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NON-FINANCIAL REPORTS AS A TOOL TO INCREASE THE INVESTMENT ATTRACTIVENESS OF THE ENTERPRISE

НЕФІНАНСОВА ЗВІТНІСТЬ ЯК ІНСТРУМЕНТ ПІДВИЩЕННЯ ІНВЕСТИЦІЙНОЇ ПРИВАБЛИВОСТІ ПІДПРИЄМСТВА

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In the article, the main defect of financial reporting are certain about forming of investment attractiveness of enterprise and reasonably how they are decided by the unfinancial accounting. Considered known standards of the unfinancial accounting, and also their comparative analysis is carried out. The brought list over of often used guidelines and frameworks for the strictly specialized standards in an ecological and social direction. The necessity of objective illumination of both positive and negative influences of enterprise is reasonable. Opening of information, that forms the investment attractiveness of enterprise, is considered, on the example of the standard of GRI. The described procedure for inspecting the investment object is due diligence. The results of questioning of investors are considered by two world accountant-consulting companies about the efficiency of the unfinancial accounting.

Keywords: unfinancial accounting, investment attractiveness, accounting standards, steady development, standards of GRI.

Для підвищення інвестиційної привабливості сучасним підприємствам уже не достатньо готувати лише якісну фінансову звітність. З усвідомленням необхідності досягнення цілей сталого розвитку, для бізнесу та його зацікавлених сторін стали важливими також екологічні та соціальні наслідки діяльності підприємства, а також можливість їх відображення у звітності. З цією метою створена значна кількість світових стандартів нефінансової звітності, які постійно оновлюються, що зумовлює необхідність актуалізувати їхній попередній огляд та провести аналіз на відповідність сучасним вимогам інвесторів. Метою даного дослідження є аналіз видів нефінансової звітності, їхнього впливу на підвищення інвестиційної привабливості підприємства, а також визначення напрямків покращення нефінансової звітності відповідно до запиту інвесторів. Розглянуті найвідоміші стандарти нефінансової звітності (GRI, SASB, IIRC, ISO 26000, SA 8000 та AA1000 AS), а також здійснено їхній порівняльний аналіз. Наведений список часто використовуваних керівництв та фреймворків для вузькоспеціалізованих стандартів в екологічному та соціальному напрямку. Обґрунтовано необхідність об'єктивного висвітлення як позитивних, так і негативних впливів діяльності бізнесу для формування повного та правдивого уявлення стейкхолдерів про підприємство. На прикладі стандарту GRI, розглянуто розкриття інформації, що формують інвестиційну привабливість підприємства. Описано процедуру незалежної перевірки об'єкту інвестування, тобто дью-ділідженс. Розглянуто результати опитування інвесторів двома світовими аудиторсько-консалтинговими компаніями про ефективність нефінансової звітності, в тому числі наведено

перелік суттєвих, що на думку інвесторів є проблемними та потребують глибшого розкриття. Результати дослідження можуть використовуватися для обґрунтування впровадження нефінансової звітності на підприємстві, вибору стандартів для складання звіту та визначення суттєвих тем для більш детального розкриття інформації з метою підвищення інвестиційної привабливості підприємства.

Ключові слова: нефінансова звітність, інвестиційна привабливість, стандарти звітності, сталий розвиток, стандарти GRI.

В статье определены основные недостатки финансовой отчетности по формированию инвестиционной привлекательности предприятия и обосновано каким образом их решает нефинансовая отчетность. Рассмотрены известные стандарты нефинансовой отчетности, а также осуществлен их сравнительный анализ. Приведен список часто используемых руководств и фреймворков для узкоспециализированных стандартов в экологическом и социальном направлении. Обоснована необходимость объективного освещения как положительных, так и отрицательных воздействий предприятия. Рассмотрены раскрытия информации, которые формируют инвестиционную привлекательность предприятия на примере стандарта GRI. Описана процедура проверки объекта инвестирования – дью-дилідженс. Рассмотрены результаты опроса инвесторов двумя мировыми аудиторско-консалтинговыми компаниями об эффективности нефинансовой отчетности.

Ключевые слова: нефинансовая отчетность, инвестиционная привлекательность, стандарты отчетности, устойчивое развитие, стандарты GRI.

Raising of problem. Forming of global market is the key feature of modern economy. It causes the considerable redistribution of material, natural and human resources. Modern businessmen conduct an analysis not only regional or national but also world competitors. The investment attractiveness of business is considered a most competitive edge because exactly from it enterprises develop, improve and grow the incomes.

From the perspective of investor, an investment attractiveness represents potential of enterprise, which is measured in quantitative (profitability, liquidity, efficiency) and in quality indexes (trust to the businessman, accordance to preferences and advantages of investor, etc). Sources for forming of opinion of investor usually are various types of accounting, namely financial (Balance, P&L, Cash Flow and others) and unfinancial reporting.

Investors form a wide request for information for the receipt of objective and complex ideas about an enterprise. Following conception of The triple bottom line, modern business is built on three fundamental constituents: profit, planet, and people. If an economic constituent can be fully described in the financial reporting, then the unfinancial accounting is used for an ecological and social sphere.

Analysis of the last researches and publications. In the economic literature, the essence of the investment attractiveness of the enterprise, the factors of its formation and evaluation methods were considered in the works of famous domestic and foreign scientists, in particular I.O. Blank, F.V. Bandurin, F.P. Gaidutsky, L.O. Mamul, T.A. Chernyavskaya, D.A. Epstein, S. Estrin, K.E. Meyer. Also, foreign and domestic

scientists studied the peculiarities of the formation and need for non-financial reporting, among which are: B. Ballou, G. Daly, G. Gardner, D. Tsoppa, R. Eccles, M. Pianowski, S. King, R. Kostyrko, S. Svirko, and V. Shapoval.

Selection of previously unsolved parts of general issue. The analysis of work of the foregoing scientists testifies that direct connection is between the unfinancial accounting and investment attractiveness of enterprise. So, as lately the unfinancial accounting develops very swift rates, out-of-date standards change and the new is created, then there is a necessity of research of accordance of queries of investors and variety of types of the unfinancial accounting

Formulation of aims of the article. A research aim is an analysis of types of unfinancial accounting, their influence on the increase of investment attractiveness of enterprise, and also determination of directions of improvement of the unfinancial accounting by the query of investors.

The main material research. It is considered that financial reporting is the basic source of data about the financial state and results of activity of enterprise. Under the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", its primary objective is presentation of complete and truthful information to the interested persons for making decisions [1]. However, for the most complete description of activity of enterprise and, in particular, estimation of its investment attractiveness of such information not enough on the row of reasons [2]:

1. financial reporting describes the past events of period covered only, that is why a user does not get information about intentions of enterprise, its aim, and prospect of development;

2. describes management results only by a financial and physical capital even though

human, organizational, client and social capitals have a large value too;

3. concentrated on the analysis of the financial state of enterprise and ignores other factors or potential risks that would interest investors;

4. does not represent an achievement or negative influence of enterprise in ecological and social direction that can promote the level of risk of investments.

With the aim of decision of these and other problems, enterprise uses the various types of the unfinancial accounting, among that complex, standardized and reports of free form [3]. Without regard to a considerable variety, general for all unfinancial reports is that it is forms of the public popular accounting, in that activity of enterprise is characterized in three directions, – economic, ecological and social, and also considerable attention is spared to the achievement of aims of sustainable development and corporate social responsibility.

For today there are more than twenty standards following that the unfinancial accounting is formed. The analysis of the most common of them is presented in a table 1.

In addition to these standards, there are a large number of highly specialized frameworks

and guidelines. For example, International Labour Standards on Occupational Safety and Health (OCH), Task Force on Climate-related Financial Disclosures (TCFD), The Community Development Program (CDP) Operational Guidance, Organization for Economic Co-operation and Development (OECD) Guidelines, The Climate Disclosure Standards Board (CDSB) and other [5].

Directive 2014/95/EU promoted for distribution of the higher mentioned standards and forming of the unfinancial accounting enterprises. According to its terms, large enterprises of countries-members of the European Union are under an obligation to expose in the unfinancial accounting description of the business model, politics and strategy of company, management risks, and other important indicators of unfinancial character [6].

It was already marked, the estimation of investment attractiveness of enterprise combined in itself financial, ecological, and social aspects. Such a comprehensive analysis minimizes financial risks and maximizes profitability for the investor. However, it not always is advantageous for enterprises, because they can carry out negative influences that would like to hide in the activity. The standardized unfinancial accounting, unlike

Table 1

Comparative description of standards of the unfinancial accounting

Name of standard	Description and features
GRI (The Global Reporting Initiative)	The standard was developed by two non-profit organizations “Ceres” and “Tellus Institute” with the support of the United Nations Environment Program (UNEP) in 1997. The last updating is in 2018. This is a guide to economic, environmental, and social disclosure. Covers more than 70 indicators. The authors of GRI claim that this standard is used by 82% of the world's largest enterprises.
SASB (Sustainability Accounting Standards Board)	Created in 2011 by the independent non-profit organization of the same name. Last updated in 2017. The standard identifies specific indicators for 77 industries in the economic, environmental, and social areas. Its main purpose is to expand the language of accounting.
IIRC (International Integrated Reporting Council)	The IIRC Council was established in 2010. The last update of its standard in 2021. The main purpose of an integrated report under this standard is to explain to financial capital providers how an organization creates value over time.
ISO 26000 – Guidance on Social Responsibility	Guidance was published in 2010, developed by International Organization for Standardization (ISO). These are freewill reporting recommendations based on global best practices, ISO 14000 (Environmental Management Standard), and the principles of social responsibility.
SA 8000 – Social Accountability 8000	The standard, created in 1989 by Social Accountability International (SAI), is used to assess the social aspects of management systems. An alternative to this standard is ISO 26000 .
AA1000 AS – Accountability Principles Standard	Developed by the Institute of Social and Ethical Reporting in 1999. The main purpose of this standard is to streamline the company's social initiatives and increase its efficiency.

Source: compiled according to [4; 5]

arbitrary forms, promotes objectivity and trust of stakeholders to the report, because includes indexes that describe all most noticeable influences of business – both positive and negative. For example, GRI standards include blocks for disclosing information on greenhouse gas emissions and work practice issues.

The wide range of possible directions of accounting stipulated a necessity for the choice of material topics and their boundaries. Each business model is unique, having specific impacts on the economy, the environment, and society, so in the guidelines of some standards (such as GRI and SASB) before disclosing the necessary step is to work with stakeholders and identify material topics. Based on a questionnaire or dialogue with stakeholders, the priority of topics and the importance of their disclosure in reporting is determined. The set of topics may depend not only on the type of activity of the enterprise but also on external conditions. For example, in

2020, most non-financial reports contain a section about the impact of COVID-19 on business and the fight against its consequences.

Based on the GRI standard, which is the most common among enterprises, we can identify some information disclosures that significantly shape the investment attractiveness of the enterprise (table 2).

It should be added that some GRI standards, in particular, the above-mentioned 103-2 "The management approach and its components", contain information about due diligence (DDG). This is a procedure performed on behalf of the investor for independent audit to form an objective view of the company. It is a multi-stage inspection that includes an analysis of investment risks, a study of the company's activities, its financial condition, status in the consumer market, and relations with the state [7].

Therefore, after analyzing the specific disclosures of the GRI standard, it can be argued that the

Table 2

Disclosure of information from the GRI standard that affects the investment attractiveness of the enterprise

Series	The name of the disclosure	Comment
100 – universal standards	102-16 Values, principles, standards, and norms of behavior	Information in text format that forms an idea about the general mode of functioning of enterprise. Allows comparing the structure of the investigated company to experience of other companies, to define the strong and weak places of the administrative and organizational system.
	102-30 Effectiveness of risk management processes	
	102-47 List of material topics	
	103-2 The management approach and its components	
200 – economic standards	201-1 Direct economic value generated and distributed	Distribution of economic value by items of production costs, wages, payments to the state, investment in the community, etc.
	203-2 Significant indirect economic impacts	SEIS – socio-economic impact study.
	205-1 Operations assessed for risks related to corruption	Corruption risk assessment system, risk identification and work on them.
300 – environmental standards	307-1 Non-compliance with environmental laws and regulations	Absolute indicators of negative ecological influences are considered. In contrast, positive disclosures are their relative reductions, as well as the implementation of measures to minimize or eliminate negative impacts.
	302-1 Energy consumption within the organization; 305-1 GHG emissions	
	302-4 Reduction of energy consumption	
	305-4 GHG emissions intensity	
400 – social standards	408 Child Labor	The standard contains a request for the presence or absence of negative and illegal social influences at the enterprise, and also describes the enterprise's policy in the field of labor protection and safety.
	409 Forced or Compulsory Labor	
	403-9 Work-related injuries 403-10 Work-related ill-health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	

Source: compiled according to [7]

increase in investment attractiveness of the enterprise is due to the reflection in various types of its non-financial reporting of the following aspects [8]:

1. description of the business model – a verbal description of the enterprise can emphasize its stable position and competitive advantages;

2. determination of strategy and aims – long-term (on 5-10) and short-term aims (on a year) are often described in the unfinancial accounting, that allows watching ambitiousness and progress of enterprise;

3. description of management systems – description of management systems – in non-financial reporting the emphasis is not only on the results but also on ways to achieve them. Due to this, management approaches are constantly analyzed and improved;

4. focus on sustainable development – for modern companies, the implementation of the UN Sustainable Development Goals is a clear and important priority;

5. communication with stakeholders – meeting the needs of shareholders, investors, employees, suppliers, or the community and the reflection of such information in the reporting increases the value of the enterprise;

6. compliance and anti-corruption – the observance of ethic codes of conduct, counteraction to the swindle and corruption, characterize guidance and workers of enterprise from a positive side and encourage to the collaboration.

According to the results of research of company "Ernst & Young", 92% of surveyed investors believe that the preparation of non-financial statements is mandatory for large companies; 68% – admit that information from non-financial reporting is crucial for them in making decisions; 81% – believe that companies have not yet learned to analyze and reflect environmental and social risks in non-financial reporting [9].

Company "PricewaterhouseCoopers" conducted similar research, the results of which indicate that high-level non-financial reporting is so important to large global investors that they are willing to provide financial assistance to set standards and develop the industry as a whole. Among the material topics in which respondent investors would like to receive more or better information from companies are risks (investors fear that the report misses or does not take into account any risks), company policy (conservative, aggressive, or other management styles), management (not only structure but also advantages/disadvantages), control (methods and mistakes), industry-specific metrics, analysis of best practices (for comparison of competitors' enterprises) and scenario planning (assessment of the company's prospects) [10].

Conclusions. Preparation of unfinancial, especially standardized, accounting is a necessity for large enterprises that function or plan to enter the global market, and also want to fix the investment attractiveness. There are a far of types of standards of unfinancial accounting that can satisfy the necessities of enterprises of different industries and business models. It is aimed not only at solving the problem of mandatory documentation by Directive 2014/95/EU, but also at creating and disseminating quality information for stakeholders of the enterprise (including investors). Research by leading audit and consulting companies shows that despite the constant development and improvement of reporting standards, investors still see shortcomings and set new requirements for its improvement. In many ways, this is a challenge for businesses, which need to begin to consider aspects of sustainable development in their work, expand the base of controlled metrics and improve reporting skills.

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