development [6].

At the turn of the XX-XXI centuries – in 2000, two international non-financial reporting systems were developed, which have similar and complementary approaches to the quality and coverage of reporting: Report on the progress of the United Nations Organization (Communication on Progress, COP) [23]; Global Reporting Initiative (Global Reporting Initiative, GRI) [24]. Both reporting systems are most often used by the EU companies when preparing non-financial statements – in 2019, they were used by 39% and 54% of companies, respectively.

The progress report is generated for entities that have committed to the 10 principles of the Global Compact. These entities can include organizations from various business sectors, local government bodies, and community organizations, provided they have a minimum of 10 employees. Signatories are required to publish their first Progress Report within one year of joining the Global Compact and to prepare such reports annually thereafter. Failure to submit a Progress Report on time leads to the exclusion of the company from the UN Global Compact Initiative [17]. The reporting system includes a presentation of the organization's progress in implementing the principles of the Global Compact that relate to environmental, labour and ethical issues. In particular, the report contains a description of practical actions (commitments, policies, systems, measures and projects) to implement the principles of the Global Compact and partnership projects to achieve the Millennium Development Goals, approved in 2000 at the UN Millennium Summit, among which are: "Struggle with hunger and poverty; Ensuring access to education; Achieving gender equality; Reduction of maternal and child mortality; Reducing the spread of HIV/AIDS and other diseases; Achieving environmental sustainability; Harmonization of foreign aid for developing countries" [25]. The rules for compiling the Progress Report are universal and comply with the GRI guidelines. They do not contain metrics but can help an organization approach reporting. A progress report is particularly useful for smaller organizations and is considered an effective way to begin the non-financial reporting process for any company.

GRI is one of the most popular non-financial reporting systems due to the following advantages: it provides flexible adaptation to the specifics of the activity and needs of the reporting entity; facilitates the organization of reporting, as it details the reporting process; includes more than 80 specific indicators; contains industry-specific applications that facilitate report preparation. It should be noted that the GRI indicator system is a list of quantitative and qualitative indicators that are most often used by business entities in their non-financial reports, and its use is directly recommended when creating a Progress Report. GRI includes the following sections: strategy and analysis; description of the organization; reporting parameters; management, commitment, and interaction with influence groups; economic indicators; environmental indicators; labour organization and decent work; Human Rights; society; product liability. The limits of reporting are determined in accordance with the principle of materiality – information is provided about those activities that exert substantial economic, environmental, and social influence and significantly affect the evaluation of the enterprise by stakeholders or their decision-making [26]. This reporting

system is consistent with other important standards and initiatives, such as the UN Global Compact, the ISO 26000 standard and the International Integrated Reporting System. It should be noted that GRI is constantly being improved and expanded as reporting experience accumulates and the needs of both reporting organizations and reporting audiences change [17]. In 2013, the fourth edition of GRI G4 was published [27].

In 2010, the International Organization for Standardization's ISO 26000 Standard was developed by the International Committee for Standardization (ISO) [28]. This is an international standard that outlines methodological principles, but it is not intended for certification. ISO 26000 is a kind of manual on corporate social responsibility (CSR), which contains, among other things, descriptions of various aspects of social responsibility and examples of desirable actions in 7 areas: organizational management; Human Rights; industrial internship; natural environment; honest work practices; consumption issues; social involvement and development of the local community. It is designed for businesses, non-profit organizations, administrative bodies, employers' organizations

and trade unions. The instructions are universal and ensure compliance with such principles as: providing an accurate and comprehensive portrayal of CSR, presentation of key areas of CSR; presentation of information is clear, accurate, objective and complete. ISO 26000 can be used as a supplement to the GRI and the Progress Report. In 2019, only 5% of companies used it when preparing non-financial statements.

Guiding Principles on Business and Human Rights were developed as part of the Human Rights Reporting and Assurance Frameworks Initiative (RAFI) in 2011 [29]. This system is intended for use by enterprises, regardless of their size, location, industry, type of activity. The report consists of answers to 31 questions that allow you to write a separate report on the observance of human rights at the enterprise and are indirectly related to environmental protection. These Guidelines should be followed when an enterprise attempts to report on human rights independently or as part of gathering information for reports based on other guidelines, such as GRI G4 [22]. In addition to the international non-financial reporting systems discussed above, the following are also used in practice (Table 1).

Table 1. Other established non-financial reporting standards that are not as frequently used

Organization	Standard	Description
UNCTAD	Corporate Responsibility Indicators in Annual Reports	The standard contains recommendations on the inclusion in the enterprises annual reports of indicators related to trade and investment, job creation, labour practices and employee development, technology, health and safety, state funding, corruption; the criteria for selecting such indicators for the formation of the relevant content by the reporting enterprise are also given. The recommendations given in the standard are universal.
Carbon Disclosure Project (CDP)	Carbon Disclosure Project	The standard includes indicators for four groups: climate change, water use, deforestation and supply chains. The climate change program includes a database of CO2 emissions as determined by the corporate standard of the Greenhouse Gas Protocol (GHG Protocol), as well as measures taken to reduce emissions. The recommendations given in the standard are universal.
World Resources Institute (WRI)	Greenhouse Gas Protocol (GHG Protocol) Corporate Standard	According to the company's standard, institutions and cities voluntarily disclose information on direct CO2 emissions associated with the utilization of fossil fuels and secondary CO2 emissions linked to energy consumption and transportation, as well as emissions of other substances that affect global warming and have a so-called CO2 equivalent. The instructions are universal and can be used in all types of organizations, industries and cities.
UN PRI	Principles for Responsible Investment	The guidelines relate to the six principles of responsible investment and contain recommendations for reporting by the signatories of the UN PRI initiative on performance indicators in terms of social, environmental and corporate governance issues (about 44% of the recommended indicators are mandatory and must be regularly published by the signatories). The guidelines are designed for institutions that invest their funds.

Source: [3; 22; 30-33]

These and other non-financial reporting standards are used less often, because, as their name suggests, they have limited scope. Common to all international non-financial reporting systems discussed above is the voluntary nature of their application and data verification, the disclosure of mainly qualitative information in accordance with the requests of key stakeholders (investors, banks, product consumers, influence groups, etc.) and, accordingly, not reflecting all aspects of sustainable development in its modern sense.

● UKRAINE'S EXPERIENCE OF IMPLEMENTING SUSTAINABILITY REPORTING AND WAYS TO IMPROVE BUSINESS DISCLOSURE OF SUSTAINABLE DEVELOPMENT INFORMATION

The issue of non-financial reporting on sustainable development has garnered attention not only from scientists in other countries but also within Ukraine. This subject is particularly pertinent, reflecting a growing global concern for sustainability and environmental responsibility.

Researchers in Ukraine are actively contributing to the discourse of non-financial reporting, emphasizing its significance in addressing contemporary sustainability challenges. T. Iefymenko [34] considers the principles of introducing non-financial reporting on sustainable development in Ukraine, challenges and ways to overcome them. In particular, the researcher points out that “today the world is facing a number of difficult trends: the expansion of conflict zones and a simultaneous decrease in the general level of trust and mutual understanding are observed. This imposes on each state the responsibility, firstly, for ensuring the coordination of reporting on the sustainable development of all economic agents and on achieving the Sustainable Development Goals at the national level; secondly, for the elimination of information asymmetry in order to create conditions for harmonization and comparability of the relevant reporting of companies”. The mentioned work focuses on issues of improving the system of monitoring and reporting on the contribution of the corporate sector of countries (companies) to achieving the Sustainable Development Goals, proposing the implementation of recommendations and relevant indicators for the corporate sector based on the GCI Guidelines developed by UNCTAD-ISAR, as well as monitoring the achievement of the Goals of Sustainable Development. However, the features and areas of application of this reporting standard, as well as the list of relevant indicators, are not considered in detail.

The possibility of harmonizing the key indicators of companies with the indicators of the GCI Guide was investigated by L. Lovinska and T. Bondar [18], using the example of a selected Ukrainian company in 2017. The researchers showed that the disclosure of non-financial reporting indicators by national companies according to the GCI will ensure the monitoring of the achievement of the Sustainable Development Goals and contribute to the increase in quality and usefulness of non-financial reporting, as well as transparency of companies' activities. However, the authors did not sufficiently cover the best global practices in the field of non-financial and corporate reporting used by the company under study to prepare its annual report.

Y. Oliynyk and M. Kucheryava [35] investigated the problematic aspects of the regulatory support development for the non-financial reporting formation, in particular, such as the need to improve the institutional environment for compiling and administering non-financial reporting of companies, eliminating the asymmetry of non-financial information to create conditions for its harmonization and comparability, further implementation directive requirements of the EU. Scientists have proposed a Practical commentary on a management report preparation and prepared requirements and recommendations of international documents on non-financial reporting issues, taking into account the domestic legislation. However, the authors leave aside the question of clarifying the understanding of the concept of sustainable development, which is the basis for these standards. As can be seen from this analysis, the problem of reporting on sustainable development in the national scientific discourse has not yet received sufficient coverage. At the same time, scientists reduce the topic of recent research mainly to methodological issues of reporting on sustainable development.

The results of this study prove that over a fifty-year period the concept of sustainable development has passed the first stage of its establishment at the global, regional and national levels, in particular, its recognition and acceptance by most countries of the world and their integration associations, approval of sustainable development; as a triple result took place socio-economic-ecological balance; as a target guide for strategic development in the conceptual documents of the UN, supranational and state authorities; the formation of an appropriate policy based on cooperation and collective responsibility of countries and aimed at achieving the Sustainable Development Goals by 2030. In recent years the second stage began – the implementation of the conceptual foundations of sustainable development into economic practice, which is manifested in the formation of the institutional framework for conducting activities by economic entities that meet the criteria of the triple result.

Evaluating the effectiveness of state policy within the sustainable development sphere actualizes the task of collecting relevant, reliable and high-quality non-financial information about the activities of economic entities aimed at achieving the Sustainable Development Goals. Based on the analysis of modern international non-financial reporting systems, which have become the most widespread in the practical activities of economic entities, the absence of a single universally recognized standard for the non-financial information disclosure can be stated, as well as the limited informativeness of reporting indicators from the point of view of the characteristics of the achievement of the Sustainable Development Goals, the incomparability and complexity of computer processing of information contained in reports prepared following the guidelines of various reporting systems, and the existence of a risk of unreliability of information due to the lack of its verification. These shortcomings prevent the use of existing international non-financial reporting systems for comprehensive disclosure of data by business entities.

To improve the process of information disclosure on sustainable development by business entities, the following recommendations can be offered. A state standard for non-financial reporting on sustainable development should be developed with regard to the best experience in the application of international non-financial reporting systems. This standard should be based on the concept of the triple bottom line and contain provisions on the preparation of the report, which must be unified according to the purposes of Sustainable Development. It should also include quantitative indicators for the reporting and previous periods to provide the opportunity to disclose additional information using qualitative indicators (in appendices or notes). The reports can be submitted in electronic form to the organization in charge for the implementation of the state policy of sustainable development. As part of these recommendations, it is advised to introduce a mandatory audit of such reporting to establish the responsibility of the business entity for not submitting it. Conditions for the training of persons responsible for drawing up non-financial reporting on sustainable development and persons performing its audit should be created at the governmental level. It is recommended to ensure the development and distribution of software on a free basis for compiling and

submitting such reports. Actions in these directions can contribute to the growth of awareness of business entities regarding activities in the direction of sustainable development and increase the effectiveness of the state policy of sustainable development.

● CONCLUSIONS

The results of the study prove that the introduction of international non-financial reporting systems is stipulated by the need for business entities to provide stakeholders with complete, reliable and comparable information regarding the compliance of their activities and development prospects with the global challenges of social and economic development. It has been determined that the need to inform society, government and other stakeholders about the activity of business entities in response to growing global challenges in the environmental, social, and economic spheres led to the introduction of international standards of environmental reporting, CSR, and corporate governance. During the research, it has been established that the modern challenge of global development is the facilitation of sustainable development, as a triple result of

socio-economic-ecological balance. According to the results of the review of the international non-financial reporting systems commonly used by business entities, taking into account the results of the study of the concept of sustainable development evolution, the need to develop a reporting system designed to inform users of reports about the actions and progress of business entities in achieving the Sustainable Development Goals, formalized in the conceptual documents of the UN and governmental bodies. The study of the Ukrainian experience of the introduction of non-financial reporting has shown that solving this problem is one of the ways to improve the process of disclosing information about sustainable development in Ukraine by business entities, identified in this study.

The study opens perspectives for the further inquiry in the issues of studying and summarizing the practices of applying international standards of non-financial reporting and the implementation of sustainable development policies by business entities to build an adequate system of indicators of the report on sustainable development, as well as issues of developing audit standards for non-financial reporting on sustainable development.

● REFERENCES

- [1] The time has come: The KPMG survey of sustainability reporting 2020. (2020). Retrieved from <https://assets.kpmg.com/content/dam/kpmg/pl/pdf/2020/12/pl-the-time-has-come-the-kpmg-%20survey-of-sustainability-reporting-2020.pdf>.
- [2] Szadziewska, A., Kotowska, B., Kloviene, L., Legenchyk, S., Prša, D., & Speziale, M.T. (2020). Non-financial reporting by an international corporation in the light of new mandatory regulations. *Theoretical Journal of Accounting*, 109(165), 105-138. doi: 10.5604/01.3001.0014.4344.
- [3] Stefanescu, C.A. (2021). Sustainability reporting in the public realm – trends and patterns in knowledge development. *Sustainability*, 13(8), article number 4128. doi: 10.3390/su13084128.
- [4] Krzysztofik, M., Fleury, M., Doring, N., & Scheepens, W. (2021). *ESG reporting guidelines. Guide for issuers*. Retrieved from https://www.gpw.pl/pub/GPW/ESG/ESG_Reporting_Guidelines.pdf.
- [5] De Groen, W.P., Alcidi, C., Simonelli, F., Campmas, A., Di Salvo, M., Musmeci, R., Oliinyk, I., & Tadi, S. (2020). *Study on the non-financial reporting directive*. Luxembourg: Publications Office of the European Union.
- [6] Report: Enforcement and regulatory activities of European enforcers in 2019. (2020). Retrieved from https://www.esma.europa.eu/sites/default/files/library/esma32-63-846_2019_activity_report.pdf.
- [7] EFRAG. (2021). *Current non-financial reporting formats and practices*. Brussels: European Financial Reporting Advisory Group.
- [8] Tulai, O., & Humovska, I. (2015). Sustainable human development: Genesis and modern conception in the context of financial science. *Journal of European Economy*, 14(2), 149-163.
- [9] Declaration of the United Nations Conference on The Human Environment. (1972, June). Retrieved from https://legal.un.org/avl/pdf/ha/dunche/dunche_ph_e.pdf.
- [10] Report of the World Commission on environment and development. (1987). Retrieved from <https://digitallibrary.un.org/record/139811?ln=en#record-files-collapse-header>.
- [11] United Nations conference on environment and development. (n.d.). Retrieved from <https://www.un.org/en/conferences/environment/rio1992>.
- [12] Popova, V. (2020). Inclusive development: A new concept or an update of the sustainable development concept? *Economic and Forecasting*, 1, 112-123. doi: 10.15407/econforecast2020.01.112.
- [13] World summit on sustainable development. (n.d.). Retrieved from www.un.org/en/conferences/environment/johannesburg2002.
- [14] Rio+20 outcome document “The future we want”. (2012). Retrieved from <https://www.unep.org/resources/report/rio20-outcome-document-future-we-want>.
- [15] Transforming our world: The 2030 agenda for sustainable development. (2015). Retrieved from <https://sdgs.un.org/2030agenda>.
- [16] Vasylichuk, I.P. (2015). Sustainable development finance as a response to the post-industrial economy challenges. *The Problems of Economy*, 2, 213-218.
- [17] Vorobei, V., & Zhurovska, I. (2010). *Non-financial reporting: A tool of socially responsible business*. Kyiv: Inzhynirynh.
- [18] Lovinska, L., & Bondar, T. (2019). Non-financial reporting as the database for monitoring the sustainable development goals attainment. *Finance of Ukraine*, 11, 20-30. doi: 10.33763/finukr2019.11.020.

- [19] Directive of the European Parliament and of the Council No. 2014/95/EU “Amending Directive 2013/34/EU as Regards Disclosure of Non-financial and Diversity Information by Certain Large Undertakings and Groups”. (2014, May). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0095>.
- [20] OECD. (2021). *OECD guidelines for multinational enterprises, 2011 edition*. Paris: OECD Publishing. doi: 10.1787/9789264115415-en.
- [21] International Labour Office. (2017). *Tripartite declaration of principles concerning multinational enterprises and social policy*. Geneva: International Labour Office.
- [22] Anam, L., & Kacprzak, J. (2017). *Non-financial reporting. Guide for reporters*. Warsaw: Ministry of Development.
- [23] SWIFT communication on progress 2021 report. (2021). Retrieved from <https://unglobalcompact.org/participation/report/cop/active/465582>.
- [24] GRI standards. (n.d.). Retrieved from <https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/>.
- [25] Millennium development goals. Ukraine: 2000–2015. (2015). Retrieved from <https://idss.org.ua/monografii/2015%20MDG%20Ukr%20Report%20DRAFT.pdf>.
- [26] Wójcik-Jurkiewicz, M., & Sadowska, B. (2018). Non-financial reporting standards and evaluation of their use illustrated with example of Polish listed companies. *European Journal of Service Management*, 27/2(3), 539–545. doi: 10.18276/ejasm.2018.27/2-66.
- [27] GRI updates sustainability reporting guidance. (2013). Retrieved from <https://www.iasplus.com/en/news/2013/05/gri>.
- [28] Discovering ISO 26000. (2018). Retrieved from <https://www.iso.org/files/live/sites/isoorg/files/store/en/PUB100258.pdf>.
- [29] United Nations. (2011). *Guiding principles on business and human rights: Implementing the United Nations “Protect, respect, and remedy” framework*. Geneva: United Nations Publishing Service.
- [30] UNCTAD. (2008). *Guidance on corporate responsibility indicators in annual reports*. Geneva: United Nations Publications.
- [31] Carbon Disclosure Project guidance & questionnaires. (n.d.). Retrieved from <https://www.cdp.net/en/guidance>.
- [32] The Greenhouse Gas Protocol: A corporate accounting and reporting standard. (2004). Retrieved from <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>.
- [33] Morriesen, K. (2018). *Impact investing market map*. Retrieved from <https://www.unpri.org/download?ac=5426>.
- [34] Iefymenko, T. (2019). Sustainable development reporting: Challenges and ways to overcome them. *Finance of Ukraine*, 11, 9–19. doi: 10.33763/finukr2019.11.009.
- [35] Oliynyk, Y., & Kucheriava, M. (2019). Improvement of regulatory and legal support of non-financial reporting in Ukraine as a result of cooperation with international institutions. *Finance of Ukraine*, 11, 31–43. doi: 10.33763/finukr2019.11.031.

Міжнародні системи нефінансової звітності в контексті становлення концепції сталого розвитку

Олеся Олександрівна Солодовнік, Євгенія Вікторівна Гавриличенко

Харківський національний університет міського господарства імені О. М. Бекетова
61002, вул. Маршала Бажанова, 17, м. Харків, Україна

Анотація. В сучасних умовах зростаючого тренду сталого розвитку набуває особливого значення питання розкриття суб'єктами господарювання релевантних, якісних та зрозумілих користувачам звітів нефінансової інформації про економічні, екологічні та соціальні аспекти своєї діяльності. Метою статті було дослідження міжнародних систем нефінансової звітності в контексті становлення концепції сталого розвитку задля обґрунтування напрямів вдосконалення процесу розкриття суб'єктами господарювання інформації про сталий розвиток. Було використано порівняльний аналіз, абстрактно-логічне узагальнення, історичний та хронологічний методи. Досліджено еволюцію концепції сталого розвитку та ідентифіковано ключові характеристики етапів її становлення на всіх рівнях ієрархії управління. Вивчено особливості та сфери застосування сучасних міжнародних систем нефінансової звітності, що набули найбільшого поширення серед суб'єктів господарювання, узагальнено їх загальні характеристики та недоліки. Запропоновано вдосконалення процесу розкриття такої інформації відповідно до встановлених вимог за такими напрямками: розробка державного стандарту нефінансової звітності про сталий розвиток, що ґрунтується на концепції потрійного результату та містить положення щодо складання звіту, який має бути уніфікований за Цілями Сталого Розвитку; запровадження обов'язкового аудиту такої звітності і відповідальності суб'єкта господарювання за її неподання; створення умов для навчання осіб, відповідальних за складання нефінансової звітності про сталий розвиток, та осіб, що здійснюють її аудит; забезпечення розробки та поширення на безоплатній основі програмного забезпечення для складання та подання такої звітності. Практичне значення одержаних результатів полягає у формуванні передумов для зростання обізнаності суб'єктів господарювання щодо діяльності в напрямі сталого розвитку та підвищення ефективності державної політики сталого розвитку

Ключові слова: еволюція, ініціатива, розкриття інформації, соціальна відповідальність, стандарт