



## **ENVIRONMENTAL DISCLOSURES IN THE MANAGEMENT REPORT: TRANSPARENCY, RESPONSIBILITY AND COMMUNICATION**

*Nataliia Syrotenko*  
*Odesa National Economic University, Ukraine*  
*E-mail: nsirotenko@ukr.net*

*Nataliia Pravdiuk*  
*Vinnitsia National Agrarian University, Ukraine*  
*E-mail: npravduyk@gmail.com*

*Yulia Slobodyanik*  
*Kyiv National Economic University named after Vadym Hetman, Ukraine*  
*E-mail: yslobodyanik@gmail.com*

*Svitlana Holovatska*  
*Lviv University of Economic and Trade, Ukraine*  
*E-mail: petrokutsyk55@gmail.com*

*Tetyana Skrypko*  
*Ivan Franko National University of Lviv, Ukraine*  
*E-mail: tanskr.lviv@gmail.com*

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### **ABSTRACT**

The study examines the features of environmental disclosures in the management reports of medium and large enterprises of Ukraine for 2018-2019, as well as non-financial reports of leading global companies, highlights the positive aspects and problematic issues in terms of information content, provides recommendations to improve approaches to environmental disclosures and enhancement the quality and public confidence in the reports. The methodological basis of the study is Ukrainian regulatory framework and recommendations of non-governmental world organizations on environmental disclosures, comparative analysis, theoretical studies, and best practices. In the course of the research were collected and processed empirical data of 78 medium and large enterprises of 7 leading sectors of Ukraine's economy and data from some of the world's largest energy, mining, agricultural, transport, pharmaceutical, food, and construction companies.



The conducted research confirms that the lack of mandatory indicators regarding disclosing environmental information and sanctions for non-provision and improper disclosure of data does not ensure transparency and comparability of reports. In order to monitor the environmental situation in Ukraine, it is recommended to disclose environmental information to all enterprises, regardless of their size; creation at the level of the regulator of a model report with the inclusion of a list of mandatory indicators of public importance and additional industry indicators; strengthening responsibility for improper information and incomplete disclosure and concealment of significant financial and non-financial environmental information; introduction of the statutory audit of management reports.

**Keywords:** Environmental disclosures; Management report; Transparency; Responsibility; Communication; Accounting

## 1. INTRODUCTION

Ukraine continues its purposeful movement towards harmonization with European legislation in the field of accounting and auditing. Amendments to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” adopted in 2017 updated the classification of enterprises with their division into micro, small, medium and large enterprises, introduced the concept of the “public-interest entity”, expanded the scope of a statutory audit, fixed the need for individual entities to prepare a management report.

The law stipulates that the management report contains financial and non-financial information that characterizes the enterprise's state and prospects and reveals the principal risks and uncertainties of its activities. In general, this characteristic of the management report meets the requirements of Directive 2013/34/EU and Directive 2014/95/EU of the European Parliament and the Council, according to which it should contain a balanced and comprehensive analysis of the development and operation of the enterprise, including financial and non-financial data, in particular on environmental and employee matters.

However, the Guidelines for the Management Report approved by the Ministry of Finance of Ukraine (2018) set requirements for the structure and content of the report, which provide for the disclosure of information such as organizational structure and description of the enterprise, results of operations, liquidity and liabilities, environmental aspects, social aspects and personnel policy, risks, research and innovation, financial investments, development prospects.

Besides, for large enterprises with an average number of employees exceeding 500, it is recommended to include in the management report non-financial indicators on the impact of the enterprise on the environment, social protection, and respect for human rights, anti-corruption, and bribery.

Thus, it became apparent to expand the management report's content and include in it the issues contained in international practice in the reports on sustainable development, corporate social responsibility, strategic reports, integrated reports, etc.

It should be noted that the idea of disseminating non-financial reports in the world is not only to meet the demands of many stakeholders and form a positive image but also to maintain confidence in it, which is the key to efficiency and longevity on the market. It is essential to have a conscious attitude of business entities to prepare such reports, which, above all, requires compliance with generally accepted standards and high quality. In other cases, non-financial statements will be just a pro forma.

The management report's effectiveness depends on management's awareness of its importance, the expectations of stakeholders, and the appropriateness of disclosing certain information. At the same time, according to experts, a significant percentage of Ukrainian enterprises conduct shadow business. Therefore, the company's management's reluctance to disclose complete and reliable information regarding environmental issues is expected. In this light, foreign companies' experience that prepare and publish non-financial reports for more than a decade should be useful.

## **2. LITERATURE REVIEW**

The development of approaches to the formation of non-financial reports in response to the diverse and ever-increasing demands of external stakeholders has been studied for a long time. For example, in the late 1990s, under the aegis of the European Commission, research was conducted to assess the feasibility and cost-benefit ratios of environmental disclosures in corporate annual and financial reports (Jones, 2001). The study analyzed the content and location of environmental information in the companies' annual and financial reports in different countries.

Jones (2001) emphasized that the mere presence of environmental disclosure in different reports does not indicate the type, quality, or comparability of the disclosed data. In addition, the environmental disclosures in an annual or financial report "...should present a

“true and fair” view not only in words but also in quantitative data where possible” (Jones, 2001).

The author noted that to increase the usefulness of environmental information in an annual or financial report, environmental disclosure should be presented in context to make it easier to interpret. Given that different companies disclose environmental information differently, it is difficult or sometimes even impossible to compare. Moreover, to increase the reliability of environmental information, it was recommended to conduct a statutory audit. However, the ability to professionally assess environmental information will be an additional challenge for auditors who will need special training.

The importance of communicating environmental information to stakeholders is enhanced by climatic changes and their consequences, which have exacerbated recent decades. Therefore, the standardization of approaches to the disclosure of such information is now supported by many initiatives, including the Global Reporting Initiative (GRI), the UN Global Compact International, the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC) and many others.

However, even 20 years later, studies conducted in different countries show that the problem with environmental disclosure has not been resolved. Thus, Baalouch, Ayadi and Hussainey (2019) analyzed the quality of non-financial information using a sample of French listed companies for the period 2009-2014, which determined that the quality of disclosure information remains relatively low.

In addition, their findings indicate that the company's strategy, vision, and environmental performance play an important role in explaining changes in the quality of environmental performance. The authors note that the independence of the board of directors and the company's environmental performance have a positive impact on the quality of environmental disclosure.

According to the study, the authors recommend that those who set standards and develop policies to increase transparency and accountability think about implementing a generally accepted framework of non-financial reporting. The study also emphasizes that the external confirmation of environmental information is positively related to the quality of environmental disclosures.

The authors explain this conclusion by the provisions of neo-institutional theory, confirmed by case studies that firms, as a rule, comply with regulatory pressure from regulators

to ensure transparency and reliability of disclosed information. Thus, according to Baalouch, Ayadi, and Hussainey (2019), an external audit of environmental information will help improve the quality of environmental information and strengthen stakeholder trust.

Artene and co-authors (2020) also pay attention to the problem of incomparability of non-financial information. The researchers analyzed the frequency of terms in the non-financial statements of Romanian and Greek companies and found that countries using the relevant EU Directive still have very different approaches to presenting information, making cross-country comparisons impossible. That is why the need to strengthen the requirements for the structure of information in non-financial statements is currently being considered.

Even the development of modern standards aimed at standardizing certain information in the reports of enterprises (GRI, SABS, IR, etc.) does not solve the problem of information incomparability. Thus, Aluchna, Hussain and Roszkowska-Menkes (2019) emphasize that communicating sustainable development efforts to stakeholders remains a challenge for managers. The authors' observations point to the shortcomings of applying IR standards, which are related to the lack of clearly defined recommendations for their application. Additionally, companies transitioning to IR should do so gradually, which also requires voluntary management efforts.

According to the legitimacy theory, the essence of which is thoroughly described in the scientific publication Kuruppu, Milne and Tilt (2019), voluntary increase in disclosure of environmental accounting in practice occurs when the company needs to maintain or restore its legitimacy in society, often after adverse incidents (for example, leakage of pollutants).

Similar results are presented in the study of Ding, Qu and Shahzad (2019), who, on the example of Chinese companies, proved that entities that have received environmental fines increase the volume of disclosure of "positive" environmental information. At the same time, environmental sanctions force the punished entity to reduce the amount of environmental information required for disclosure, avoiding the disclosure of sensitive environmental information (for example, on pollution).

The authors emphasize that to prevent this situation, it is necessary to determine the mandatory component of environmental information and maintain control over the responsibility for its provision. Researchers also emphasize the need to maintain qualitative characteristics of environmental information, such as relevance, reliability, clarity, comparability, balance, and integrity.

Moreover, Wahl, Charifzadeh and Diefenbach (2020) conclude that the positive effects of integrated reporting are more relevant in environments where IR is mandatory. Their study shows that there is no significant relationship between voluntary disclosure of the integrated report and improved transparency of information.

Portella and Borba (2020), based on a comparative analysis of the environmental disclosures by companies in the United States and Brazil, received conflicting data that do not support the legitimacy theory. The authors argue that more efficient companies have higher rates of environmental disclosure. The differences identified by researchers in the environmental disclosures require additional cross-country comparisons.

Interesting are the results of a study by Ma, Zhang, Yin and Bingcheng (2019), who, based on the analysis of disclosures by Chinese companies, provide evidence that the education and age of top managers influence the companies' environmental decisions. Thus, the education of a Master of Business Administration (MBA) and the average age of top managers positively affect the environmental disclosures, while the impact of legal education is negative.

Research reveals a direct link between the disclosure of information about certain aspects of the enterprises' activities, a corresponding improvement in reputation, an increase in the trust of business partners and the community, and the ease in obtaining licenses, permits, certificates, which provide for the mandatory coordination of future activities or implementation of projects with a particular category of stakeholders (for example, when obtaining a construction permit).

At the same time, there is a tendency to manipulate the company's information disclosed in external reports to improve the image and create a positive image for stakeholders about its activities. That is why today, more and more attention is paid to the balanced disclosure of not only positive facts about the company's activities but also negative, as well as a description of management measures to correct negative consequences and avoid them in the future.

The conclusions of scientists conducting research in this area are essential, in particular, through empirical analysis of mass surveys of companies and their stakeholders on the perception of non-financial statements, problems with their preparation and expected quality. In our opinion, the study results by Helfaya, Whittington and Alawattage (2018) on the inability of researchers to assess the report quality without a detailed understanding of user needs are noteworthy.



Based on a detailed survey of companies preparing sustainable development reports and users of these reports, the researchers described a new understanding of the report quality, taking into account the critical judgments of both parties. Research has shown that the amount of information is not perceived as the essential element in determining quality.

In addition to the number, respondents also perceive the types of information, the activities used, the topics covered, the guidelines for reporting, including the validation of reports, and the use of visualization tools. Moreover, the authors emphasize that the validity and reliability of reports are achieved through the adoption of external reporting standards and confirmation of reports by an independent third party (external auditor, expert).

However, Siddique and Sciulli (2020), surveying investors who are members of a large Australian investment company, indicate that investors expect high-quality environmental disclosures from large firms rather than small ones, especially those operating in environmentally sensitive sectors.

Noteworthy are the results of a study by Yin, Li, Ma and Zhang (2019), which analyzed the relationship between the type of environmental disclosure and firm profitability. The authors demonstrated the difference between substantive and symbolic styles of disclosures. Thus, firms that disclose their environmental information in a substantive style focus on quantitative data related to investments in environmental management and environmental achievements (clean production, pollution control, development of green products).

Instead, the symbolic style of disclosure focuses on many textual descriptions and non-quantitative information (descriptions of behavior, corporate visions, etc.). Simultaneously, researchers have proven that a symbolic style can help a company create an environmentally responsible image in the market, maintain social legitimacy, and lobby stakeholders in the capital market.

In our opinion, we should take into account the study of Jeffwitz and Gregor (2017), who analyzes the requirements for the management responsibility for the preparation and disclosure of non-financial information in the UK, Germany, France, and Italy. The consequences of non-compliance vary in different jurisdictions, from administrative fines (in Italy) to imprisonment (in Germany).

In Italy, the consequences apply to external auditors and persons who audit the report on non-financial information. It is a criminal offense for directors not to prepare and publish non-financial information as required in the United Kingdom and Germany. Management must

comply with the “comply or explain” rule, according to which in the event of non-compliance of disclosed information with the requirements in the absence of sound explanations, management is liable.

Thus, despite efforts to unify the disclosure requirements for non-financial information, in particular environmental information, different countries continue to use various approaches that complicate cross-country comparisons and do not support the dissemination of relevant standards.

### **3. RESEARCH PROBLEM**

In Ukraine, the need to disclose environmental information in the enterprises' reports of has long been considered. At the same time, Ukrainian companies have no experience preparing non-financial reports (except for large corporations and companies with foreign capital). They are accustomed to the mandatory of implemented financial, tax, and statistical reports, which has always been accompanied by strict requirements for specific indicators and structure.

Approved Guidelines for the Preparation of a Management Report are indicative and limited to a description of general areas and a list of individual indicators, emphasizing enterprises' right to submit information at their discretion. On the one hand, the regulatory document opens ample opportunities for flexible presentation of information by enterprises, does not put them in a rigid framework, and focuses on interaction with stakeholders.

On the other hand, the lack of precise quality requirements for the management report, for which it is only stated that the report contains reliable financial and non-financial information, entails subjectivity in the disclosure of information, which in the absence of experience in preparing such reports completely undermines the relevance of this document.

At the same time, international experience and modern scientific research confirm the importance of ensuring the quality of environmental disclosures, which is manifested in its accessibility, transparency, and reliability, as well as in the responsibility for improper presentation.

Thus, **the purpose of this study** is to evaluate the management reports prepared by Ukrainian companies in terms of environmental disclosure, compare them with best practices and find ways to improve approaches to the presentation of such information, taking into account the balance of interests of stakeholders.



#### **4. DATA AND METHODOLOGY**

For the purposes of the article, the authors conducted a desktop study of standards governing the environmental disclosures, content analysis of management reports, and other reports of Ukrainian and foreign companies that contain non-financial information.

The study analyzed the data of 78 Ukrainian companies required by law to publish a management report. The companies selected for analysis belong to the most environmentally sensitive sectors – energy, mining, agriculture, transport, construction, pharmaceuticals, and food. After that, a comparative analysis of approaches to the environmental disclosures in Ukrainian companies and world leaders in relevant fields – companies in the United States, Germany, Saudi Arabia, Great Britain, Brazil, Australia, and Switzerland.

#### **5. RESULTS AND DISCUSSIONS**

It should be recognized that the preparation of reports with non-financial indicators is the subject of extended discussion among scientists and practitioners in Ukraine (Nesterenko, 2018; Potryvaieva et al., 2019; Tsaruk, 2020). The main contradictions are contained in the organizational and methodological plane and relate to informativeness, consistency with other forms of reporting, and responsibility.

There is no consensus among Ukrainian researchers on the purpose of the management report. Thus, according to Karpushenko and Shakhverdyan (2019), the national management report, together with the financial statements, is part of the integrated reporting. At the same time, Ozeran (2017) believes that the legislators made a terminological inaccuracy in translating the term “management report” into Ukrainian. The author also argued that this report was similar to the MD&A (Management Discussion and Analysis) reports distributed in Canada and the United States and the OFR (Operational and Financial Review), which comprise British companies. According to the researcher, the management report should be part of the financial statements and contain financial and non-financial information about the enterprise's state, results, and prospects. It was emphasized that the management report serves as a clarification and addition to the financial statements and should not replace other reports addressed to a broader range of users.

The generalization of the existing approaches in world practice to the formation of a similar report suggests that the needs of interested users should be based, in particular, on information about environmental activities and consequences. At the same time, we can state the passivity and information indifference of Ukrainian citizens and their focus (in the vast

majority) on today's social and domestic interests – aspects of work or the feasibility of the existence of specific enterprises that cause significant damage to the environment.

Thus, currently in Ukraine, environmental information must be disclosed in the management report, which is included in the annual report and must be fully published on the company's official website. Simultaneously, enterprises have the right to determine the content of the section on environmental information independently. In general, we positively assess the implementation of approaches to increase the transparency of Ukrainian enterprises, including environmental activities. At the same time, we highlight several problematic aspects:

- The regulator does not prescribe clear criteria for the amount of information and the calculated indicators. The planned combination of textual information and infographic (diagrams, drawings, photographs) provokes a certain subjectivity of their presentation by the enterprises' management.
- The content of environmental disclosures is not limited to purely economic information, and therefore in order to cover technical data, case law and social measures requires the involvement of competent external specialists, including technical, legal, and other services of the company, external focus groups (the impact of the enterprise on the environment, the measures taken to eliminate the negative consequences of such impact, etc.).
- There is no liability for failure to provide improper provision and non-publication on the company's official website of the management report and, consequently, environmental information. In this regard, it is essential to consider the lack of voluntary disclosure practices, which, in particular, was influenced by the peculiarities of capital formation in Ukraine, a significant percentage of which is currently “in the shadows”, attempts to evade transparent data. Ukrainian business entities are accustomed to the directive influence of the state, and therefore any weakening of control and independence will provoke the expected consequences – a formal attitude to the disclosure of information with a minimum of effort.

We believe that under such conditions, the information value of the Ukrainian management report will be meager. Given the gradual development of experience in creating a management report by domestic enterprises, it is useful to analyze specific reports to identify positive and negative aspects. Unfortunately, not all companies that compile a management report currently publish it in open sources, which indicates a lack of understanding of the

purpose of this report. Therefore, we conducted a content analysis of the management reports published on the websites of medium and large enterprises (Table 1).

The results of the analysis of 78 management reports of medium and large enterprises of key economic sectors in Ukraine that have the most significant impact on the environment allow us to state the following:

- Management reports of Ukrainian companies are prepared according to the basic indicators of the Guidelines for the Management Report (2018) and do not disclose the specifics of activities that do not contribute to the transparency of sectoral reporting. The most profitable industries that affect the environment and are provided with the necessary staff, as shown by the actual analysis, are not yet interested in disclosing industry features. We believe that at the initial stage line ministries should be involved in the development of sectoral guidelines and include key indicators in the management report that reflect trends in the sectoral environmental impact on sustainable development.

Table 1: Environmental disclosures in the management reports of enterprises in various sectors of the Ukrainian economy

| Informativeness of the management report in accordance with the requirements of the Guidelines for the Preparation of the Management Report | Energy | Mining industry | Agriculture | Transport | Pharmaceutical industry | Food industry | Construction |
|---|--------|-----------------|-------------|-----------|-------------------------|---------------|--------------|
| <b>Regarding environmental activities:</b>  |        |                 |             |           |                         |               |              |
| - impact on the environment;  | +      | +/-*            | +           | +         | +/-                     | +/-           | +            |
| - environmental protection measures;  | +      | +/-             | +           | +/-       | +                       | +             | -            |
| - reducing the impact on the environment  | +      | -               | +           | +/-       | +/-                     | +/-           | -            |
| <i>independently determined by the enterprise:</i>  | -      |                 |             | -         |                         |               | -            |
| - environmental policy;   |        | +               | +           |           | +                       | +             |              |
| - raising the environmental awareness of employees;   |        | +               | +           |           | +                       | +             |              |
| - eco-projects.   |        |                 |             |           |                         |               |              |
| <b>Environmental indicators:</b>  |        |                 |             |           |                         |               |              |
| - rational use of water;  | +/-    | +               | +           | -         | +/-                     | +/-           | -            |
| - waste management;   | +/-    | +               | +           | +/-       | +/-                     | +             | -            |
| - greenhouse gas emissions;   | +/-    | +               | +           | +/-       | -                       | +/-           | -            |
| - energy consumption;   | -      | +/-             | +           | +/-       | +/-                     | +             | -            |
| <i>independently determined by the enterprise:</i>  |        |                 |             |           |                         |               |              |
| - costs of environmental protection measures;   | +      | +               |             | +/-       |                         | +             |              |
| - biodiversity;   | +      |                 |             |           |                         |               |              |
| - investments in energy efficiency;   |        | +               |             |           |                         |               |              |
| - Environmental Compliance;   |        |                 | +           |           |                         |               |              |
| - Supplier Environmental Assessment   |        |                 | +           |           |                         |               |              |

\* +/- information is not disclosed by all enterprises in this industry

Source: compiled by the authors according to management reports of enterprises

Management reports of the farmers are the most meaningful. The logical explanation for this phenomenon is the influence of foreign investors familiar with the practice of preparation and disclosure of such information in the global space.

- The regulator's recommendations can be considered partially disclosed only at the level of environmental protection measures.
- On their own initiative, enterprises of the extractive industry, agriculture, pharmaceutical, and food industries disclose environmental policy. This should be considered a strength, as businesses have a strategic vision of their place in the ecological environment. For example, the lead enterprises of the Ukrainian economy do not provide such information.
- Management reports of construction companies are not transparent, even considering the minimum set of indicators included by the regulator, although the impact of their activities on land, water, and air resources is significant. In our opinion, each company should independently determine the report's scope, based on an understanding of the stakeholders' expectations. Although, for example, the International Standard on Integrated Reporting requires a "report brevity", which should also ensure the complete disclosure.
- Mining and agricultural enterprises disclose information about eco-projects, which indicates an understanding and efforts to overcome the social problems of vulnerable groups of the population.
- Management reports of enterprises within the industry, as well as intersectoral, are not comparable in the set of indicators. As an example, the management reports of medical institutions and commercial enterprises (not presented in the table, given their lower impact on the environment) additionally disclose such environmental indicators as environmental taxes; use of vehicles; fines and penalties for non-compliance with environmental legislation; heat recovery system and others. We can conclude that top management education has a significant impact on the formation of the mission and vision of enterprises, hence the disclosure of environmental performance.
- No information about the management reports has appeared on many websites of large and medium enterprises for two years. The absence of penalties leads to irresponsibility on the part of enterprises that constitute a significant part of the Ukrainian economy. Based on this, it is advisable to take coercive measures.

- Management reports do not disclose the proposals of stakeholders (investors, communities, states).
- Enterprises do not disclose information about environmental risks and penalties for violations of the law.

Table 2 presents the results of a comparison with the best world practices. When choosing companies, we gave preference to the largest companies from different countries to compare existing environmental disclosure requirements.

Table 2: Comparative analysis of reports with the environmental disclosure of lead enterprises in Ukraine and the world

| Industry / enterprise                                | General characteristics |                         |                       |                           | Internal informativeness     |                       |                              |               |                                 |               |  |
|--|-------------------------|-------------------------|-----------------------|---------------------------|------------------------------|-----------------------|------------------------------|---------------|---------------------------------|---------------|--|
|  | Name of the report*     | Access to the website** | Declared standards*** | Data disclosure style**** | Information on environmental | Pollution information | Information on environmental | Environmental | Liability for violations of the | Environmental | Proposals of stakeholders (state, investors, |
| <b>Energy:</b><br>E.ON (Essen, Germany)              | SR                      | e                       | GRI                   | sub                       | –                            | +                     | +                            | –             | +                               | –             | –  |
| NNEGC Energoatom (Ukraine)                           | MR                      | h                       | GRI                   | sym                       | –                            | –                     | +                            | –             | –                               | –             | –  |
| <b>Mining industry:</b><br>Aramco (Saudi Arabia)     | AR                      | e                       | n                     | sym                       | –                            | +                     | +                            | –             | –                               | –             | –  |
| Naftogaz (Ukraine)                                   | MR                      | e                       | n                     | sym                       | +                            | –                     | +                            | –             | –                               | –             | –  |
| <b>Agriculture:</b><br>Kidman & Co Ltd (Australia)   | –                       | h                       | –                     | –                         | –                            | –                     | +                            | –             | –                               | –             | –  |
| KERNEL (Ukraine)                                     | AR                      | e                       | GRI                   | sub                       | +                            | +                     | +                            | –             | –                               | +             | +  |
| <b>Transport:</b><br>MetrôRio (Brazil)               | AR                      | e                       | GRI                   | sub                       | –                            | +                     | +                            | –             | +                               | –             | –  |
| KP "Kyiv Metro" (Ukraine)                            | MR                      | e                       | n                     | sym                       | –                            | –                     | +                            | –             | –                               | –             | –  |
| <b>Pharmaceutical industry:</b><br>Pfizer Inc. (USA) | FR                      | e                       | –                     | –                         | –                            | –                     | –                            | –             | –                               | –             | –  |
| JSC "Farmak" (Ukraine)                               | NFRSD                   | e                       | n                     | sym                       | –                            | –                     | +                            | –             | –                               | –             | –  |
| <b>Food industry:</b><br>Nestle (Switzerland)        | CGR                     | e                       | –                     | –                         | –                            | –                     | –                            | –             | –                               | –             | –  |
| Confectionery Corporation ROSHEN (Ukraine)           | SOCR                    | e                       | GRI                   | sym                       | –                            | –                     | +                            | –             | –                               | –             | –  |
| <b>Construction:</b><br>Laing O'Rourke (Britain)     | AR                      | e                       | –                     | –                         | –                            | –                     | –                            | –             | –                               | –             | –  |
| PJSC "HC" Kyivmiskbud (Ukraine)                      | MR                      | e                       | n                     | sym                       | –                            | –                     | +                            | –             | –                               | –             | –  |

\* MR – management report, SR – sustainability report, AR – annual report, NFRSD – non-financial report on sustainable development; SOCR – social report, CGR – corporate governance report, FR – financial report;

\*\* h – hard, e – easy to find;

\*\*\* n - national legislation, GRI – Global Reporting Initiative;

\*\*\*\* sub - substantive, sym - symbolic

Source: compiled by the authors according to enterprises' reports

To summarize the conducted comparative analysis of reports with the environmental disclosure, we note the following.

Companies disclose information about environmental activities in various reports – a management report, a sustainability report, an annual report, a non-financial report on sustainable development, a social report, a corporate governance report, a financial report, etc. The lack of a single form of information presentation makes it challenging to find relevant information for different stakeholders and make international comparisons. This determines the feasibility of developing international standards in this area, such as IFRS, ISA, and others (Semenyshena, et al. 2020). We consider it appropriate to develop such standards under the aegis of IFAC.

It should be noted that according to our observation, the most meaningful are the reports of energy and transport companies, which declare the preparation of reports according to GRI. Such companies structure indicators with coverage of materials, energy, water and wastewater, biodiversity, emissions, waste, provide information on compliance with environmental requirements, the use of transport, and more.

The least transparent from the point of view of the studied indicators are the enterprises' reports of the mining, construction, food, pharmaceutical industries. Almost undisclosed at the level of lead companies are the following: environmental taxes; liability for violations of the law; environmental risks; offers of stakeholders.

## **6. CONCLUSIONS AND RECOMMENDATIONS**

Taking into account the results of the research, we recommend the following:

1) Establish requirements for the environmental disclosures by all enterprises, regardless of their size. Simultaneously, the management report with financial and non-financial indicators in full form for large enterprises and abbreviated form – for medium, small, and micro-enterprises. By the way, Denmark and Sweden conduct integrated reporting for companies with more than 250 employees (i.e., for medium-sized enterprises), in contrast to the requirements of the EU Directive (more than 500 employees) (Jeffwitz & Gregor, 2017).

2) To ensure the balance of public interests and freedom of enterprise, we consider it appropriate to combine a flexible approach to the environmental disclosures in the management report. The regulator must fix a specific part of the indicators as mandatory. At the same time, it is necessary to enable companies to provide information at their own discretion, based on the current needs of stakeholders. To this end, it is necessary to develop a model report, which



should consist of mandatory and additional indicators that will highlight the specifics of enterprises' economic activity (industry, construction, agriculture, transport, etc.) with the appropriate level of individual detail. Mandatory indicators should be developed at the level of the Ministry of Finance of Ukraine and the State Statistics Service of Ukraine, and additional – at the level of line ministries and public professional organizations. For example, the environmental impacts of coal, transport, and agricultural enterprises will differ significantly but will be of particular interest to stakeholders.

3) We consider it expedient to single out the qualitative characteristics of environmental information disclosed in the management report, according to the following blocks: a) in terms of content: reliability and completeness; objectivity and impartiality; materiality of the disclosed information; relevance and clarity; argumentation and persuasiveness of conclusions; specificity and realism; comparability of financial data; b) on the form of presentation of information: clarity and accuracy of presentation; logical presentation; informativeness; data visualization (graphics, tables, images, photos, etc.); a balance of directions.

4) It is necessary to define by law the responsibility for improper information and incomplete disclosure and / or concealment of significant financial and non-financial information, which essentially determines the quality of the management report and environmental information disclosed in it. According to researchers, the use of environmental responsibility principles is a strategic priority for every company and the basis of sustainable development (Andrushkiv, et al. 2020; Tsaruk, 2020).

5) To ensure the credibility of the environmental information published in the management report, it is necessary to introduce its statutory audit. Confirmed truthfulness and objectivity of environmental information will also increase management's responsibility for its disclosure.

Summing up, we note that Ukrainian companies are only at the initial stage of "forced" preparation of a management report, which includes environmental information. Business is not yet aware of all the benefits of a well-prepared report that in developed countries with significant experience in disclosing relevant information becomes the basis for investment decisions, forming a positive image of the company in society, which determines its efficiency and prospects for further development.

It is clear that the preparation of a management report requires significant efforts on the part of management staff, particularly additional time, the involvement of qualified specialists to ensure quality coverage of information, including the enterprise's environmental activities.

At the same time, the regulator should form a positive attitude in society to disclose certain information in the management report, which will help the state and society take timely measures to create a more sustainable environment, ensure business accountability, and achieve Sustainable Development Goals.

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