

# **ENTERPRISE ECONOMICS AND CORPORATE GOVERNANCE: PROBLEMS OF MANAGEMENT AND PRODUCTION MODERNIZATION**

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## **DEVELOPMENT OF CONCEPTUAL PRINCIPLES OF NONFINANCIAL REPORTING OF THE ENTERPRISES**

Developing sustainable organizations by improving the environmental and social indicators contained in non-financial reporting are global challenges for businesses around the world. Companies make every effort to prepare such non-financial reports, reconcile economic, social and environmental performance, and inform users about business sustainability.

According to Transforming our world: the 2030 Agenda for Sustainable Development, non-financial reporting (social reporting, or sustainable development reporting) is a documented set of data of a commercial organization that reflects the state of the company, principles and methods of cooperation with influence groups, the company's results in economic, social and environmental life [7].

A report is considered to be an emerging reporting trend in report making around the world, where organizations are preparing separate financial and non-financial reports (financial statements, Sustainable Development Report, Social Responsibility Reports).

At an international level, emerging and widely accepted sources of guidance are the sustainability reporting guidance systems under the global accounting reporting initiative – Global Reporting Initiative (GRI). This document contains:

1. A system of guidelines for preparing sustainable development reports under the whole accounting reporting initiative, including: the group of indicators belonging to economic activities; criteria group belongs to environmental activities; group of indicators belonging to social activities (including labor, human rights, labor safety, product responsibilities).

2. A number of suitable solutions to encourage and guide the application of sustainable development accounting reporting criteria applicable to enterprises [3].

At the micro level the companies in the rest of the world follow the guidelines and standards of reporting of International Standard Organization's ISO 26000 or Global Reporting Initiative (GRI), as companies in the rest of the world.

Among the 17 SDGs, Goal 12 on sustainable consumption and production (target 12.6) encourages companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycles. Indicator 12.6.1 requires data on the number of companies publishing sustainability reports. United Nations Conference on Trade and Development (UNCTAD) and the United Nations Environment Programme are co-custodians of this indicator. In addition to indicator 12.6.1, many other SDG indicators refer to data already being reported by companies, such as indicators on the use of energy and water, carbon-dioxide emissions, waste generation, gender equality and community development. Accordingly, company reporting has the potential to become a primary source of information on company performance towards the implementation of the SDGs2 by providing stakeholders with the means to assess the economic, environmental, social and institutional performance of companies, as well as the impacts of the private sector on the implementation of the SDGs [4].

UNCTAD, through ISAR, has identified the need for baseline SDG indicators for companies to enable the harmonization, comparability, and benchmarking of enterprise reporting.

The issue of non-financial reporting of enterprises is especially relevant during the COVID-19 pandemic and post-pandemic period,

because the spread of COVID-19 has an unpredictable and devastating impact on economic development, the financial system, significantly complicates business conditions, reduces economic activity, leads to a sharp decline in living standards, deteriorating access to public services (including educational and medical), which requires the involvement of business in solving current and future social and environmental problems.

At the same time, non-financial information should be useful and valuable, which determines the quality of non-financial reporting. The need to solve modern issues of the quality of non-financial reporting actualizes the directions of scientific research. These directions are devoted to the search for organizational and economic mechanisms to assessment of the quality of non-financial reporting of enterprises.

Researchers from around the world are researching financial and non-financial reporting issues. In scientific works [1], it is noted that within the present-day economic situation ensuring a competitive position coincides with its ability of managing its relationship with the stakeholders regarding the distribution of the added value and setting up of a legit consensus between them and the company itself.

Other researchers also confirm that the practice of integrated reporting can reduce agency problems between managers and investors, resulting in lower agency costs [6].

The research of Ervits I. indicate:

That quantitatively Chinese multinational enterprises display patterns of corporate social responsibility reporting comparable to major multinational enterprises in developed economies.

That just like multinational enterprises from developed economies Chinese multinational enterprises use a global corporate social responsibility reporting template as a convenient tool to align and harmonize various isomorphic pressures.

There are qualitatively substantive discrepancies in content have been also identified due to national or other contextual characteristics.

There are not consensus concerning convergence/divergence of corporate social responsibility reporting across the globe and, more specifically, between developed economies and emerging markets [2].

The author's group Le Anh Tuan, Pham Ngoc Toan, Nguyen Xuan Hung pointed factors affecting the presentation and disclosure of sustainable development information in the Vietnamese enterprise accounting reporting system. They are:

1. The competitive pressure from competitors, especially potential competitors, presenting and disclosing information related to sustainable development; these factors has the greatest impact on the presentation and publish information related to sustainable development in the accounting reports of businesses.

2. The opportunity for growth in the assets and capital of the business.

3. The business scale – the larger the business scale, the more businesses need to enhance the presentation and disclosure of information related to sustainable development in their accounting reports in order to increasingly enhance their position in the market.

4. Characteristics of the business industry are a decisive factor to the presentation and disclosure of information related to sustainable development in the accounting reports of enterprises.

5. Information needs of related parties – shareholders, investors, employees.

6. Legal factors. These factors have the lowest impact on the presentation and disclosure of information related to sustainable development in the accounting reports of enterprises [5].

That is why, in the context of the fact that countries, regardless of the level of development, are becoming more integrated into the world economy, enterprises are obliged to comply with the requirements of sustainable development and report on their achievements in this area. At the same time, environmental and social reports should contain relevant, complete, and multidimensional information for investors, partners, and so on.

So, social responsibility management has been proved expedient as effective only if enterprises will develop and distribute the

nonfinancial reporting. Information from this reporting is very important for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection. Disclosure of non-financial information helps to evaluate, monitor and manage the activities of enterprises and determine their impact on society.

At present, requiring businesses and economic organizations in the society to pay attention to the matter of recording, measuring, analyzing and providing information regarding environmental protection. In other words, the demand for environmental accounting is increasing and the establishment and development of this accounting department is an indispensable and necessary movement at present and in the future [3].

Today, companies from around the world and Ukrainian companies compile non-financial reports and they provide data on most of the core indicators. At the same time, environmental and social indicators were more difficult to report on than economic and institutional indicators, institutional coordination at the national level continues to be a challenge, regulations facilitate consistency but also affect diversity, technical capacity needs to be strengthened, and measurement inconsistencies need to be addressed.

Summing up, we note that in the course of the study of good practices for implementing the guidance on core indicators for sustainability reporting, development of conceptual principles of nonfinancial reporting of the enterprises have been formed. It has been revealed that most companies were able to provide data on most of the core indicators, environmental and social indicators were more difficult to report on than economic and institutional indicators, institutional coordination at the national level continues to be a challenge, regulations facilitate consistency but also affect diversity, technical capacity needs to be strengthened, measurement inconsistencies need to be addressed. When forming a nonfinancial reporting of the enterprises, it is important to clearly to develop training materials on how to collect information and measure key indicators.

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