Vol. 11 No. 2, 2025
DOI: https://doi.org/10.30525/2256-0742/2025-11-2-47-56

TRANSFORMATION OF NON-FINANCIAL REPORTING ON THE PATH TO SUSTAINABLE DEVELOPMENT OF SOCIETY

Nataliia Pozniakovska[1], Dmytro Nikytenko[2], Olena Tyvonchuk[3]

Abstract. The relevance of the study is driven by society's management demands for financial and non-financial information regarding the activities of its entities, thereby highlighting the importance of modern informational and accounting support for civil society. Research on governance success indicators in European countries has demonstrated the necessity to develop effective mechanisms and tools for government and business influence on achieving sustainable development goals. The study delineates the significance, role, evolution, and development of sustainability reporting at macro-, meso-, and micro-levels, transitioning from past non-financial information to sustainability reporting in the interest of society. The present study examines the history of non-financial reporting implementation worldwide, analysing survey results from large and medium-sized businesses regarding the adoption of sustainability frameworks. The Global Reporting Initiative (GRI) standards and recommendations, which are oriented towards global stakeholders, are recognised as the most widely used worldwide. The IFRS Sustainability Standards have established a process based on integrative thinking, leading to the formation of integrated reporting, which includes sustainability information. There has been a significant increase in the proportion of companies using stock exchange sustainability standards or recommendations. In addition, the study provides a comprehensive review of recent changes to the Exposure Draft Management Commentary, focusing on management's disclosure of factors affecting a company's financial condition and future prospects. The global shift towards mandatory sustainability reporting, as evidenced by the introduction of European Directives (NFRD, CSRD), aims to establish disclosure of responsible business practices. This study examines the challenges and prospects of sustainability reporting in Ukraine. Large companies in Ukraine prepare non-financial annual reports based on the Global Reporting Initiative (GRI) standards or in accordance with the United Nations Global Compact (UN SDGs). It is obligatory for Ukrainian medium and large companies to submit a Management Report, which includes financial and non-financial information characterising the company's condition and development prospects, while disclosing key risks and uncertainties. However, medium-sized enterprises frequently fail to provide non-financial information, and the quality of information presented in domestic management reports remains substandard. The present study analyses the challenges and prospects of adopting sustainability frameworks by Ukrainian small enterprises. The proposal calls for the narrative reporting format to be recognised as a distinct reporting type, characterised by its accessibility and comprehensibility to a wide audience of financial report users. In the context of a contemporary information society, there is an increasing expectation that narrative reporting will be accorded a higher priority than financial reporting. The underlying reason for this is that the former is more suited to meeting the needs of society as a whole, in terms of both format and purpose. In the contemporary phase of societal evolution, the transparency of non-financial reporting and the comprehensive array of standards for its preparation are optimally aligned with the interests of primary stakeholders.

Keywords: sustainable development, ESG, Sustainable Development Goals, non-financial reporting, sustainability reporting, integrated reporting, SDG Report, narrative reporting.

JEL Classification: M14, M41, Q01, Q56

[1] National University of Water and Environmental Engineering, Ukraine *(corresponding author)*
E-mail: n.m.poznyakovska@nuwm.edu.ua
ORCID: https://orcid.org/0000-0003-4016-8935
ResearcherID: N-7550-2018
[2] National University of Water and Environmental Engineering, Ukraine
E-mail: d.v.nikytenko@nuwm.edu.ua
ORCID: https://orcid.org/0000-0003-4989-0879
ResearcherID: V-8146-2017
[3] Lviv Polytechnic National University, Ukraine
E-mail: olena.i.tyvonchuk@lpnu.ua
ORCID: https://orcid.org/0000-0001-5524-6516

1. Introduction

The advent of new global crises and challenges, including epidemics, inflation, trade and non-trade wars, capital outflows from emerging markets, social unrest, geopolitical confrontations, and the threat of nuclear war, necessitates the exploration of alternative resources to address these problems. The necessity of ensuring that the public is provided with comprehensive and objective information regarding the activities of organisations and citizens in the realms of protecting rights and freedoms, promoting culture and heritage, environmental protection, and ensuring public health and safety, has become a matter of critical importance. Moreover, the resolution of societal issues – whether of a national, regional, or local nature – remains a primary concern. The relevance of this research is linked to the growing management demands for financial and non-financial information about the activities of social actors, emphasising the importance of modern information and accounting support for civil society. The integration of non-financial information within reporting frameworks, in conjunction with financial indicators, has given rise to the development of non-financial reports. Non-financial reporting is defined as a collection of financial and non-financial indicators that provide insight into an entity's social, economic, and environmental activities and their future prospects. The evolution of non-financial reporting has been driven by the implementation of various international projects, which have sought to establish evaluation criteria, accounting, and reporting on environmental, social, and economic initiatives (ESG). This development can be attributed to the growing interest in the concept of sustainable development. The advent of non-financial reporting and the evolution of sustainability reporting are inextricably linked to contemporary challenges, including environmental, economic, and social crises, necessitating their consideration at the enterprise, national, continental, and global levels. Conversely, the increasing digitalisation of society has resulted in mounting user demands with regard to the nature, content and quality of the provided information.

The objective of this research is threefold: firstly, to examine the evolution of non-financial reporting; secondly, to explore the reform of sustainability reporting; and thirdly, to identify opportunities to improve sustainability reporting in modern society.

2. Literature Review

The significance and evolution of non-financial reporting is a subject that is currently being studied by scientists. Researchers define non-financial reporting as a complex of qualitative and quantitative indicators, primarily as supplementary explanations for financial reporting figures (Blakita, 2015; Nebyltsova, 2015; Syvak, 2016). The majority of scholars consider non-financial reporting to be a means of satisfying stakeholders' informational needs with regard to economic, social, and environmental indicators (Bezverkhyi, 2017; Korol, 2016; Koriahin & Kutsyk, 2016; Makarenko, 2017). Research has indicated the emergence of a significant number of stakeholders who demonstrate an active civic stance and responsible consumption habits, thus becoming a new source of demand on the non-financial reporting system (Mysaka & Derun, 2022). Non-financial reporting is a broad concept encompassing various reports, including the Corporate Citizenship Report, Social Impact Review, Partnership Report, Corporate Social Responsibility Report, Sustainability Report, SDG Report, and Integrated Reporting. Researchers have identified two key approaches to non-financial reporting, shaped by the uncoordinated emergence of numerous initiatives: the nominal (formal) and conscious approaches. The adoption of a nominal approach is indicative of a perception of sustainable development as a secondary objective. This is evidenced by the establishment of specialised departments or roles within reporting entities, entrusted with the responsibility of addressing specific social and environmental issues. Conversely, the conscious approach signifies the organic progression of an entity that has fully acknowledged its responsibility for the impact of its activities on third parties, integrating sustainable development principles comprehensively and systematically (Mysaka & Derun 2022).

Concurrently, researchers have articulated critical concerns regarding the quality of information disclosure to stakeholders in the context of non-financial reporting (Orlov, 2023). In the context of voluntary information disclosure, the objective of integrated reporting is to enhance understanding of a company's long-term value creation potential (Voronko, Sydorenko & Zhurakovska, 2024). A significant challenge in implementing integrated and, in particular, non-financial reporting is cognitive bias among users, who tend to distrust unverified non-financial data when presented alongside audited financial information (Mysaka & Derun, 2022). In this context, scholars (Mysaka & Derun, 2022) outline two alternative paths for the future development of sustainability reporting:

– Separate disclosure of non-financial information, primarily with the support of environmental and social advocacy organisations;
– integrated disclosure of financial and non-financial information is a position advocated by professional accounting organisations.

It is evident that both approaches share the common goal of ensuring transparency in sustainability reporting. However, a closer analysis reveals differences in their methodological and organisational tools.

A significant development in the field of non-financial reporting has been its gradual integration with financial reporting, culminating in the establishment of a comprehensive integrated reporting system. Integrated reporting is defined as the process of presenting financial, non-financial, environmental, social, and governance information in a single document (Orlov, 2023). The present study explores the notion of a "paradigm shift in accounting reporting", which signifies a transition from the conventional practice of separate financial and non-financial reports to a more integrated accounting reporting model (Koriahin & Kutsyk, 2016). The necessity for effective internal information management and the consolidation of all essential data into a single report to support strategic decision-making is emphasised, particularly in the areas of value creation, preservation, and strategic resilience (Koriahin & Kutsyk, 2016). Integrated reporting (financial and non-financial) is regarded as the most comprehensive framework for reflecting the sustainable development concept. However, further research is required to define the role of control and management functions in shaping its indicators (Gutsalenko & Marchuk, 2021). The preparation of integrated reports, including the Management Report, necessitates the transformation of accounting systems to incorporate non-financial information (Krupka, 2023). A novel proposal entails the establishment of "integrated accounting", a process entailing the amalgamation of disparate information systems to facilitate integrated reporting. In Ukraine, the introduction of the first mandatory non-financial report, the Management Report, was driven by the need to align national legislation with European Union regulations (Pasko et al., 2022). In recent years, fundamental changes in global and Ukrainian reporting standards have been based on compliance with sustainable development principles.

Modern sustainability assessment tools facilitate the disclosure and comparative analysis of the environmental, social, and economic impacts of businesses on countries, regions, and societies. Nevertheless, there remains considerable debate surrounding the efficacy of various sustainability assessment frameworks. Researchers examine globally recognised sustainability reporting standards, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Research indicates significant discrepancies between private and public short- and long-term interests in non-financial information disclosure, as well as incomplete information disclosure and quality concerns in sustainability reporting (Bais et al., 2024). The challenges and constraints in implementing GRI and SASB are associated with high resource intensity, complex compliance requirements, and industry-specific limitations (Deepak et al., 2024). ESG frameworks are characterised by fragmentation and complexity, with each standard imposing unique requirements, thereby complicating the comparison of corporate sustainability initiatives and their compliance assessments (Babangida et al., 2024). The majority of researchers emphasise the necessity to harmonise requirements and recommendations across various sustainability frameworks (Contipelli, 2024). However, it should be noted that others have expressed concerns that the harmonisation of sustainability reporting regulations may be unattainable due to the divergent agendas and priorities of standard-setting bodies. This suggests that it is improbable for any regulator to compromise their position, interests, or specific requirements (Afolabi et al., 2022).

3. Materials and Methods

The method of data collection entailed conducting an analysis of literary sources pertaining to the evolution and development of sustainability reporting, from non-financial reporting to reporting for civil society. In order to achieve the aforementioned goal, a range of general scientific methods were employed. These included synthesis, analysis, induction, deduction and abstraction. The primary objective of this research was to enhance the informational support of modern society regarding sustainable development. A further objective was to generalise approaches to the challenges and prospects of transitioning from non-financial reporting to sustainability reporting. In addition, the implementation of significant tasks by civil society organisations was to be disclosed in reports. Graphical and tabular methods were used as the foundation for systematising and visually presenting textual and numerical information obtained during data collection, grouping, analysis and comparison.

In order to explore the potential for disclosure of financial and non-financial information on sustainable development, the implementation of sustainability frameworks in different countries was examined. The KPMG (2024) survey covered the 250 largest global companies (G250) and the 100 largest companies in each of 58 countries, territories and jurisdictions: 5,800 companies in total (N100). In 2017, a mere minority of large global companies (G250 and N100) incorporated the Sustainable Development Goals (SDGs) into their corporate reporting. Research on sustainability reporting has indicated an increasing level of corporate attention to the social aspects of business. In the contemporary business landscape, risks have been identified that extend beyond traditional parameters to encompass community engagement and activity, safety, and labour conditions. In light of the considerable interest in social issues, KPMG initiated the monitoring of social activities and risk management in 2022. By 2024, 74% of G250 companies had identified social risks, representing an increase from 49% two years prior, while 51% of N100 companies had done so, in comparison to 43% in 2022. Large companies have cited governance risk more frequently than climate and social risks: 77% in 2024 compared to 33% in 2022. From 2022 to 2024, the majority of surveyed companies reported achieving certain SDGs: 79% of National 100 (N100) companies and 96% of the world's largest 250 companies (G250) (KPMG 2024).

4. Results and Discussion

The UN introduced the SDGs as a roadmap to achieve a better and more sustainable future for all, addressing global challenges such as poverty, inequality, climate change, environmental degradation, peace and justice. Civil society institutions are primarily focused on achieving most of the UN-proclaimed goals to ensure sustainable societal development. Non-financial reporting has become a universal practice and continues to grow globally. At a time when the world is suffering from pandemics, armed conflicts and wars, social responsibility has become particularly important. People's awareness of their rights, governmental and non-governmental programmes, responsibilities, community priorities, emerging problems and solutions is now vital.

The most significant recommendations and requirements of public professional organisations and institutions regarding the disclosure of non-financial or sustainability reporting include the following: the Global Reporting Initiative (GRI); the International Accounting Standards Board (IASB), a constituent of the IFRS Foundation; the International Sustainability Standards Board (ISSB); the Value Reporting Foundation; the Climate Disclosure Standards Board (CDSB); and the Task Force on Climate-related Financial Disclosures (TCFD).

The evolution and development of non-financial reporting in the context of sustainability is illustrated in Table 1. The significance of disclosing non-financial information in reporting was underscored in the EU Directive 2014/95/EU, which pertains to the disclosure of non-financial information and information on the size, structure, performance, and risks related to social and environmental policy aspects and relations with employees. The term "non-financial information" is predominantly associated with the information that should be incorporated within the management report, encompassing aspects such as societal and environmental impact, corporate social responsibility, intellectual capital, risks, and uncertainties of the company (Ozeran, 2024, p. 283).

The introduction of the Extra-Financial Performance Declaration is a prerequisite for the creation and publication of an annual report, which is then certified by auditors. The non-financial report (Declaration) is required to disclose information regarding social, environmental, and societal issues pertaining to the company's activities and the policy implemented to manage risks. Consequently, large companies that are of public interest and exceed the average number of employees of 500 people during the financial year are obligated to include a non-financial report in the management report. This report must contain information that facilitates understanding of the company's activities and development, its position, and the impact of its activities regarding environmental, social issues, employee relations, human rights, and the fight against corruption and bribery (EU, 2014). The non-financial report discloses information on: (a) a brief description of the company's business model; (b) a description of the company's policy on these issues; (c) the results of this policy; (d) the main risks related to issues related to the company's activities, including its business relationships, products or services that may have a negative impact in these areas, and how the company manages these risks; (e) non-financial key performance indicators (EU, 2014).

The advancement of non-financial reporting is contingent upon the evolution, implementation, and subsequent refinement of specific international standards, particularly those pertaining to non-financial reporting. For instance, the IFRS Sustainability Standards delineate a process predicated on integrated thinking, the consequence of which is a periodic integrated report of the organisation on the creation, preservation, or gradual loss of its value (IIRC, 2021). Consequently, the process of integrated thinking that leads to responsible decision-making is referred to as integrated reporting. In addition to the International Integrated Reporting Standards, other significant documents on non-financial reporting include the Global Reporting Initiative (GRI) standards. It is important to note that the majority of these documents are intended for application by large companies.

In 2021, the release of the IFRS Draft Management Commentary was accompanied by the scheduling of deliberations within the professional community. However, the promotion of the project was paused in 2022, and further consideration and discussion of the document were postponed until 2025 (IASB, 2022). The Management Commentary is utilised as an adjunct to the primary financial statements, providing supplementary explanations, discussions, and individual analytical data from management. The function of the new documents is to present the management's perspective on the factors that have affected the company's financial performance and financial position, as well as the factors that may affect the company's prospects (IASB, 2021). The Management

Table 1
The Evolution and Development of Non-Financial Reporting

Key documents on sustainable development	Year	Main provisions
UN General Assembly SDG Summit World Sustainable Development Summit	2015 2019 2025	The post-2015 agenda. Transforming our world: The 2030 Agenda for Sustainable Development. Accelerating sustainable development and climate solutions.
Global Reporting Initiative (GRI)	2016, 2021	General standards. Sectoral standards. Thematic standards.
European Green Deal	2019	A roadmap for action until 2050 in key areas: clean energy, climate action, construction and renovation, sustainable industry, sustainable mobility, pollution reduction, biodiversity and sustainable agricultural policy.
Integrated Reporting Framework	2021	Long-term vision: a world where integrated thinking is embedded in both public and private sector practices and integrated reporting becomes the standard for corporate reporting.
Non-Financial Reporting Directive NFRD 2014/95/EU)	2014	Reports must include information on: environmental protection, employment and social issues, human rights, anti-corruption and bribery.
Corporate Sustainability Reporting Directive CSRD 2022/2464/EU	2022	Implementation of the European Sustainability Reporting Standards (ESRS): Requires disclosure of targets, covers ESG risk management, social challenges, employee relations and inclusion, diversity and equity (IDE) principles, and includes a value chain perspective.
European Sustainability Reporting Standard (ESRS)	2023	Coverage of environmental, social, and governance (ESG) issues: climate change, biodiversity, and human rights.
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	2023	Disclosures on sustainability risks and opportunities: governance processes, controls, and procedures used by the organisation to monitor, manage, and oversee risks and opportunities; the organisation's strategy; processes; and performance in addressing sustainability risks and opportunities.
IFRS S2 Climate-related Disclosures	2023	Disclosure of governance processes, controls, and procedures for monitoring, managing, and overseeing climate change risks and opportunities; strategy for managing climate change risks and opportunities; processes for identifying, assessing, prioritising, and monitoring risks and opportunities; and performance in relation to climate change risks and opportunities.

Source: compiled by UN 2015, EU 2014, EU 2022, GRI 2021, IIRC 2021, IIRC 2023

Commentary draft (IASB, 2021) plans to develop a comprehensive set of requirements and guidelines that will allow companies to combine, in a single, concise, and consistent description, information on financial, sustainable development-related, and other factors that are fundamental to the company's ability to create value and generate cash flows, including in the long term.

In 2022, there were global changes in the approaches to sustainable development reporting: the European Directive on non-financial reporting (NFRD) was replaced by the Corporate Sustainability Reporting Directive (CSRD). The Directive was implemented in 2024, and now requires the inclusion of information on sustainable development impact in a separate section of the management report (EU, 2022). The recently introduced CSRD Directive advocates for the utilisation of the term "sustainable development information" in lieu of "non-financial information". It is evident that the evolution of the sustainable development concept has been characterised by a transition from non-financial reporting to sustainable development reporting (Figure 1).

Concurrently, the regulations pertaining to the disclosure of financial information in reports are undergoing heightened scrutiny. The International Accounting Standards Board (IASB) has published a new standard, IFRS 18 "Presentation and Disclosure in Financial Statements," which is set to replace IAS 1 "Presentation of Financial Statements". The new standard requires entities to disclose performance indicators, defined by management (e.g., EBITDA, earnings before interest, taxes, and depreciation), in one note to the financial statements. The objective of IFRS 18 is to enhance the aggregation and disaggregation of financial statements, with a view to providing additional relevant information and ensuring that meaningful information is not obscured. Previously, companies often reported commonly recognised 'non-accounting' measures to explain the financial performance of their activities. The latest iteration of the accounting standard, IFRS 18, now obliges companies to incorporate such "non-accounting" indicators in their financial statements. The concept of "management performance indicators" is introduced, which should summarise income and expenses, be commonly used in public communications, and reflect the management's view on evaluating the company's financial performance. Moreover, it is imperative

Figure 1. Development of the concept of non-financial reporting

to elucidate in the notes to the financial statements the utility of these indicators, the methodology for their calculation, and their comparison with IFRS indicators (IASB, 2024).

The main differences between sustainable development frameworks lie in their focus on the interests and information needs of different key stakeholders (Table 2). While the GRI Standards for a Sustainable Future encourage disclosure of global issues such as climate change impacts, environmental concerns, human rights and corruption, other tools for assessing sustainable development(<IR> Framework, SASB Conceptual Framework, EU Standards for reporting sustainability) also consider the implications for business, investors and policy makers (Table 2).

The most popular recommendations and standards for sustainable development worldwide remain the GRI frameworks (KPMG 2024). Adoption of G250 by large companies remained stable at 77% in 2024, two percentage points higher than in 2017 (Table 3). Among N100 national group companies, GRI adoption increased to 71% in 2024, eight percentage points higher than in 2017. SASB standards, now part of the IFRS Foundation, are used by 56% of G250 companies and 41% of N100 companies (Table 3).

The majority of companies in Ukraine (98% of companies are SMEs) do not report on sustainable development. Those that do report mostly produce a Corporate Social Responsibility report. Large companies in Ukraine prepare non-financial reports using GRI standards and/or based on the requirements of the UN SDGs. Since 2018, medium and large companies have been obliged to submit a Management Report, which includes financial and non-financial information that characterises the company's state and development prospects, as well as discloses key risks and uncertainties in its activities. Medium-sized enterprises voluntarily include non-financial information. Nevertheless, the quality of the information in these management reports remains low, and the reports themselves resemble promotional brochures rather than documents detailing the company's performance and future development prospects.

Table 2
Diversity and interest of key stakeholders in sustainability reporting

Indicators	GRI	IIRC	SASB	EU Standards
Documents	Guidelines 2002-2014 GRI Standards 2016 GRI Universal Standards 2021	<IR> Framework 2013 <IR> revised Framework 2020	SASB Conceptual Framework 2017 SASB Exposure draft (revised framework) 2020	NFRD 2014 CSRD 2022 ESRS 2023
Scope	Disclosure of the impact on the economy, environment, and society	Introduction of integrated reporting and thinking, leading to the effectiveness and productivity of capital allocation	Disclosure of information about risks and opportunities related to sustainable development, their impact on the entity's cash flows, access to financing, or the cost of capital	Disclosure in reporting of environmental, social, and governance (ESG) factors, development of value chain sustainability reporting
Type of information	Non-financial information	Integrated information	Sustainable information	Sustainable information
Key stakeholders	Civil society Organisations Business Investment Institution Academic	World Bank Investment institutions IFAC Accounting professionals	Global Investors Accounting professionals Bank industry Academics	All economic actors including public authorities, investors, employees, communities, companies, entities
Consequences	Enhancing transparency of information about contributions to sustainable development	Promoting the integration of organisational thinking into value creation for financial stability and sustainable development	Impact on the financial position of the company	Increase in economic flow toward more sustainable business models in the EU

Source: compiled by GRI, IIRC, SASB, EU Standards

Table 3
Report on sustainability or ESG matters in G250 and N100s* (2017–2024), %

Companies	GRI Standards		SASB Standards		Stock Exchange Guidelines	
	2017	2024	2017	2024	2017	2024
G250	75	77	**	56	13	31
N100	63	71	**	41	12	28

*239 G250 and 4,581 N100 companies that report on sustainability or ESG matters

**SASB has been included since 2022 only

Source: compiled by KPMG 2024

The prevailing focus of Ukrainian scientific research on sustainable development is on large companies, thereby creating a lacuna in the field of non-financial reporting for small enterprises. The emphasis is misguided in that it is placed exclusively on the simplification of financial reports. However, it is important to acknowledge the significant role that SMEs play in the economy, as they perform social functions by providing employment and jobs, and are crucial to advancing sustainable development goals.

On a global scale, the scientific community has come to acknowledge small enterprises as a subject worthy of study within the overarching framework of sustainable development. The question of whether it is possible to effectively integrate sustainability into the activities of small and medium-sized businesses, and to encourage the implementation of socially responsible practices, is a matter of debate among researchers. The EU fosters sustainable development and reporting practices for SMEs through mandatory and voluntary measures, encompassing registered and non-registered SMEs (EFRAG, 2023). According to the new CSRD Declaration, listed SMEs must adopt European Sustainable Development Standards (ESRS) by the end of 2027 (Odobaša & Marošević, 2023). Recognising the specific characteristics of SMEs, the EU plans to adopt sustainable development guidelines for SMEs by 2025 (EU 2022/2464). On the other hand, the CSRD Declaration indirectly affects non-listed SMEs. While these companies are not directly obliged to create and publish sustainability reports under the Declaration, they may be required to provide relevant sustainability information to their partners and other stakeholders, especially if they are part of the value chain of a large enterprise under the Declaration's jurisdiction. In addition to adhering to international standards, SMEs have the option to adopt a streamlined version of European standards.

In recent years, there has been growing recognition within the academic community that SMEs, like other entities, should prioritise short-term economic profits and consider the environmental and social value they create or destroy (Caputo et al., 2017; Ottenstein et al., 2022). It is evident that SMEs have the capacity to exert a substantial influence on both the environment and society, a phenomenon that is analogous to that observed in large companies (Corazza, 2018; Morsing & Perrini, 2009; Shields & Shelleman, 2020). In Europe, SMEs are responsible for 60-70% of industrial pollution (OECD, 2018). Therefore, the responsible behaviour of SMEs, especially with regard to their environmental impact, is crucial for creating a greener economy and achieving a sustainable environment (Isensee et al., 2023). It is therefore vital to ensure the long-term sustainability and growth of SMEs, given their capacity to support national economic stability and advance national SDGs (Das et al., 2020). In contrast to large enterprises, SMEs encounter greater challenges in the distribution of available resources. Moreover, SMEs predominantly prioritise the economic dimensions of sustainable development, perceiving environmental and social concerns as a means to fulfil regulatory obligations.

With regard to the reporting format for sustainable development, a noteworthy example is the presentation of non-financial information by non-profit organisations for the benefit of the public and government. In certain countries, public authorities and local governments stipulate that businesses provide a Narrative Report to address issues related to aid, funding programmes, and projects (Department of Social Development Institutional Capacity Building). Non-profit organisations are required to disclose descriptive (narrative) information about their goals and achievements, key events, meetings on activities, leadership and employees, their responsibilities (or lack thereof), results of activities, and alignment with the organisation's goals (South African Institute of Professional Accountants). The International Civil Protection and Humanitarian Aid Operations organization includes information on goal achievement, analysis of underachievement or overachievement, mobilized resources, expenditures and their substantiation regarding project realization, and challenges and difficulties during the project (e.g., possible delays or negative results) in its Narrative Report.

The Exposure Draft of the International Non-Profit Accounting Guidance (CIPFA, 2022) is currently open for discussion among scholars and the general public. The standard includes a requirement to disclose, in addition to financial information, non-financial information in the form of a Narrative Report. Therefore, based on the primary purpose of IGSs to provide public services, user expectations can only be met by: a) including narrative reporting as part of general purpose financial reports; or b) a separate non-financial report. Section 35 of the Exposure Draft International Non-Profit Accounting Guidance "Narrative Report" (CIPFA, 2022) proposes an approach based on descriptive reporting principles with a minimum set of mandatory requirements for all reporting entities. This ensures a basic level of consistency and comparability. Today, NGOs need to provide integrated information that ensures: (1) users' understanding of the objectives of the NGO's activities; (2) guidance for the NGO in achieving the objectives of its activities; (3) feedback (explanations) on the analysis of financial reports. It is this paper's standpoint that the narrative report can, to a certain degree, be regarded as an equivalent to the Ukrainian non-financial report – the management report, the structure of which was proposed to domestic enterprises as part of the implementation of national legislation in accordance with the EU Directive on non-financial information disclosure. It is evident that certain sections of the management report bear a certain degree of resemblance to the narrative report. Furthermore, it is important to note that the Ukrainian non-financial report format encompasses information pertaining to environmental, social, and human resources policies.

5. Conclusions

Sustainability disclosure as a mechanism for regulating and maintaining social justice is gaining momentum around the world, both as an instrument of public scrutiny of governance structures and as a tool for co-operation between government, business and civil society to solve common problems. Global challenges require sustainability accountability to prevent conflict, to enable society to influence the resilience of the global economy and politics, and to adhere to ethics in solving problems. The significance of public non-financial reporting is further underscored by its role in fostering transparency and openness in the operations of governments and corporations, in addition to its contribution to enhancing public access to information. The complexity of regulating non-financial reporting is attributable to the necessity of addressing the divergent needs of global, national, and local levels. It is imperative that non-financial reporting takes into consideration not only the demands of society and the state, but also the interests of local communities. In the context of public disclosure, non-financial reporting is an indisputable necessity of contemporary times and civil society. In the context of the war in Ukraine, it is proposed that this requirement be fulfilled not only by publishing it in the open information space, but also by providing financial and non-financial information to stakeholders, including the public, upon request. This could include obtaining some open data on national platforms (in Ukraine, for example, the Unified State Portal of Administrative Services).

In order to achieve a balance between the concept and narrative of disclosure for stakeholders, there have been conceptual transformations in the approaches to accounting reporting. Non-financial reporting (sustainable development reporting) is given a different meaning and role when disclosed to key stakeholders, primarily society, with a focus on environmental, social, economic, and other sustainable development indicators.

The narrative format of reporting should be regarded as supplementary to financial reports, forming part of integrated reporting. Nevertheless, the broad spectrum of users of general-purpose reports necessitates a distinct form of reporting that is both accessible and comprehensible, namely narrative reporting. In the context of the modern information society, narrative reporting assumes greater importance in comparison to financial and integrated reporting, due to its format, accessibility, and clarity of information, especially for the main users of information about IGS – society as a whole. At this stage, it is hypothesised that the voluntary nature of reporting on non-financial aspects of activity, in conjunction with the wide variety of standards for preparing such reports most effectively, will meet the interests of these organisations and their users.

References:

Afolabi, H., Ram, R., & Rimmel, G. (2022). Harmonization of Sustainability Reporting Regulation: Analysis of a Contested Arena. *Sustainability*, 14(9), 5517. DOI: https://doi.org/10.3390/su14095517

Babangida, M., Mustapha, I., Abubakar, S., & Isa, A. (2024). Sustainability Reporting Frameworks a Comparative Analysis of Reporting Standards and their Implications for Accounting and Reporting. *International Journal of Accounting, Finance, and Administrative Research*, 1 (2), 32–47.

Bais, B., Nassimbeni, G., & Orzes, G. (2024). Global Reporting Initiative: Literature review and research directions, *Journal of Cleaner Production,* 471. DOI: https://doi.org/10.1016/j.jclepro.2024.143428

Bezverkhiy, K. (2017). Economic Meaning of the Concept of "Non-Financial Reporting". *Scientific bulletin of the national academy of statistics, accounting and audit*, 1-2, 23–34. Available at: http://nbuv.gov.ua/UJRN/nvhastat_2017_1-2_5

Blakita, A., & Poliak, R. (2015). Non-financial reporting as a tool of assess the social responsibility of business. *Scientific Bulletin of Kherson State University. Series: Economic Sciences*, 15(4), 126–129. Available at: http://nbuv.gov.ua/UJRN/Nvkhdu_en_2015_15%284%29__32

Caputo, F., Veltri, S., & Venturelli, A. (2017). A conceptual model of forces driving the introduction of a sustainability report in SMEs: Evidence from a case study. *International Business Research*, 10(5), 39–50. DOI: https://doi.org/10.5539/ibr.v10n5p39

Castilla-Polo, F., & Guerrero-Baena, M. (2023). The business case for sustainability reporting in SMEs: consultants' and academics' perceptions. *Sustainable Development*, 31(5), 3224–3238. DOI: https://doi.org/10.1002/sd.2576

Chartered Institute of Public Finance and Accountancy (2022). International Non-Profit Accounting Guidance Part 1. Exposure Draft CIPFA/ED/2022/1 International Non-Profit Accounting Guidance 2022. Available at: https://www.ifr4npo.org

Contipelli, E. (2024). Diretiva de Relatórios de Sustentabilidade Corporativa (CSRD): um guia para relatórios de sustentabilidade no mercado da EU. *Novos Estudos Jurídicos*, Itajaí (SC), 29(3), 843–865. DOI: https://doi.org/10.14210/nej.v29n3. Available at: https://periodicos.univali.br/index.php/nej/article/view/20769

Corazza, L. (2018). Small business social responsibility: the CSR4UTOOL web application. *Journal of Applied Accounting Research*, *19*(3), 383–400. DOI: https://doi.org/10.1108/JAAR-11-2014-0122

Das, M., Rangarajan, K., & Dutta, G. (2020). Corporate sustainability in small and medium-sized enterprises: A literature analysis and road ahead. *Journal of Indian Business Research*, 12(2), 271–300. DOI: https://doi.org/10.1108/JIBR-09-2017-0166

Deepak, D, Reshma, S., Vennila, R., & Sudha, Bs. (2024). A Systematic Review of Sustainability Assessment Instruments: Examining the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). *NIFM Journal of Public Financial Management*, Special Issue, 33–41.

Directive (EU) 2022/2464 of the European parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15–80). Available at: http://data.europa.eu/eli/dir/2022/2464/oj

Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1–9). Available at: http://data.europa.eu/eli/dir/2014/95/oj

EFRAG, IFRS Foundation. ESRS–ISSB Standards Interoperability Guidance. May 2024. Available at: https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/esrs-issb-standards-interoperability-guidance.pdf

Global Reporting Initiative (2021). GRI Standards. Available at: https://www.globalreporting.org/about-gri/

Gutsalenko, L., & Marchuk, U. (2021). Integrated reporting – concepts and paradigms accounting to achieve sustainable development goals. *Efficient Economy*, 7. DOI: https://doi.org/10.32702/2307-2105-2021.7.9

IFRS Foundation (2021). IFRS Practice Statement 1: Management Commentary. Available at: https://www.ifrs.org

IFRS Foundation (2022). Integrated Reporting Framework. January 2022. Available at: https://integratedreporting.ifrs.org/wp-content/uploads/2024/08/IntegratedReporting_Framework_061024.pdf

International Sustainability Standards Board (2023). IFRS Sustainability Disclosure Standards 2023. Available at: https://www.ifrs.org/

Isensee, C., Teuteberg, F., & Griese, K. (2023). How can corporate culture contribute to emission reduction in the construction sector? An SME case study on beliefs, actions, and outcomes. *Corporate Social Responsibility and Environmental Management*, 30(2), 1005–1022. DOI: https://doi.org/10.1002/csr.2368

Koriahin, M., & Kutsyk, P. (2016). Problems and prospects of the development of accounting reporting. Kyiv: The Interservice.

Korol, S. (2016). Social responsibility of business: accounting theory and methodology. Kyiv: KNTEU.

KPMG International (2024). Survey of Sustainability Reporting 2024: The move to mandatory reporting. Available at: https://kpmg.com/xx/en.html

Krupka, Y. (2023). Integrated reporting, its accounting and information support. *Herald of Economics*, 4, 67–81. DOI: https://doi.org/10.35774/visnyk2023.04.067

Makarenko, I. (2017). About scientific approaches that form the paradigm of accounting for sustainable development. *Global and national economic problems*, 16, 877–883. DOI: https://doi.org/10.21511/afc.01(2).2017.01

Mysaka, H., & Derun, I. (2022). Conceptual determinants of the corporate reporting development in the information-based economies, and societies. *Financial and Credit Activity Problems of Theory and Practice*, *4*(45), 68–82. DOI: https://doi.org/10.55643/fcaptp.4.45.2022.3806

Odobaša, R., & Marošević, K. (2023). Expected contributions of the European corporate sustainability reporting directive (CSRD) to the sustainable development of the European Union. *EU and Comparative Law Issues and Challenges Series (ECLIC)*, 7, 593–612. DOI: https://doi.org/10.25234/eclic/27463

OECD (2018). OECD Economic Outlook, Volume 2018, Issue 2, OECD Publishing, Paris. DOI: https://doi.org/10.1787/eco_outlook-v2018-2-en

Orlov, I. (2023). Quality of integrated reporting and its characteristics. *Economy, management and administration*, 1(103), 105–110. DOI: https://doi.org/10.26642/jen-2023-1(103)-105-110

Ottenstein, P., Erben, S., Jost, S., Weuster, C., & Zülch, H. (2022). From voluntarism to regulation: effects of Directive 2014/95/EU on sustainability reporting in the EU. *Journal of Applied Accounting Research*, 23(1), 55–98. DOI: https://doi.org/10.1108/JAAR-03-2021-0075

Ozeran, A. (2024). Information on sustainable development in the management report. *Sustainable economic development*, 2(49), 282–287. DOI: https://doi.org/10.32782/2308-1988/2024-49-45

Pasko, O., Chen, F., Kuts, T., Sharko, I., & Ryzhikova, N. (2022). Sustainability reporting nexus to corporate governance in scholarly literature. *Environmental Economics*, 13(1), 61–78. DOI: https://doi.org/10.21511/ee.13(1).2022.06

Shields, J., & Shelleman, J. (2020). SME sustainability dashboards: An aid to manage and report performance. *Journal of Small Business Strategy*, 30(2), 106–114. Available at: https://libjournals.mtsu.edu/index.php/jsbs/article/view/1679

Voronko, R., Sydorenko, R., & Zhurakovska, I. (2024). Integrated reporting: purpose of formation and features of control. *Herald of Lviv University of Trade and Economics. Economic Sciences*, 75, 52–58. DOI: https://doi.org/10.32782/2522-1205-2024-75-07

Received on: 20th of February, 2025
Accepted on: 29th of March, 2025
Published on: 30th of April, 2025