

DOI: 10.31617/1.2024(155)08

UDC: 657.37:338.45=111

POLOVYK Yevheniia,

Master,
Postgraduate student of the Department
of Accounting and Taxation
State University of Trade and Economics
19, Kyoto St., Kyiv, 02156, Ukraine

ORCID: 0000-0002-3091-6242

y.polovyk@knute.edu.ua

KOROL Svitlana,

Doctor of Science (Economics),
Professor, Professor of
the Department of Accounting and Taxation
State University of Trade and Economics
19, Kyoto St., Kyiv, 02156, Ukraine

ORCID: 0000-0002-3091-6242

s.korol@knute.edu.ua

NON-FINANCIAL REPORTING IN THE INDUSTRIAL SECTOR

Non-financial reporting has become an important aspect of corporate reporting, especially in the industrial sector, providing enhanced information on the social, environmental and ethical aspects of a company's activities. By promoting transparency and accountability, non-financial reporting (NFR) can help companies mitigate negative environmental impacts and strengthen their overall sustainability efforts. The aim of the article is to review the regulatory framework and international practice of preparing non-financial reports by industrial enterprises, to identify the specific features of ESG reporting and to provide recommendations on the content of non-financial reports of industrial enterprises in Ukraine. The methods of theoretical generalization and grouping of information, induction, analysis, synthesis and logical generalization were applied. It was determined that the unification of regulatory and legal regulation in the field of NFR is an important issue for business entities, including industrial enterprises. Many international organizations have developed a set of their own regulations in the field of non-financial reporting, which reflect public attention to important issues and the actual practice of solving them by enterprises and organizations. Based on the international practice of non-financial reporting, the lack of universal approaches to the preparation of NFR was revealed. Companies should adapt to

ПОЛЬОВИК Євгенія,

магістр,
аспірант кафедри обліку та оподаткування
Державного торговельно-економічного
університету
вул. Кіото, 19, м. Київ, 02156, Україна

ORCID: 0000-0002-3091-6242

y.polovyk@knute.edu.ua

КОРОЛЬ Світлана,

д. е. н., професор кафедри обліку та
оподаткування
Державного торговельно-економічного
університету
вул. Кіото, 19, м. Київ, 02156, Україна

ORCID: 0000-0003-0958-8720

s.korol@knute.edu.ua

НЕФІНАНСОВЕ ЗВІТУВАННЯ У ПРОМИСЛОВОМУ СЕКТОРІ

Нефінансова звітність стала важливим аспектом корпоративної звітності, особливо у промисловому секторі, надаючи розширену інформацію про соціальні, екологічні й етичні аспекти діяльності підприємств. Сприяючи прозорості та підзвітності, нефінансова звітність (НФЗ) може допомогти підприємствам пом'якшити негативний вплив на навколишнє середовище і посилити їхні загальні зусилля щодо сталого розвитку. Метою статті є огляд нормативно-правового регулювання та міжнародної практики підготовки нефінансової звітності промисловими підприємствами, встановлення особливостей ESG-звітності та надання рекомендацій щодо змістовного наповнення нефінансових звітів промислових підприємств в Україні. Застосовано методи теоретичного узагальнення і групування інформації, індукції, аналізу, синтезу та логічне узагальнення. Визначено, що уніфікація нормативно-правового регулювання у сфері НФЗ є важливою проблемою для суб'єктів господарювання, включаючи промислові підприємства. Багато міжнародних організацій розробили набір власних регламентів у сфері НФЗ, які відображають суспільну увагу до важливих проблем та реальну практику їх розв'язання підприємствами й організаціями. На основі міжнародної практики НФЗ виявлено відсутність універсальних підходів до її складання. Підприємства мають адаптуватися



Copyright © The Author(s). This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (<https://creativecommons.org/licenses/by/4.0/>)

certain environmental conditions, take into account the specifics of their activities, organizational structure and strategic goals. The relevance and benefits of implementing ESG principles are determined. The article highlights the shortcomings of information disclosure in the NFRs of Ukrainian industrial enterprises. An important result of the study is the provision of recommendations on the content of non-financial reports of industrial enterprises in Ukraine. Taking into account the experience of international companies will allow them to improve their approach to business, improve their NFR, and provide a comprehensive and transparent view of their ESG performance.

Keywords: non-financial reporting, corporate social responsibility, ESG reporting.

до певних умов зовнішнього середовища, зважати на специфіку своєї діяльності, організаційну структуру та стратегічні цілі. Визначено актуальність та переваги впровадження принципів ESG. Виділено недоліки розкриття інформації в НФЗ українських промислових підприємств. Важливим результатом дослідження є рекомендації щодо змістовного наповнення нефінансових звітів промислових підприємств в Україні. Врахування досвіду міжнародних підприємств дасть змогу вдосконалити підхід до бізнесу, покращувати НФЗ, надати комплексне та прозоре уявлення про свою ефективність з ESG.

Ключові слова: нефінансова звітність, корпоративна соціальна відповідальність, ESG-звітність.

JEL Classification: M14, M49.

Introduction

In recent years, non-financial reporting has become an important component of corporate reporting, especially in the industrial sector. It provides interested parties with extended information about the social, environmental and ethical aspects of the company's activities. This information can be used by stakeholders to assess the company's commitment to sustainable development goals, management approach and make informed decisions regarding investment or various types of cooperation. The industrial sector includes enterprises that produce goods that are used both for the production of other goods (means of production) and for final consumption. The main purpose of the enterprise of this sector is the production of goods, resources and services that are indirectly beneficial to the end consumer. For example, if all enterprises in an industrial group increase their efficiency, the final product will automatically inherit it. As a result, people will tend to buy such products. And, as a result, the gross domestic product will also grow (Wall Street Mojo, n. d.). In the S&P 500 global sector equilibrium weight index, the industrials sector is the second largest at 11 (14%) (S&P Dow Jones Indices, 2022). In Ukraine, in 2022, industrial enterprises accounted for 35% of the volume of sales and 29% of employed workers in the country (*Table 1*).

Such a significant influence of industrial enterprises on the GDP and employment of the country's population has a reverse side. One of the features of their activity is a significant, mostly negative impact on the environment, the potential generation of a large amount of emissions and waste, and the use of considerable amounts of energy. In order to reduce this impact, many enterprises have recently been actively implementing sustainability and carrying out measures to reduce emissions, use cleaner and energy-saving technologies, waste management and other corporate social responsibility initiatives.

Table 1

Industry structure of the products volume sold and the number of employees
in Ukraine, 2022

Branch	Realized products		Employees	
	volume, thousand UAH	Structure, %	number, thousands of people	Structure, %
Industry	1 737 833	29	4 008 466	35
Wholesale and retail trade	1 309 998	22	4 452 094	39
Transport activity	670 759	11	541 965	5
Health care	668 368	11	179 953	2
Agriculture	448 393	7	682 412	6
Construction	235 452	4	264 519	2
Activities in the field of administrative services	206 939	3	102 984	1
Financial and insurance activities	171 803	3	483 026	4
Professional, scientific and technical activity	171 214	3	296 463	3
Others	467 348	8	473 974	4
In total	6 088 107	100	11 485 855	100

Source: compiled by the author based on the data of the State Statistics Service of Ukraine (2022a, 2022b).

The negative impact of industrial enterprises on the environment is a serious problem that requires effective control and management. This situation determines the need for non-financial reporting and increases the interest of interested parties in such information. The lack of uniform standards and a clear methodology for non-financial reporting (NFR) leads to differences in the interpretation and presentation of non-financial information by industrial enterprises. Many enterprises do not fully understand the importance of non-financial reporting or do not understand how to use this information to make strategic decisions, increase their competitiveness and investment attractiveness.

In recent years, the interest of researchers-scientists in NFR is growing. In particular, Semenova and Shpyrko considered the peculiarities and experience of European countries in the preparation of integrated reporting (Semenova & Shpyrko, 2022; Semenova, 2023). In their work, Oliynyk et al. (2020) analyzed the NFR practice of enterprises in the

extractive industry of Ukraine. The scientist Botsyan (2014) studied the use of standards for the NFR preparation and publication and the experience of Ukrainian enterprises. Aluchna and Roszkowska-Menkes (2019) reviewed the conceptual framework, regulation and practice of NFR s. However, the authors do not pay enough attention to the study of the fact of the NFR expansion, improving its quality and increasing the NFR comparability in the context of the branch affiliation of the reporting entities.

In particular, there is a need to formalize the requirements for meaningful filling of non-financial reports of industrial enterprises, taking into account current regulations in the field of non-financial reporting and international experience.

The aim of the article is to review the regulatory and legal regulation and international practice of preparing non-financial reports by industrial enterprises, establish the features of ESG-reporting and provide recommendations on the content of non-financial reports of industrial enterprises in Ukraine.

The research is based on the hypothesis that the analysis of current regulations and non-financial reports published by large international industrial enterprises will make it possible to reveal the peculiarities of disclosure of ESG-aspects of their activities and to provide recommendations for meaningful content of non-financial reports of such enterprises in Ukraine.

The theoretical and methodological basis of the study is the scientific works of Ukrainian and foreign scientists on the NFR practice, the materials of analytical and research structures (the State Statistics Service of Ukraine, the Center "CSR Development"), as well as the reporting of industrial enterprises.

During the study, the following methods of theoretical generalization and grouping of information were used to determine organizations and standards in the field of financial reporting: the induction method was used to establish patterns and trends in the practice of non-financial reporting among industrial enterprises, analysis and synthesis – to identify successful practices and problematic aspects of information disclosure and meaningful content of the NFR, logical summarization of research results – for the formulation of conclusions and specific proposals for improving the practice of non-financial reporting in the industrial sector.

The main part of the article consists of four interrelated sections. In the first of them, the basics of regulatory regulation in the field of non-financial reporting are defined. In the second part, the international practice of non-financial reporting is analyzed. In the third part, the features of ESG reporting of industrial enterprises are characterized. In the latter, recommendations were formulated regarding the meaningful content of non-financial reports of industrial enterprises.

1. Legal regulation in the field of non-financial reporting

The regulatory framework in the field of non-financial reporting began to form in the 1950s and currently includes various regulatory documents that establish requirements for disclosure of information about social, environmental and management practices of enterprises (Korol, 2011, 2013; Korol et al., 2022). International and regional organizations that develop relevant regulatory documents play an important role in defining methodological principles and principles of reporting; contribute to improving transparency and responsible business practices. The most common are the regulations prepared by a number of international organizations (*Table 2*).

Table 2

International organizations are developers of NFR standards and frameworks

Organization	Main goal	Standards
Global Reporting Initiative, GRI	Providing organizations with standards for reporting on economic, social and environmental aspects of activity	GRI Standards
International Organization for Standardization, ISO	Ensuring quality and safety standards for products and services on an international scale	ISO 26000
International Sustainability Standards Board, ISSB	Development of standards for effective disclosure of information about sustainable development by enterprises	IFRS S1 IFRS S2
Climate Disclosure Standards Board, CDSB	Development of standards for effective disclosure of information on climate and environmental aspects	CDSB Framework
Carbon Disclosure Project, CDP	Collection and publication of information on greenhouse gas emissions and climate mitigation strategies	CDP Rating
Task Force on Climate-Related Financial Disclosures, TCFD	Facilitating the disclosure of financial risks and opportunities related to climate change	77 industry-based
International Integrated Reporting Council, IIRC	Development of principles for integrated reporting that combines financial and non-financial information	International Integrated Reporting Framework
Sustainability Accounting Standards Board, SASB	Development of standards for sustainability reporting taking into account specific aspects of industries	SASB Standards Board
AccountAbility (AA)	Development of tools and standards to ensure sustainable management and reporting	AA1000

Source: Compiled by authors based on GRI (n. d.); ISO (n. d.); IFRS S1 (2023); IFRS S2 (2023); CDSB (n. d.); CDP (n. d.); TCFD (n. d.); IIRC (2021); SASB (n. d.); AccountAbility (n. d.).

These organizations and standards play an important role in establishing reporting guidelines and principles, helping to improve transparency and responsible business practices. They establish methodological principles

that help organizations determine what information is required for inclusion in the NFR, how to collect and analyze it, and how to properly present it in the report. The mentioned regulatory documents are mostly of a recommendatory nature and are used on a voluntary basis (Korol, 2013).

At the same time, there are standards in the NFR field, which are mandatory for a certain category of enterprises. An example of such a regulatory document is the European Reporting Directive (Corporate Sustainability Reporting Directive – CSRD) (European Commission, n.d.). Its scope extends to the majority of European and non-European enterprises that are registered and operate on regulated EU markets. Businesses will report under this directive for the first time from 2024 (PwC, n.d.). Information disclosure requirements are established by the European Sustainability Reporting Standards (ESRS). These standards cover a range of areas related to the environment, social sphere and corporate governance – all ESG aspects, including climate change, biodiversity, human rights and more. The main purpose of ESRS is to provide simple and understandable information about sustainable development. In the long term, it is expected that the implementation of the ESRS and the implementation of the CSRD will contribute to the realization of the EU's goal of achieving climate neutrality by 2050 and the objectives of the European Green Deal, such as ensuring a "globally competitive and sustainable industry, renovated energy-efficient buildings and cleaner energy and advanced clean technology innovation' (PwC, n. d.).

Mainly international and regional regulatory documents, including EU and US regulations, are aimed at disclosing information on achieving the goals of sustainable development, ensuring greater transparency and standardizing NFR practice. It is expected that 2024 will be the year when more enterprises will begin to take seriously the preparation of reports on ESG aspects of their activities (Semenova & Shpyrko, 2022).

The unification of regulatory and legal regulation in the NFR sphere is an important problem for business entities, including industrial enterprises. One of the main problems of unification is the great diversity and specificity of the activities of enterprises in various industries. Even within the same industry, there can be significant differences in accounting policies, measurement methods and other aspects of reporting due to different business strategies, approaches to management and organization of production, market conditions and other factors. In practice, industrial enterprises can choose one or another standard, instruction, conceptual basis for the NFR preparation; develop internal standards taking into account the requirements of national legislation, their specific needs or requests of interested parties (primarily providers of financial capital). A combination of different indicators and approaches is useful for enterprises, as it best reflects the social, environmental and management aspects of their activities. For example, companies can use GRI to disclose a wide range of social and environmental indicators, and SASB to identify key financial indicators that affect their performance in a particular industry.

The preparation of the NFR taking into account the requirements and recommendations of the specified regulatory documents contributes to:

satisfying the information needs of users (such as investors, consumers, government bodies and other interested parties); improving communication between all market participants; business transparency; understanding and assessment of the social, environmental and economic impact of enterprises.

2. International practice of non-financial reporting

In order to analyze the NFR international practice, six large industrial enterprises that are leaders in the world market, have significant export volumes, a high reputation and occupy dominant positions in their field have been selected. The analysis of the corporate reporting of the selected group of enterprises, as well as information about them from open sources and their official websites, made it possible to draw certain conclusions regarding the practice of non-financial reporting by international industrial enterprises (Table 3). It is worth noting that each of the companies has separate sections on their websites (especially for investors) where you can find details about their corporate governance, sustainable development strategy and other key aspects of their activities.

Table 3

submission structure of non-financial reports of TOP international industrial enterprises in 2022

Company	Report name	Country	Volume, pages
UPS	2022 Annual Report on Form 10-K	USA	245
	2022 Social Impact Report		15
	2022 GRI		61
	2022 DEI Impact Report		10
	2022 Sustainability Highlights		6
Siemens AG	Annual report 2022	Germany	26
	2022 Siemens Institutional and ESG Report		55
	Annual report 2022 sie. ACCELERATE Digital Transformation		260
RTX	2022 Annual Report	China	143
	2022 Environmental, Social and Governance Summary		17
CATL	2022 ESG report		78
Honeywell	2022 ANNUAL REPORT	USA	144
	2022/2023 Environmental, Social and Governance Report		120
	2022 CDP		119
Boeing	2022 SUSTAINABILITY REPORT		89
	2022 Annual Report		168

Source: compiled by the author based on the websites and reports of UPS (n. d.), Siemens AG (n. d.), RTX (n. d.), CATL (2022), Honeywell (n. d. a), Honeywell (n. d. b), Boeing (n. d.).

As shown by the given data, enterprises approached the choice of the form of the National Insurance Fund in different ways. In particular, four enterprises prepared annual reports that included both financial and non-financial information. The most common form of NFR is the ESG report (*Figure 1*).

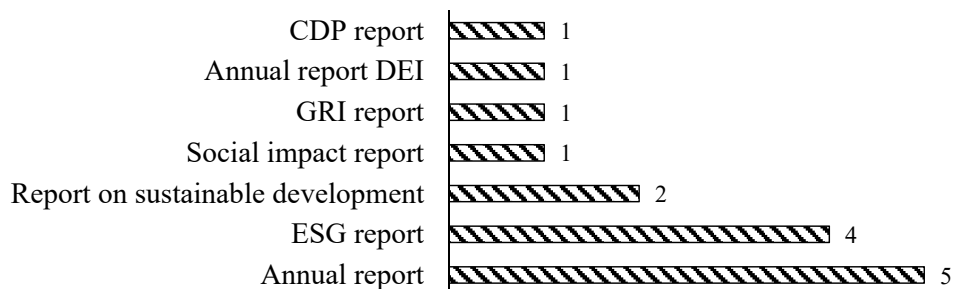


Figure 1. NFR forms, which are made by industrial enterprises.

Source: created by the author based on the materials of the official websites of the enterprises: UPS (n. d.); Siemens AG (n. d.); RTX (n. d.); CATL (n. d.); Honeywell (n. d. a), Honeywell (n. d. b), Boeing (n. d.).

In general, annual corporate reports represent a comprehensive review of the financial and other activities of enterprises during the year. Summarizing the practice of disclosing information and filling in the NFR, it is possible to highlight the following main components:

- notice to shareholders – an overview of important events and achievements in the reporting year, an address from the general director or president of the enterprise;
- overview of the enterprise – a brief description of the enterprise’s business and strategy;
- financial reports – balance sheet, profit and loss statement, other reports;
- audit report;
- management review – detailed analysis of the financial situation, results of operations and management strategies;
- information on social and environmental initiatives of the enterprise, report on corporate responsibility;
- corporate governance – information on the structure and functioning of the management and supervisory board;
- risk management – analysis of the main risks that may affect the enterprise’s business;
- other sections containing specific information about the relevant industrial sector, acknowledgments, awards, statistical data and other sections of the company’s own choice.

As mentioned, annual corporate reports are primarily aimed at investors, shareholders, financial analysts and other parties interested in the financial aspect of the company’s activities. This mostly determined their structure

and information content. They mainly focus on financial information and its analysis. ESG reports focus on disclosing non-financial information. At the same time, the studied international enterprises of the industrial sector follow various regulations when preparing non-financial reports. Individuals publish several reports according to different requirements; others disclose information about different environmental and social initiatives in one non-financial report. This is due to several reasons:

- different standards and initiatives. As already mentioned, there are many different standards and initiatives of the NFR (see *Table 2*). Enterprises choose those that best match their strategy and stakeholder needs;
- requirements of different countries (jurisdictions). Enterprises can take into account various regulations when preparing their NFR, taking into account their recognition in the country, in particular in national regulatory documents;
- evolution of non-financial reporting standards. The NFR field is dynamic, and the relevant international and regional organizations are constantly improving their regulations. Businesses are forced to adapt their own approaches to meet new or updated standards;
- cooperation of international organizations in the field of corporate reporting. Cooperation between different international organizations can lead to the emergence of new initiatives and standards that will have important advantages for enterprises seeking to adhere to the best practices in the NFR field. An example is the joining in 2022–2023 of a number of organizations – TCFD (n. d.), CDSB (n. d.), SASB (IFRS Foundation, n.d.) to the IFRS Foundation for the development of a single system of international standards for sustainable development;
- high costs for preparing corporate reports. The development and preparation of the NFR is a resource- and time-consuming procedure, especially for enterprises with complex business or operations in many countries. The costs of collection, analysis and reporting may vary depending on the size and complexity of the enterprise.

Therefore, the modern practice of corporate reporting is not limited to one universal approach. Enterprises must adapt to certain conditions of the external environment and make decisions regarding the choice of approaches to the NFR, taking into account the specifics of their activities, organizational structure, priorities of key stakeholders and their own strategic goals.

3. Features of ESG reporting of industrial enterprises

As more and more businesses recognize the benefits of incorporating ESG principles into their operations, ESG reporting has become increasingly popular in recent years (Wall Street Mojo, n. d.). Thus, 4 out of 6 investigated enterprises, namely CATL, RTX, Honeywell and Siemens, prepared and published ESG reports.

In addition to characterizing the specifics of its environmental, social and governance practices, in 2021 RTX formalized an ESG strategy that sets out aspirations and alignment with its areas of impact and business strategy. She has demonstrated support for staff development and a focus on addressing the global challenges of climate change. In the following year, the company continued to develop and integrate this strategy. A drive for innovation and collaboration, defined by the desire for a more secure and connected world, is at the heart of its ESG strategy (RTX, n. d.).

CATL, in turn, published its ESG report for the second time in 2022 with the aim of providing stakeholders with detailed information on its corporate philosophy, management approaches, actions and achievements in the field of sustainable development. The report is prepared in accordance with the requirements of GRI and SDGs. In particular, in the appendices to the report, the company indicated which disclosures were made in accordance with these requirements (CATL, n. d.).

Honeywell's report focuses on innovation to address ESG issues. The company constantly evaluates the development of the ESG strategy, including the perspectives and expectations of both internal and external stakeholders. In addition, Honeywell's ESG report additionally discloses information according to SASB and TCFD standards. Going forward, the company aims to continue to disclose additional information, given the materiality, availability and reliability of the data, as well as sensitivity to competition (Honeywell, n. d. a).

Siemens refers to the three "pillars" of ESG and aims to contribute to building a better future through an approach that keeps society within the planet, by building a culture of trust, empowerment and growth for everyone. This, as stated, should ensure the corporation's ability to remain strong and relevant in the future (Siemens AG, n. d.).

ESG reports of enterprises contain sections devoted to such issues as:

- *ecology*: measures to protect the environment; actions aimed at stimulating decarbonization throughout the value chain and achieving the highest standards of environmental protection, circular economy and responsible product design;

- *social responsibility*: using a holistic strategy that focuses on people and their needs, individual interests and skills; striving to create diverse and inclusive teams. In particular, information is given on providing assistance to the company's employees in preparation for the era of digital technologies, their professional training. Social responsibility ensures the realization of the most urgent needs of the communities in which enterprises operate;

- *management*: combating and preventing corruption and violations of laws and rules of business conduct within the enterprise and in supply chains. To this end, as stated in the report, they strictly and irrevocably adhere to the criteria of respect for human rights and have undertaken to work honestly and responsibly.

For example, the management personnel of the Siemens enterprise state that presenting an ESG report is a healthy practice for companies that value transparency (Siemens AG, n. d.). For them, the concept of good business is inseparable from ESG concepts. They have followed it for several years to inform stakeholders about the effectiveness of their commercial activities, to demonstrate their positive impact on society and Siemens' environmental, social and managerial performance.

One of the key advantages of ESG reporting for enterprises is the potential financial benefit (Makarenko, 2023). By implementing sustainable practices, businesses are able to mitigate the risks associated with environmental and social issues, and by disclosing this information to stakeholders, they are better placed to attract socially responsible investors. At the same time, industrial enterprises that prioritize energy efficiency and waste reduction can reduce their operating costs, improve their financial results and, in addition, increase their reputation and brand value (Office of Sustainable Solutions, 2023).

Therefore, the ESG report is not only an important tool for effective disclosure of information about environmentally and socially responsible practices and corporate governance, but also an analytical tool for supporting management decisions, forming and implementing business strategy.

4. Non-financial report problems of industrial enterprises in Ukraine

Analysis of the NFR of leading international industrial enterprises shows considerable diversity in the format, content and volume of their corporate reporting. Such flexibility enables enterprises to take into account the specifics of their activities, to meet the requirements and recommendations of various standards and the expectations of key stakeholders.

Based on a review of the NFR of industrial enterprises in Ukraine, which are among the TOP-100 largest companies by revenue in 2022, we see that the most widespread is the management report. In 2019, in the process of bringing Ukrainian legislation into line with European standards, for the first time large companies of Ukraine had to prepare a management report for the previous year 2018, which is precisely what is connected with the active submission of the NFR in 2018–2020. However, non-financial reports for the current and previous reporting periods are not presented on the companies' websites. Outdated and incomplete information in the NFR indicates a lack of openness and transparency in their activities. Given global trends, this practice negatively affects the trust of stakeholders and investors and can limit the ability of enterprises to attract investment and develop business.

Table 3

Analysis of non-financial reports of the TOP-6 largest industrial enterprises
of Ukraine

Indicator	JSC "Naftogaz of Ukraine"	JSC "NAEK "Energo- atom"	PJSC "NEC "Ukrenergo"	PJSC "Zaporizh- stal"	PJSC "Arcelor- Mittal Kryvyi Rih"	PJSC "Kamet- stal"
Income in 2022, UAH billion	169.9	134.2	82.3	47	43.8	37.9
The reporting period	2014– 2021	2019– 2020	2019– 2020	2018– 2022	2020–2022	2019– 2020
Name of the report (reporting period)	Annual report (2021)	Non-financial report (2020)	Management report (2022)	Management report (2022)	Annual information of the issuer of securities (2022)	Management report (2022)
<i>ESG</i>	+	–	–	–	–	–
Organizational structure and description of the company's activities	+	+	+	+	–	–
Results of activity	+	+	+	+	+	+
Liquidity and liabilities	+	+	+	+	+	+
Environmental aspects	+	+	+	+	+	+
Social aspects and personnel policy	+	+	+	+	+	+
Risks / risk management	+	+	–	+	+	+
Research and innovation	+	+	+	+	+	+
Financial investments	+	+	+	+	+	+
Development prospects	+	+	+	+	+	+
Corporate management	+	+	+	+	+	+
Measures of corporate social responsibility	+	+	+	–	+	+
Interaction with interested parties	+	+	–	–	–	–

Source: created by the author based on materials from the websites of Naftogaz Ukrainy OJSC (n. d.), SE "NAEK Energoatom" (2020), PJSC NEC "Ukrenergo" (2022), PJSC "Zaporizhstal" (2022), PJSC "Arcelor-Mittal Kryvyi Rih" (2022), PJSC "Kamet-steel" (2022).

From the analysis of non-financial reports of industrial companies in Ukraine, we can identify the main problems and shortcomings of completeness/lack of information disclosure. In particular, enterprises:

- focus only on compliance with legislation on emissions and waste management, but do not consider the wider environmental aspects of the activity, such as the impact on biodiversity or the rational use of resources;
- do not provide in-depth analysis and disclosure of data related to ESG indicators;
- are limited only to the fulfillment of minimum requirements for occupational safety, without considering a wide range of social relations with employees and the local community;

- do not provide sufficient information about their suppliers and socially responsible management practices throughout the supply chain;
- miss opportunities to improve their processes and reduce the impact on the environment due to insufficient attention to innovation and the latest technologies;
- do not disclose enough information about their management, internal standards and regulations, which may raise doubts among stakeholders about their ethics;
- are not active enough in interaction with the public and are not involved in initiatives and programs in the field of social development and charity.

The absence of a part of the indicators in the NFR indicates insufficient attention of companies to important aspects of their activities, which can have a significant impact on their sustainability, long-term success and their perception by the community. These issues can limit the success and sustainability of a business, as well as undermine the trust of stakeholders and consumers.

5. Recommendations for meaningful content of non-financial reports of industrial enterprises in Ukraine

On the basis of the analysis of the existing practice in Ukraine and the identified trends in the NFR field of industrial enterprises in the world, it is possible to formulate a number of recommendations regarding the disclosure of information by industrial companies in Ukraine.

- Given that industrial enterprises have a significant impact on the environment through production processes and emissions, corporate reports should emphasize environmental indicators such as emission levels, waste management and energy conservation initiatives.
- Taking into account the higher risks of injuries at work, the negative consequences for the health of workers and the impact on the sustainable development of the region of the operational activity of industrial enterprises, in their context of social responsibility, corporate reports should disclose the issues of occupational safety, relations with employees, participation in social programs for local communities, development of local infrastructure.
- Taking into account the possibility of influence on counterparties and the spread of socially responsible practices, corporate reports of industrial enterprises should disclose in sufficient detail information on the formation of sustainable supply chains, in particular compliance with the relevant principles of socially responsible and ethical business.
- Having high potential and the need for constant organizational and technical improvement of all business processes, industrial enterprises should serve as an example and incentive for socially responsible development of business partners and, accordingly, provide infor-

mation about implemented innovative solutions, research and development in the field of new technologies, which gives they will be able to work more efficiently, improve their production processes, reduce the negative impact on the environment and society.

- Taking into account the decisive influence on the economic, environmental and social efficiency of business, in corporate reports, large enterprises should provide a proper description of the business philosophy, corporate culture and practice of corporate management and business ethics, in particular regarding the transparency of decision-making, compliance with internal rules and standards, and as well as risk management.
- Considering the fact that large industrial enterprises are influential corporate citizens, their corporate reports should disclose issues of cooperation with the public, initiatives in the field of social development and philanthropy.

Therefore, the corporate report of an industrial enterprise must be devoted to ESG aspects of its activity and testify to the level of awareness of its responsibility for its impact on the environment and society in the specified areas. A high degree of openness and clarity of presentation of the specified information in the NFR can improve relations with interested parties and contribute to the sustainable development of an industrial enterprise.

It should be expected that in the future, focusing on the best international experience and using the available resources, Ukrainian industrial enterprises will improve their approach to business, improve the NFR, and provide comprehensive and transparent information about their effectiveness in ESG issues. This will enable them to increase the trust of stakeholders, their own competitiveness, investment attractiveness, and contribute to a more sustainable future.

Conclusions

The conducted research confirmed the proposed hypothesis and made it possible to identify the peculiarities of the disclosure of ESG aspects of activities by international industrial enterprises and to formulate recommendations for meaningful content of non-financial reports of such enterprises in Ukraine.

The NFR standards and principles are constantly evolving; they define the foundations of transparent and responsible practice and are aimed at supporting sustainable development, reducing the negative impact of enterprises on the environment, employees and the local community, and responsible formation of supply chains. A number of international organizations have developed their own regulations in the NFR field which reflect public attention to urgent global problems and the contribution of enterprises and organizations to their solution. International organizations jointly work on harmonizing requirements and developing uniform standards of NFR, in particular regarding the disclosure of ESG aspects of economic activity.

Large industrial enterprises, which are leaders in the world market, actively use various NFR formats and try to more fully disclose information about their social, environmental and management practices. Based on the analysis of these reports, it has been proven that the ESG report is not only an important tool for effective information disclosure, but also an analytical tool for supporting responsible management decisions, forming and implementing business strategy. From the analysis of the NFR of the largest industrial enterprises in Ukraine, problems and shortcomings in their disclosure were highlighted, in particular, limited attention to environmental aspects, to social responsibility, insufficient information about the supply chain, lack of emphasis on innovation and new technologies, insufficient transparency of management and ethics, and insufficient interaction with the public and initiatives in the field of social development.

The study of world experience made it possible to formulate recommendations on the meaningful filling of the NFR by Ukrainian industrial enterprises. First of all, it is important to focus on the environmental aspects of the enterprises' activities and, in particular, on emission reduction measures, energy saving initiatives and their efficiency. In order to confirm their social responsibility in their corporate reports, companies should also highlight the issues of labor safety, relations with employees, participation in social programs and infrastructure projects, as well as contributions to the development of the local community. Finally, initiatives to build sustainable supply chains and cooperation with counterparties should be considered in the context of compliance with the principles of social responsibility. The disclosure of these and other NFR essential issues will make it possible to show in action the business philosophy, corporate culture and management practices, and the company's effectiveness in solving ESG issues. A high degree of openness, full and clear presentation of information in the NFR will contribute to increasing the trust of interested parties and the competitiveness of the enterprise.

Large industrial enterprises should be an example of accountability and social responsibility of business, offering innovative solutions and using new technologies to reduce the negative and increase the positive impact on both the environment and society.

Promising areas of research are the formulation of the concept of corporate reporting in the industrial sector, taking into account the latest social, environmental and management practices and the contribution of enterprises to the achievement of sustainable development.

REFERENCE	СПИСОК ВИКОРИСТАНИХ ДЖЕРЕЛ
AccountAbility. (n. d.). <i>Standards</i> . http://www.Accountability.org/standards/index.html	AccountAbility. (n. d.). <i>Standards</i> . http://www.Accountability.org/standards/index.html
Aluchna, M., & Roszkowska-Menkes, M. (2019). Integrating corporate social responsibility and corporate governance at the company level. Towards a conceptual model. <i>Engineering Economics</i> , (30). 349–361. https://doi.org/10.5755/j01.ee.30.3.17511	Aluchna, M., & Roszkowska-Menkes, M. (2019). Integrating corporate social responsibility and corporate governance at the company level. Towards a conceptual model. <i>Engineering Economics</i> , (30). 349–361. https://doi.org/10.5755/j01.ee.30.3.17511

Boeing. (n. d.). <i>Reports</i> . https://investors.boeing.com/investors/reports/	Boeing. (n. d.). <i>Reports</i> . https://investors.boeing.com/investors/reports/
Botsian, T. (2014). The use of standards for preparation and publication non-financial reports: the experience of ukrainian reality. <i>Ekonomika. Management. Innovations</i> , 2(112). http://eprints.zu.edu.ua/id/eprint/23583	Боцян, Т. В. (2014). Використання стандартів зі складання та оприлюднення нефінансової звітності: досвід українських підприємств. <i>Економіка. Управління. Інновації</i> , 2(112). http://eprints.zu.edu.ua/id/eprint/23583
CATL. (2022). <i>CATL's 2022 Environmental, Social and Governance (ESG) Report</i> . https://www.catl.com/en/uploads/1/file/public/202304/20230412124641_cxg8mo2in8.pdf	CATL. (2022). <i>CATL's 2022 Environmental, Social and Governance (ESG) Report</i> . https://www.catl.com/en/uploads/1/file/public/202304/20230412124641_cxg8mo2in8.pdf
CDP. (n. d.). <i>We focus capital markets, companies, cities and governments on building a sustainable economy by measuring and acting on their environmental impact</i> . https://www.cdp.net/en	CDP. (n. d.). <i>We focus capital markets, companies, cities and governments on building a sustainable economy by measuring and acting on their environmental impact</i> . https://www.cdp.net/en
CDSB. (n. d.). <i>cdsb.net</i> . Date of appeal 23.12.2023. https://www.cdsb.net/	CDSB. (n. d.). <i>cdsb.net</i> . Date of appeal 23.12.2023. https://www.cdsb.net/
European Commission. (n. d.). <i>Corporate sustainability reporting</i> . https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en	European Commission. (n. d.). <i>Corporate sustainability reporting</i> . https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
GRI. (n. d.). <i>globalreporting.org</i> . Date of appeal 24.12.2023. https://www.globalreporting.org/standards/	GRI. (n. d.). <i>globalreporting.org</i> . Date of appeal 24.12.2023. https://www.globalreporting.org/standards/
Honeywell. (n. d. b). <i>The Annual Report</i> . https://honeywell.gcs-web.com/financial-information/annual-reports/	Honeywell. (n. d. b). <i>The Annual Report</i> . https://honeywell.gcs-web.com/financial-information/annual-reports/
Honeywell. (n. d. a). <i>Foundation for the future, 2023. Environmental, Social and Governance Report</i> . https://www.honeywell.com/us/en/company/esg-report	Honeywell. (n. d. a). <i>Foundation for the future, 2023. Environmental, Social and Governance Report</i> . https://www.honeywell.com/us/en/company/esg-report
IFRS Foundation. (n. d.). <i>SASB Standards</i> . https://sasb.ifrs.org/	IFRS Foundation. (n. d.). <i>SASB Standards</i> . https://sasb.ifrs.org/
IFRS S1. (2023). https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/	IFRS S1. (2023). https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/
IFRS S2. (2023). https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/	IFRS S2. (2023). https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/
IIRC. (2021). International Integrated Reporting Framework (IIRF). https://integratedreporting.ifrs.org/resource/international-ir-framework/	IIRC. (2021). International Integrated Reporting Framework (IIRF). https://integratedreporting.ifrs.org/resource/international-ir-framework/
ISO. (n. d.). <i>ISO 26000 – Social Responsibility</i> . http://www.iso.org/iso/home/standards/iso26000.htm	ISO. (n. d.). <i>ISO 26000 – Social Responsibility</i> . http://www.iso.org/iso/home/standards/iso26000.htm
Korol, S. (2011). Non-financial reporting of the enterprise. <i>Bulletin of the Kyiv National University of Trade and Economics</i> , (6), 102–113. https://visnyk.nuwm.edu.ua/index.php/econ/article/view/ve4202015	Король, С. (2011). Нефінансова звітність підприємства. <i>Вісник Київського національного торговельно-економічного університету</i> , (6), 102–113. https://visnyk.nuwm.edu.ua/index.php/econ/article/view/ve4202015
Korol, S. Y. (2013). Normative documents on social responsibility of business. <i>Ekonomika Ukrainy</i> , (9), 85–96. http://jnas.nbu.gov.ua/article/UJRN-0001337974	Король, С. Я. (2013). Нормативні документи із соціальної відповідальності бізнесу. <i>Економіка України</i> , (9), 85–96. http://jnas.nbu.gov.ua/article/UJRN-0001337974

Korol, S., Semenova, S., & Kurbet, M. (2022). Implementation of sustainable development reporting in Ukraine: state and prospects in the context of European integration. <i>Business-Inform</i> , (1), 294–301. https://doi.org/10.32983/2222-4459-2022-1-294-301	Король, С. Я., Семенова, С. М., & Курбет, М. А. (2022). Упровадження звітності про сталий розвиток в Україні: стан і перспективи в умовах євроінтеграції. <i>Бізнес-Інформ</i> , (1), 294–301. https://doi.org/10.32983/2222-4459-2022-1-294-301 .
Makarenko, I. (2023). Incorporation of ESG criteria into the activities of companies in the context of their investment screening. <i>Economics, management and administration</i> , 2(104), 86–93. https://doi.org/10.26642/ema-2023-2(104)-86-93	Макаренко, І. О. (2023). Інкorporація ESG-критеріїв у діяльність компаній у контексті їх інвестиційного скринінгу. <i>Економіка, управління та адміністрування</i> , 2(104), 86–93. https://doi.org/10.26642/ema-2023-2(104)-86-93
National Joint Stock Company “Naftogaz of Ukraine”. (2021). <i>Financial report</i> . https://gas.ua/uk/financial-statements	НАК "Нафтогаз України". (2021). <i>Фінансова звітність</i> . https://gas.ua/uk/financial-statements
Office of Sustainable Solutions. (2023). <i>ESG reporting during the war: who needs it and why?</i> (published on May 26, 2023). https://ukraine-oss.com/esg-zvitnist-pid-chas-vijny-komu-potribna-i-dlya-chogo/	Офіс Сталих Рішень. (2023). <i>ESG-звітність під час війни: кому потрібна і для чого?</i> (дата публікації: 26 травня 2023). https://ukraine-oss.com/esg-zvitnist-pid-chas-vijny-komu-potribna-i-dlya-chogo/
Oliyynyk, Y., Kucheryava, M., Zinchenko, A., & Korytnyk, L. (2020). Practice of non-financial reporting of enterprises of the extractive industry of Ukraine. <i>Scientific papers of the Research Institute</i> , (4), 95–105. https://doi.org/10.33763/npndfi2020.04.095	Олійник, Я., Кучерява, М., Зінченко, А., & Коритник, Л. (2020). Практика нефінансової звітності підприємств добувної галузі України. <i>Наукові праці НДФІ</i> , (4), 95–105. https://doi.org/10.33763/npndfi2020.04.095
PJSC ArcelorMittal Kryvyi Rih. (2022). <i>Annual information of the issuer of securities</i> . https://minedocs.com/21/PJSC_ArcelorMittal_Kryvyi_Rih-AR-2020ukr.pdf	ПАТ "АрселорМіттал Кривий Ріг". (2022). <i>Річна інформація емітента цінних паперів</i> . https://minedocs.com/21/PJSC_ArcelorMittal_Kryvyi_Rih-AR-2020ukr.pdf
PJSC Zaporizhstal. (2020). <i>Management Report</i> . https://zaporizhstal.com/pidpriemstvo/informaciya-dlja-akcioneriv/	ПАТ "Запоріжсталь". (2022). <i>Звіт про управління</i> . https://zaporizhstal.com/pidpriemstvo/informaciya-dlja-akcioneriv/
PrJSC Kamet-steel. (2020). <i>Management report</i> . https://dkhz.com.ua/images/corpdocs/2021/corpdoc-zvit20.pdf	ПрАТ "Камет-сталь". (2020). <i>Звіт про управління</i> . https://dkhz.com.ua/images/corpdocs/2021/corpdoc-zvit20.pdf
PrJSC NPC Ukrenergo. (2020). <i>Management Report</i> . Retrieved from https://ua.energy/wp-content/uploads/2021/04/ZP-2020.pdf	ПрАТ НЕК "Укренерго". (2022). <i>Звіт про управління</i> . https://ua.energy/wp-content/uploads/2021/04/ZP-2020.pdf
PwC. (n. d.). <i>CSRD is resetting the ESG value-creation agenda in CEE</i> . https://www.pwc.com/ua/en/services/csrd.html	РwС. (б. д.). Директива ЄС про корпоративну звітність зі сталого розвитку (CSRD). https://www.pwc.com/ua/en/services/csrd.html
RTX. (n. d.). <i>RTX Corporation. Reports & Proxy Statements</i> . https://investors.rtx.com/financial-information/annual-reports	RTX. (n. d.). <i>RTX Corporation. Reports & Proxy Statements</i> . https://investors.rtx.com/financial-information/annual-reports
S&P Dow Jones Indices. (2022). <i>Index Investment Strategy. U.S. Equal Weight Sector Dashboard</i> . December 30, 2022. https://on.spdji.com/rs/838-LDP-483/images/dashboard-us-equal-weight-sector-2022-12.pdf?mkt_tok=ODM4LUxEUC00ODMAAAGJGBXzWqq_0cHmvFA_sgX85pt_Wn04ap94itJ-aQxp_bNF9Rwk0f50m8_paM4iy-P85WWN0UnwaHt07NmOMj9q6M6O6mWIO9RJdZaT7M2qi4cE	S&P Dow Jones Indices. (2022). <i>Index Investment Strategy. U.S. Equal Weight Sector Dashboard</i> . December 30, 2022. https://on.spdji.com/rs/838-LDP-483/images/dashboard-us-equal-weight-sector-2022-12.pdf?mkt_tok=ODM4LUxEUC00ODMAAAGJGBXzWqq_0cHmvFA_sgX85pt_Wn04ap94itJ-aQxp_bNF9Rwk0f50m8_paM4iy-P85WWN0UnwaHt07NmOMj9q6M6O6mWIO9RJdZaT7M2qi4cE

SE NNEGCO Energoatom. (2020). <i>Reporting</i> . https://old.energoatom.com.ua/parts/pdf-file/nonfin-report2020.pdf	ДП НАЕК "Енергоатом". (2020). <i>Звітність</i> . https://old.energoatom.com.ua/parts/pdf-file/nonfin-report2020.pdf
Semenova, S. (2023). European principles of integrated reporting of socially responsible business. <i>Scientia Fructuosa</i> , 149(3). https://doi.org/10.31617/1.2023(149)07	Semenova, S. (2023). European principles of integrated reporting of socially responsible business. <i>Scientia Fructuosa</i> , 149(3). https://doi.org/10.31617/1.2023(149)07
Semenova, S., & Spyrko, O. (2022). Features of the preparation of the integrated reporting of european companies. <i>Collection of scientific works NUIU. Series: Economics and Management</i> , (52), 65–71. https://doi.org/10.32703/2664-2964-2022-52-65-71 .	Семенова, С. М., & Шпирко, О. М. (2022). Особливості підготовки інтегрованої звітності європейських компаній. <i>Збірник наукових праць ДУІТ. Серія «Економіка і управління»</i> , (52), 65–71. https://doi.org/10.32703/2664-2964-2022-52-65-71 .
Siemens AG. (n. d.). <i>Annual Reports</i> . https://www.siemens.com/global/en/company/investor-relations/events-publications-ad-hoc/annualreports.html	Siemens AG. (n. d.). <i>Annual Reports</i> . https://www.siemens.com/global/en/company/investor-relations/events-publications-ad-hoc/annualreports.html
State Statistics Service of Ukraine. (2022a). <i>The number of employees employed by business entities by type of economic activity, 2022</i> . https://ukrstat.gov.ua/operativ/operativ2012/fin/osp/kzp/kzp_u/arch_kzp_u.htm	Державна служба статистики України. (2022a). <i>Кількість зайнятих працівників на підприємствах за їх розмірами за видами економічної діяльності, 2022</i> . https://ukrstat.gov.ua/operativ/operativ2012/fin/osp/kzp/kzp_u/arch_kzp_u.htm
State Statistics Service of Ukraine. (2022b). <i>Volume of sold products (goods, services) of economic entities by types of economic activity, 2022</i> . https://ukrstat.gov.ua/operativ/operativ2012/fin/osp/orps/orps_u/arch_orps_u.htm	Державна служба статистики України. (2022b). <i>Обсяг реалізованої продукції (робіт, послуг) суб'єктів господарювання за видами економічної діяльності, 2022</i> . https://ukrstat.gov.ua/operativ/operativ2012/fin/osp/orps/orps_u/arch_orps_u.htm
TCFD. (n. d.). <i>Task Force on Climate-Related Financial Disclosures</i> . https://www.fsb-tcfd.org/	TCFD. (n. d.). <i>Task Force on Climate-Related Financial Disclosures</i> . https://www.fsb-tcfd.org/
UPS. (n. d.). <i>Progress Reports and Disclosures</i> . https://about.ups.com/us/en/our-impact/reporting.html	UPS. (n. d.). <i>Progress Reports and Disclosures</i> . https://about.ups.com/us/en/our-impact/reporting.html
Wall Street Mojo. (n. d.). <i>Industrial sector</i> . (Updated: 2024, April 4). https://www.wallstreetmojo.com/industrials-sector/	Wall Street Mojo. (n. d.). <i>Industrial sector</i> . (Updated: 2024, April 4). https://www.wallstreetmojo.com/industrials-sector/

Conflict of interest. The authors certify that don't they have no financial or non-financial interest in the subject matter or materials discussed in this manuscript; the authors have no association with state bodies, any organizations or commercial entities having a financial interest in or financial conflict with the subject matter or research presented in the manuscript. Given that the authors are affiliated with the institution that publishes this journal, which may cause potential conflict or suspicion of bias and therefore the final decision to publish this article (including the reviewers and editors) is made by the members of the Editorial Board who are not the employees of this institution.

The authors received no direct funding for this study.

The contribution of the authors is equal.

Polovyk Ye., Korol S. Non-financial reporting in the industrial sector. *Scientia Fructuosa*. 2024. № 3. P. 125–142. [https://doi.org/10.31617/1.2024\(155\)08](https://doi.org/10.31617/1.2024(155)08)

Received by the editorial office 23.04.2024.

Arrived after revision 07.05.2024.

Accepted for printing 17.05.2024.

Published online 11.06.2024.