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SOCIAL REPORTING AS AN INDICATOR OF THE ENTERPRISE DEVELOPMENT

Over the recent years, social activities have been a very significant index of the activity of domestic enterprises. These events do not indicate only the development of an enterprise but also suggests the opportunity to provide certain benefits to the society. But in Ukraine today there are no approved domestic standards which contain the structure of such reports and a list of issues that should be covered in them. This requires a thorough study of the theoretical and practical aspects of social reporting, the characteristics of foreign standards. The **goal** of the article is to study social responsibility, the aspects of social reporting, users, structure and indicators that can be included in it. The study deals with scientific works of foreign and domestic economists on the issues of social responsibility and accountability. The study is based on the combination of **methods** and approaches such as the dialectical method, the method of synthesis as well as the comparative and systemic ones. The following **results** were obtained: the issues of social responsibility of business and social reporting, the users of social reporting and their needs were investigated, international accounting practices were considered, namely the international standards of social reporting, such as Sunshine; AA1000; ISO 26000, SA8000 as well as the most famous and most commonly used GRI. The domestic practice of social reporting, problems and aspects domestic enterprises face were analyzed. On the basis of the analysis of international standards and the structure of social reporting of companies, the MLESQ indicator system is suggested, which can be applied for social reporting, taking into account the characteristics of the social activity of an enterprise. **Conclusions.** It is proved that solving the tasks of social reporting requires professional dialogue between social responsibility specialists, financial directors, accountants and auditors within the business structure itself.

Keywords: financial reporting, social reporting, social responsibility of business.

Introduction

The realities of social development require reflecting a wide range of information on the activities of an enterprise including information on the social responsibility of business. In today's world, business reliability is measured not only by the criteria of economic efficiency and the quality of products and services but also by the willingness to solve social problems. It should be emphasized that in recent years a very significant indicator of the activities of domestic enterprises is their social activities. Such events do not indicate the development of an enterprise but also suggest the opportunity to provide certain benefits to the society. Such activities should be presented in non-financial social reporting whose goal is to provide information on social activities to stakeholders. But in Ukraine today there are no approved domestic standards that contain the structure of such reports and a list of issues that should be covered in them. This requires that the theoretical and practical aspects of compiling social reporting and the characteristics of foreign standards should be studied thoroughly.

The analysis of recent literary sources

The issues of social reporting and social responsibility were studied by such scientists as K. Bezverkhy [2], C Bezruchuk [3], A. Berganir [4], Zh. Bogdanova [5], M. Bukovinskaya [6], T. Gilorme [8], T. Davydyuk [9], V. Evdokimov, D. Gritsyshen [11], T. Solovey [12] and others.

But in Ukraine today the structure and methodological bases of social reporting have not been defined, the concepts that explain the corresponding ideas and the peculiarities of their usage have not been specified and unified. "Non-financial reporting", "Reporting on social responsibility", "Social reporting", "Reporting in

the sphere of sustainable development" are just some of the terms used domestic researchers use in social reporting.

The **goal** of the article is to study the essence of social responsibility, the theoretical and methodological aspects of social reporting and the demands of users, its structure and indicators.

Materials and methods

The study deals with scientific works of foreign and domestic economists on the issues of social responsibility and reporting. A number of methods and approaches such as the dialectic method, the method of synthesis as well as the comparative and systematic methods were applied in the study.

The results of the study

First, the conception of "social responsibility" should be defined. A. Andryushchenko believes that "social responsibility is broadly interpreted as a set of its various types – the economic, political, legal, moral ones and so on" [1, p.134]. M. Bukovinskaya considers that "the corporate social responsibility is the philosophy of the company development and business achievements by the ways that are based on ethical standards and respect for people, communities, environment" [6, p.9].

Social responsibility should be considered as indicators that fully reveals the activity of an enterprise in this sphere. According to V. Vorobey, social (non-financial) reporting is a set of written company data that reflect the company environment, principles and methods of cooperation with the groups of influence, the results of company activities in the economic, social and ecological spheres" [7, p.6].

Social non-financial reporting as any other management tool has undisputed advantages – it increases

the transparency of business, accumulates the trust of stakeholders, strengthens business relations, facilitates expanding sales markets, formalizes the processes of ratification and implementation of social technologies. All this makes it necessary to study the issues of social reporting.

Today, the rate of developing and expanding non-financial reporting in Ukraine lags behind the developed countries of the world. Social reports are published only by some companies including “Kernel”, “ArcelorMittal Kryvyi Rih”, “Galnaftogaz”, “Metinvest”, “Obolon”, “DTEK”, “Dneprospetsstal”, “Nibulon”, “Foxtrot”, “UniCreditBank”, “Nestle Ukraine”, “Kyivstar”, “Carlsberg Ukraine”, “ViDi Group”, “Mondelis Ukraine”, “Alfa Bank Ukraine”, “SCM”. Some of these reports were prepared according to the new standard GRI 4.0 (“Kernel”, “Metinvest”, “Obolon”) or with elements of GRI 4.0 (“Galnaftogaz”) [2, c.111]. The analysis shows that in most of the mentioned companies social reports are the brief descriptions of achievements in the social sphere.

At the international level, the issue of integrated reporting that takes into account financial and non-financial aspects is actively discussed. Demonstrating the importance of social and environmental priorities for managing, attention and efforts for solving social problems give confidence that business is reliable, sustainable and attractive to potential investors, corporate clients, and, finally, for suppliers who are also interested in permanent and reliable customers.

In the modern world, the “reliability” of business is measured not only by the criteria of economic efficiency and the quality of products and services but also by the willingness to solve social problems. The addresses of social reports are stakeholders, i.e. employees and business partners, financial agents (creditors, investors, donors), shareholders (owners and co-owners), consumers as well as the state government and local authorities, non-governmental organizations (fig. 1).



Fig. 1. The users of non-financial reports

Indeed, for the staff, social reporting is a significant stimulus and the evidence of the job status that confirms the social significance of their work. Social reporting also contributes to creating the image of a responsible employer, particularly among young professionals. Non-governmental organizations, business partners, authorities and consumers also form an attitude towards business, taking into account the availability and content of social reporting.

Simultaneous financial and social reporting provides an opportunity to fully inform stakeholders about social and environmental aspects of activities along with economic results, which allows them to assess business risks (in particular, long-term ones) effectively. So, social reporting enhances business transparency.

According to the definition of the European Commission, social non-financial reporting, as a tool of social responsibility, is a concept according to which business voluntarily integrates social and environmental

initiatives as well as interaction with stakeholders in commercial activities.

The most common international reporting standards are Sunshine standards; GRI; AA1000; ISO 26000, SA8000. The most known list of quantitative indicators in the world practice of non-financial reporting is the system of GRI indicators, the application of which is recommended for social reporting of an arbitrary format as well as for Progress Reports.

Let us analyze these standards and determine the differences in the definition and the list of non-financial indicators.

As a rule, in the social reporting domestic business give general information about irregular initiatives but do not specify the quantitative indicators that measure the efficiency of the implementation of projects. T. Davydyuk believes that “in the domestic business community there is no common understanding of how to deliver the information about their social activities to the society” [9, c.64].

Table 1. The analysis of foreign standards of social reporting

Standard	Adopted by	The issues the standard covers
GRI	Global Sustainability Standards Board, since 2000	The reporting on sustainable development simultaneously covers the economic, environmental and social aspects of activities.
AA 1000	Institute of Social and Ethical Accountability, 1999	Social reporting takes into account: - social, environmental and economic impact and relevant indicators of their activities as well as the views of stakeholders; inquiries and needs of stakeholders and corresponding respond to them in the policies and practices of the organization.
ISO 26000	International Organization for Standardization, 2010	Contains information on how businesses can work in a socially responsible manner. This means a transparent and ethical behaviour that promotes the health and well-being of society.
SA 8000	developed by experts of Social Accountability International (SAI) in 1997	The social reporting covers such areas as: - the protection of employees' health, safety precautions; - the issue of discrimination; - the use of children's labour activity; - forced labour; - work time; - disciplinary action; - control systems; - the compensation of labour.
Sunshine standards	The Stakeholder Alliance (USA) is an association that unites environmental and religious organizations as well as consumer protection organizations, 1996	According to the standard, the following information is provided: - information provided to customers (about products and services); - Information for employees (employment, safety and health, equal employment opportunities); - information for the local community (ownership structure, financial indicators, impact on the external environment, the amounts of tax payments; -the number of jobs created, investments and charitable activities); - information for the general public (trade with hostile countries, state orders, fines, etc.)

The presented indicators are selective and non-systemic and relate to point initiatives rather than to social responsibility of business. However, the benefits of non-financial reporting cannot be fully obtained without the formalization of targets in specific figures (for example, the level of remuneration, the reduction of emissions, investments in modernization) and the quantitative reporting on the progress towards achieving these goals.

While preparing for social reporting, domestic business structures, as a rule, face the inconsistency of internal accounting data with the requirements of international practice, in particular, the GRI indicator system. T. Gilorme considers that “a business entity that follows the GRI requirements in corporate reporting should disclose five components: the strategy and analysis; the description of the organization; the parameters of reporting, management, the stakeholders' obligations; performance indicators (economic results, environmental performance, labour organization and product responsibility)” [8, c.674-675].

Solving these problems requires a professional dialogue among social responsibility specialists, financial directors, accountants and auditors within the business structure itself. So, S. King thinks that “to ensure the transparency of non-financial reports in free form, the following activities can be recommended:

- conduct surveys of stakeholders who work with this reporting to study their comments;

- design a plan of social events taking into account specific needs of stakeholders;

- inform stakeholders about the implementation of their requests and identified violations” [10, c. 111].

The adequate system of indicators that would characterize social projects is the most important for assessing the potential and increasing the level of confidence in Ukrainian enterprises. On the basis of the study of the international standards of social reporting and the structure of social reporting, the MLESQ indicator system is suggested that takes into account the following areas of social solutions (table 2).

The advantages of the suggested MLESQ system lie in the fact that it includes the most important issues that are interesting for stakeholders and can give the complex character of the social activities of an enterprise.

Conclusions

Summarizing the mentioned above, social reporting can be determined as a complex information system that reflects the activities of the business entity in terms of labour relations, work safety, the health of personnel, charity, corporate management, the protection of employees and social programmes. The quality of the provided social reporting affects the opinion of external organizations on the state of development of the enterprise with all the consequences that come with it. On the basis of the analysis of standards, the MLESQ indicator system

is suggested. But every enterprise that has a public interest and plans to enter the international level should develop the system of indicators that most fully cover all aspects of the social responsibility of business and emphasize the

most important areas of social work. In connection with this need, studies in this sphere should be devoted to updating the suggested to specify and detail the indicators that reflect the social activities of enterprises.

Table 2. The essence of the system of MLESQ indicators

Area	Essence	Indicators
Management	Efficient corporate management is based on the principles and practices of accountability, transparency, ethical conduct, respect for the interests of stakeholders and the recognition of the rules of law both in the process of decision-making and in the process of their implementation	Indicators of the efficiency and risks of corporate management
Labour	Creating jobs, payment of wages and other payments provided by law, providing safe working conditions, developing personnel and so on. Particularly labour relations include such aspects as hiring and promoting personnel; the termination of employment; labour remuneration; disciplinary procedures; moving and appointing employees; training and developing skills; the protection of health, safety and industrial hygiene; any policies and practices that may affect working conditions, in particular, working hours and rest periods. Indirectly, labour relations include relations related to the rights of employees to organize and conduct collective bargaining, participation in labour disputes and social dialogue.	The costs an enterprise spends are connected with: - maintaining the personnel of the enterprise; creating new vacancies; - measures aimed at protecting the health and education of employees; - sports and other events. Indicators that are related to the movement of the labour movement.
Ecology	Preventing pollution, that is, not only meeting but also constant exceeding environmental standards, including the reduction of emissions into the atmosphere, water, the amounts of solid or liquid waste; polluting land and soils, using and placing toxic and harmful chemicals and so on.	Activities and costs of the company to improve the environmental situation in the region, the state of the territories.
Social investment	Social investments include philanthropy and charity, it should expand the economic and social opportunities of the inhabitants of the territory, for example, increase the amounts of purchases of goods, works and services to support the activities of local producers and suppliers, attract local specialists to outsource business processes, implement programs aimed at improving social aspects of the life of the territorial community and related to education, training, culture, health, infrastructure development, improving the access to information or any other activity that contributes to the economic and social development of the local community or its individual groups	Activities and expenses for: -charity; - educational institutions; -culture, - sports, - initiatives of territorial communities in any form
Quality	Informing consumers about goods/works/services using honest and transparent marketing information, encouraging responsible consumption, declaring and constant confirming in practice the obligations for the production and sale of safe and quality goods/works/services.	Activities and expenses for: - improving the quality of goods (works, services), - quality control and so on

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СОЦІАЛЬНА ЗВІТНІСТЬ ЯК ІНДИКАТОР РОЗВИТКУ ПІДПРИЄМСТВА

Останні роки дуже вагомим показником діяльності вітчизняних підприємств є його соціальні заходи. Проведення таких заходів є свідченням не тільки розвитку підприємства, але й можливості надавати певні блага суспільству. Але ж в Україні на сьогодні не існує затверджених вітчизняних стандартів, які б містили склад такої звітності та перелік питань, які повинні бути висвітлені в ній. Це все потребує ретельного дослідження теоретичних та практичних аспектів складання соціальної звітності, особливостей закордонних стандартів. **Метою** статті є дослідження соціальної відповідальності, аспектів складання соціальної звітності, її користувачів, складу, а також показників, що можуть бути включені до неї. В дослідженні використані наукові праці зарубіжних та вітчизняних економістів з питань соціальної відповідальності та звітності. У статті використано сукупність методів та підходів, таких як діалектичний, синтезу та порівняльний, системний. **Результати:** досліджені питання соціальної відповідальності бізнесу та соціальної звітності, користувачі соціальної звітності та їх потреби, розглянута міжнародна практика складання звітності, а саме міжнародні стандарти соціальної звітності, такі як Саншайн; AA1000; ISO 26000, SA8000, а також найбільш відомий та найчастіше застосований- GRI. Проаналізована вітчизняна практика складання соціальної звітності, проблеми і аспекти, з якими зіштовкуються вітчизняні підприємства. На підставі аналізу міжнародних стандартів та складу соціальної звітності компаній запропонована система показників MLESQ, яка може бути застосована під час складання соціальної звітності, враховуючи особливості соціальної активності підприємства. **Висновки.** Встановлено, що вирішення проблем соціальної звітності вимагає подальшого професійного діалогу між фахівцями із соціальної відповідальності, фінансовими директорами, бухгалтерами і аудитором в межах бізнес-структур.

Ключові слова: фінансова звітність, соціальна звітність, соціальна відповідальність бізнесу.

СОЦИАЛЬНАЯ ОТЧЕТНОСТЬ КАК ИНДИКАТОР РАЗВИТИЯ ПРЕДПРИЯТИЯ

Последние годы очень весомым показателем деятельности отечественных предприятий является его социальные мероприятия. Проведение таких мероприятий является свидетельством не только развития предприятия, но и возможности предоставлять определенные блага обществу. Но в Украине на сегодня не существует утвержденных отечественных стандартов, содержащих состав такой отчетности и перечень вопросов, которые должны быть освещены в ней. Это все требует тщательного исследования теоретических и практических аспектов составления социальной отчетности, особенностей зарубежных стандартов. **Целью** статьи является исследование социальной ответственности, аспектов составления социальной отчетности, пользователей, состава, а также показателей, которые могут быть включены в нее. В исследовании использованы научные труды зарубежных и отечественных экономистов по вопросам социальной ответственности и отчетности. В статье использованы совокупность методов и подходов, таких как диалектический, синтеза и сравнительный, системный. **Результаты:** исследованы вопросы социальной ответственности бизнеса и социальной отчетности, пользователи социальной отчетности и их потребности, рассмотрена международная практика составления отчетности, а именно международные стандарты социальной отчетности, такие как Саншайн; AA1000; ISO 26000, SA8000, а также наиболее известный и чаще всего применяемый- GRI. Проанализирована отечественная практика составления социальной отчетности, проблемы и аспекты, с которыми сталкиваются отечественные предприятия. На основании анализа международных стандартов и состав социальной отчетности компаний предложена система показателей MLESQ, которая может быть применена во время составления социальной отчетности, учитывая особенности социальной активности предприятия. **Выводы.** Установлено, что решение проблем социальной отчетности требует профессионального диалога между специалистами по социальной ответственности, финансовыми директорами, бухгалтерами и аудитором в пределах самой бизнес-структуры.

Ключевые слова: финансовая отчетность, социальная отчетность, социальная ответственность бизнеса.