

VUZF UNIVERSITY OF FINANCE, BUSINESS
AND ENTREPRENEURSHIP

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**INTEGRATED REPORTING IN
UKRAINE: HISTORICAL ASPECTS
AND IMPLEMENTATION
PROSPECTS**

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The monograph is devoted to the scientific substantiation of theoretical and methodological postulates of the integrated reporting formation and development of practical recommendations for definition and disclosure of the integrated reporting items. Preconditions of the integrated reporting genesis are defined, which include institutional theory development and institutional investors emergence, whose activities are based on the following principles: socially responsible investment; movement of Ukraine to the European Union; increasing the requirements for the disclosure of accounts by stock exchanges; international cooperation in ecological safety issues; modern information and communication technologies development. An overview of the basic foundations of the integrated reporting compilation is presented, difficulties of its formation and popularization among Ukrainian companies are revealed. Perspective directions of activity on the integrated reporting implementation in Ukraine are determined.

Recommended for managers, academics, graduate and undergraduate students of economic specialties.

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INTRODUCTION

The main reason for the emergence of crises, both nation-wide and at a particular enterprise, is the imperfection of the accounting system, which manifests itself in: the inability to represent the possibility of emerging risks and threats to enterprises' activity; faulty assessment of intellectual and innovative, social, client, human and natural capital; the existing inconsistency of corporate reporting that does not provide a holistic concept of the organization's ability to create value for itself and stakeholders in the long run. The European integration course of Ukraine requires the economic entity to comply with the European Union Directives according to which companies with more than 500 employees must reveal non-financial information in the integrated reports as to the environmental and social aspects, issues of respect for human rights and employment, aspects of combating corruption and bribery, information about corporate management. Therefore, the main idea of this research is to increase the scientific level of theoretical research and the practical value of the applied developments as to development of the unified methodological principles and rules for the formation of integrated reporting to build on their basis an improved model of management of social and ecological and financial and economic security of economic entities.

The scientific peculiarity of the material presented in the monograph is that the directions, the aims, and the methods used do not get in line with other authors's studies on this subject, and the obtained results significantly extend the existing groundworks of both national and foreign scientists. With regard to the new reporting model T.I. Yefymenko, V.M. Zhuk, L.G. Lovinska emphasize that in the information environment it should become a representation of the sustainable development concept which the international community recognizes as the new ideology of the XXI century. At the same time, further framing is required problematic issues as to understanding the peculiarities of international investment policy in the context of the intensification of the financial convergence processes, the entry of our state in the contemporary position, and its consolidation with the European states and nations. Thourough investigation of the texts of scientific works by G.I. Roberts, R.O. Kostyrko and N.O. Lokhanova allows stating that that despite the

proposal to combine the factors of environmental and social state management and financial results of an enterprise in the integrated reporting, the researchers do not pay attention to the issues of determining the boundaries of the information base of integrated reporting, which will ensure the transition from the system of financial capital to the market system of inclusive capital. K.A. Adams, K. Martin, E. Sanders and J. Scalan have developed methodological tools for drawing up an integrated report, its structure and procedure of disclosing of information. However, searching for the ways to optimize the composition of integrated reporting indices, preventing the increase of information noise in the integrated reports, using an integrated report as a means to overcome information asymmetry and increasing the level of the investors' satisfaction remain topical. Methodological provisions of estimating the capital of an enterprise presented in the works by V.V. Yevdokimov, D.O. Grytsyshen, R.O. Kostyrko require deepening in terms of developing a conceptual model of information flows in the integrated information and analytical system of an enterprise management for disclosing information about financial, productive, intellectual, social and reputational, human and natural capital. Separate issues of attracting suppliers of financial capital were developed in the works by G. Seraphame and D. Philips. However, none of the researches presented an integrated model of risk-oriented management of economic security of economic entities according to the data of integrated reporting. Solving the above mentioned issues requires improvement of the organizational and methodological and institutional principles of preparing integrated reporting and trends in reforming the national accounting and reporting system in order to ensure the social and ecological and financial and economic security of an enterprise under the conditions of Ukraine's integration into the European Union that conditioned the choice of the topic of the study, its purpose, tasks and content.

The material presented in the monograph is based on a number of working hypotheses, namely:

- solving economic and social and ecological problems of a society requires recognition of the core role of the physiocratic doctrine in the development of economic democracy and improvement of the national model of information support of crisis

management based on the institutional concept of the development of the social and cultural economic institution of accounting and reporting;

- a new global vision of the architectonics of accounting science, its place and role in the historical and economic process, which requires the disclosing the global experience of state regulation and the impact of European integration processes on the development of accounting and reporting in Ukraine;

- the formation of a modern competitive economy requires the intensification of innovation and investment activities, directing financial, economic and organizational resources for the prevention of crisis phenomena. However, one of the most significant obstacles to economic growth in Ukraine is the lack of concepts, forms, methods and procedures for the formation of accounting and reporting support of anti-crisis regulation both at the macro- and meso- and micro levels;

- organization of the integrated accounting and reporting system allows introducing positive adjustments in the structure of entrepreneurial activities management to ensure the financial and economic security of business.

In accordance with the above mentioned hypothesis the purpose of the monograph is defined as determining the problem aspects of the formation of integrated reporting of Ukrainian enterprises under conditions of the development of innovation economics and scientific substantiation of the methodological provisions as to their solution, taking into account the growing information requirements of investors and the lack of unified approaches to the determination of the integrated reporting indices.

PART 1

THEORETICAL AND HISTORICAL FOUNDATIONS OF FORMING INTEGRATED REPORTING

1.1 International regulation of integrated reporting

Financial crises of the XXI century are the main reasons for the need to improve the existing information and communication interaction between the economic entities and the users of accounting and reporting information. The main reason for the emergence of crises, both on a nationwide scale and at a particular enterprise, is the imperfection of the accounting system, which is manifested in particular by: the inability to represent the possibility of emerging risks and threats for enterprises' activity; faulty assessment of intellectual and innovative, social, client, human and natural capital; inability to ensure disclosure of information about all elements of capital in the financial reporting; the existing inconsistency of corporate reporting that does not provide a holistic concept of the organization's ability to create value for itself and stakeholders in the long run. All these problems condition the search for new reporting models and areas for developing an accounting methodology to meet the growing demands of users and improve the transparency, completeness and relevance of the accounting and reporting information. Under the conditions of globalization and informatiology the users of accounting and reporting information are interested not only in the financial indices of enterprises' activity, but also the issues of sustainable development as an integral part of business, which are measured mainly by non-financial indices, that is ensured through the formation of integrated reporting. According to M.A. Prodanchuk "... The concept of the company of the future does not propose changes in the financial reporting, but assigns it less important role in the model of expanded reporting, which will include reports on non-financial results, in particular, on issues such as environment and relations with employees, customers, suppliers and the public"¹.

¹ Проданчук М.А. Корпоративна звітність в умовах управління / М.А. Проданчук // Культура народів Причорномор'я. – 2013. – № 256. – С.159.

Theoretical and methodological provisions, methodological foundations and practical issues of the formation of integrated reporting are at the initial stage of research by theoretical scholars and practitioners. The issues of conceptual foundations of integrated reporting and the formation of its particular components were represented in the works of such Ukrainian scientists as P.Y. Atamas, O.P. Atamas, K.V. Bezverkhy, O. V. Budko, T.V. Davydyuk, I.V. Zamula, O.A. Zorina, I.V. Zhigley, R.O. Kostyrko, O.A. Lagovska, I.M. Lozhnikov, N.O. Lokhanova, M.A. Prodanchuk and others. The works of foreign scientists M.I. Sidorova, T.Yu. Serebryakova, K.V. Sorokina, O.M. Sorokina, T.V. Shimokhanskaya, H. Shtukelberger, T.O. Khachaturova and others are devoted to the problems of the formation of integrated reporting.

Over recent years, among the significant scientific research of various aspects of accounting and reporting support of sustainable development management the prominence should be given to the works by T.I. Yefymenko V.M. Zhuk and L.G. Lovinskaya (2015) "Information in the crisis management: the global aspect of standardization of accounting and financial reporting"; V.V. Yevdokemov and others. (2014) "Integrated reporting of enterprises"; N.O. Lokhanova (2012) "Integrated reporting as a product of integral accounting and analytical system"; G.I. Roberts and P.K. Michael (2013) "One Report: Integrated Reporting for a Sustainable Strategy", which thoroughly investigate the organizational dynamics, ideological foundations and national and public significance of developing subsystems of industry standards accounting and introduction of integrated reporting in order to prevent crises, to ensure social justice and economic independence, respect for the rights and freedoms of citizens. The conceptual foundations for assessing the social, human and environmental capital of a company are investigated by R.O. Kostyrko (2014) "Integrated reporting as an instrument for socially responsible business" and K.V. Lee (2016) "The association between integrated reporting and firm valuation". Problematic issues of using integrated reports in management of financial security of a business and attracting suppliers of financial capital were elaborated in the works by G. Seraphame (2015), "Integrated reporting and investor clientele" and G.A. Porter (2010) "Financial accounting: impact on

decision-makers”. The methodical tools for drawing up the integrated report, its structure and the procedure for disclosing information were investigated by K.A. Adams (2015) “The international integrated reporting council: a call to action”. The theoretical tools for internal audit of integrated reporting were investigated by K. Martin, E. Sanders, and J. Scalan (2014), “The potential impact of COSO internal control integrated framework revision on internal audit structured SOX work program”.

In their works P.Y. Atamas and O.P. Atamas substantiate the necessity and consider the preconditions for the implementation of the integrated corporate reporting, determine the requirements of the leading international organizations to its content and the order of submission, and propose the structure and content of integrated corporate reporting for Ukrainian enterprises². K.V. Bezverkyh also investigates the methodological principles of forming integrated reporting of an enterprise, proposes the stages of its formation, clarifies the approaches to the assessment of the quality and essentiality of the information disclosed in the integrated reporting of an enterprise, as well as determines the periodicity of the formation and time frame of reporting³. The stages of the formation of non-financial reporting are analyzed in the works by O.V. Budko, the characteristics is presented and the comparative analysis of the most common standards (manuals) as to its drawing up is carried out⁴.

T.V. Davydyuk investigates theoretical and organizational provisions of the procedure of formation of integrated reporting on the basis of convergence of accounting reporting and social one, which satisfies the needs of users of information about human capital of an enterprise⁵. Determining the objects of accounting related to environmental activities and social responsibility was also carried out

² Атамас П.Й. Інтегрована корпоративна звітність: проблеми впровадження / П.Й. Атамас, О.П. Атамас // *Академічний огляд*. – 2015. – № 1. – С. 78–85.

³ Безверхий К.В. Методичні засади формування інтегрованої звітності підприємства / К.В. Безверхий // *Облік і фінанси*. – 2014. – №3. – С. 8–14.

⁴ Будько О.В. Розвиток та необхідність складання інтегрованої звітності / О.В. Будько // *Науковий вісник Херсонського державного університету*. – 2014. – Випуск 6. – Частина 5. – С. 114–117.

⁵ Давидюк Т.В. Социальная отчетность в Украине как инструмент управления человеческим капиталом / Т.В. Давидюк // *Міжнародний збірник наукових праць*. Випуск 3(21). – С. 96-101.

in the fundamental works by I.V. Zamula and I.V. Zhigley^{6,7}. The organization of the integrated system of accounting and reporting in the aspect of the information requirements of the system of managing economic entities is investigated in the works by O.A. Zorina, in particular, the author determined the ways to achieve synergistic effect of each component of the accounting system by means of setting and solving the tasks of the information requirements of the management system⁸.

Without diminishing the significance of the groundworks of the academic economists, we'd like to remark that despite the significant scientific and theoretical basis as to the organization and methodology for the formation of integrated reporting of an enterprise, integrated reporting has not gained popularity among national companies. System Capital Management was the first company in Ukraine that promulgated its integrated reporting only in 2005. At the end of 2013 31 Ukrainian companies and 16 foreign companies operating in Ukraine drew up integrated reporting^{9,10}.

The preconditions for the genesis of integrated reporting are the development of the institutional theory and the emergence of institutional investors, whose activity is based on the principles of socially responsible investment, transition of Ukraine to the European Union, increasing requirements for promulgation of reporting by stock exchanges in different countries of the world, expanding international cooperation as to solving problems of ecological safety etc. In addition, the formation of integrated reporting became possible only under conditions of applying modern information and

⁶ Замула І.В. Бухгалтерський облік екологічної діяльності у забезпеченні стійкого розвитку економіки: монографія / І.В. Замула. – Житомир: ЖДТУ, 2010. – 440 с.

⁷ Жиглей І.В. Бухгалтерський облік соціально відповідальної діяльності суб'єктів господарювання: необхідність та орієнтири розвитку: монографія / І.В. Жиглей. – Житомир: ЖДТУ, 2010. – 496 с.

⁸ Зоріна О.А. Організація інтегрованої системи обліку та звітності як інформаційної бази аналізу / О. А. Зоріна // Экономика Крыма. – 2011. – № 2 (35). – С. 265–269.

⁹ Аналітичний Огляд СВБ [Електронний ресурс] – Режим доступу: http://www.svb.org.ua/sites/default/files/csr_ukraine_white_paper_2013_july_integrated_reporting.pdf

¹⁰ Filipova-Slancheva A. Non-financial Reporting in Bulgaria / A. Filipova-Slancheva // Status and Challenges. – 2015. – P. 40-43.

communication technologies. According to the founders of Google:“... the most revolutionary improvement of the Internet age is the possibility to measure any aspect of business. Decisions previously based on subjective views and opinions and unconfirmed statements are based on the data today”¹¹. The mentioned changes and improvements of social and economic relations promoted that integrated reporting has become mainstream of the present time (Fig. 1.1).

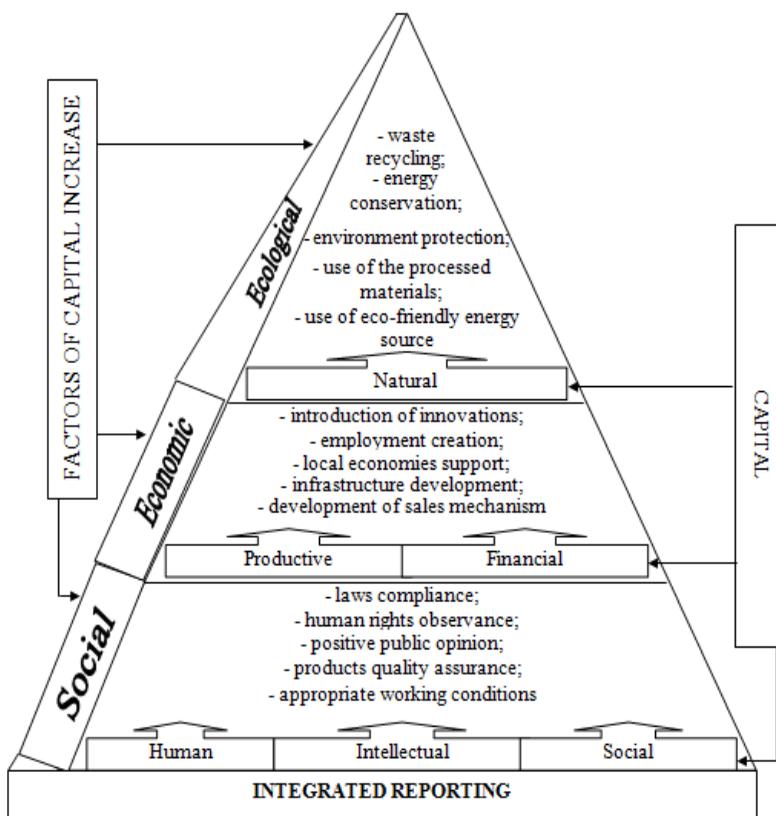


Fig. 1.1 Ecological and social and economic concept of implementation of integrated reporting in Ukraine

¹¹ Шмидт Э. Как работает Google / Э. Шмидт, Дж. Розенберг, А. Игл ; [пер. С англ. Д. Баррет]. – Москва : Эксмо, 2016. – 384 с., С. 211

At the plenary session of the XIX World Congress of Accountants in 2014, the International Council for Integrated Reporting focused on the topic “Integrated thinking: the key to the improved indices and value formation” and announced its strategy – to achieve the global adoption of the International Integrated Reporting Framework over the next three years¹². The strategy of the International Integrated Reporting Framework until 2017 includes a number of key tasks, among which there are:

- the worldwide dissemination of the best practice for integrated reporting through the IR network (<IR> – integrated reporting) and promoting the dialogue between key players in corporate reporting;
- establishing a foundation for investors based on integrated thinking and integrated reporting aimed at stimulating investment decisions;
- interaction with national and regulatory authorities to promote integrated reporting¹³.

According to the Chairman of the International Integrated Reporting Council (IIRC) M. King, currently the Project of International Integrated Reporting (IR) Format is in the breakthrough phase (2014-2017) which implies the necessity of a gradual transition from its market testing and partial application to be widely used by all enterprises in the world¹⁴. To realize the goals of global dissemination of the best practice for integrated reporting and to promote the dialogue between investors and reporting providers the International Integrated Reporting Council (IIRC) launched a number of new projects aimed at promoting the foundations of integrated reporting in 2014 (Table 1.1).

Each of the networks introduced has a global goal of involving as many users as possible in determining the benefits of integrated reporting and identifying and implementing innovations that meet the needs of business, governments and society in environmental, social and economic stability and sustainable development. In particular, a

¹² XIX Всесвітній конгрес бухгалтерів / Незалежний аудитор. – 2014. – № 10 (IV) – С. 2–4.

¹³ Strategy: The Breakthrough Phase 2014-17. URL: <http://integratedreporting.org/wp-content/uploads/2015/02/IIRC-Strategy-Summary-2015.pdf>.

¹⁴ Strategy: The Breakthrough Phase 2014-17. URL: <http://integratedreporting.org/wp-content/uploads/2015/02/IIRC-Strategy-Summary-2015.pdf>.

network of investors is a forum that attracts more than 35 global investors' organizations in different countries of the world^{15,16}.

Table 1.1

Projects of the International Council for Integrated Reporting

No.	Project name	Network users	Project content
1	2	3	4
1	Public Sector Pioneer Network	Public sector	Implementing the International Integrated Reporting Framework in order to increase its transparency and strengthen trust in governmental departments
2	IR-Business Network	Business structures	Enhancing the potential of business entities to innovative decisions in reporting, promoting the exchange of experience and the best practices of drawing up integrating reporting and value formation in the short, medium and long term.
3	IR-Academic Network	Academic community	Collaboration and exchange of information on the best practices for integrated reporting within the framework of scientific thinking among scientists, students, suppliers of financial capital, governmental bodies and all interested users.
4	IR-Network for Professional Accountancy Bodies	Professional accountancy organizations	Support for the exchange of ideas, knowledge, experience and resources between members of professional accountancy organizations and other parties concerned on the issues related to integrated reporting

¹⁵ <IR> Networks. URL: <http://integratedreporting.org/ir-networks/>

¹⁶ Murphy, D. The evolution of public sector financial management in Bulgaria / D. Murphy // International Journal of Managerial and Financial Accounting. – 2009. – Vol.1/4. – P. 370.

Table 1.1 (continued)

1	2	3	4
5	IR-Banking Network	Banking sphere	Exchange of the best practice in the process of drawing up integrated reports, preparation of specialized practical guides for the banking sector
6	IR-Insurance Network	Insurance sphere	Association of insurers and reinsurers to focus on relevant aspects of applying the international framework for integrated reporting
7	IR-Investor Network	Network of investors	Continued collaboration with institutional and private investors on the issues of identifying drawbacks in corporate reporting and the ways to overcome them.
8	IR-Pension Fund Network	Network of retirement funds	Support in the formation of integrated reports in the sphere of retirement insurance
9	IR-Technology Initiative	IT companies	Support of enterprises' interaction as to the introduction of technological solutions, consulting and system integration of information and communication technologies in the formation of integrated reporting

Reporting has to evolve due to the necessity to represent changes in business itself, in information technologies, in the requirements of users^{17 18}. At the same time, the idea of developing and using the “new reporting model” is far from being new. During the periods of economic cataclysms, it became a tradition to emphasize the failure of the established model of financial reporting to meet the

¹⁷ Сорокина К.В. Интегрированная отчетность – новая модель для бизнеса / К.В. Сорокина // Корпоративная финансовая отчетность. Международные стандарты. 2011. – №7. – [Электронный ресурс]. – Режим доступа: <http://www.cfin.ru/ias/manacc/integr.shtml>.

¹⁸ Petrova-Kirova M. Integrated Reporting –The New Direction in The Corporate Reporting / M. Petrova-Kirova // Zoran Ćekerevac. 1, Belgrade –Toronto: MESTE, January 15, 2019. – MEST Journal, Vol. 7. – pp. 80-84.

information needs of all interested users and to call for significant reforming or even developing a radically new approach¹⁹. The fact that the global application of International Financial Reporting Standards (IFRS) has been adjusted for more than 30 years is the proof of the difficulty of achieving global consensus when implementing the concept of integrated reporting.

1.2 Evolution of integrated reporting

The concept of integrated reporting has become a new form of modification of the concept of corporate social responsibility, which began its formation in the 1950s. However, most authors remarked the first integrated reports were formed only in 2000, and it is this stage that is the starting point of the new concept of reporting. This is due to the fact that the first official publication of the working version of the Sustainable Development Reporting Guidelines, which is one of the normative and methodological acts regulating the process of drawing up an integrated report, took place in 2000.

The development of reporting forms and a list of indices, which are presented in it, firstly, are directly related to the changes in the interests of a particular group of users of accounting and reporting information, and secondly, to the social and political conditions that affect the activity of a specific economic entity, in particular, the development of the economy of a country and the world in general, and thirdly, to the legal and regulatory framework of accounting. In addition, as it is pointed out by M.V. Koriagin and P.O. Kutsyk, the basic priority of improving the accounting system is the progressive or regressive development of the institutional environment²⁰. That is the development of integrated reporting is influenced by various institutions, which, according to the hierarchy of the institutional support of accounting in Ukraine by V.M. Zhuk, are expedient to refer to as: formal institutions “in the heads of people” (professional

¹⁹ Lyutakova A. Comparative analysis of non-financial declarations of Bulgarian companies / A. Lyutakova // VUZF Review, 2019. № 1. P. 43-57. Retrieved from <https://papersvuzf.net/index.php/VUZF/article/view/38>

²⁰ Корягін М.В. Проблеми та перспективи розвитку бухгалтерської звітності : монографія / М.В. Корягін, П. О. Куцик. – Київ: Інтерсервіс, 2016. – 276 с., С. 28.

accountants, auditors, owners, managers); institutions of science, education, professional support (in particular, trade unions, accounting editions); controlling institutions (such as State Audit Service of Ukraine, State Fiscal Service of Ukraine, auditing firms); regulatory institutes (in particular, the Ministry of Finance, National Bank of Ukraine, National Securities and Stock Market Commission); formal institutions (“rules of the game” – legislation, National Provisions (Standards) of Accounting, instructions)²¹. The above mentioned institutions form a methodological basis for the presenting integrated reporting, in particular: professional accountants must have competencies to determine both financial and non-financial indices of integrated reporting, to present them as to their relationship and to disclose in a comprehensible form for interested users; auditors must know modern methods of checking the indices of integrated reporting, to develop plans, programs, tests, working documents of inspection; owners and managers must determine the information needs of interested users (investors, state bodies, population, etc.) and to establish a mechanism for collecting and transferring information from the organization units of an enterprise to the department where an integrated report is formed, etc.

While studying the historical aspects of the origin of integrated reporting, it is necessary to agree with the opinion of Ya.V. Sokolov, who pointed out that history in no way proving the existence of progress is, in fact, only a superficial change in forms. Interpreting the above mentioned statement as to the subject of research, we suppose that integrated reporting is the further development of the other forms of reporting, therefore, it is expedient to consider the historical retrospective of the establishing various forms of reporting, which is associated with a number of preconditions in order to elaborate the prospects for the further development of integrated reporting in Ukraine and to determine its optimal structure for different groups of users in the current context of economic management, that is defined as the purpose of the article.

According to some authors, the development of reporting began

²¹ Жук В.М. Концепція розвитку бухгалтерського обліку в аграрному секторі економіки : монографія / В.М. Жук. – К.: ННЦ ІАЕ, 2009. – 648 с., С. 90.

at the end of the XV century^{22,23}. Other scholars believe that awareness of the need for reporting can be traced in the economic theories of the late XI – early XVIII century^{24,25}. Indeed, from a scientific standpoint, conscious studies of the techniques and methods of reporting appeared with the advent of the first accounting technologies for systematizing, processing and disclosing economic data. Investigating the fundamental works of Ya.V. Sokolov, M.I. Kuter and T.N. Mal'kova devoted to the history of accounting, it is possible to conclude that the first reports, of course, in a primitive form were formed even BC.

Confirmation of the existence of reporting in the ancient world is the archaeological finds of amphor remains in Rome, where the name, number and place of origin of the products that were in them were recorded. Specially trained people regularly visited the owners of warehouses and, having agreed with the accounts, took a certain part of the tangible assets in favor of the state. Thus, even in those days, the reporting performed a controlling function and served as the basis for tax payments. Representatives of many other nations left original reports on their economic activity on the ruins of the temples and palaces of the ancient civilizations, by studying which it becomes clear that every ruler sought to inform the community about the state of his affairs through public reports. Reporting in Babylon was represented by the burnt clay plates, which were stored in specially designated premises. In Athens, reports were placed on marble and bronze slabs, which contained information about the wealth held by the head of the family to inform each one about the status, because the social standing depended on the size of income. The history of origin of the property status reporting is associated with ancient Rome, where once every 5 years, heads of families (except poor slaves) were proposed to submit the census reporting

²² Корягін М.В. Проблеми та перспективи розвитку бухгалтерської звітності : монографія / М.В. Корягін, П. О. Куцик. – Київ: Інтерсервіс, 2016. – 276 с., С. 28.

²³ Veysel A. Auditor's Assurance Engagement on Integrated Reports, monograph / A. Veysel // Sofia, ATL-50, 2018. – 158 p.

²⁴ Теоретичні та методичні основи складання фінансової звітності в Україні. – Ірпінь : НДІ фінансового права, 2014. – 60 с.

²⁵ Лютакова А. Нефинансовата декларацияв Закона за счетоводството – изгубени впре вода / А. Лютакова // ИДЕС, 2016. – година XX. – С. 40-53.

which described the size of family capital for fiscal purposes. The census report was a description of the property in physical terms, and from 312 B.C. – In monetary terms. The report disclosed information about real estate, land, inventory, jewelry and clothing²⁶. With the development of society, carriers of reporting, measuring instruments, its form and structure changed, the content of information provided in it (from the data on the volume of harvested crop to the assessment of environmental, social, intellectual and other indices) was expanded and improved, and, ultimately, the information requirements of users and information opportunities of reporting forms changed (Figure 1.2). Analyzing the information presented in the scheme, it should be noted that the reporting has covered a long way from presenting information on the clay plates to the formation of electronic reports, from drawing up only the balance sheet to the integrated reporting, which arose as a consequence of the gradual accumulation of experience of corporate reporting under the influence of market requirements.

As we can see, the first integrated report in Ukraine was formed by the SCM company (System Capital Management) in 2005. At the same time, investigating the historical background of the integrated reporting origin, we came to the conclusion that the first reports that could be identified as integrated, had been formed on the territory of Ukraine long before this event. This is confirmed, firstly, by the investigation of the reporting structure that was formed in Kharkiv province at the beginning of the XXth century (during the period of 1909-1916) and its comparison with the requirements set forth in the International Standard for Integrated Reporting (ISIR). Secondly, it is confirmed by the fact that nowadays the structure of the integrated report is not unified, the enterprise can independently choose the nomenclature of its indices and profiles of presenting information, the point is that its content meets the basic requirements of the standard²⁷.

²⁶ Кутер М. И. История бухгалтерского учета капитала / М. И. Кутер, М. М. Гурская // Бухгалтерский учет. – № 3. – 2010. – С. 106–107.

²⁷ Вейсел А.. Одиторски ангажименти за изразяване на сигурност относно интегрирани отчети / А. Вейсел // София: АТЛ-50. – 2018. – С. 78.

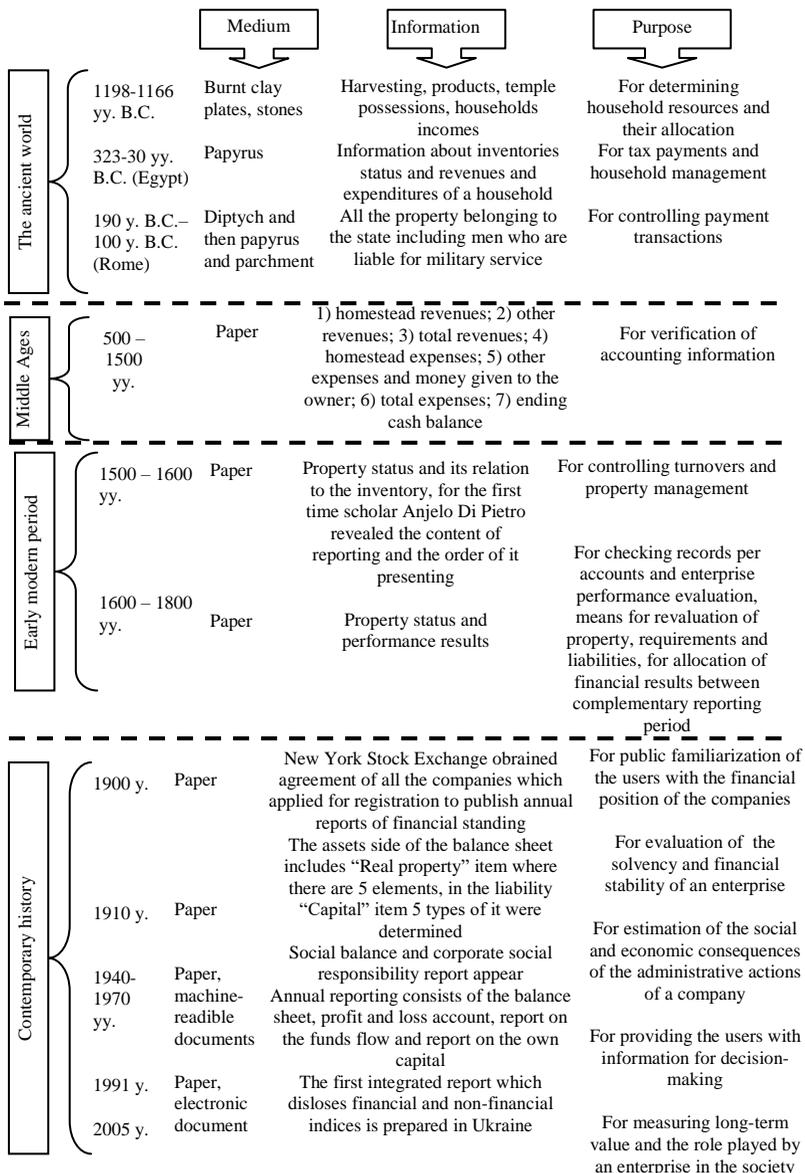


Fig. 1.2 Periodization of the reporting development

According to the ISIR, the structure of the integrated report includes eight elements: the survey of the organization and the external environment; management; business model; risks and opportunities; strategy and resource allocation; performance results; prospects for the future; basic principles of preparation and presentation. Almost all of these structural elements are presented in the Report of the Kharkiv provincial municipal council in 1913; therefore, in order to prove the assumption that the history of integrated reporting has been over a century, let us consider in more detail their disclosure in the document mentioned.

1) ***Overview of the organization and the external environment.*** Explanatory notes to the Report presented the commencement address of the head of the council to the assembly members in which he disclosed the financial state of the Kharkiv provincial municipal council, the results of the budget performance of revenues and expenditures, the amount of expenditures made solely for the needs of the districts using budget funds of the provincial charge, long-term loans in special capitals for provincial needs, the arrears of the district councils to the provincial one, the situation and the flow of amounts on all capitals of the Province during 1913. External environment effects was revealed in the report while presenting information on the legal regulation of presenting information in the report, budget cuts due to the state of war, cost overruns and savings for each district of the Kharkiv province, the worsening of the epidemiological situation in some districts and the amount of expenditures on its improvement.

2) ***Management.*** Since the report is a general description of the activity of all the districts of the Kharkiv province, the report did not disclose the structure of management for each one separately, only at the end of each section there was presented information about the members of the council who participated in the preparation of some section of the report and the accountant.

3) ***Business model.*** Certainly, such a concept did not exist in the early XXth century yet, but if we consider the description of a business model presented in the standard, namely: the system of transforming resources through its commercial activity into the products and results, aimed at achieving the strategic goals of an organization and creating value in the short, medium and long-term

periods, then it can be stated that the entire report is a consecutive description of what resources of the province and how they were used and what results were obtained.

4) **Risks and opportunities.** Information on the risks is presented in the report in the “Special capitals” section, namely, in the statement about the state and flow of debt securities issued to individual debtors using special funds.

5) **Strategy and resources allocation.** The strategy is revealed in the report as to the measures aimed at the improvement of the cattle breeding and gardening of the province in the following reporting period and the resources allocation is presented in detail for each district.

6) **Results of the activity.** In each chapter, for each type of activity (education, medicine, trade, etc.) information on revenues and expenditures and cash deficit is disclosed as well as the reason of its origin is described. Financial reports on performing income and expenditure budget in the province are presented separately.

7) **Future prospects.** This section is presented in a separate report “Review of Measures to Improve Cattle Breeding in Kharkiv Province”.

8) **Basic principles of preparation and presentation.** The main principle of the report preparation implies: “strict identification of accounts of each of the capitals that are at the disposal of the province, special capitals and amounts ...”²⁸. It is also pointed out that the report is divided into two separate parts: the first one is reporting on the provincial district council charge and some statements of general value; the second one is reports on all capitals, funds and amounts.

The conducted investigation completely confirms the thesis that the history of integrated reporting dates back to the emergence of the ISIR and the official publication of integrated reporting by individual companies, and its current structure was formed as a result of the expansion of the information needs of users of accounting and reporting information under the influence of the processes of globalization and informatology of social and economic relations.

²⁸ Отчет Харьковской губернской земской управы за 1913 год. – Харьков: Т-во «Печатная С.П. Яковлева», Гончаровский бульв., д. Т-ва, №6/2. – 1915 г.

1.3. Areas of implementation of integrated reporting in Ukraine

In recent years, the annual reporting of enterprises undergoes dramatic changes, as the concept of sustainable development, which has become the dominant factor of the 21st century, comes to the fore as a crucial factor in strategic planning. It is the integrated reporting of a company, unlike the traditional one, is able to provide the comprehensive and most complete conception of business and provide investors with transparent information about the tools for establishing a company's long-term value. For the most part, researchers disclose the distinctions of the integrated reporting from traditional by such indices as: capital, information structure, and scope of reporting, accuracy of reporting elements presentation, interconnectedness, and suitability for the forecasting, transparency, compliance with the requirements of the law^{29,30,31}. Some researchers add to this list the briefness and timeframe^{32,33}, or the use of modern technologies^{34,35}. The main disadvantage of each of these accounting ideas is that indices for comparing are not systematically chosen that impedes understanding the benefits of integrated reporting by the general public and, accordingly, slows down its propagation in practice. The study of the regulatory and legal framework, the

²⁹ Когденко В. Г. Интегрированная отчетность: вопросы формирования и анализ / В. Г. Когденко, М. В. Мельник // Международный бухгалтерский учет. – 2014. – № 10. – С. 5.

³⁰ Серебрякова Т.Ю. Интегрированный учет и отчетность: институциональный подход / Т.Ю. Серебрякова // Учет. Анализ. Аудит. – 2016. – №2. – С.29–30.

³¹ Kasarova V. Financial analysis / V. Kasarova. – Sofia: New Bulgarian University, 2013. – p. 6.

³² Кузьменко О. А. Интегрированная отчетность – новая модель отчетности для российских корпораций / О. А. Кузьменко, М. В. Абросимова // Академический вестник. – 2014. – № 1 (27). – С. 102–113.

³³ Petrova Stancheva-Todorova E. Фактори, оказващи влияние върху професионалните преценки на счетоводителите в България / E. Petrova Stancheva-Todorova, I. Ankova // Годишник на Стопанския факултет на СУ „Св. Климент Охридски“. – 2018. – № 1. – P. 289-303.

³⁴ Домашенко Ю. В. Интегрована звітність: вдосконалений облік операцій як показник ефективності діяльності / Ю. В. Домашенко // Економічний вісник. – 2013. – №1. – С. 70.

³⁵ Nedelchev M. Overview of Corporate Governance in Bulgaria / M. Nedelchev // Entrepreneurship, 2017. – Vol.V/2. – pp.70-76.

analysis of the peculiarities of drawing up integrated reporting by the large foreign and Ukrainian companies and determining the needs of users of accounting and reporting information allowed concluding that there is a conflict between the requirements of the law to the drawing up financial reporting and the needs of management systems which traditional reporting can not meet. Therefore, it is expedient to disclose the advantages of integrated reporting in the context of two outlines – regulatory and legal, system and management, by the following indices: the conception of the system of value creation, subject to management, coverage of indices, adaptability to the requirements of legislative and regulatory acts, orientation in the time frame, obligation of performing, vector of use for sustainable development planning and transparency (Table 1.2).

Table 1.2

Advantages of the integrated reporting compared to traditional

No.	Name	Traditional reporting	Integrated reporting	Advantages of integrated reporting
1	2	3	4	5
Indices of regulatory and legal outline				
1	Adaptability	IFRS, National Accounting Provisions (Standards)	IIRS, risks of entrepreneurship	determined by the risks, opportunities and results that significantly affect the ability of an enterprise to create value and added value
2	Coverage	Financial indices	Financial and non-financial indices	reveals the results not only of objects that are subject to monetary valuation, but also of operations that can be characterized using non-financial indices, that contributes to improving the quality of interaction with investors and other parties concerned
3	Obligation	Obligatory	Non-obligatory	demonstrates the desire of owners to promulgate not only

Table 1.2 (continued)

1	2	3	4	5
				information on the results of the financial and economic activity, but also its environmental and social consequences
4	Transparency	Not high	High	discloses to all parties concerned information as to the objectives of activity, legal, institutional and economic foundations, substantiation of the principle decisions in the ecological, social and economic spheres intelligibly and in a timely manner
Indices of the system and management outline				
1	Orientation	Past events	Future	is oriented towards the future, taking into account strategic goals and all kinds of risks, allows forecasting the company's development in the short-, medium- and long- term.
2	Object	Financial capital	All types of capitals	forms a toolkit for managing not only financial capital, but also productive, personnel, intellectual, natural and social, their interdependence in achieving success
2	Object	Financial capital	All types of capitals	forms a toolkit for managing not only financial capital, but also productive,

Table 1.2 (continued)

1	2	3	4	5
				personnel, intellectual, natural and social, their interdependence in achieving success
3	Conception	Isolated	Integrated	allows introducing modern tools for monitoring, managing and transferring accounting and reporting information to stakeholders as to the complex system for creating value at an enterprise and prospects for activity that provides additional opportunities for creating new sources of income
4	Vector	Tactical	Tactical and strategic	is suitable not only for solving tactical management purposes, but also for strategic planning of the company's activity, since it takes into account short-, medium- and long-term factors

Introducing the concept of value-oriented management into practice of foreign companies contributed to the emergence of more than 10 new reporting models focused on increasing the transparency of business by means of disclosing non-financial information, namely: Jenkins Report, Tomorrow's Company Report, 21st Century Annual Report, Inevitable Change, Inside Out, Value Reporting, Sustainability Reporting (GRI), The Brooklings Institution, Value Dynamics, Enhanced Business Reporting, Integrated Reporting. The presented reporting models are expedient to use as a framework for developing the concept for the creation of integrated reporting in Ukraine. In addition, although changes in European legislation

directly affect only Ukrainian companies operating in the international markets, they can be partially implemented today into the national reporting practice. At the same time, in Ukraine the issue of integrated reporting should be considered not only at the corporate level. It is necessary to develop effective measures as to promoting and implementing the elements of integrated reports in the public and academic sectors, insurance and banking, in the network of investors and retirement funds, at the level of IT companies and professional accountants (Table 1.3).

The conducted systematic and chronological analysis of the content of the current Projects of the International Integrated Reporting Council and its advantages compared to the traditional one indicates the necessity of the new innovative approach to the formation of accounting and reporting information in world practice and contributes to scientific research on the issues in focus. Integrated reporting is the most advanced among the existing initiatives aimed at disclosing in the economic entities' reporting non-financial indices that characterize not only economic but also social and environmental aspects of sustainable development. Only integrated reporting provides tools for disclosing information about such types of an enterprise's capital as production, financial, human, intellectual, social and natural. Obviously, taking into account Ukraine's course on European integration and global trends in legislative regulation of issues related to the formation and disclosure of information on the activities of economic entities, it is possible to state that such practices will be distributed, so Ukrainian companies should be prepared for this.

Table 1.3

Perspective tendencies of activity on the implementation of integrated reporting in Ukraine

Sector	Measures taken	Areas of development
1	2	3
Public sector	Unified web-portal for using public funds e-data.gov.ua; public expenditures monitoring system prozorro.org	development of the state portal of integrated reporting of companies; introduction of the system of public control of the government action; development of the integrated information and analytical

Table 1.3 (continued)

1	2	3
		<p>system of the body of state authorities and local self-government bodies; integration of the databases and services at the Cabinet of Ministers level; development of legal and regulatory framework for integrated reporting and measures to motivate enterprises to its formation</p>
<p>Business sector</p>	<p>Formation of the integrated reporting by Ukrainian companies: “Obolon”, “Nibulon”, “Arterium”, “Tetra Pak”, etc.; translation of ISIR into Ukrainian</p>	<p>changing attitude to the functions of the accounting service and the role of accounting and reporting in the management system; making additions to the accounting policy on the issues of formation of IR; formation of working groups at the enterprises for the development of integrated reporting and its promulgation</p>
<p>Academic sector</p>	<p>conducting annual international conferences in Ukraine “IIRS and Integrated Accountability: Present and Future”; participation of Ukrainian researchers in the “World Congress of Accountants”; teaching “Integrated Reporting” discipline in some universities of Ukraine</p>	<p>public discussion of the advantages of integrated reporting at specially organized international round tables; reporting on the advantages of IR to the entrepreneurial structures; introduction of knowledge about the best practices of IR in curricula at teaching disciplines of the accounting cycle at universities</p>
<p>Professional accountants organizations</p>		<p>Providing outsourcing services for the formation of IR; development of the programs for certification and</p>

Table 1.3 (continued)

1	2	3
	<p>Concluding “Memorandum on Mutual Understanding” by the International Federation of Accountants (IFAC) together with the International Integrated Reporting Committee (IIRC); involvement of the Federation of Professional Accountants and Auditors of Ukraine (FPAAU) to discussing the Draft of the Principles of Integrated Reporting; conducting the International Forum “Accounting Community of Ukraine: Facing European Challenges” by the Center for Financial Reporting Reforms of the World Bank and FPAAU</p>	<p>advanced training of accountants on the IR issues; providing entrepreneurial structures with professional consulting on the issues of IR</p>
<p>Banking sphere</p>	<p>presentation of the analysis of the applying the concept of “capitals” in the IR by the banking sector of the Banking Network of the International Committee on Integrated Reporting; organization of international conferences “IFRS and Integrated Reporting: Present and Future” by the NBU; the formation of integrated reporting by Ukrainian banks “Nadra”, “Platinum Bank”</p>	<p>introducing issues on the formation of IR in the banking sector into the “Strategy of development of the banking system of Ukraine 2016-2020”</p>
<p>Insurance sphere</p>	<p>functioning of the information-analytical subsystem of the Governmental Financial Services Commission; selling policies and paying insurance premiums by means of digital signatures and electronic money; introduction of the</p>	<p>development of technological platform for automation of processes of registration and processing of integrated reporting with the use of electronic and digital</p>

Table 1.3 (continued)

1	2	3
	system of electronic document circulation	signature for non-governmental insurance companies and credit unions; increasing the effectiveness of cooperation between insurance intermediaries and insurers, reducing the number of fraud cases in the insurance business
Investors network	a joint project of ACCA and Longitude Research on the study of changes in the set of investors' requirements to corporate financial reporting; foundation of the coalition of investors' organizations Ceres; introduction of integrated reporting standards listing at the world stock exchanges to the requirements	development of measures to increase the confidence of foreign investors in the data of integrated reports of Ukrainian companies; creation of a public organization of investors in Ukraine and its entry into the global network of investors; development of recommendations on the disclosure of information on social, managerial and environmental policies by Ukrainian companies
Network of retirement funds	functioning of the information-analytical subsystem of the Governmental Financial Services Commission	development of the technological platform for the automation of the processes of registration and processing of integrated reporting using

Table 1.3 (continued)

1	2	3
		electronic and digital signature for non-governmental retirement funds and administrators of non-governmental retirement funds
IT sector	technological platforms for accounting, the formation and disclosure of financial reporting	developing electronic formats of exchanging data in the XBRL format (eXtensible Business Reporting Language) for preparing financial and non-financial reporting in accordance with the principles of IFRS, Basel and Solvency, which will allow the describing the reporting and the obtained analytical information in the language of the baseline data grouped in the data model

The introduction of the developed areas for implementing integrated reporting in Ukraine will allow Ukrainian companies beginning preparation of reporting with significant non-financial indices, paying more attention to the policy of disclosing environmental, social, economic elements of capital in the reporting and increasing investment attractiveness of business. In turn, the perspective areas of further research should become seeking solutions to the problems of optimizing the structure of indices of integrated reporting, preventing the increase of the level of information noise in the integrated reports, using an integrated report as a means to overcome information asymmetry and increasing the level of investors' satisfaction.

PART 2

METHODOLOGICAL PROVISIONS OF IMPLEMENTATION OF INTEGRATED REPORTING IN ACCOUNTING PRACTICE

2.1 Formalization of the category and terminological framework of integrated reporting

The main problem of implementing integrated reporting in Ukraine is the lack of clear requirements as to its preparation. Significant discrepancies in the formats of integrated reports of different companies complicate the comparison of accounting and reporting information and verification of its reliability. In addition, the complex issue is to ensure the possibility of taking into account the interests of all groups of stakeholders in one report, as well as the necessity of the correct identification of the indices that most fully disclose the specificity of enterprises' activity in various sectors of the economy^{36,37}. According to experts from "Ernst & Young (CIS) B.V." one of the ways to overcome the problem of spreading the practice of preparing integrated reporting by enterprises is to immediately ensure the uniform terminology and the development of unified approaches as to understanding the essence of concepts the definitions of which are not provided by the current standards³⁸.

The companies "Ernst & Young" (an international leader in audit, taxation, contract support and advisory services) and the GreenBiz Intelligence Panel (initiator of the research and organizer of the activities aimed at accelerating the development of the sphere of the media sector's sustainable development) conducted a poll among the

³⁶ Лаговская Е.А. Интегрированная модель отчетности: преимущества и недостатки применения. Вестник Брестского государственного технического университета. 2012. №3. С. 34.

³⁷ Kitanov Y. Non-financial declaration. Theoretical aspects. / Y. Kitanov // VUZF Review, 2018. – № 3(6). – Pp. 43-56.

³⁸ Шесть тенденций в области устойчивого развития компаний в 2013 году. Исследование, проведенное компанией EY совместно с GreenBiz Group [Электронный ресурс]. Режим доступа: [http://www.ey.com/Publication/vwLUAssets/EY-Six-growing-trends-in-sustainability-2013-RUS/\\$FILE/EY-Six-growing-trends-in-sustainability-2013-RUS.pdf](http://www.ey.com/Publication/vwLUAssets/EY-Six-growing-trends-in-sustainability-2013-RUS/$FILE/EY-Six-growing-trends-in-sustainability-2013-RUS.pdf)

managers and leading experts as to the development and implementation of the corporate strategy in the field of environmental protection and implementation of integrated reporting in order to identify other problems of implementing integrated reporting in the activity of enterprises. 282 respondents representing 17 sectors of the economy and working in the companies with annual turnover of more than \$ 1 billion participated in the poll in which they shared their knowledge and forecasts as to corporate initiatives, legislative changes and academic achievements that are the focus of the expert community attention and have a direct or indirect relation to the process of forming integrated reporting and implementing the concept of sustainable development. The survey conducted allowed identifying the problems that hinder the spread of the practice of forming integrated reporting. The systematized results of the survey on the implementation of integrated reporting are presented in Figure 2.1.

Based on the results of the survey it can be stated that the concept of integrated reporting is quite new and, in this respect, enterprises face a number of problems in its promotion, one of which is terminology. Particular difficulties arise when filling the environmental and social components of reporting, when defining the concepts of “natural”, “intellectual”, “socially-reputational” and “human” capital, and differentiating their components and defining the indices that should be disclosed in the context of each of them. The issues of developing an adequate accounting and reporting terminology for preparing integrated reports and ensuring the concept of sustainable development became especially topical after the New York Summit on Sustainable Development in 2015, when 193 United Nations member-states unanimously adopted The New Global Sustainable Development Program, which contains 17 goals that the world has to achieve by 2030 (Table 2.1).

UN Secretary-General Ban Ki-moon pointed out during his speech at the summit: “The real test of commitment to the Agenda-2030 will be its implementation. We need actions from everyone and everywhere. Our reference point is the Seventeen Sustainable Development Goals. They are a list of compulsory affairs for people and the planet, a plan for achieving success”³⁹.

³⁹ 17 цілей сталого розвитку [Електронний ресурс]. Режим доступа: www.globalgoals.org/

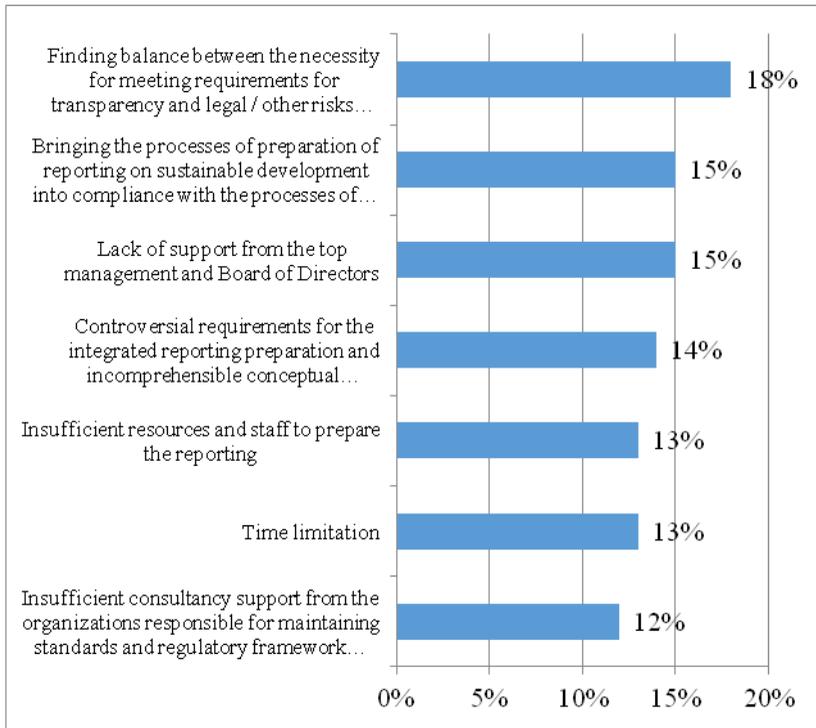


Fig. 2.1 The problems in the course of integrated reporting preparation

The ways of achieving the goals of the global concept of sustainable development identified at the Summit should be the guideline for the activities of every citizen, every enterprise, state and society as a whole. To solve them it is necessary to expand the boundaries of integrated reporting so that each section of it answers the question: “What has been done or is planned to do in order to achieve one of the seventeen goals of sustainable development?” However, it is integrated reporting that is a concept of considering the issues of sustainable development as an integral part of core activities from management and communication perspectives⁴⁰. As the representatives of the audit company Deloitte point out: “Under

⁴⁰ Інтегрована звітність: варіанти розвитку KPMG: Сайт Центу «Розвиток КСВ». [Електронний ресурс]. Режим доступу : <http://csr-ukraine.org/news>

current conditions of economic management it is not enough for a successful company just to get a high profit. It must carry out its activity in a way that conforms to ethical principles and principles of social responsibility that is minimizing the negative impact on the environment, taking into account the interests of all groups of stakeholders and having a positive impact on the society as well as on the planet as a whole”⁴¹.

Table 2.1

The goals of the global program of sustainable development until 2030

Goal No.	Brief interpretation of the goal	Directions for achieving the goal
1	2	3
Goal 1	Overcome poverty all over the world and in all of its aspects	- protection through the state social programs; - provision of the property rights and access to financial resources for the poor on a parity basis with others
Goal 2	Overcome hunger, improve availability and quality of food, and stimulate sustainable agriculture	- equal access to land and other natural resources, finance, knowledge and markets; - the productivity and incomes of small food producers should be doubled; -access to safe, nourishing food in sufficient volumes
Goal 3	Ensure health support and promotion of the healthy lifestyle for all people regardless of age	- overcoming epidemics of AIDS, tuberculosis and malaria - reduction of the number of deaths and diseases due to the pollution of air, water and soil with dangerous chemicals
Goal 4	Ensure comprehensive and equitable access to education and extend lifelong learning opportunities	- Full free and high-quality elementary and secondary education for all children of the planet; - affordable and high-quality higher education for both men and women - affordable and high-quality higher education for both men and women; - the inclusion of knowledge and skills for promoting the principles of sustainable development to the educational materials

⁴¹ Integrated Reporting: a Better View? [Электронный ресурс] / Deloitte. Global Sustainability and Climate Change Services. 12 p. Режим доступа: http://www.deloitte.com/assets/Dcom-Global/Loal%20Assets/Documents/Sustainability%20and%20Climate%20Change/dtl_Deloitte_Integrated_Reporting_a_better_view_Sep_2011.2.pdf

Table 2.1 (continued)

1	2	3
Goal 5	Achieve gender equality and strengthen women's rights	<ul style="list-style-type: none"> - elimination of discrimination and ill-treatment; - the value of unpaid homework must be recognized through the provision of social assistance and public services and the provision of equal opportunities for participation in social, political and economic life
Goal 6	Ensure water availability and water purification as well as sustainable management of water resources	<ul style="list-style-type: none"> - improving water quality by reducing pollution, decreasing untreated emissions and increasing levels of safe water reuse - ensuring sustainable use and reducing the number of people suffering from water scarcity
Goal 7	Ensure the use of affordable, reliable, safe and sustainable energy for all residents	<ul style="list-style-type: none"> - access to reliable, safe and sustainable energy sources - the share of renewable energy sources should increase substantially, and the rate of energy efficiency improvement should double - strengthening international cooperation for research and technologies in the field of renewable energy
Goal 8	Stimulate sustainable and integral economic growth, full and productive employment and decent working conditions	<ul style="list-style-type: none"> - the growth of the national economies in the world and diversification of the activity areas, technological renovation and innovations - increase in consumption and resource efficiency and decrease in environmental degradation (decoupling) - liquidation of modern slavery and human trafficking
Goal 9	Develop a sustainable infrastructure, promote comprehensive and sustainable industrialization and accelerate innovations	<ul style="list-style-type: none"> - an increase in the share of industry in the employment - modernization of industry and introduction of environmental technologies into industrial processes - strengthening research studies aimed at innovations and sustainable development
Goal 10	Reduce inequalities within and between countries	<ul style="list-style-type: none"> - growth of income of poorer people - provision of social, economic and political rights - reforms in the area of taxation, wages and social protection - facilitating migration and mobility of people

Table 2.1 (continued)

1	2	3
Goal 11	Make cities and other settlements comfortable, sustainable and environmentally friendly, safe, and	<ul style="list-style-type: none"> - access to safe and affordable transport systems - improving road safety and expanding public transport systems - strengthening activities for the protection and preservation of the world's cultural and natural heritage
Goal 12	Ensure sustainable consumption and production practices	<ul style="list-style-type: none"> - achievement of sustainable management and efficient use of natural resources - restructuring of tax systems and elimination of environmentally harmful subsidies - including information about non-financial aspects of activity to reporting
Goal 13	Take immediate measures to combat climate change and its consequences	<ul style="list-style-type: none"> - enhancing sustainability and adaptability to natural disasters associated with climate change - start the full-fledged activities of the Green Climate Fund and assign \$ 100 billion a year, starting from 2020, for the needs of developing countries
Goal 14	To save and make sustainable use of the resources of the oceans, seas and marine ecosystems for their sustainable development	<ul style="list-style-type: none"> - sustainable management and protection of marine and coastal ecosystems and the introduction of the effective mechanisms for regulating catches of fishery resources - minimizing the oxidation of the oceans, due to the intensification of scientific cooperation at all levels
Goal 15	Preserve, restore and promote the sustainable use of terrestrial ecosystems, sustainable forest administration, halting land degradation	<ul style="list-style-type: none"> - reduction of species extinction and biodiversity loss - reducing the impact of invasive species on the terrestrial and aquatic ecosystems and increase in funding for the conservation and sustainable use of ecosystems and biological resources
Goal 16	Promote sustainable development of peaceful communities, provide and develop effective, accountable and equal for everybody government authorities at all level	<ul style="list-style-type: none"> - the eradication of humiliation, exploitation, human trafficking and all forms of ill treatment and abuse against children - ensuring equal access to justice - reduce corruption and bribery in all of their aspects - effective, accountable and transparent government institutions

Table 2.1 (continued)

1	2	3
Goal 17	Strengthen opportunities for sustainable development and intensify international cooperation in this area	<ul style="list-style-type: none"> - strengthen the ability of countries to raise financial resources for sustainable development - development, transfer and dissemination of environmental technologies - improve the system of collecting tax and other revenues due to the foreign aid

The first step in successful overcoming the difficulties born by the goals of sustainable development and the scientific substantiation of the structure and indices of integrated reporting, as one of the means of achieving them, is the standardization of the conceptual framework of integrated reporting. The level of terminology is a reflection of the level of achievements of scientific and technological development of both the country as a whole and a separate branch of scientific knowledge. In Ukraine, the issue of standardization of the integrated reporting terminology became especially acute after the adoption of the Decree of the President of Ukraine dated January 12, 2015, No. 5/2015 “Strategies for sustainable development “Ukraine-2020”⁴², which includes 4 vectors of implementation (Figure 2.2).

In order to develop a conceptual and terminological framework for integrated reporting and to determine the list of definitions, terms and concepts that require adjustment and clarification, first of all, it is necessary to investigate the provisions of the legal and regulatory framework for integrated reporting. The main and still the only one normative document that regulates the organizational and methodological provisions for preparing an integrated report and the procedures for integrated reporting is the International Standard for Integrated Reporting, adopted by the International Council for Integrated Reporting in 2013. The integrated reporting model described in it is based on seven leading principles and consists of seven structural elements (Figure 2.3).

⁴² Стратегія сталого розвитку «Україна – 2020» від 12 січня 2015 року. [Електронний ресурс]. Режим доступу: <http://zakon5.rada.gov.ua/laws/show/5/2015?nreg=5%2F2015&find=1&text=%E7%E2%B3F2%ED&x=0&y=0>

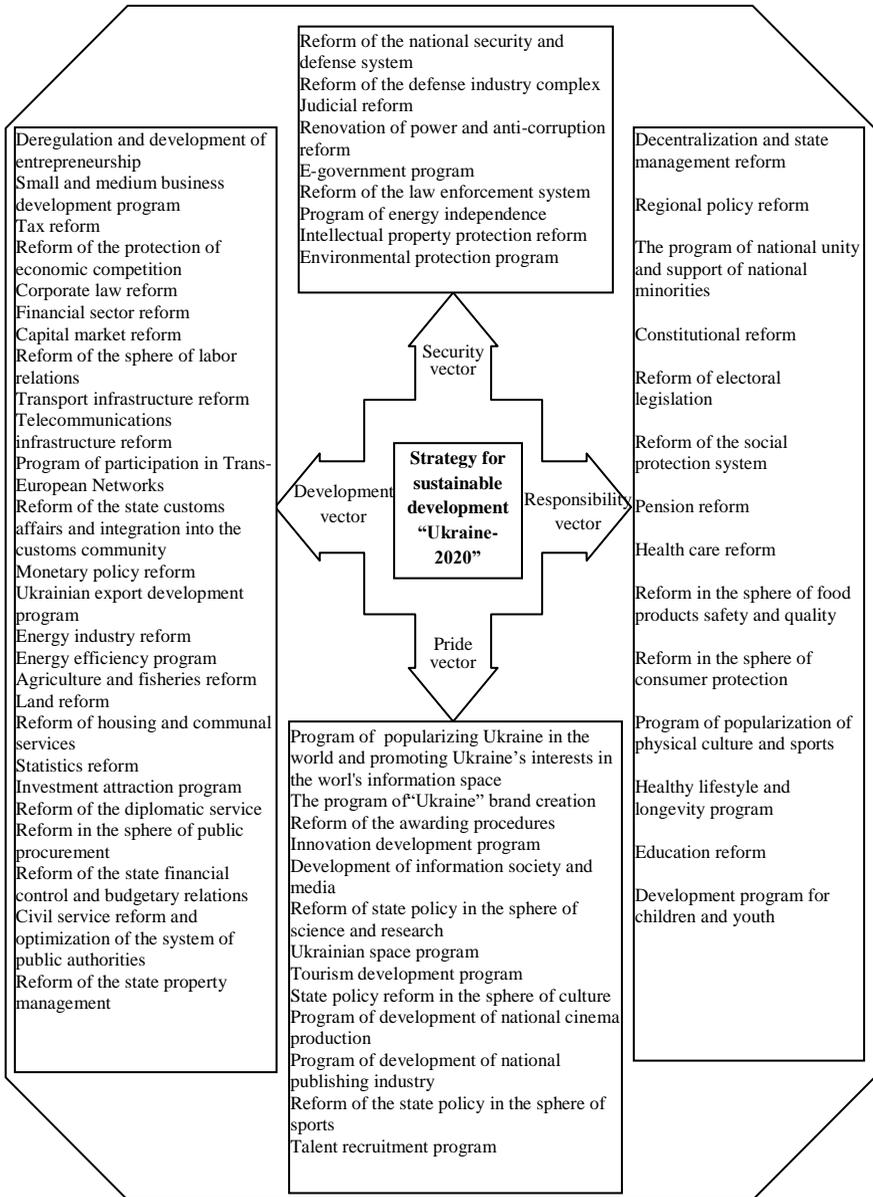


Fig. 2.2 Vectors of implementation of the Strategy for sustainable development "Ukraine-2020"

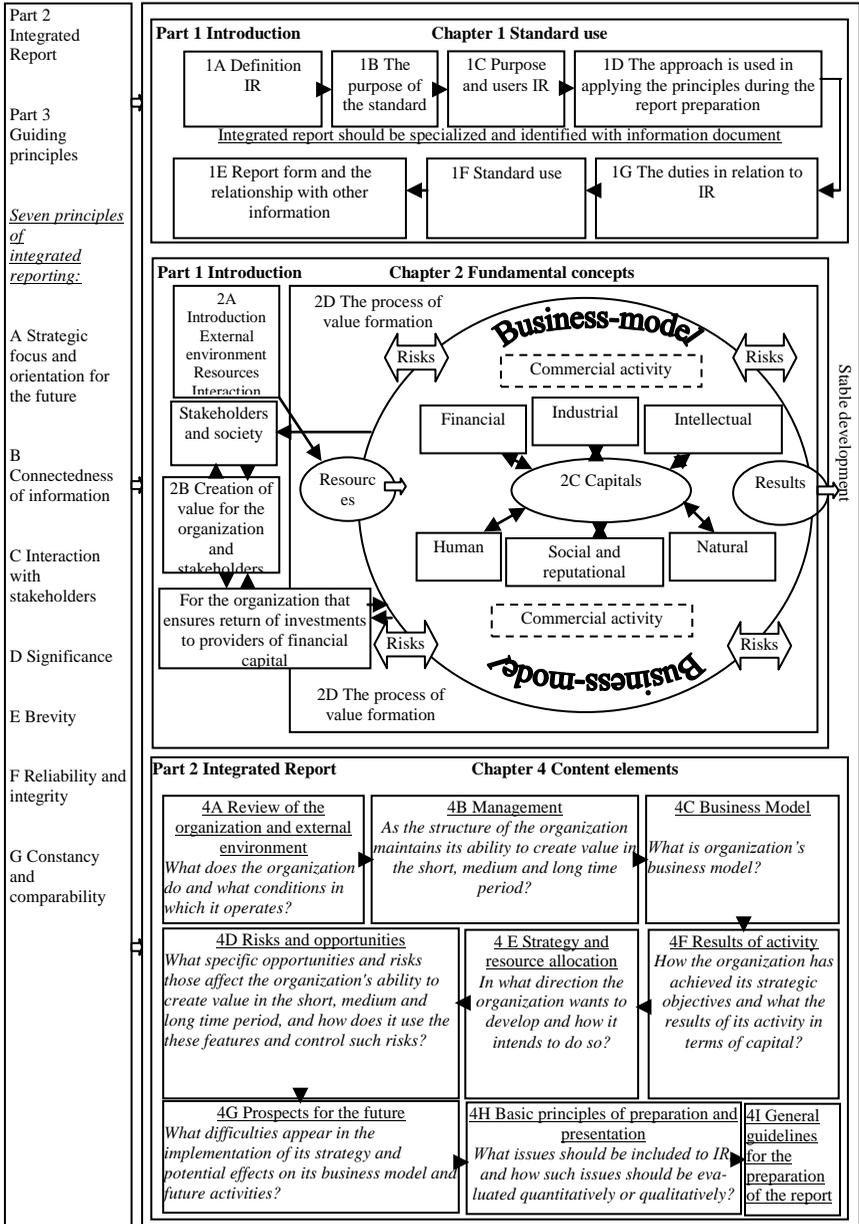


Fig. 2.3 Formalization of the conceptual foundation for sustainable development of business in the integrated reporting model

Researchers in the area of sustainable development define integrated reporting mainly as a combination of elements of financial and non-financial reporting⁴³.

Certain authors interpret it as a reporting model that involves the integration of traditional financial reporting, normatively standardized, and non-financial information, including information related to sustainable development, in order to fully reflect the factors of the creation of enterprise value^{44,45}.

In our opinion, approaches to the definition of integrated reporting which focus only on combining elements of financial and non-financial reporting somewhat constrict the object of research. Investigation of the most common definitions of integrated reporting in the works of scientists and professional organizations studying the peculiarities of its formation (Appendix B, Table 2.2) allowed revealing the following trends:

- most scientists associate the processes of forming integrated reporting with the availability of a clear integrated format which includes financial statements (A. Vyruchaeva, U. Roschektaeva, M. Koryagin, P. Kutsyk, R. Kostyrko, representatives of the CBB community, O. Kuzmenko, O. Grytsenko, M. Abrosimova)^{46,47,48} and outlines the concept of the plans and prospects of a company's development (L. Gerasimova, O. Korobkova, Yu. Domashenko)^{49,50}

⁴³ Буди́ко О.В. Розвиток та необхідність складання інтегрованої звітності. Науковий вісник Херсонського державного університету. Випуск 6. Частина 5. 2014. С. 114-117

⁴⁴ Лаговская Е.А. Интегрированная модель отчетности: преимущества и недостатки применения. Вестник Брестского государственного технического университета. 2012. №3. С. 34.

⁴⁵ Stoeva L., Markoff I., Zhiyanski M. National Forestry Accounting Plan of Bulgaria, including Forest Reference Levels for the period 2021-2025, 2018. URL: <https://www.moew.government.bg>

⁴⁶ Выручаева А. Особенности интегрированной отчетности. Актуальная бухгалтерия. 2013. № 10. С. 97–100.

⁴⁷ Рошечкаева У.Ю. Интегрированная отчетность как новый уровень развития корпоративной отчетности. Научный вестник ЮИМ. №1. 2016. С. 40-44. с. 42

⁴⁸ Корягин М.В., Куцик П.О. Проблемы та перспективи розвитку бухгалтерської звітності : монографія. Л. : ЛКА, 2016. 276 с.

⁴⁹ Герасимова Л.Н., Коробкова О.С. Развитие интегрированной бухгалтерской отчетности в России. Экономика и управление в XXI веке: тенденции развития. 2014. №17. С. 85–88.

and the impact of the economic activity on the environment (T. Slepneva, L. Khoruzhy)⁵¹;

- despite the widespread association of integrated reporting and sustainable development reporting, only some authors include this feature in the interpretation of this concept (U. Roschektaeva, R. Kostyrko, O. Kuzmenko, M. Abrosimova, N. Malinovska);

- some authors consider reflection of the process of creating value in the broad sense the key aspect of integrated reporting (V. Maksimova, R. Kuzina)⁵², while others limit the result of integrated reporting to economic aspects (L. Gerasimova, O. Korobkova).

In our opinion, such a difference in views arises as a result of the lack of the common opinion and the mistaken association of the concepts of “integrated reporting” and “integrated report”. Overcoming the existing gaps in theoretical support and developing an effective terminological framework of reporting for sustainable development will be allowed due to building a hierarchy of concepts in accordance with the objective reality and practice of ontological knowledge which exists irrespective of our knowledge. Regarding the object of research we propose to consider the hierarchy as the structured set of views, evaluations, concepts that define the general understanding of integrated reporting and the place of its particular elements (Figure 2.4).

Integrated reporting is a model for reporting on sustainable development in an integrated report. Theoretical and methodological support of integrated reporting in Ukraine was laid by the works of scholars which became the foundation of the national model of sustainable development (M. Rudenko, V. Vernadsky, P. Sabluk, V. Zhuk, V. Shevchuk, and others).

⁵⁰ Домашенко Ю. В. Интегрирована звітність: вдосконалений облік операцій як показник ефективності діяльності. Економічний вісник Національного гірничого університету. 2013. № 1. С. 65-72.

⁵¹ Слепнева Т. Н., Хоружий Л. И. Интегрированная отчетность: история развития и необходимость применения [Электронный ресурс]. Студенческий научный форум : материалы V Междунар. студ. электрон. науч. конф. М., 2013. Режим доступа : <http://www.scienceforum.ru/2013/pdf/8799.pdf>

⁵² Максимова В.Ф., Кузіна Р.В. Деякі питання формування складу фінансових і нефінансових показників інтегрованої звітності. Науковий вісник Мукачівського державного університету, 2015. Серія Економіка. Випуск 2(4). Частина 1. С. 243-249

Table 2.2

Analysis of scientific approaches to defining “integrated reporting”

The main aspects in treating	1	2	3	4	5	6	7
	T.N.Slepneva L.I. Khoruzhny	T.O. Khachaturova	A. Vyruchaeva	U.Yu. Roschektaeva	L.N. Gerasymova O.S. Korobkova	EY	Yu.V. Domashenko
one clear, interconnected and comparable integrated format	+	+			+		
information on: finance	+						
public monitoring	+						
environmental issues	+				+		+
social aspects	+			+	+		+
non-financial indices					+		
economic aspects					+		
plans and prospects of a firm's development			+		+		+
financial reporting			+	+			
management reporting				+			
sustainable development reports				+			
corporate management and remuneration reports		+		+	+		+
integrated report preparation				+		+	
integrated thinking				+		+	
the process of collecting, consolidating and analyzing indices						+	
quantitative and qualitative indices						+	
reporting period for preparation						+	
the specificity of the value creation process						+	+

Table 2.2 (continued)

The main aspects in treating	8	9	10	11	12	13	14	15
	M.V. Koryagin P.O. Kutsyk	Community SRB	Maksimova V.F., Kuzina R.V..	Kostyrko R.O.	Grytsenko O. I.	O. A. Kuzmenko, M. V. Abrosymova	Kopkova E.S.	Malynovska N.V.
one clear, interconnected and comparable integrated format	+	+						
information on: finance			+					
public monitoring								
environmental issues								
social aspects								
non-financial indices		+	+		+		+	
economic aspects								
plans and prospects of a firm's development								
financial reporting	+	+		+	+	+	+	+
management reporting	+			+				+
sustainable development reports				+		+		+
corporate management and remuneration reports				+		+		+
integrated report preparation								
integrated thinking				+				+
the process of collecting, consolidating and analyzing indices								
quantitative and qualitative indices								
reporting period for preparation								
the specificity of the value creation process	+		+					

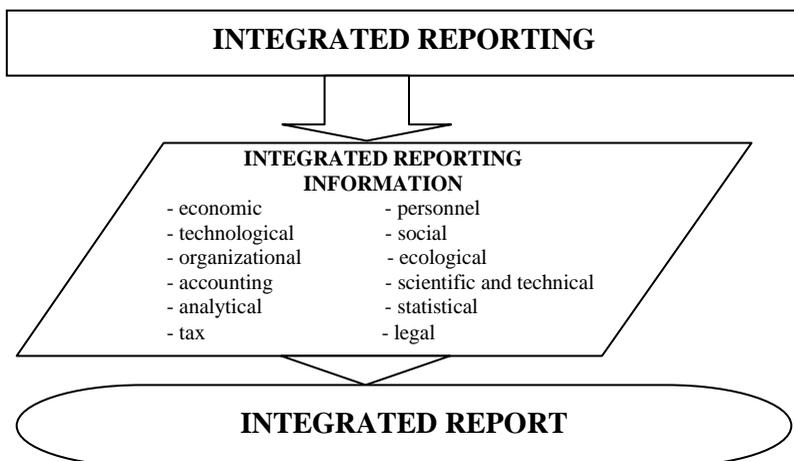


Fig. 2.4 The process of forming an integrated report

These scholars were the first to emphasize that the basis of sustainable development is the unity of the three components – economic and social development and maintaining supportive environment, and also to point out that practical measures on creating the preconditions for a motive transition to principles of sustainable development should be taken in order to resolve the most painful problems for humanity⁵³. Agreeing with the statement of the classicist that the entire globe’s added energy originates from an accounting book⁵⁴, we will answer the question whether accounting science can contribute to the ideas of sustainable development.

The tasks set to accounting require solving a wide range of problems: in the global economy and in the redistribution of resources in the national economy, and in ensuring social parameters, socio-economic development, ensuring economic security of enterprises at the corporate and state levels, maintaining natural and biological potential of the country and other^{55,56}. In order to fulfill

⁵³ Фізична економія у вимірах теорії і практики господарювання: колективна монографія. / За ред. Ю.О. Лупенка, В.М. Жука, В.О. Шевчука, О.В. Ходаківської. К.: ННЦ «ІАЕ», 2013. 502 с., С. 196-197.

⁵⁴ Руденко М. Д. Энергия прогресса. К. : Михайлюта А. А., 2010. 544 с., С. 243.

⁵⁵ Фізична економія у вимірах теорії і практики господарювання: колективна монографія. / За ред. Ю.О. Лупенка, В.М. Жука, В.О. Шевчука, О.В. Ходаківської. К.: ННЦ «ІАЕ», 2013. 502 с., С. 343.

these tasks in addition to traditional financial indices, non-financial indices of the company are required, the availability of which will make it possible to change the quality of accounting information, to represent the characteristics of the impact of the environment, social and supervisory factors in it. Analyzing the content of the specific elements of the accounting method it is possible to assert that such information can be created only in the reporting process which will ensure the formation of reports according to the new model.

With regard to the new reporting model T. Efymenko, V. Zhuk and L. Lovinska emphasize that it should combine the factors of ecological and social state administration and financial results and should become a reflection of the concept of sustainable development in the information environment which the international community recognizes as a new ideology of the XXI century⁵⁷. In this context it is worth highlighting the boundaries of information basis for an integrated reporting that will ensure the transition from the system of financial capital to the market system of inclusive capital.

The first general concept of integrated reporting was provided by the International Integrated Reporting Committee (IIRC) in the IIRS project, which, according to the definition, is a process that results in submitting information by the organization that are stated in the release of a periodic integrated report on value creation over a period of time⁵⁸. At present the ISIR provides a more comprehensive definition of integrated reporting, namely, a process based on the integrated thinking resulted in creating a periodic, integrated report of an organization on value creation over a period of time and related documents concerning the aspects of value creation⁵⁹. Thus, in the

⁵⁶ Zhelyazkova V. Climate Change and Environmental Risk Managemet in the Activities of Financial Institutions. Publishing House Sveti Grigorii Bogoslov, Sofia, 2013.

⁵⁷ Єфименко Т. І., Жук В. М., Ловінська Л. Г. Інформація в антикризовому управлінні: глобальний аспект стандартизації обліку та фінансової звітності : [монографія]. Держ. навч.-наук. установа "Акад. фін. упр.". Київ : ДНУ "Акад. фін. упр.", 2015. 399 с., С. 221.

⁵⁸ Проект міжнародного формату інтегрованої звітності <IR>. [Електронний ресурс]. Режим доступу: bdo.com.ua/integrirovannaja_otchetnost.

⁵⁹ Международный стандарт интегрированной отчетности [Электронный ресурс]. Режим доступа: <http://integratedreporting.org>.

standard, integrated reporting is treated as a process which product is an integrated report. However, the definition given in the standard does not provide clear information on what related documents should be part of an integrated report.

According to the definition of the concept of integration, given in the philosophical dictionary, integration (Lat. Integratio – recovery, filling, from integer – the whole) is the part of the development process associated with unifying previously unequal parts and elements as a whole⁶⁰. At present time, the term “integration” is gaining momentum as an important step in the evolution of consolidated reporting around the world⁶¹. Accordingly, the process of integrated reporting lies in the fact that information from various documents is reflected in the integrated report and it is logical to predict that this should be a single document. It is this that the American scientist R.R. Eccles insists on, who claims: “An integrated report is the only document that includes financial and non-financial information about the organization’s activities”⁶². S. Adams and R. Simnett point out that “... integrated reporting is a new reporting paradigm that is coherent, strategic, adaptive, essential and relevant to different time measurements”⁶³.

Thus, we propose to understand integrated reporting as the process of collecting, consolidating, synthesizing and analyzing quantitative and qualitative indices that characterize the ecological-social-economic, financial-economic activity of an enterprise, that results in the formation of a periodic integrated report that contains useful information as to creating value in the short, medium and long-term perspective. The key concept of this definition and the main task of integrated reporting is an integrated report, the meaning

⁶⁰ Философский энциклопедический словарь. М.: Советская энциклопедия. Гл. редакция: Л. Ф. Ильичёв, П. Н. Федосеев, С. М. Ковалёв, В. Г. Панов. 1983.

⁶¹ Балашова Н.Н., Мелихов В.А. Развитие методологии организации системы интегрированного учета и механизма верификации интегрированной отчетности группы компаний: монография. Волгоград: ФГБОУ ВО Волгоградский ГАУ, 2015. 128 с., С. 9.

⁶² Robert G. Eccles, Michael P. Krzus Don Tapscott One Report: Integrated Reporting for a Sustainable Strategy, 2010. P. 115-121.

⁶³ Adams S., Simnett R. Integrated Reporting: An Opportunity for Australia’s Not-for-Profit Sector. Australian Accounting Review. 2011. Vol.21. Issue 3. P. 292-301., С. 292.

of which is to provide information support in finding reserves for sustainable development and improve the activity of an enterprise in the determined areas, which will be considered in the next paragraph of the monograph.

2.2 Influence of economic flows on the process of forming an integrated report

According to T. Lessydrenska, the Head of the business ethics program GlobEthics.net Global Reporting Initiative (GRI), “an integrated report is, first of all, a strategic analysis that is virtually managerial reporting, a platform for managing the company”⁶⁴. H. Drager, IIRC External Relations Manager, notes that “an integrated report is a report that represents strategic areas of a company’s development and how it works with resources”⁶⁵. A more meaningful interpretation of the integrated report is given by L.N. Gerasymova and O.S. Korobkova who point out that an integrated report is the only document that presents essential and accurate information about the company’s strategy, the corporate management system, and its performance indices in the social, economic and environmental spheres⁶⁶. The above mentioned allows claiming that unlike managerial reporting which is a “commercial confidentiality” of a company, an integrated report is an open source document aimed primarily at satisfying the information needs of external users.

In the International Standard for Integrated Reporting an integrated report is interpreted as information on how the strategy, management, performance, and perspectives of an organization in the context of the external environment lead to the creation of value in

⁶⁴ Лессидренска Т. Интегрированный отчет – платформа для управления компанией [Электронный ресурс]. Режим доступа: http://www.inesnet.ru/magazine/mag_archive/free/2012_05/ES2012-05-Teodorina_Lessidrenska.pdf

⁶⁵ Драгер Х. Интервью. [Электронный ресурс]. Режим доступа: <http://www.csrjournal.com/interview/5666-integrirovannaya-otchetnost-vozmozhnost-dlya-rossiyskih-kompaniy-naverstat-upuschennoe-v-oblasti-korporativnoy-otchetnosti.html>, с. 54

⁶⁶ Герасимова Л.Н., Коробкова О.С. Развитие интегрированной бухгалтерской отчетности в России. Экономика и управление в XXI веке: тенденции развития. 2014. №17. С. 85–88.

the short, medium and long-run period⁶⁷. N.N. Balashova and VA Melikhov define an integrated report as the only coherent-unified document that represents essential and accurate information about the company's strategy, management system at all levels and interrelated indices in the economic, social, innovative, personnel and environmental spheres of activity⁶⁸. According to the King's Code of Management for South Africa (2009) an integrated report is a holistic and comprehensive presentation of the results of a company's activity in the context of its finances and supporting sustainability⁶⁹.

The existing polysemantic of the term "integrated report" relates to a range of specific contemporary economic theories that have contributed to the study of integrated reporting and its core – an integrated report (Figure 2.5).

To define comprehensively the essence of the concept of "integrated report", to understand its significance and relevance it is necessary to analyze the impact of the above mentioned theories on the process of its formation in more detail. To do this we have determined that integrated reporting and indices of an integrated report are most influenced by the four economic flows, namely: globalistics, physical economy, institutional economy and risk-oriented management in the context of which we have identified theories that are the components of their scientific cognition.

A prominent thinker S.A. Podolynsky became the founder of physical economy in Ukraine, and his doctrine was developed by the well-known Ukrainian scientist M.D. Rudenko, who, basing on the principles of physical economy, derived his own formula of capital $K = E - F$, where K is capital, E is progress energy, F is the amount of entropy. The scientist derives capital not from the monetary circulation, but from the cosmic substance after deducting the

⁶⁷ Международный стандарт интегрированной отчетности [Электронный ресурс]. Режим доступа: <http://integratedreporting.org>.

⁶⁸ Балашова Н.Н., Мелихов В.А. Организационно-методические подходы к разработке учетной политики для целей формирования когерентно-интегрированной отчетности агропромышленных холдингов. Бизнес. Образование. Право. Вестник Волгоградского института бизнеса. 2014. № 2 (27). С. 99-104.

⁶⁹ King Code of Governance for South Africa 2009. Institute of Directors in Southern Africa, 2009. 66 p., P. 54.

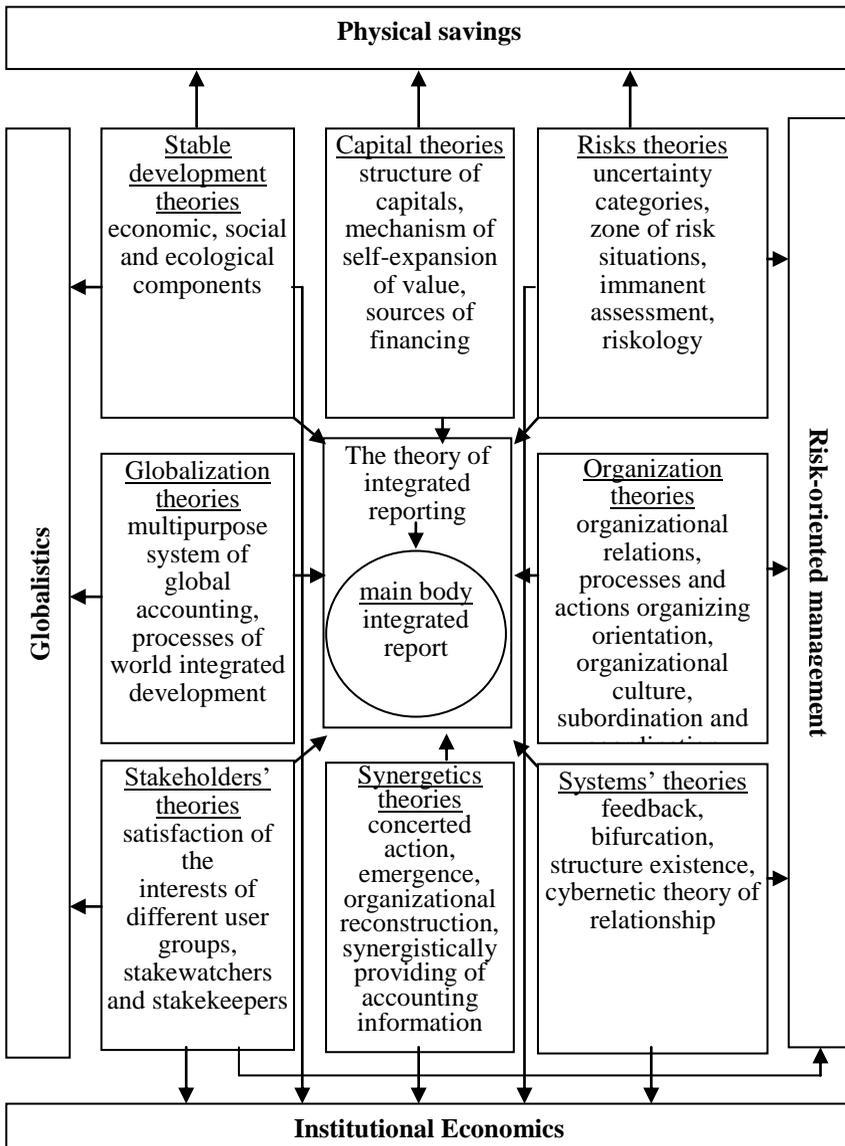


Fig. 2.5 Matrix model of economic theories impact on the methodology of integrated reporting and the process of an integrated report formation

relative value and the government spending from it⁷⁰. Thus, the essential merit of the physiocrats was that “they provided analysis of capital”, that is why we propose the theory of capital to be attributed to the trends of physical economy^{71,72}.

The theory of capital was commenced by the doctrines of K. Marx, K. Menger, F. Modigliani, M. Miller, A. Smith, D. Ricardo, J. B. Sey, and others, its subject matter lies in studying the process of value added production, including surplus value, capital turnover, etc. In particular, Y. Ishikawa, basing on the theory of Karl Marx, investigated the changes in the capital turnover in the XXth century. In his opinion, there is a shift from the paradigm of productive capital accounting to the paradigm of borrowed or fictitious capital accounting⁷³. The disadvantage of the scheme proposed by Y. Ishikawa is the absence of an intellectual capital circulation in it, which becomes the main factor of success under the modern conditions of the knowledge economy and one of the types of capital the assessment of which should be represented in an integrated report.

From the perspective of the theory of capital, the process of integrated reporting should be adjusted in such a way that the accounting system generates information about all types of capital to represent information about them in an integrated report taking into account the concept of their retaining and circulation.

The processes of preserving capital and its movement and guiding correct information about them in the integrated report are directly related to the risk that supporters of physical savings considered an event that may occur or not in the economy⁷⁴. The main representatives of the classical theory were J. Mill and I. Senior, who considered risk as a mathematical expectation of losses that may

⁷⁰ Руденко М. Д. Энергия прогресса. К. : Михайлюта А. А., 2010. 544 с.

⁷¹ Маркс К., Энгельс Ф. Сочинения. Т. 26, Ч. 1. 675 с.

⁷² Мерсье де Ла Ривьер Пьер Поль, Строев А.Ф. Те, кто поправляет фортуна. Авантюристы просвещения. М.: НЛЮ, 1998. С. 218–233.

⁷³ Ishikawa Junji *Asocial science of contemporary value-based accounting: economic foundations of accounting for financial instruments. Critical Perspectives on Accounting. Volume 16. Issue 2. 2005. February. P. 115–136.*

⁷⁴ Мошенський С. З. Розвиток теорії ризиків в економічній науці: еволюційний підхід. ВІСНИК ЖДТУ, 2010. № 1 (47). С. 217-220

result from the implementation of the chosen solution⁷⁵. The founders of the neoclassical theory of risk, A. Marshall and A. Pigou, believed that risk is the likelihood of deviation from the goals set⁷⁶. In the integrated risk report, it is expedient to provide information on the types of risks that are assessed on the enterprise in terms of financial and non-financial indicators, risk management methods (for example, the abandonment of an extremely risky business or transaction, prevention or diversification that reduces risks, outsourcing of costly risk functions, formation of reserves or stocks, etc.), a list of measures to minimize them at operational and strategic levels of activity.

The implementation of physiocratic concepts requires the unity of the methodology of the “living economy” accounting and should become a prerequisite for sustainability of economic management. The modern concept of “sustainable development” was laid by the report of the Club of Rome “The Borders of Growth” published in 1972⁷⁷. Nowadays, there are more than a hundred different definitions of sustainable development; some of them associate this concept with established, sustainable or balanced economic processes. “These epithets are irrelevant to the problem of meeting the needs of present and future generations which is non-destructive for nature or do not give solutions to their handling”⁷⁸. According to D.O. Grytsyshen the concept of sustainable development should become the basis for scientific research in economics and accounting science, and the author understands sustainable development as both a certain ideal system of economic management and the way to it, in the course of which there are parametric changes in all the

⁷⁵ Миль Дж. С. Основы политической экономии и некоторые аспекты их приложения к социальной философии. М.; Прогресс, 1990. 352 с., С. 22.

⁷⁶ Пигу А. Экономическая теория благосостояния. М.: Прогресс, 1985. Т. 1. 512 с., С. 445.

⁷⁷ Юсупова О. О. Еволюція поглядів на глобальну екологічну проблему в контексті діяльності римського клубу. Наука й економіка. 2013. № 2 (30). С. 169–176., С. 175.

⁷⁸ Фізична економія у вимірах теорії і практики господарювання: колективна монографія. / За ред. Ю.О. Лупенка, В.М. Жука, В.О. Шевчука, О.В. Ходаківської. К.: ННЦ «ІАЕ», 2013. 502 с., С. 195.

constituent elements of the system⁷⁹. In our opinion, the modern dynamic concept of sustainable development should take into account the needs of ensuring the ecological type of using various types of resources (human, material, labor, financial, etc.) in the process of economic activity. And an information source that will allow assessing the place of a company in the system of providing sustainable development of world economies and is an integrated report which is the central element, the quintessence of the national paradigm of accounting for the implementation of the concepts of physical economy and ecological security.

The concept of “sustainable development” is also one of the areas of study of globalistics, which is defined as the science of the methodology of globalism and globalization, their content, trends of development and consequences, global, regional strategies, methods of global strategic planning and forecasting^{80,81}.

The following schools of the theory of globalization are singled out among the most influential ones:

- The Classical School (R. Robertson, I. Wallerstein, D. Held, S. Huntington) – globalization is considered as a dual process of transforming the general into the separate and the separate into the general;

- The School of Transformists (E. Giddens, W. Beck, D. Rosenau, O. Bilorus) – globalization is considered as a phenomenon of the modern world, which underlies the leading radical transformations in all spheres of modern society development – economy, politics, culture, management, etc.

- The School of Hyperglobalists (K. Omae) – believe that globalization will result in the creation of a new global order in which the authority and legitimacy of the national states are practically mitigated.

- The School of Skeptics (J. Thompson) – is of the opinion that

⁷⁹ Грицишен Д.О. Бухгалтерський облік в системі управління економіко-екологічною безпекою промислових підприємств: монографія. Житомир: ЖДТУ, 2015. 540с., С. 117-118.

⁸⁰ Медвідь Ф.М., Димарчук О.Л., Курчина І.О. Глобалізація засобів масової інформації: концептуальні засоби. Наукові праці МАУП. 2011. Вип. № 4 (31). 342 с. С. 88-92.

⁸¹ Стратегії економічного розвитку в умовах глобалізації: монографія ; За ред. д-ра екон. наук, проф. Д. Г. Лук'яненка. К.: КНЕУ, 2001. 538 с.

globalization only causes increased interaction between individual entities from different parts of the world. However, sovereign states continue to play a leading role in the international arena, and are directly in control of globalization.

The country's preparedness for globalization is determined by the Global Competitiveness Index (GCI). According to a recently published study by the World Economic Forum, Ukraine ranked 79th among 140 countries worldwide by the Global Competitiveness Index in 2015-2016, having lost three positions in the year (ranking 76th in the previous ranking), that is, our state is practically defenseless to global players (Appendix B). It is possible to improve this situation only by increasing the competitiveness of each individual Ukrainian company by improving the system of accounting and analytical support for management, and, thereby, improving the overall economic situation in the country. The processes of globalistics, as a factor in the emergence of a new paradigm of accounting are treated by G.G. Kireitsev, who claims that it is the globalization of the economy that has led to the need for the application of uniform principles, unified rules and procedures for accounting representation of entrepreneurial activity and the use of standardized forms of financial reporting common to all national accounting systems. The peculiarity of the new paradigm of accounting is that it relies more on the virtual economy than on the traditional one and takes into account the vast majority of intangible assets in the assets of an enterprise. Taking into consideration that the purpose of the financial statements is, first of all, to provide the interested users with the information about the real market value of the assets of an enterprise it is possible to claim that the increasing globalization factors, the informatization of the economy and the emergence of new information needs of all levels of the modern management system (from an individual economic entity to the country and civilization as a whole) require changes in technologies, ways and methods of disclosure and presentation of information on economic activity. More substantially this concept is formulated in the work of S.A. Dipiasa and R.G. Eccles – "The Future of Consolidated Reporting". According to the scientists transparency of a company can be achieved by forming-up a three-level model of reporting, where the first level is the global principles of financial

reporting, the second level is sectoral accounting standards, the third level is the requirements of the company's management to the information disclosure (strategic goals, performance indices, etc.)⁸². In fact, the third level characterizes the indices of an integrated report. In turn, S.F. Golov points out that the global accounting system is characterized by establishing a system for collecting, conversion and providing external and internal users with reliable, relevant and timely financial and non-financial information about the past and future parameters of an enterprise and its external environment⁸³. In fact, in our opinion, the scientist describes integrated reporting and the process of forming an integrated report. In the integrated report global issues should be reflected when considering the contribution of an enterprise as to solving global human problems: social, environmental, ethical, etc. The formation of integrated reports by Ukrainian enterprises should increase their competitiveness in the global market and attract world investors to the state's economy.

That is why the theory of stakeholders has direct influence over the process of forming an integrated report under conditions of globalization and the indices revealed therein; the theory develops within the institutional economy and is gaining momentum with the publication of E. Freeman's work "Strategic Management: a Stakeholder Approach" in 1984⁸⁴. E. Freeman proposed the definition of stakeholders, which is widely used up to now, according to which it is "any group or individual that can influence or can be influenced by the achievement of an organization its objectives"⁸⁵. According to N.S. Krasnokutska, all groups or persons having an influence over the activity of an enterprise are its stakeholders, whose interests should be taken into account by the management in

⁸² Дипиаза С.А., Эклз Р. Дж. Будущее корпоративной отчетности: Как вернуть доверие общества; пер. с англ.: В. Ионов, Ю. Езерский. М.: Альпина Паблшер, 2003. 211 с.

⁸³ Голов С.Ф. Бухгалтерський облік в Україні: аналіз стану та перспективи розвитку [Електронний ресурс]. Режим доступу: http://imanbooks.com/book_328_page_1., С. 212.

⁸⁴ Freeman E. Strategic Management: a Stakeholder Approach. Cambridge University Press, 2010. 292 p.

⁸⁵ Там же, С. 34.

its activities⁸⁶. It is possible to ensure harmonious development of an enterprise only by comparing the potential interests of stakeholders with the actual results of an enterprise, which can be achieved by disclosing the necessary information in the integrated report. First of all, this information should be useful, that is, it should meet the needs of the parties concerned, in the first place, potential investors, primarily in making decisions that will have a positive impact on an enterprise's activities.

To form a mechanism for collecting such information at an enterprise, it is necessary to apply an institutional and synergetic approach that allows determining the range of parameters within which the process of forming an integrated report will be adjusted and stable. The emergence of synergetic as an independent area of scientific research dates back to 1969 when the term synergetic was used by German physicist Hermann Haken in the course of lectures on the theory of laser radiation at the University of Stuttgart⁸⁷. The new term comes from the Greek word *Vun-ergia*, which means cooperation, concerted action, and participation⁸⁸. The approach focused on the knowledge of the laws of self-organization of complex objects under conditions of chaotic spontaneous structuring and the general theoretical principles of synergetic development of accounting in a chaotically structured economy was substantiated by S.O. Kuznetsova⁸⁹. In our opinion, the synergy of integrated reporting is to increase the efficiency of the process of forming an integrated report in the context of the integrated information support of its users and draftsmen as a result of combining, integrating separate components – accounting and reporting documents into a single report and establishing a well-regulated system for collecting non-financial

⁸⁶ Краснокутська Н.С., Ришкова Я.С. Теорія зацікавлених сторін: основні положення та сфери дослідження. С. 96-104, С. 102.

⁸⁷ Синергетике 30 лет. Интервью с профессором Г. Хакеном. Проведено Е. Н. Князевой. Вопросы философии. 2000. № 3. С. 53–61. [Электронный ресурс]. Режим доступа : http://inetlife.narod.ru/synergy_danil.html.

⁸⁸ Пригожин И., Стенгерс И. Порядок из хаоса: новый диалог человека с природой. М. : Прогресс, 1986. 43 с.

⁸⁹ Kuznetsova S. The transformation of accounting systems in the chaotic economy structuring: The synergetic approach. Risk and Decision Analysis. Special Issue: Vol. 2: Behavioral Finance. IOS Print, USA, New York. 2011. Number 3. P.151-160.

information from internal and external sources of its supply.

Another economic trend that has an impact on the integrated reporting and the process of forming an integrated report is risk-oriented management, which is treated as an iterative, dynamic process representing a set of managerial functions, namely: planning, organizing, motivating, controlling and regulating with integrated components of risk management and implemented in order to achieve the objectives of an organization⁹⁰. When forming an integrated report from the perspective of risk-oriented management, within the framework of the theory of risk, first of all, its planners should take into account all the risks that affect the stable and balanced operation of an enterprise, develop the methods of their negating, or, in case of impossibility to avoid, measures for their minimization or optimization, and secondly, when disclosing the indices of an integrated report in one or another section they have to assess the risk of negative perception of this or that information by stakeholders, which may also arise as the result of the inaccuracy and incorrect submission of information in the report. Recently, Leeds University (UK) and Euromed Management School (France) have analyzed 4,000 non-financial reports and found “unconfirmed statements, incomprehensible data and inaccurate figures”. For example, the Italian company ENEL in its integrated report provided information that its emissions amounted to 122 089 million tons, which was a figure four times larger than the emissions of our planet⁹¹. Therefore, the indices presented in the report should be substantiated and verified. Increasing the level of substantiating information, establishing a mechanism for preventing errors in order to prevent losses and lost profits because of organizational unprofessionalism, when preparing an integrated report, should be due to the application of the achievements of the theory of organization, which emerged as an independent science at the beginning of the XXth century. The main contribution to the

⁹⁰ Занора В. О. Ризик-орієнтоване управління виробничо-технологічними витратами машинобудівних підприємств. Бізнес Інформ. 2014. № 4. С. 157–161.

⁹¹ Развитие интегрированной системы учета и отчетности: методология и практика : монография ; под общей редакцией доктора экономических наук, профессора Н. А. Каморджановой. М.: Проспект, 2015. 192 с.

development of the theory of organization was made by M. Weber, A. Fayol, F. Taylor, R. Laickert, D. Nort, E. Mayo, A. Chandler, and A. Bogdanov⁹². The achievements of the theory of organization should be used when establishing organizational relationships, that is, the relationships and interactions between different business units of an enterprise for collecting information that will be presented in the integrated report, forming a schedule for submitting information to the accounting department, or other department responsible for integrated reporting, determining time-frame for report formation, etc.

Integrated reporting is a complex system that requires constant multicriteria assessment of various situations and representing information about them in the integrated report, and the most expedient for the process of creating complex systems is the application of the general system theory that uses isomorphism (conformity) of the processes occurring in the systems of different type (technical, biological, economic, social). For the first time the project of the general system theory was presented to the world of science in the 50's of the XXth century and today it is associated with the works of the famous Austrian scientist Ludwig von Bertalanffy⁹³. A resumptive approach to determining responses of the accounting system, as an accumulator of multiprofile, comprehensible and objective information about past activities and about the prospects of the economic entity's development, the information on which is presented in the integrated report, is formed under the influence of the system theory. At the same time, there are no specific requirements for the volume of an integrated report. It should be prepared in the maximum possible short form and be comprehensible to any user who is not even knowledgeable about accounting issues⁹⁴. In turn, the process of integrated reporting should be established in such a way that only the most relevant information is processed, since the information impact on the state, society, citizen

⁹² Карамішев Д. В., Набока Л. В., Кононов І. О. Теорія організації. Х. : «Точка», 2011. 300 с.

⁹³ Bertalanffy L. von. General System Theory A Critical Review, «General Systems», vol. VII, 1962. p. 1 – 20.

⁹⁴ Герасимова Л.Н., Коробкова О.С. Развитие интегрированной бухгалтерской отчетности в России. Экономика и управление в XXI веке: тенденции развития. 2014. №17. С. 85–88.

is now more effective than political, economic and even military. Information is becoming real, almost physically tangible force⁹⁵.

For a long time in the national science practitioners almost have not paid any attention to the problems of theory, history and practice of improving the national model of information support of sustainable development on the basis of the institutional concept of accounting and reporting, and narrow interpretation of accounting and reporting information has been dominating in the scientific community. The determinative role of the physiocratic doctrine in the development of this socio-cultural economic institution when resolving economic, social and ecological problems of the society and the development of economic democracy was almost completely neglected. Therefore, a meaningful disclosure of the concept of “integrated reporting information” is necessary for the development of the category and terminological framework for integrated reporting.

There are a lot of different definitions of “information” concept. In normative documents it is considered as: “documented or publicly disclosed information about events and phenomena occurring in the society, the state and environment”⁹⁶; “the content of any message, information about anything that is considered in terms of their transmission in space and time ...”⁹⁷; information in any form and stored on any medium (including correspondence, books, notes, illustrations (maps, diagrams, organigrams, drawings, schemes, etc.), photographs, holograms, cinema-, video-, microfilms, sound recordings, databases of computer systems, or full or partial reproduction of their elements), explanations of persons and any other publicly disclosed or documented information⁹⁸; “information provided in the form of signals, signs, sounds, moving or still images

⁹⁵ Смолян Г., Цыгичко В., Черешкин Д. Оружие, которое может быть опаснее ядерного: Реалии информационной войны. ЭВНГ. № 123-НВО-3от 18.11.1995.

⁹⁶ Про інформацію : Закон України [прийнятий Верховною Радою України від 02.10.1992 р. № 2657-ХІІ. [Електронний ресурс]. Режим доступу : <http://zakon0.rada.gov.ua/laws/show/2657-12>.

⁹⁷ ГОСТ 15971-84. Информационное обеспечение АСУ. Термины и определения. Введ.01.01.85. [Электронный ресурс]. Режим доступа: <https://polyset.ru/GOST/all-doc/GOST/GOST/>

⁹⁸ Про захист економічної конкуренції : Закон України [прийнятий Верховною Радою України від 11.01.2001 р. № 2210-ІІІ] [Електронний ресурс]. Режим доступу : <http://zakon2.rada.gov.ua/laws/show/2210-14>

or otherwise”⁹⁹, and so on.

“Information” translated from Latin is an explanation, a statement¹⁰⁰. In accordance with the classical definition of L. Shannon, information is what reduces the degree of uncertainty (entropy) of its addressee about any object¹⁰¹. According to the object of research this statement can be represented graphically (Figure 2.6).

In the presented scheme, the integrated reporting process reduces the degree of entropy and act as a modifier of information that falls into the integrated report. The information needs of users and, accordingly, the integrated reporting draftsmen for meeting these needs are so versatile and volumetric that when information from different departments of an enterprise is provided, it leads to the information chaos. Executives should be assigned responsible for gathering information from the functional units of an enterprise, and the process of information communication must be formalized and, if possible, automated. The functional mechanism of integrated reporting should be adjusted in such a way that the required information generated in different units of an enterprise is modified into a single array – the database and the knowledge base of the integrated reporting, while reducing information entropy and removing unnecessary information data.

The above-mentioned determines the definition of integrated reporting information as unbiased, useful and reliable data on financial and economic activity, profitability and socio-ecological responsibility of an enterprise, which will allow forecasting its future opportunities, risks and benefits when creating value in the short-, medium- and long-term perspective and will satisfy information needs of stakeholders by reducing the level of their information entropy.

⁹⁹ Про телекомунікації : Закон України [прийнятий Верховною Радою України від 18.11.2003 р. № 1280-IV] [Електронний ресурс]. Режим доступу : <http://zakon0.rada.gov.ua/laws/show/1280-15>

¹⁰⁰ Юридична енциклопедія : В 6 т. ; Редкол : Ю. С.Шемшученко (голова редкол.) та ін. К. : Українська енциклопедія, 1998. 717 с.

¹⁰¹ Шеннон К. Работы по теории информации и кибернетике ; пер. с англ. ; под ред. Р. Л. Добрушина и О. Б. Лупанова. М. : Иностран. лит., 1963. 829 с.

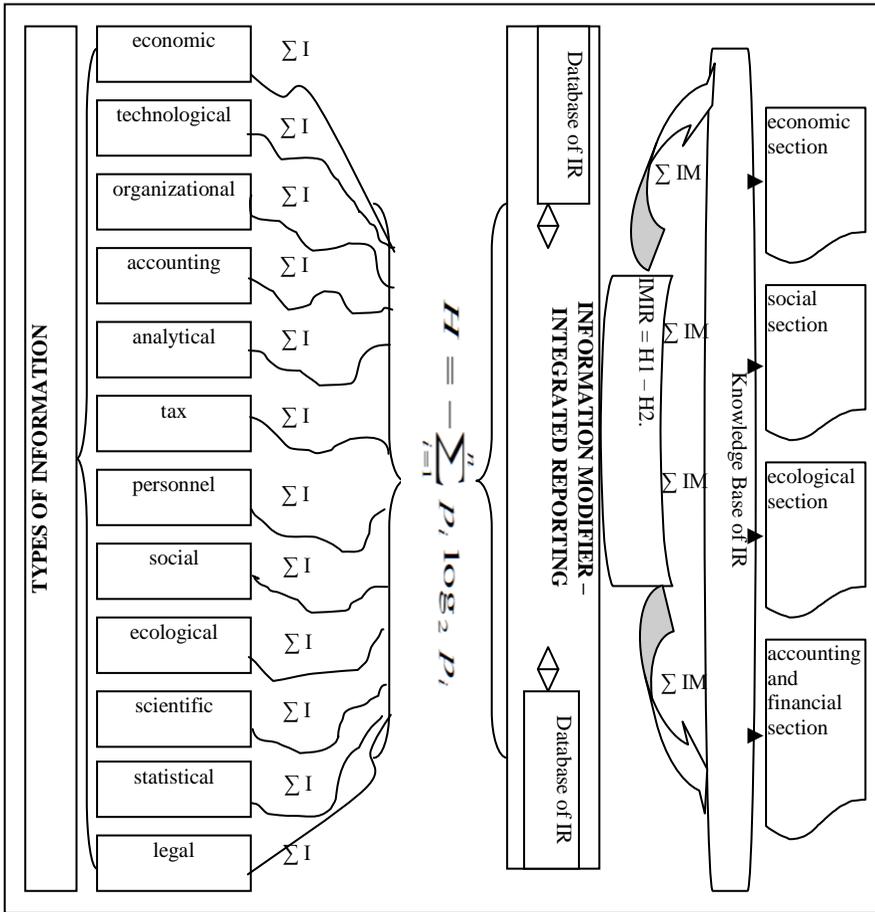


Fig. 2.6 The mechanism for reducing entropy of the integrated reporting information

where: ΣI – summary information according to its kind; n – number of characters from which a message can be formed (alphabet), H – measure of entropy; N – the number of all transmitted and received characters in the message; $P_i = m_i / N$ – the probability of occurrence of the i -th character in the message, m_i – the number of occurrence of the i -th character in the message; $IMIR$ – information modified by the process of integrated reporting; ΣIM – the total amount of information modified.

Building an integrated reporting model that could produce such information causes a number of problems. As Sorokina K.V. points out, “One of the main issues is the extent to which it is generally possible to determine in detail the information necessary for disclosure so that it would be useful”¹⁰².

According to the survey conducted by the Global Reporting Initiative (GRI) 70% of the respondents expressed high demand for information as to corporate management, 64% of the respondents identified information about the used natural resources as important, 52% – about the social component, etc¹⁰³. As a result of conducting the global survey among 85 professional investors, who shared their views about what exactly, in their opinion, should be contained in the integrated reporting that they consider to be useful and where, in their opinion, there are opportunities for management of the companies as to improving existing reporting, the following is determined:

- 82% of the respondents reported that if companies provide accurate and concise information, investors are more confident when conducting analysis;

- the description of the business-model is an important part of the quality reporting, in particular 70% of the professional investors want to get clarification as to how the company provides cash inflows and creates additional value, which will be converted into cash flows in the future;

- with regard to the information on key business-model risks presented in the integrated reporting, there are a number of gaps that reduce its efficiency, in particular, investors are interested in how companies manage or reduce these risks. At the same time, despite the fact that understanding of management’s views on potential risks and strategies for reducing them is important for investors, the predominance of formal disclosure based on a template description

¹⁰² Сорокина К. В. Интегрированная отчетность – новая модель отчетности для бизнеса. [Электронный ресурс]. Режим доступа: <http://www.ics-msfo.ru/msfo/articles/2980>

¹⁰³ Макаренко І. О. Інтегрована звітність як майбутнє корпоративної звітності. Проблеми і перспективи розвитку банківської системи України : збірник тез доповідей XVI Всеукраїнської науково-практичної конференції (24 – 25 жовтня 2013 р.). В 2 т. Т. 2. Суми : ДВНЗ "УАБС НБУ", 2013. С. 63–65.

only complicates understanding;

- an integrated report is an important source document for obtaining not only financial information but also information on managerial, environmental, social and personnel issues, and its main strengths are credibility and completeness. In addition, main strengths are credibility and completeness managerial, environmental, social and personnel issues, and its main strengths are credibility and completeness. In addition, 91% of the professional investors reported that they usually analyze the annual reports of the companies which activity they are tracking¹⁰⁴.

Taking into account the variability of information requests of different groups of stakeholders, it is necessary to form an adaptive model of integrated reporting, which will allow minimizing negative reaction of stakeholders with incomplete or no information support of their inquiries. To resolve this issue, it is necessary to identify the users of integrated reporting information.

According to the International Standard for Integrated Reporting, the main users of integrated reports are organizations that provide financial capital. In addition, the standard states that an integrated report is useful for all the parties concerned, for which the organization's ability to create value over a long period of time is important, including employees, customers, suppliers, business partners, local communities, legislative and regulatory bodies and individuals, defining a policy. In addition to the listed users, integrated reporting may be of interest for trade unions, environmental and public organizations, banking institutions, insurance companies, and statistical offices, auditing companies, higher education institutions and scientific-research institutions (SRI), etc. At the same time, in the course of integrated reporting preparation, it is very important to build an effective interaction with stakeholders and determine what type of information disclosure they are interested in – financial, environmental, social, etc. To determine the expectations of stakeholders, it is possible to conduct monitoring for the demand for information by organizing questionnaire at the company's website, holding thematic meetings, conferences on discussing the most interesting issues of the users of integrated

¹⁰⁴ Integrated reporting from the investment professionals' perspective http://www.pwc.ru/en/press-releases/2014/integrated_reporting_.html

reporting and methods of information disclosure. Thus, in generalized form, the users of integrated reporting are individuals and legal entities interested in information about the financial and property status of an enterprise, the social and environmental consequences of the activity and their indices for decision-making. To enhance the vector of information support of the decision-making system by priority groups of integrated reporting users, we suggest grouping them into groups: users inside the enterprise and outside it, users with direct and relative financial interest and without it (Figure 2.7).

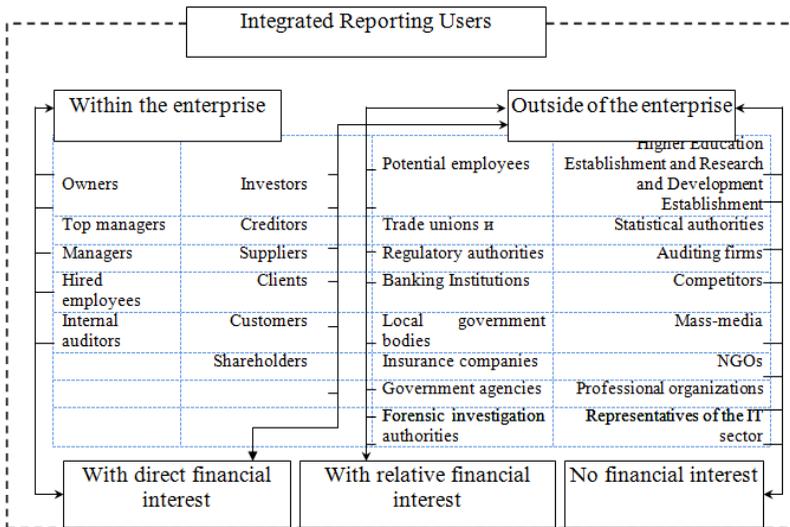


Fig. 2.7 The users of the integrated reporting information

The process of an enterprise development involves linking and congruence of interests of the four main parties: owners, managers, workers and the state. The interests of workers are the provision of quality of living, sustenance of the physiological and spiritual needs of an individual in accordance with the accepted norms and standards due to the sustainable development of an enterprise. The interest of managers is sustainable development of an enterprise (profitability of activity and qualitative improvement of the condition due to the change in structure, composition and accumulation of capital). The interest of the owners is to ensure high profitability on stocks and

high level of their quotations. The interest of the state is to ensure the social and economic security of the state by maintaining the high sustainability of an enterprise development and improving the workers' quality of living^{105,106}. When assessing the results of an enterprise activity, users of integrated reporting should be able to distinguish relevant information from irrelevant one, however each user can focus on his/her level of materiality of the integrated report information.

The proposed differentiation of the users of integrated reporting information will allow distinguishing their information needs and create an adequate mechanism for collecting and distinguishing integrated reporting information that will be of value for stakeholders. One of the key aspects of the formation of such reporting is compliance with the key principles and rules of its formation that will be considered in the next paragraph of the monograph.

2.3 Fundamental principles and rules for the formation of integrated reporting

At the beginning of the twentieth century Lev Gomberg, a prominent accountant, demonstrating what neglect of the principles of accounting leads to, pointed out: "Accounting as an art deprived of precise scientific principles, is reduced to a craft, and, representing only doubtful concepts, does not give food for thought for an accountant: it becomes an occupation for earning daily bread. An employee loses any interest in his work; he turns into a typewriter, without being aware of his actions. The harm that may result from such an accountant's work and the shattering impact of the erroneous circumstances that such work may entail are obvious"¹⁰⁷. In order to prevent the transformation of the integrated reporting process into a purely technical method of accounting, its regulation should be based on strictly formalized principles, which should be guidelines for

¹⁰⁵ Пономаренко В. С., Тридід О. М., Кизим М. О. Стратегія розвитку підприємства в умовах кризи : монографія. Х. : ІНЖЕК, 2003. 328 с.

¹⁰⁶ Dimitrov St. Development of Capital Pension Funds. Sofia, 2013. P. 5.

¹⁰⁷ Гомберг Л.И. Счетоводство и его научная система. Бюллетень Московского общества бухгалтеров. 1909. №4. С. 20.

integrated reporting draftsmen and employees who collect and transfer information for the formation of an integrated report. The set of these principles should be inherently complex in nature that can be explained by the strategic goal of integrated reporting that is ensuring business stability under different conditions of a business entity's activity. Since the nature of the economic environment of an enterprise, both internal and external, is usually dynamic, integrated reporting must "respond" to all changes in the economic activity of an enterprise, flexibly and adaptively "adjust to" the emergence of new ones, improve existing ones and dismiss obsolete business-processes. The above-mentioned stipulates for the necessity of making reasonable adjustments in the set of principles of integrated reporting, improving their composition and content.

According to the accounting dictionary, the principles (from the Latin principium – the basis, the beginning) – 1) the basic initial provisions of any theory, the basic rules of activity, are created in the course of knowledge systematization, but unlike the laws do not exist in nature; 2) established, rooted, generally accepted, most common rules of economic activities and properties of economic processes; 3) the beginning, the leading idea, the basic rule of behavior¹⁰⁸. O.M. Petruk also insists on this pointing out that the methodological error lies in the fact that only the complex application of the principles of accounting and reporting can be efficient, and the ten principles in Ukrainian standards do not provide the quality of accounting information¹⁰⁹. The approach based on the application of a set of principles while preparing and forming an integrated report is intended to achieve an appropriate balance between flexibility and requirements, taking into account the diversity of conditions under which different enterprises operate¹¹⁰. Thus, integrated reporting, like any accounting and reporting system, is based on its own principles, but in the course of forming an integrated report, not only the

¹⁰⁸ Бухгалтерський словник. ; За ред. проф. Ф. Ф. Бутинця. Житомир: ПП "Рута", 2001. 224 с., С. 143.

¹⁰⁹ Петрук О.М. Регулювання бухгалтерського обліку в Україні: теорія, методологія, практика: монографія. Житомир: ЖДТУ, 2006. 152 с., С. 85

¹¹⁰ Єршова Н. Ю. Розвиток методологічних основ формування інтегрованої звітності. Науковий вісник Ужгородського університету. Серія : Економіка. 2016. Вип. 1(1). С. 451-459.

principles of accounting (financial reporting) should be taken into account, but also the principles of modern economic theories that directly or indirectly influence the composition its indices (Figure 2.8).

In order to unify and standardize accounting procedures that ensure the comparability of integrated reporting data and the relationship between financial and non-financial indices of the integrated report, it is necessary to study the system of accounting principles that is entrenched in the normative documents and discussed in the scientific community. As N.O. Gura states, the improvement of certain provisions of “accounting” science, should be conducted on the base of improving its principles, axioms (postulates) and objects¹¹¹. E.S. Hendricksen also defines the theory of accounting as a set of widely interpreted principles; they (1) constitute a general system of standards that allow assessing different economic situations; (2) create new practical methods and procedures. According to the author, the theory of accounting is a base for explaining the existing practice, the purpose of the theory is the concept of a coherent set of logically derived principles, that act as the base for assessing and developing existing accounting practices¹¹².

In 1947, G.A. Macfarland & R.D. Ayars in the work “Accounting Fundamentals”¹¹³ defined science of accounting as classified knowledge as to its scientific principles, which were developed as a result of education and experience. An outstanding accountant Giuseppe Rossi, as early as the XVIIIth century, pointed out: “... when we apply the principles of accounting for practical purposes, we deal with the art, very important and essential for household managers, since it directs them to the most perfect achievement of economic goals”¹¹⁴. As T.O. Terentyeva points out: “The principles of accounting have always existed. In essence, they appeared along with the origin of accounting.

¹¹¹ Гура Н.О. Бухгалтерський облік як наука, його принципи, предмет і об’єкти. Бухгалтерський облік у системі економічних наук. 2007. № 6. С. 3-8.

¹¹² Hendriksen E.S. Accounting theory. Homewood. Irwin, 1970. 342 p.

¹¹³ Macfarland G.A., Ayars R.D. Accounting fundamentals. New York: McGraw-Hill Book Company, Inc., 1947. 759 p.

¹¹⁴ Счетоводство, 1895. С. 94.

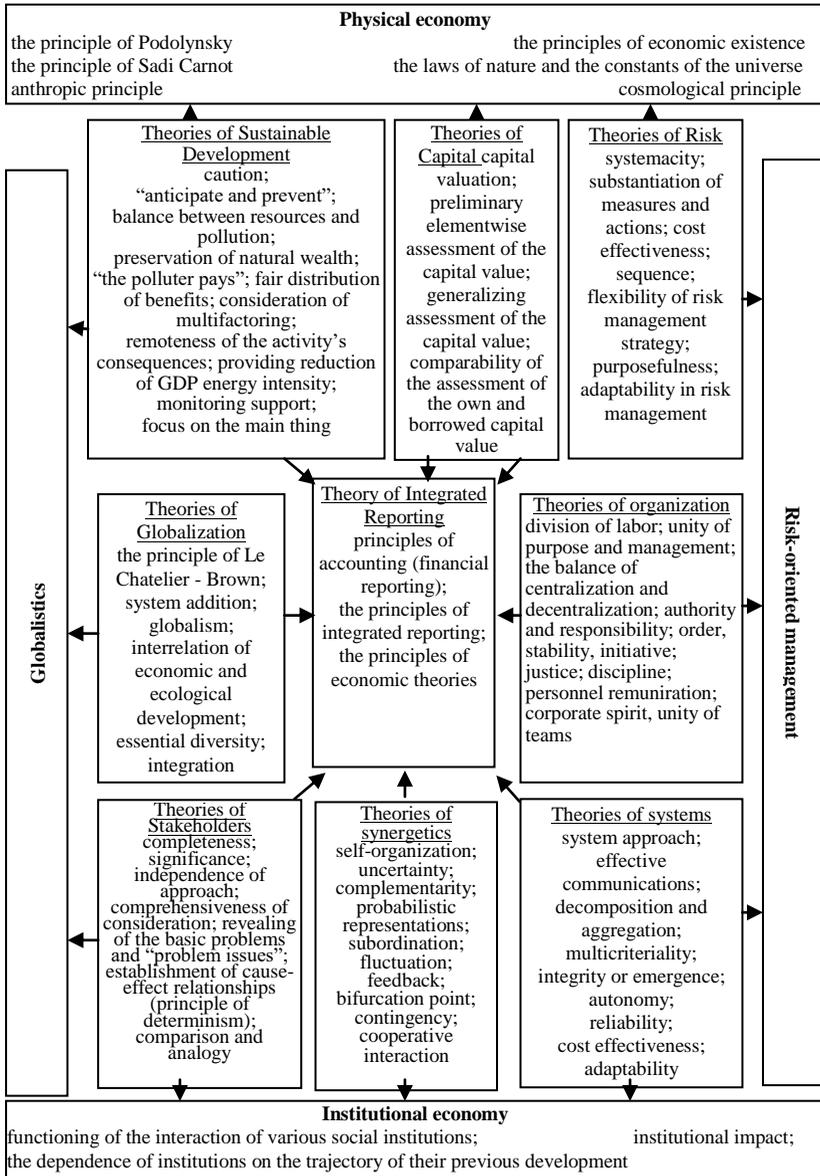


Fig. 2.8 The continuum of the principles of economic theories that affect the methodology of integrated reporting and the process of an integrated report formation

Accountants had to rely on some initial provisions, basic structures, without which it would have been impossible to build such a complete accounting system as double-entry bookkeeping. These provisions had eventually transformed into principles that have become not only the basis of our accounting, but also have incorporated the traditions, experience and achievements of past generations of practitioners and scientists”¹¹⁵.

In the XVIIIth century, the French scientist Pierre Garnier substantiated a set of theoretical principles from the perspective of an accounting fact, having classified them into legal (contracts for supply, sale and purchase, contract agreement, rent, etc.) and economic ones (changes in prices, tariffs, material, plundering, depreciation, deterioration)¹¹⁶. Scientist V.V. Boboshko considers P. Garnier’s approach as a postulate, which up to the present time forms the basis for defining many accounting principles. At the same time the postulate is understood as basic, independent, consistent and complete statements or provisions of scientific theories that in the axiomatic or deductive construction of the theories are accepted as the true ones, and from which all the other provisions (basic principles) are derived according to the rules of inference adopted by them¹¹⁷. According to this definition, and applying the method of dialectical historicism, it is expedient to assume that the postulate of P. Garnier and the postulates of other outstanding accounting researchers form the basis for defining modern accounting principles (Table 2.3).

A well-known economist, Veldon Powell (1903-1965), who considered accounting as a purely applied activity, built a chain the essence of which is to gradate the theoretical basis of accounting science by building a hierarchy of key principles of its methodology:

¹¹⁵ Терентьева Т.О. Современные принципы бухгалтерского учета в свете эволюции учетных парадигм: автореферат диссертации на соискание степени кандидата экономических наук. Специальность 08.00.12 – “Бухгалтерский учет, статистика”. СПб., 2002. 20 с.

¹¹⁶ Бобошко В.И. Развитие принципов бухгалтерского учета и отчетности. Инновационное развитие экономики № 5. 2011. С. 88-91.

¹¹⁷ Соколов Я.В. Бухгалтерский учет: от истоков до наших дней: Учеб. пособие для вузов / Я.В. Соколов. - М.: Аудит, ЮНИТИ, 1996. - 638 с., С. 71, 96, 178, 204.

postulates principles rules procedures. This chain consists of four elements and defines a consistent descent from abstract to specific, from theory to practice, and from the perspective of accounting it is considered as: 1) postulates are the most general basic accounting provisions, the obviousness of which can not be put into question; 2) principles are general methodological constructions; 3) rules are the things that relate to the work of an accountant; 4) procedures are conditions for the implementation of accounting rules. Thus, the historical significance of the accounting postulates lies in the fact that many of them have remained and/or formed the basis for the rules of accounting and reporting up to present time, and they substantiated the formation of the system of modern accounting principles.

Table 2.3

The basic postulates of accounting that form the basis for its principles

No.	Scientist	Postulate	Modern interpretation of the principle or qualitative characteristic
1	2	3	4
1	Guinno Dzappa (1879–1960)	from an accounting point of view, an enterprise’s incomes are obvious, and expenses are questionable	calculation and accordance of income and expense
2	Luca Paccoli (1445–1517)	books should be balanced every year, especially in partnerships, as regular accounting promotes friendship	periodicity
3	G.K. Dainis (1929)	the accuracy of the data obtained by some objects, is inevitably associated with the change in the values accuracy by the objects additional to them	subjective evaluation
4	Jacque Sauvari (1622–1690)	1 – the amount of the balance of all analytical accounts should be equal to the balance of that synthetic account to which they were opened; 2 – the amount of	circumspection

Table 2.3 (continued)

1	2	3	4
		the debit turnover and the amount of the credit turnover of all analytical accounts should be equal to the turnover on the debit and the credit of the account to which they are open	
5	Guisepe Cerboni (1827–1917)	the amount of accounts payable of an enterprise to its owner is always equal to the balance of payments of this enterprise to its agents and correspondents	the principle of duality
6	Richard Mattesich	a business unit will continue its activity long enough to perform its current duties	continuity
7	Johan Frtiedrich Sher (1846-1924)	the necessity to disclose the nature of accounting from the perspective of consumers of accounting information	full coverage
8	V. Rieger (1878-1971)	there is only a monetary unit of measurement and no other in accounting	uniform monetary index
9	Pietro d'Alvize	lack of reliability generates chaos an accountant extracts life from the dead past the amount of information that is accounted depends on the goal facing an accountant, he must conduct an administration between Scylla of surplus and Charybdis of information vacuum	reliability timeliness completeness
10	A. Stabilini	a knowledgeable accountant should know when it is necessary to demand full mathematical accuracy from work and when it is not necessary	economical efficiency, professional judgment
11	Emmanuel Pizani (1845-1915)	Accounting is a science that, following the principles of law and economics, uses calculations to characterize management functions and to achieve the	prevalence of the essence over the form, economical efficiency

Table 2.3 (continued)

1	2	3	4
		greatest economic effect with the least possible means.	
11	Emmanuel Pizani (1845-1915)	Accounting is a science that, following the principles of law and economics, uses calculations to characterize management functions and to achieve the greatest economic effect with the least possible means.	prevalence of the essence over the form, economical efficiency
12	Jean Gustavus Coursel-Sensel (1813-1892)	Knowledge (theory) does not replace work (practice). The main purpose of the training is to teach future accountants their professional language	professional judgment
13	Eugene Pierre Leote (1845-1908) Adolphe Guilbau (1819-1895)	daily or periodical cash balance checks with the help of registers, allows daily or periodic adjusting the balance of accounts in accordance with actual remaining balance	continuity
14	I. Craibig Bernard Baulzano (1781-1848)	Each balance sheet item should be estimated according to the principles that are most suitable for it.	historical (actual) cost
15	V. Le Coutre (1885-1965) A. Shopenhauer (1788-1860)	the price is established, in the opinion of some, based on the practical user value of an item, and in the opinion of others – based on the significance of an item is for the enterprise we tend to consider real what is valuable to us	subjective evaluation
16	Urban Weis (1952)	the costs should be proportionate to the objectives pursued. Organization of accounting should be adequate to the structure of an enterprise	economical efficiency
17	Hovard C. Gryir (1894-1984)	all the indices in the report should be presented in two columns: at cost and after reestimation	subjective evaluation

Table 2.3 (continued)

1	2	3	4
18	William Andrew Paton (1889-1991)	the necessity to represent any changes in the value of assets in the financial accounts; the accounting report should present an accurate picture of the current data in monetary terms only at the reporting date	historical (actual) cost, subjective assessment
19	Jacque Richard (1944)	inclusion of potential losses and exclusion of potential income is inconsistent and hinders rational estimation of the result	circumspection
20	Francesco Marchi (1822-1871)	every account is preceded by a person	personification

Source: developed according to ^{118,119,120,121,122,123}

As O.V. Kharlamova points out: the principles of accounting (financial reporting) are a “sieve” through which all transactions in accounting should be sifted out so that reporting includes the information that conforms to these principles¹²⁴. According to this interpretation, the statutory accounting principles that need to be followed in the integrated reporting should be substantiated, so that only the relevant and useful information is included in the integrated

¹¹⁸ Даньків Й. Я., Остап’юк М.Я., Сливка Я.В. Від обліково-правової культури до облікової науки. Науковий вісник Ужгородського університету. Серія Економіка. Випуск 2 (48). 2016. С. 318-325.

¹¹⁹ Пачоли Л. Трактат о счетах и записях. М.: Статистика, 1974. 160 с.

¹²⁰ Соколов Я.В. Бухгалтерский учет: от истоков до наших дней: Учеб. пособие для вузов. М.: Аудит, ЮНИТИ, 1996. 638 с.

¹²¹ Бобошко В.И. Развитие принципов бухгалтерского учета и отчетности. Инновационное развитие экономики № 5. 2011. С. 88-91

¹²² Andronova Vincelette, G. Bulgarian Banking Sector Development, Post-1989, 2001. URL: <http://www.seep.ceu.hu/issue21/andronova.pdf>

¹²³ Ставерська Т. О. Принципи і процедури фінансового планування і прогнозування на підприємстві. Держава та регіони. Сер.: Економіка та підприємництво. 2011. № 5. С. 167–170.

¹²⁴ Харламова О.В. Фінансова звітність за міжнародними стандартами: методологія формування та практика імплементації в Україні: монографія. Харків : Лідер, 2015. 372 с., С. 34.

report. Particular principles of accounting (financial reporting), enshrined in the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” No. 996-XIV, should be applied in the integrated reporting without modification. At the same time, certain principles are related only to financial indices, that is, an economic component of the integrated reporting. Therefore, they should be applied with a certain adaptation to meet the demands of the users interested in the non-financial information of the integrated reports. Taking into account the above mentioned the mechanism of applying the principles of accounting (financial reporting) in the course of integrated reporting is presented in Figure 2.9.

This is the content characterization of the basic accounting principles that are the basis for preparation of any reporting, which contains value indices, in relation to integrated reporting. Thus, when forming information in the integrated reporting system, the application of the principle of prudence, which involves caution in evaluating assets and incomes in order to prevent their overestimation and underestimation of the value of liabilities and expenses, has to be adapted.

In the course of integrated reporting, the principle of prudence will undoubtedly be met when disclosing financial indices in the integrated report, for example, when disclosing information on the amount of income in the reporting period and their comparison with previous periods, description of an enterprise business model, in particular, as regards the resources and their distribution by the types of capitals, determination and description of the results of the activity, both positive (that result in capitals and value increase) and negative (that, on the contrary, result in capitals and value increase reduction).

Prudence is conditioned by the uncertainty followed by an enterprise's activity.

Therefore, according to the statement of L.V. Gnylytska it is this principle that acts as the basis for recognizing business risks generated by such uncertainty in the accounting system¹²⁵.

¹²⁵ Гнилицька Л.В. Сучасні підходи до квінтесенції публічної звітності підприємства в контексті забезпечення його економічної безпеки. Проблеми теорії та методології бухгалтерського обліку, контролю і аналізу. 2016. Вип. 1 (34). С. 48-65.

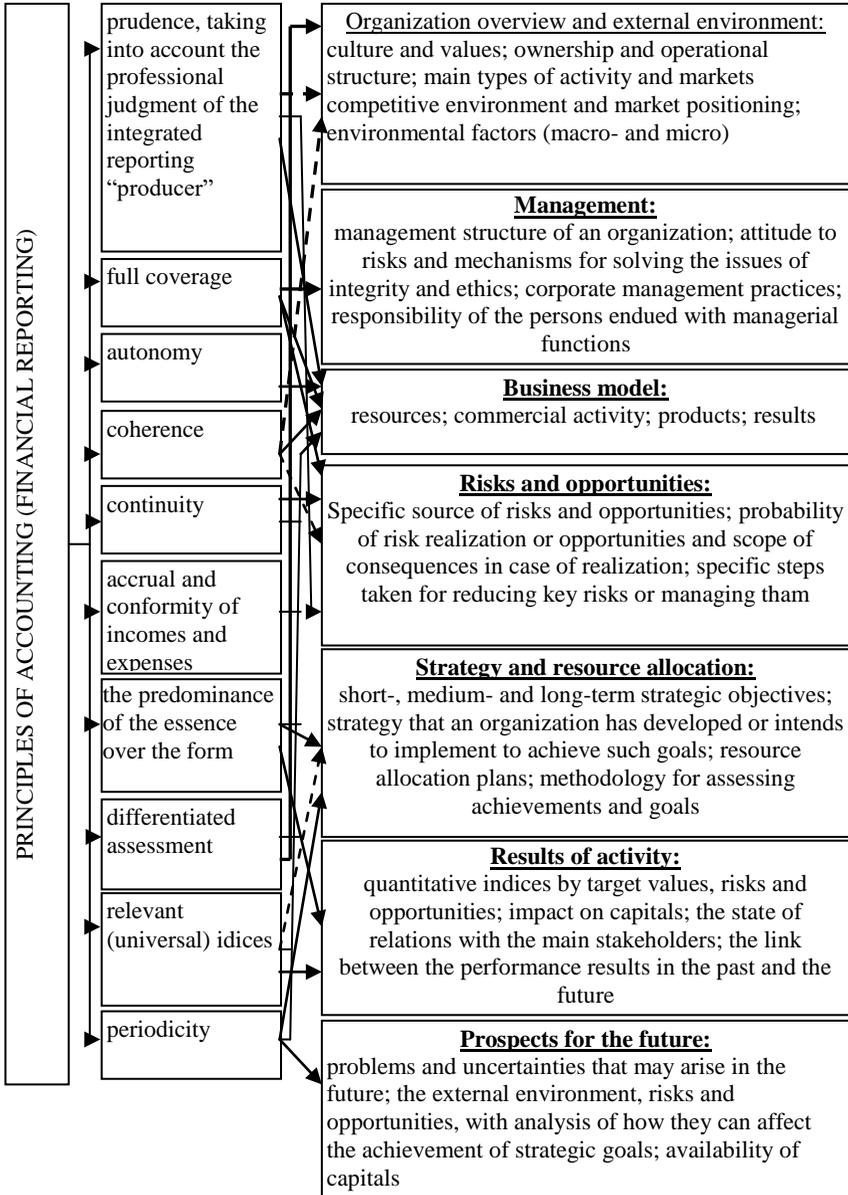


Fig. 2.9 The mechanism of applying the principles of accounting (financial reporting) in the course of integrated reporting

According to the concept of integrated reporting, presenting information on activity risks is an obligatory entry of integrated reporting, and in accordance with the principle of prudence, even if the probability of a particular risk is extremely low, the information about them should be presented in the report. If the principle of prudence is not treated with regard to the past events? but with regard to the future ones, then disclosure of the integrated report information on the future strategy and future prospects of an enterprise conditions a risk of deviation from the expected consequences and, as a result, the contravention of this principle. Following the principle of prudence, the integrated reporting draftsmen, first of all, should proceed from the interests of its users, especially investors, for whom, in the first place, the enterprise's strategic plans are of greatest value and who fairly expect the most accurate representation of the accounting and reporting information on the activity of an enterprise and its prospects. Therefore, in order to comply with the principle of prudence, the information presented in these blocks should be filled in variably, with the disclosure of the deviations scale and reasoning the conditions that led to their occurrence.

In some cases, the actual application of the principle of prudence may result in incomplete representation of particular assets of an enterprise (a significant part of intangible assets)¹²⁶. This thesis relates directly to the integrated reporting that involves most of the information related to intangible assets. It is extremely difficult to adhere to this principle when presenting information about the environmental consequences of the activity, differentiating between the components of intellectual, human and socially-reputational capitals, replenishing natural capital with resources, etc. In particular, in relation to the latter component, IIRS presents the elements of natural capital (air, water, land, mineral resources and forests, biological diversity, and ecosystem health), the assessment of which in accounting appears to be extremely complicated and with a high degree of probability will lead to the contravention of the principle of prudence. In this regard, in order to represent the actual potential of an enterprise in the valuation aspect in the integrated report we

¹²⁶ Там же.

propose to apply a modified principle of prudence based on the professional judgment of the “producer” of integrated reporting in relation to the intangible indices of integrated reporting.

The following principle, namely full coverage, also refers indirectly to the integrated reporting, in particular, as regards to financial reporting, some indices of which should also be disclosed in the integrated report, since it is in the financial reporting that discloses all the information about the consequences of economic activity (business transactions, events) which can influence the decisions made on its basis. Is virtually impossible to disclose all the information on the consequences of economic activity in the non-financial component of integrated reporting and in determining the strategy and prospects of economic activity for the future. Professor A.S. Krutova is quite right as to referring to this principle: “... the principle of full coverage makes sense only in relation to actual events whereby an accountant is able to provide relatively complete information within the framework of financial reporting or notes to it. As regards to the provision of complete information on the potential consequences of economic transactions and events that can affect decisions made on its basis, this principle, in fact, affronts to common sense. Firstly, how this or that information will affect the decision made on its basis depends not only on its “producer”, but also on the level of competence and the goals of the user himself. Secondly, nobody can foresee all the consequences of economic events, because life is always more diverse than we hope and no forecast is 100% probable”¹²⁷. It is especially noticeable under present-day complex political and economic conditions in the eastern regions of Ukraine. In the integrated report of SCM company (System Capital Management – the largest financial and industrial group of Ukraine) in 2014, it is stated in the introduction of the executives: “... a considerable part of the assets of the SCM Group appeared to be directly in the zone of military operations in Donetsk and Luhansk regions. It resulted not only in the losses from endless destruction, the forced shutdown of enterprises, but also to significant expenditures for repair work, the restoration of damaged

¹²⁷ Крутова А. С. Облік в системі електронної комерції : монографія. Харк. держ. ун-т харчування та торгівлі. Х., 2010. 395 с., С. 58.

infrastructure and disrupted economic ties between enterprises”¹²⁸. This situation directly confirms the thesis that it is impossible to foresee all the consequences of some economic events and ensure their full coverage.

The principle of autonomy is derived from the civil law by the theory of accounting. The idea of this principle is to emphasize and represent in the accounting legal independence of an enterprise as an economic entity and, accordingly, an accounting entity of the persons who are its participants (founders)¹²⁹. This principle contributes to the achievement of a clear definition of the scope of accountability, that is, economic activity is associated with a specific economic entity. As to integrated reporting, this principle should be adhered when disclosing information on financial indices of performance, in terms of amount of income, key performance indices, the size of capitals in terms of their types, etc. However, in some cases, when forming an integrated report, economic entities do not adhere to the principle of autonomy, in particular, it is applied to holdings, joint ventures, enterprises that have joint assets (for example, one of the first companies in Ukraine that began to form an integrated report is a DTEK group which is a strategic holding company that manages three operating companies with the assets in coal mining, thermal energy and distribution, as well as alternative energy and gas production, in fact, there are three companies, but the report is one). In this case, the statement of S.F. Golov is rightful; he believes that “the scope of accountability should not be identified only with a legal entity”¹³⁰. In addition, an integrated report may include information that may be of interest to stakeholders and is related to the activities of the owners of economic entities and that is not directly related to the reporting entity, but, for example, is aimed at achieving the goals of sustainable development (acquisition of eco-car, charity, biodiversity protection, etc.). Thus, the principle of

¹²⁸ ДТЕК 2014 Інтегрований звіт. 172 с., С. 2-3

¹²⁹ Безверхий К. Принципи бухгалтерського обліку та їх вплив на обліково-звітну інформацію підприємства. Галицький економічний вісник. 2012. №6(39). С.76-92.

¹³⁰ Голов С.Ф. Бухгалтерський облік в Україні: аналіз стану та перспективи розвитку : монографія. С.Ф. Голов. К. : Центр учбової літератури, 2007. 522 с., С. 419.

autonomy allows identifying the boundaries of an economic entity that draws up an integrated report: territory, assets, liabilities, economic relations, etc., and should be adhered to when presenting information on the financial indices of performance, but may be offset when disclosing non-financial information.

The principle of consistency is constant (from year to year) application of the accounting policy chosen by the company. F.F. Butynets directly refers the principles of accounting to accounting policies. According to his interpretation, the principles of accounting are the basic provisions of accounting policy of an enterprise, the basis for the accounting policy formation¹³¹. Change in accounting policy is possible only in cases provided by national accounting provisions (standards) and should be substantiated and disclosed in the financial reporting¹³². This principle relates directly to integrated reporting, since the process of forming an integrated report is quite complicated and practically is not applied at the national economic entities from the methodological, methodical and technical points of view. An integrated report should not only contain static numerical data, but accounting and analytical information generated as a result of integrated thinking, is of value to stakeholders and discloses the relationship between financial and non-financial indices. Accounting policy should disclose the principles, rules, methods and procedures for maintaining integrated accounting and integrated reporting in order to collect, process and transfer financial and non-financial indices to the integrated report of an economic entity. The main objective of forming an integrated report is to provide financial capital providers with substantiated and reliable information about how an enterprise creates value over a long period of time. Therefore, any changes in accounting policy are undesirable because they cause risk of disrupting the comparability of results of an enterprise performance over the reporting periods.

The principle of continuity of activity becomes particularly relevant when an economic entity achieves the objectives of

¹³¹ Організація бухгалтерського обліку ; за ред. проф. Ф.Ф. Бутинця. Житомир: ПП «Рута», 2002. 592 с., С.52.

¹³² Про бухгалтерський облік та фінансову звітність : Закон України [прийнятий Верховною Радою України від 16.07.1999 р. – № 996] [Електронний ресурс]. Режим доступу : <http://zakon.rada.gov.ua>.

sustainable development, which are aimed at continuous improvement of economic, social and environmental indices of performance of both an individual enterprise and the state and the world as a whole. In the academic community there are different points of view in relation to this principle, for example, scientists A.S. Krutova and O.V. Kharlamova propose to interpret this principle as one of the general assumptions, and not as a regulatory component, which is the basis of the accounting methodology^{133,134}, according to other scientists, the principle of continuity is the basic principle of the reporting formation, or even is of great importance not so much as a separate principle¹³⁵, but as a liaison in the traditional system of principles and methods of accounting¹³⁶. When forming an integrated report, this principle is mandatory to apply, since in accordance with the IIRS, the report should disclose information about: the short, medium and long-term strategic goals of an organization; the strategy that an organization has developed or intends to implement to achieve such strategic goals; resource allocation plans that an organization has prepared or intends to apply to implement its strategy; how it will assess achievements and final results in the short, medium and long-term, as well as data on the prospects for future activity¹³⁷. The need to represent forecasting information as a mandatory element of integrated reporting is directly related to the adherence to the principle of continuity of activity.

As to the period of continuous activity it is assumed in the Ukrainian standard that an enterprise will function “forever”¹³⁸.

¹³³ Крутова А. С. Облік в системі електронної комерції : монографія. Харк. держ. ун-т харчування та торгівлі. Х., 2010. 395 с., С. 58.

¹³⁴ Харламова О.В. Фінансова звітність за міжнародними стандартами: методологія формування та практика імплементації в Україні: монографія. Харків : Лідер, 2015. 372 с., С. 34.

¹³⁵ Гринчишин Я. Принцип безперервності україні: порівняння з міжнародними стандартами. Бухгалтерський облік і аудит. №11. 2013. С. 3-8

¹³⁶ Легенчук С.Ф., Брехун Н.С. Принцип безперервності в бухгалтерському обліку: історичні аспекти, сутність та шляхи розвитку. Вісник Львівської комерційної академії. Львів: Видавництво Львівської комерційної академії, 2011. Вип. 38. С. 197–205.

¹³⁷ Международный стандарт интегрированной отчетности [Электронный ресурс]. Режим доступа: <http://integratedreporting.org>.

¹³⁸ Гринчишин Я. Принцип безперервності україні: порівняння з міжнародними стандартами. Бухгалтерський облік і аудит. №11. 2013. С. 3-8.

Continuity is treated as an assumption of continuous activity in the foreseeable future in paragraph 4.1 of the Conceptual basis of financial reporting, and period of the assumption of continuity is defined as at least 12 months from the end of the reporting period in paragraph 26 of the International Accounting Standard¹³⁹. As a rule, financial capital providers require more information than it is disclosed in the financial reporting of enterprises. Primarily it is referred to the information about the substantial risks of discontinuation of activities in the future. The availability of such information in the integrated report will enhance its quality, in particular, from the perspective of forecasting the level of instability of a company and adherence of the principle of continuity of activity.

The principle of accrual and compliance of income and expenditure makes it possible to determine the financial result of an enterprise's activity based on a unified approach to including income and expenditure to the reporting period. In general, the principle ensures the objectivity of information that is formed in the integrated reporting in terms of financial indices, but subject to an enterprise's activity under normal conditions. However, if a business entity is harmed by emergency situations of a different nature or its activity caused emergency situations, this principle of accounting is valid only in terms of accrual¹⁴⁰. In fact, this means that the principle can be applied in the integrated reporting only under the normal conditions of an enterprise's activity, and under the conditions of crisis socio-political and economic phenomena incidental to Ukraine, such a principle will, on the contrary, create the basis for distortions in the integrated reporting.

The principle of prevalence of the essence over the form means that business transactions are accounted according to their essence, and not only based on the legal form. This principle in the course of integrated reporting is determinative, especially in the process of differentiating capital components (intellectual or human? production

¹³⁹ Міжнародний стандарт бухгалтерського обліку 1 «Подання фінансової звітності» [Електронний ресурс]. Режим доступу: http://zakon2.rada.gov.ua/laws/show/929_013.

¹⁴⁰ Грицишен Д. О. Модифікація принципів бухгалтерського обліку в контексті положень сталого розвитку промислових підприємств. Економічний простір. 2015. № 100. С. 108-124.

or financial?), economic and legal treatment of social and environmental components and disclosure of information about them in the integrated report.

The principle of historical (actual) cost, according to which evaluating assets of an enterprise based on the costs of their production and acquisition is priority, in fact, can be applied in the assessment of elements of production capital in the integrated reporting, but it is rather difficult to adapt for applying in the assessment of environmental or social indices, the size of intellectual or human capital. An integrated report should provide information on how the organization creates value over a long period of time, that is, the purpose of obtaining integrated reporting data is to diagnose (assess) the value of a business. In this case, the supplier of financial capital (investor) is interested in information about the actual, and not the historical value of assets and liabilities, assessed at a market (fair) value. According to L.V. Gnylytska, in order to apply accounting information in the system of integrated reporting, it is expedient to replace the principle of historical value with the principle of flexibility in the assessment, which involves the dependence of the choice of assessment on the purpose and needs of the user of the reporting data¹⁴¹. S.F. Golov, in turn, points out that in the global accounting system, the choice of assessment should depend on the user's purpose and needs and should be defined as the principle of relevance of the assessment¹⁴². Thus, the principle of historical (actual) cost contravenes the requirement for the presenting predictive and probable indices in the integrated reporting, which are a mandatory element of an integrated report.

Predictive indices ensure strategic decisions and, as professors E. Hendricksen and M. Van Breda point out, the value of an asset for an enterprise may change over time, over a long period of time it may lose value as a measure of cost of an enterprise's resources, such as a

¹⁴¹ Гнилицька Л.В. Сучасні підходи до квінтесенції публічної звітності підприємства в контексті забезпечення його економічної безпеки. Проблеми теорії та методології бухгалтерського обліку, контролю і аналізу. 2016. Вип. 1 (34). С. 48-65

¹⁴² Голов С.Ф. Бухгалтерський облік в Україні: аналіз стану та перспективи розвитку: монографія. К.: Центр учбової літератури, 2007. 522 с., С. 423.

potential assessment or as a current market price of an asset¹⁴³. This thesis is especially relevant under the current conditions of activity of the national economic entities, which is associated with the instability of exchange rates and complex economic and political situation in Ukraine. Therefore, in order to assess the elements of an integrated report, we suggest applying the principle of differentiated assessment in terms of economic, social and environmental indices. Methodology of differentiated assessment for each component of an integrated report should be disclosed in the accounting policy of an economic entity.

The principle of a single money measure in the integrated reporting is not used, since indices in it are presented both in monetary (monetized) measures and in the natural or labor (when disclosing information on environmental indices, environmental activity, the morale of employees, culture, ethical principles and values, etc.) In addition, certain performance indices can also be presented in foreign currency to attract foreign suppliers of financial capital. Therefore, the principle of relevant measures should be applied when disclosing various indices of an integrated report.

The content of the principle of periodicity is the ability to divide an enterprise's activity into specific periods of time for reporting purposes. Its adherence is mandatory in the integrated reporting, as it allows presenting information on value creation in the short, medium and long-term, disclosing relevant information about the results of activity in the reporting period and comparing it with the previous periods to determine positive or negative trends in achieving key objectives of management.

Thus, adherence of the main statutory accounting principles in the integrated reporting will, to a certain extent, ensure that only relevant and useful information is included in an integrated report. At the same time, IIRS expands significantly the list of source principles that should be the basis for the preparation of integrated reporting and clearly defines the basis on which the content of an integrated report should be formed and which will affect the form of presenting information in terms of the economic, social and environmental components. The main principles for the preparation of an integrated

¹⁴³ Хендриксен Е.С. Теория бухгалтерського учета ; пер. с англ. ; под ред. проф. Я.В. Соколова. М.: Финансы и статистика, 2000. 576 с., С. 310.

report in accordance with the approach proposed by the International Committee on Integrated Reporting include the following: strategic focus and orientation on the future; information coherence; interaction with the parties concerned; essentiality; brevity; reliability and completeness; continuity and comparability¹⁴⁴. In addition, Ukraine's intention to join the EU and adoption of the Association Agreement between Ukraine and the European Union update the principles of a free market economy among which: supremacy of law, appropriate management, fight against corruption and promotion of sustainable development that are defined as the basis for strengthening relations, which requires modification of the theoretical basis of integrated reporting in terms of the main principles and provisions.

Investigation of the normative base and the practice of applying the principles set forth in the IIRS made it possible to conclude that it is expedient to systematize them by clustering into three groups according to the orientation and purposes of application: structural, organizational and qualitative. Such systematization will, firstly, give a deeper understanding of the nature of each of the principles, and, secondly, will become a theoretical basis for developing a hierarchical system of principles for integrated reporting.

In the developed hierarchical system of principles of integrated reporting, the first group of principles affects directly the structure of an integrated report and consolidates the initial provisions that must be adhered in determining its content. We believe that the standard does not fully take into account all the components of an integrated report and emphasizes only the principles that relate to the strategy and interaction with the interested users, at the same time, other mandatory elements of a business model, namely capital, value, risks and socio-ecological indices, are disregarded. Adhering the proposed principles of integrated reporting, namely: capital dissimulation; value approach; monitoring and risk control; ecologization and socio-harmony will allow forming a system of the main indices to be included in an integrated report and developing organizational and methodical mechanisms for collecting and disclosing information about them.

¹⁴⁴ Международный стандарт интегрированной отчетности [Электронный ресурс]. Режим доступа: <http://integratedreporting.org>.

The organization of the integrated reporting process requires economic entities to develop specialized technological and methodological approaches to the process of communicating, collecting, processing and transferring information on economic, social and environmental activity to an integrated report, which requires consideration of specialized organizational principles. It is evident that a outlying only the principles of collecting information for an integrated report (information coherence, continuity and comparability) can not adequately provide an integrated process. Therefore, it is expedient to adhere to the organizational principles of integrated reporting that cover the entire accounting process, which combines the living labor of employees (the principles of center-orientation and response), instruments of labor (the principle of informatology) and specific subjects of labor (the principle of collation).

The information presented in the integrated reports must be straightforward and aimed at clear understanding by its users on the assumption that they have sufficient knowledge and are interested in perceiving this information; the degree of utility of the information included in an integrated report id determined by the quality principles of the integrated reporting that are proposed to be supplemented by the principles of openness, clearness and temporality.

In order to develop the methodological foundations for forming an integrated report, the principles of integrated reporting, defined by the IIRS, are proposed to be expanded and clustered into the groups that determine their orientation and are systematized according to the purposes of use (Table 2.4).

Table 2.4

Systematization of Integrated Reporting Principles

No.	Group	Title	Interpretation of the content
1	2	3	4
1	Structural	Strategic focus and orientation to the future	An integrated report should include analysis of tan organization’s strategy and explain how this strategy correlates with an organization’s ability to create value in the short, medium and long-term, as well as the use of capital by it and impact on them.

Table 2.4 (continued)

1	2	3	4
2		Interaction with the parties concerned	Integrated report should include analysis of the nature and quality of an organization's interaction with its main parties concerned, including how and to what extent an organization understands and takes into account their legitimate and substantiated demands, interests and requests.
3		<i>Spatial continuum</i>	An integrated report should include analysis of institutions of legal, commercial, social, environmental and political context that affect an organization's ability to create value in the short, medium or long term.
4		<i>Capital differentiation</i>	An integrated report should include information on the types of capitals used by an organization to create value, their description, components, size.
5		<i>Value approach</i>	Information in an integrated report should describe in detail how an organization creates value in the short, medium and long term
6		Monitoring and control of risks	An integrated report should disclose information on the risks that affect the ability to create value by an organization in the short, medium and long term and on the corporate mechanisms of management
7		Ecologization	Integrated report should disclose information on the introduction of the systems of technological, managerial and other decisions that enable to increase efficiency of use of natural resources while, at the same time, preserving or improving the natural environment.
8		<i>Socio-harmony</i>	An integrated report should disclose information on the social responsibility and social indices of an organization

Table 2.4 (continued)

1	2	3	4
9	Organizational	Information coherence	An integrated report should represent a complete picture of combinations, interrelation and interdependency between the factors that influence an organization's ability to create value for a long time
10		Continuity and comparability	Information included in an integrated report should be presented: (a) on the basis that does not change for a long time; and (b) in such a way that comparison with other organizations can be made in those cases when it is essential for an organization's ability to create value over time
11		<i>Center-orientation</i>	To develop a system for collecting information for an integrated reporting process, it is necessary to form responsibility centers according to the hierarchical levels of management and units of an enterprise
12		<i>Colation</i>	Information provided in an integrated report is constantly verified for adequacy
13		<i>Response</i>	The process of integrated reporting should be organized in such a way that to be able to consistently respond to requests from financial capital suppliers
14		<i>Informatiology</i>	Comprehensive application of information technologies at all stages of transferring information from the moment of its registration to obtaining effective indices, transferring them to an integrated report and in the process of its presentation.
15	Qualitative	Significance	integrated report should disclose information on the issues that have a significant impact on the assessment of an organization's ability to create value in the short, medium and long-term
16		Brevity	An integrated report should be concise
17		Reliability and completeness	An integrated report should include all essential facts, both positive and negative, in a balanced form and error-free.

Table 2.4 (continued)

1	2	3	4
18		<i>Openness</i>	An integrated report should be accessible to all the parties concerned, in particular financial capital suppliers
19		<i>Clearness</i>	An integrated report should include sufficient information that is prepared so that it can be easily interpreted by the parties concerned.
20		<i>Verification</i>	To increase business transparency an integrated report should be verified by means of an independent audit
21		<i>Temporality</i>	Presentating information in an integrated report should take into account cause-and-effect relationships under time conditions

Source: the principles proposed by the author are italicized

The developed hierarchical system of principles of integrated reporting sustains the thesis of G.A. Porter about that the principles that are guiding for the formation of integrated reporting are developed to improve the conditions of conducting business. They represent a system of views on the formation of its indices, and their adherence allows more complete understanding the process of integrated reporting and a defining role in the methodology and organization of the practical activity of economic entities that will be proved in the next chapter of this work.

PART 3

PROSPECTS OF INTEGRATED REPORTING IMPLEMENTATION IN UKRAINE AND THE WORLD

3.1 Indices of integrated reports as indicators of sustainable development

The change in the paradigm of a globalized economy functioning based on the principles of sustainable development, which emphasizes the unity of economic, ecological and social components in the progressive harmonized development of mankind, requires increased transparency of conducting business by economic entities and the practical implementation of the modern concept of integrated reporting that comprehensively and holistically highlights not only the production and financial activity of economic entities, but also all resources (financial, natural, social, intellectual) used and created by them for internal and external users and provide business continuity and sustainable development.

Legislative acts and initiatives on sustainable development in Ukraine include: Laws of Ukraine “On Environmental Protection”, “On Natural Air Protection”, “On Social Services”, “On Environmental Approval”, “On Refuse”, “On Environmental Audit”; state concept “Ukraine-2020” Sustainable Development Strategy” and others. Since the beginning of its independence, Ukraine has supported the main goals of sustainable development as formulated in a number of international documents and programs developed under the aegis of the UN (Table 3.1).

In July 2016, the Ministry of Economic Development and Trade of Ukraine, with support of the United Nations, began holding national consultations on adaptation and localization of the agenda on the issues of development till 2030 and 17 Sustainable Development Goals in Ukraine. The purpose of the consultations is to promote the achievement of common understanding of the Sustainable Development Goals, their topicality in the context of national development of Ukraine in general, and trade sector in particular¹⁴⁵.

¹⁴⁵ Міністерство економічного розвитку і торгівлі разом із системою ООН в Україні розпочали національні консультації щодо 17 Цілей Сталого Розвитку в

Table 3.1

International documents and sustainable development programs

No.	Title	Date of adoption	Brief content
1	2	3	4
1	Rio de Janeiro Declaration on Environment and Development	14 June 1992	Includes 27 principles of sustainable development, the main of which are: concern for people, environmental protection, poverty eradication, adoption of effective environmental legislative acts by the states, total participation of women in achieving sustainable development, etc.
2	The Global Action Program Agenda for the 21st Century	3-14 June 1992	Section I. Social and economic aspects Section II. Preservation and rational use of resources with the aim of development Section III. Strengthening the role of major population groups Section IV. Means of implementation
3	Action Program for the further implementation of the Agenda for the 21 st Century	28 June 1997	I. Statement of commitments; II The progress assessment made since the UN Conference on Environment and Development; III Implementation in the areas where urgent actions is required; IV. International institutional mechanisms
4	The United Nations Millennium Declaration	08 September 2000	I. Values and principles; II. World, security and disarmament; III. Development and overcoming poverty; IV. Protecting our common environment;

Table 3.1 (continued)

1	2	3	4
			<p>V. Human rights, democracy and good governance; VI. Protection of the vulnerable; VII Satisfying Africa’s special needs; VIII. UN Strengthening</p>
5	<p>Johannesburg Declaration on Sustainable Development</p>	<p>04 September 2002</p>	<p>From our origins to the future; From Stockholm to Rio de Janeiro and Johannesburg; The challenges facing us; Our commitment to sustainable development; The future belongs to the multilateral approach; Let it be so!</p>
6	<p>Plan of Decision Implementation of the World Summit on Sustainable Development</p>	<p>04 September 2002</p>	<p>I. Introduction; II. Eradication of poverty; III. Change of unstable patterns of consumption and production; IV. Protection and rational use of the natural resource base of economic and social development; V. Sustainable development under conditions of globalization in the world; VI. Health care and sustainable development; VII Sustainable development of the developing small island states; VIII. Sustainable development for Africa; IX Other regional initiatives; X. Means of implementation</p>
7	<p>2005 World Summit Outcome</p>	<p>16 September 2005</p>	<p>I. Values and principles; II. Development; II. The world and collective security; IV. Human rights and the rule of law; V. Strengthening of the United Nations</p>
8	<p>The future we strive for</p>	<p>27 June 2012</p>	<p>I. Our common vision; II. Confirmation of political adherence; III. “Green” economy in the context of sustainable development and poverty eradication;</p>

Table 3.1 (continued)

1	2	3	4
			IV. Institutional framework for sustainable development; V. Framework program of action and future actions; VI. Means of implementation
9	The Transformation of Our World: An Agenda for Sustainable Development 2030	25 September 2015	Sets seventeen goals: poverty, hunger and food safety, health, education, gender equality, water and sanitation, energy, economic growth, infrastructure and industrialization, inequality, cities, sustainable consumption and production, climate change, oceans, biodiversity, peace and justice, partnership. Each goal has its own tasks, and the document totally has 169 tasks.

Source: compiled according to ^{146, 147, 148, 149}

In addition, the Ministry of Economic Development of Ukraine has developed a plan of measures for the implementation of the Section IV “Trade and Trade-related Issues” of the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Copartnership and their member states, of the other part, for 2016-2019, in particular with regard to the Section 13 of the Agreement, entitled “Trade and Sustainable Development”.

¹⁴⁶ Сталій розвиток: інформаційно-аналітична записка [Електронний ресурс]. Режим доступу: <http://ipzn.org.ua/stalyj-rozvytok-informatsijno-analitychna-zapyska/>

¹⁴⁷ Декларация Рио-де-Жанейро по окружающей среде и развитию [Электронный ресурс]. Режим доступа: http://zakon5.rada.gov.ua/laws/show/995_455

¹⁴⁸ Конвенции и соглашения [Электронный ресурс]. Режим доступа: http://www.un.org/ru/documents/decl_conv/conventions/agenda21.

¹⁴⁹ Georgiev Todorov & Co The International Comparative Legal Guide to: Corporate Governance in Bulgaria, 2011. URL: https://georg-tod.com/wp-content/uploads/2018/01/1341217336-CG11_Chapter-6_Bulgaria.pdf

The level of the country's development by economic, social and ecological indices allows assessing international indices, which to any extent determine sustainable development of the states according to various ratings. In order to determine the place of Ukraine among the countries of the European Union (for comparing, it was chosen the countries that are close to economic indices and mentality, and the countries that were the first to become members of the European Union), a comparison was conducted according to the economic, social and ecological indices that are determined by the corresponding indices (Table 3.2).

The social component of sustainable development of countries can be determined by the indices of charity, social progress, human development, knowledge and development of human capital. The index of charity is calculated on the basis of surveys of the urban population of the countries and it takes into account not only monetary donations, but other forms of assistance to the needy. During the survey respondents have to answer three questions: whether they donated money for charity (last month); whether they were engaged in volunteering activities (last month); whether they helped a stranger who asked for it (last month). In addition, respondents estimate on the ten-point scale how they are satisfied with their lives¹⁵⁰.

The most widespread types of charitable assistance in Ukraine in 2016 were donations through charity money boxes (51%), cash assistance directly to the needy (28%), charity donations in the church (21%), transfer of the interest from wages to charity (20%). According to the State Registration Service, at the beginning of 2016 more than 15 thousand charitable foundations and organizations were registered in Ukraine (Figure 3.1)¹⁵¹.

¹⁵⁰ Caf World Giving Index 2016. The world's leading study of generosity [Electronic resource]. Access mode: https://www.cafonline.org/docs/default-source/about-us-publications/1950a_wgi_2016_report_web_v2_241016.pdf?sfvrsn=4

¹⁵¹ Благодійність в Україні: післясмак 2016-го [Електронний ресурс]. Режим доступу: http://gazeta.dt.ua/SOCIUM/blagodiynist-v-ukrayini-pislyasmak-2016-go_.html.

Table 3.2

**Indices that characterize the level of sustainable development of
the countries**

No.	Index	Countries									
		Estonia	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	Hungary	Croatia	Belgium
1	2	3	4	5	6	7	8	9	10	11	12
S	Charity	23	24	22	25	28	22	41	20	22	43
S	Social progress	82,62	76,19	76,94	79,76	72,23	78,26	84,27	76,88	77,68	86,19
S, E	Human development	0,861	0,819	0,839	0,843	0,793	0,844	0,880	0,828	0,818	0,890
S	Human capital development	80,63	78,13	79,34	77,34	74,99	74,94	80,33	76,36	74,99	81,59
S	Knowledge	8,26	7,68	7,15	7,20	6,63	7,46	7,91	7,93	7,27	8,68
E	Food Safety	-*	-*	-*	74,2	63,3	70,7	-*	71,4	-*	79,5
Ecol	Environmental efficiency	88,59	85,71	85,49	81,26	83,24	85,42	88,98	84,6	86,98	80,15
E	Economic freedom	77,2	70,4	75,2	69,3	65,6	66,6	60,6	66,0	59,1	68,4
E	Prosperity	68,53	65,02	63,64	65,96	61,67	65,10	71,22	62,56	63,50	74,41
Complex	<i>Society stability</i>										
	social	8,4	8,0	8,1	8,4	8,1	8,3	8,7	8,2	8,1	8,7
	ecological	2,2	4,7	4,0	4,2	5,6	4,9	4,9	5,2	5,9	2,7
	economic	8,1	6,6	6,9	6,6	6,7	6,0	5,2	5,2	3,6	4,8

-* – no data

Table 3.2 (continued)

No.	Index	Countries										
		Italy	Luxembourg	Netherlands	Germany	France	Great Britain	Denmark	Ireland	Greece	Ukraine	place
1	2	13	14	15	16	17	18	19	20	21	22	23
S	Charity	30	39	52	47	31	54	47	49	19	26	106
S	Social progress	82,49	-*	88,65	86,42	84,79	88,58	89,39	87,94	78,27	66,43	63
S, E	Human development	0.873	0.892	0.922	0.916	0.888	0.907	0.923	0.916	0.865	0.747	81
S	Human capital development	75.85	79.28	82.18	81.55	80.32	80.04	82.47	80.79	73.64	78.42	26
S	Knowledge	7.94	8.01	9.22	8.83	8.36	8.61	9.00	8.73	7.74	6.33	56
E	Food Safety	77.0	-*	85.0	83.9	83.8	81.6	82.6	85.4	73.5	56.1	59
Ecol	Environmental efficiency	84.48	86.58	82.03	84.26	88.2	87.38	89.21	86.6	85.81	79.69	44
E	Economic freedom	61,2	73,9	74,6	74,4	62,3	76,4	75,3	77,3	53,2	46,8	162
E	Prosperity	66,16	76,53	77,44	76,83	72,98	77,18	77,37	75,71	63,00	52,59	107
Complex	<i>Society stability</i>											
	social	7,7	7,5	8,8	8,8	8,4	8,5	8,6	8,6	7,7	8,0	-
	ecological	5,2	2,6	3,1	3,3	4,0	4,6	4,5	3,6	4,9	4,8	-
	economic	4,4	7,7	6,0	6,6	4,5	4,6	7,6	3,9	2,5	2,9	-

-* – no data

At the same time, despite a significant number of charitable organizations, Ukraine occupies only 109th place out of 138 countries in the World Charity Index. To improve this situation, all the economic entities should develop measures aimed at engaging employees in charity, organizations themselves should practice charitable activities, information about which should be disclosed in an integrated report.

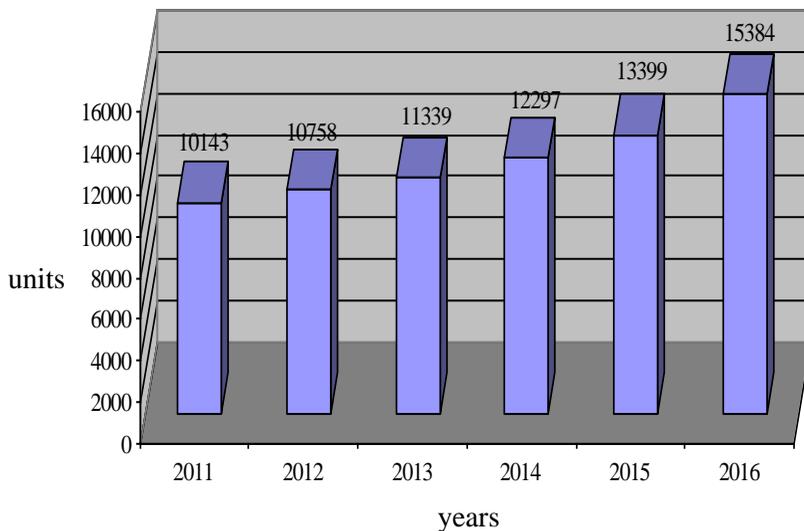


Fig. 3.1 Dynamics of the number of economic entities engaged in charitable activity in Ukraine for the period of 2011-2016

The Social Progress Index (SPI) characterizes achievements of the countries worldwide in terms of social welfare and is based on the combination of data from public opinion polls (12%), expert assessments in the field of development (25%) and statistical information of international organizations (61%)¹⁵². In determining the place of any country in the field of social progress more than 50 indices, which are clustered into three main groups: basic human needs, the basis of human well-being, human development opportunities (Figure 3.2).

Despite the social, political and economic complexities, Ukraine has outrun all CIS countries by the level of SPI. Thus, Belarus occupied the 66th place, Armenia – the 67th, and Russia – the 75th. Ukraine received 66.43 points out of 100 possible, being included to the group of countries with a level of social development “below average”.

¹⁵² Рейтинги стран и регионов [Электронный ресурс]. Режим доступа: <http://gtmarket.ru/research/social-progress-index/info>

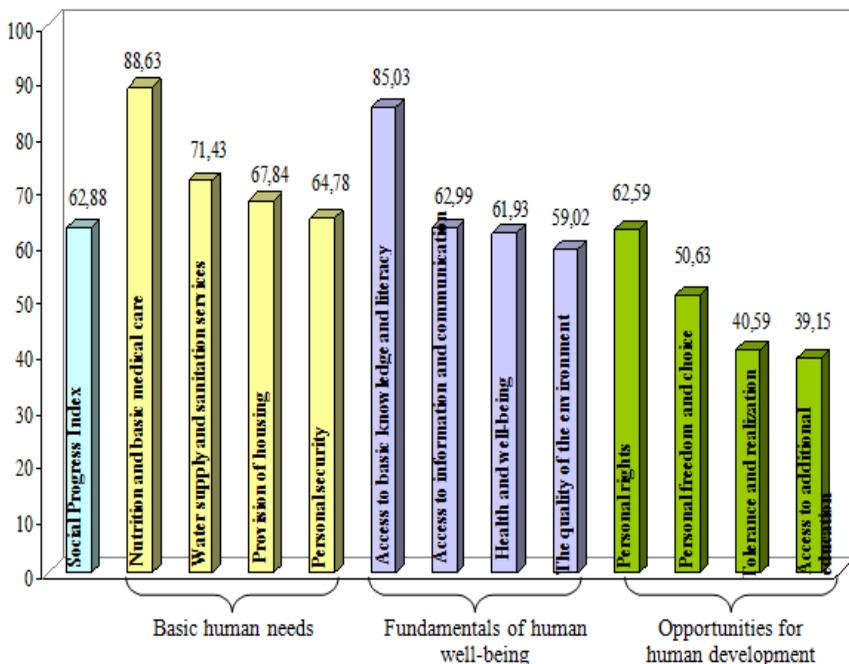


Fig. 3.2 The average level of the total index of social progress and its components in 2016 by the countries of the world

Ukraine traditionally shows relatively high rates in the sphere of access to higher education and basic knowledge, where it occupied the 31st and the 28th places, respectively¹⁵³. Deloitte Global Chairman of the Board David Kruikshenk points out that: “... the business community has to contribute, as well as to cooperate with the public and civil society in order to promote social development and achieve its growth”¹⁵⁴. The results of this cooperation should be disclosed in

¹⁵³ Social Progress Index 2016 [Электронний ресурс]. Режим доступа: <http://www.socialprogressimperative.org/wp-content/uploads/2016/06/SPI-2016-Main-Report.pdf>.

¹⁵⁴ Індекс соціального розвитку [Електронний ресурс]. Режим доступа: <https://www2.deloitte.com/ua/uk/pages/press-room/research/social-progress-index-2016.html>

an integrated report when disclosing information about the components of social and reputational capital.

The Human Development Index (HDI) is a composite indicator that characterizes human development in the countries and regions worldwide, is calculated by the experts of the United Nations Development Program in conjunction with a group of independent international experts who use in their work, alongside with analytical developments, statistical data of the national institutes and international organizations^{155,156}. The HDI measures the achievements of a country in terms of health, education and the actual income of its citizens, in three main areas for which their indices are assessed in the form of numerical values from 0 to 1, the average geometric value of which is an aggregate index of HDI in the range from 0 to 1 (Figure 3.3).

In 2010, three new indices were introduced in addition to the index mentioned: human development index, adjusted for socioeconomic inequalities, index of gender inequality and the index of multidimensional poverty¹⁵⁷. Ukraine is included in the list of the countries with a high level of human development according to the level of the index, but it occupies only the 81st place. Norway is ranked the first according to the human development index.

The top ten leaders also include Australia, Switzerland, Denmark, the Netherlands, Germany, Ireland, the United States, Canada and New Zealand. The first 50 places in the ranking are the category of the countries with a very high level of HDI (Group I). Among the countries of the former USSR, only the Baltic countries are included in this group: Estonia – the 30th place, Lithuania – the 37th, Latvia – the 46th. The category of the countries with a high level of HDI (Group II) includes the countries that occupy places from the 50th to the 105th.

¹⁵⁵ Рейтинги стран и регионов [Электронный ресурс]. Режим доступа: <http://gtmarket.ru/research/social-progress-index/info>

¹⁵⁶ Koleva D. Strategic management – an educational aid, Published by VUZF University, Sofia, 2015.

¹⁵⁷ Яковлева Ю. К. Розвиток людського потенціалу як база для соціально-економічного розвитку. Культура народів Причорномор'я. 2012. № 220. С. 122–126.

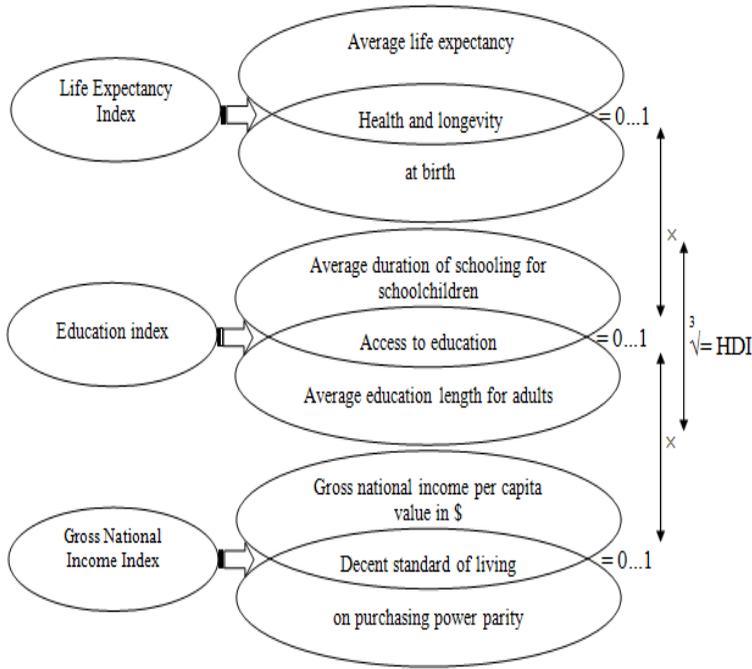


Fig. 3.3 Method of calculating human development index

In this category, Russia and Belarus have shared the 50th position, Kazakhstan occupies the 56th place, Georgia – the 76th, Azerbaijan – the 78th, Armenia – the 85th. The third category that is the countries with an average level of HDI (Group III) includes the following countries of the former USSR: Moldova – the 107th place, Turkmenistan – the 109th, Uzbekistan – the 114th, Kyrgyzstan – the 120th and Tajikistan – the 129th. The end part of the rating includes the countries with the lowest level of development, these countries are located mainly in Africa¹⁵⁸.

Human development can be also demonstrated by other indices: Physical Quality-of-Life Index, Genuine Progress Indicator, Gender-related Development Index, Vanderford-Riley well-being schedule,

¹⁵⁸ Робота задля людського розвитку. Презентація доповіді Програми розвитку ООН з людського розвитку за 2015 рік. Вісн. НАН України, 2016. № 2. 67–72.

The Economist Intelligence Unit's quality-of-life index, Gross National Happiness¹⁵⁹. The latter is of great interest; the concept of Gross National Happiness Index was first mouthed in 1972 by the fourth king of Bhutan Jigme Singh Wangchuk who emphasized that it was impossible to assess the welfare of a country according to the level of its GNP and proposed to assess a state's development in terms of the happiness level of its population¹⁶⁰. In 2006, the method of assessing gross national happiness was finalized by the president of the International Institute of Management, Med Jones, having outlined the seven key criteria, each of which should be determined by direct survey, as well as by the statistical data from various sectors. Together, these criteria form a single macroeconomic indicator, which, according to M. Johns, represents the real level of the population's well-being. The above mentioned criteria include: economic well-being (average income, minimum wage, etc.); ecological well-being (level of pollution, noise, water quality, etc.); physical well-being (the number of seriously ill patients, hospitals, etc.); mental well-being (sales volume of antidepressants, etc.); well-being at the workplace (frequency of work change, lawsuits); social well-being (level of divorce, criminogenic situation, etc.); political well-being (level of democracy, freedom of an individual, etc.)¹⁶¹.

We consider it to be expedient to assess the happiness level at every enterprise, which forms an integrated report, by means of an on-line survey of its employees according to the indices of material, moral, psychological, social and ecological well-being, and for this purpose to apply "corporate happiness index". The development of a standardized methodology for calculating a corporate happiness index will allow comparing the aggregate happiness by enterprises of different sectors of economy and forms of ownership, and will ensure legality of presenting this index value in an integrated report when disclosing information on human, social and intellectual-

¹⁵⁹ Статівка Н. В., Надточій А. О. Причини та наслідки зниження рівня життя населення в Україні. Актуальні проблеми державного управління. 2016. № 1. С. 203–211.

¹⁶⁰ Вікіпедія Вільна енциклопедія [Електронний ресурс]. Режим доступу: <https://uk.wikipedia.org/wiki>.

¹⁶¹ Лекція Меда Джонса «Валове національне щастя» [Електронний ресурс]. Режим доступу: https://kneu.edu.ua/ua/news_main/news_2011_09_12/

reputational capitals. It is expedient to form the questionnaire according to the groups of questions: general assessment of the satisfaction with the conditions and the nature of work; ergonomic and technical working conditions; tangible and intangible remuneration; benefits package; assessment of the managerial staff authority; training and development opportunities; career prospects, motivation and self-realization; the level of cooperation, mutual understanding and trust in the team, the opportunities of psychological safety valve. Based on these questionnaires, we propose to calculator Corporate happiness index according to the formulas (3.1, 3.2).

$$I^{ch} = \sum_{i=1}^i i^n/n \quad (3.1)$$

$$i^n = \sum_{q=1}^q q^m/m \quad (3.2)$$

Where I^{ch} – the index of corporate happiness,

i^n – total score of n^{th} respondent,

q^m – respondent’s answer to the m -question,

m – number of questions in the questionnaire,

n – number of respondents.

Periodic assessment of the Corporate Happiness Indicator level will help to increase staff’s satisfaction with work, reduce staff turnover, clarify employees’ motivational benefits, and identify the main problems and reasons for their dissatisfaction. For a company, socially responsible business policy is the basis of its future that provides information about the company’s total happiness in integrated reports and allows providing stakeholders with information about social factors in creating company’s value.

A periodic assessment of the corporate happiness level at an enterprise will increase personnel’s satisfaction with work, reduce personnel turnover, clarify the motivational benefits of employees, identify the main problems and the reasons for their dissatisfaction. Socially responsible business policy is the basis of the future of an enterprise, and providing information on the aggregate happiness of an enterprise in an integrated report will allow providing

stakeholders with the information on social factors of creating value by a company.

The next indicator of the social component of sustainable development is the human capital development index, which is determined according to 46 indices that are clustered into four main groups: education (higher, secondary, primary) and vocational training; health, physical and psychological well-being; job placement and employment; infrastructure, legal protection, social mobility. Compared to the HDI, in 2016 Ukraine was ranked the 26th among 130 countries in the world according to Human Capital Index, having improved its position by 5 points per year. To cover the entire demographic profile, the study provides an assessment of the human capital development in five age groups: (under 15 years, from 15 to 24, from 25 to 54, from 55 to 64, from 65 and over), which allows determining strengths and the weaknesses in each of them (Figure 3.4)¹⁶². In 2016, the number of the working-age population in Ukraine reduced to 30.9 million people, the share of the employed was 60.3%, the unemployment rate is estimated at the level of the indicator in 2015 – 7.2%, and the average age of the population increased from 39 to 40 years¹⁶³. In order to improve human capital development index an integrated report should provide information in terms of spending money on human capital for its formation, use and reproduction, as well as the assessment of potential economic benefits, the value of these investments should be quantified and supplemented by qualitative descriptions¹⁶⁴. In addition, there should be provided information on the competences of employees, their capabilities and experience, motivation, etc.

Knowledge index is a key indicator for both macro and micro levels, because it characterizes not only a social component of sustainable development, but also an economic one. Back in 1969, P.

¹⁶² Рейтингові оцінки розвитку людського капіталу 2016 [Електронний ресурс]. Режим доступу: <http://edclub.com.ua/analityka/reytynгови-ocinky-rozvytku-lyudskogo-kapitalu-2016>.

¹⁶³ The Human Capital Report 2016 [Electronic resource]. Access mode: http://www3.weforum.org/docs/HCR2016_Main_Report.pdf

¹⁶⁴ Давидюк Т. В. Людський капітал як об'єкт інтегрованої звітності: напрямки реалізації міжнародного стандарту інтегрованої звітності. Стан і перспективи розвитку обліково-інформаційної системи в Україні : матер. 3-ї Міжнар. наук.-практ. конф., 10-11 жовтня 2014 р. Тернопіль : THEU, 2014. С. 13-14.

Drucker in his book “The Age of Discontinuity” raised the issues as to what resource is the central in the modern economics¹⁶⁵.

The scientist stated that, at present, material, financial and managerial resources are not decisive factors of production, and he defined the knowledge economy as a special type of economy, in which the crucial role belongs to knowledge, and their production becomes a source of economic growth and competitiveness. Knowledge index is an average value of three indices – education index, innovation index and information technology and communications index. For each group of indices, the countries are rated by points from 1 to 10, in addition, general economic and social indices, which include indices of the annual growth of gross domestic product (GDP) and the value of Human Development Index of a country are taken into account when calculating¹⁶⁶.

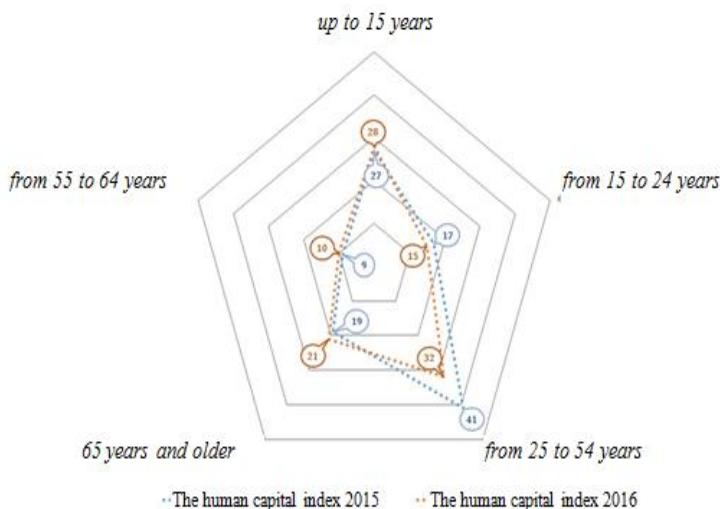


Fig. 3.4 Rating assessment of the human capital index of Ukraine by the age groups for the period of 2015-2016

In an integrated report, information on the knowledge is disclosed

¹⁶⁵ Drucker P. The Age of Discontinuity. New York : Harper & Row, 1969. 394 p.

¹⁶⁶ Knowledge Economy Report 2016 [Electronic resource]. Access mode: <https://issuu.com/nisciencepark/docs/connect-final-draft-low-res-2>

in terms of the intellectual capital components in the context of corporate intangible assets based on the knowledge, in particular intellectual property, when highlighting the place of knowledge in the process of creating value and business model of an enterprise.

The ecological component of sustainable development of countries characterized by the ecological efficiency index, which represents the achievements of the countries in the field of managing natural resources and their efficient use. In 2016, Ukraine was ranked the 44th position, having improved its results by 25% over 10 years. The countries in the rating are distributed on the basis of the criteria, clustered in 9 categories, the detailed analysis of which allows identifying the strengths and weaknesses of a country in the field of ecological efficiency (Figure 3.5)^{167,168}.

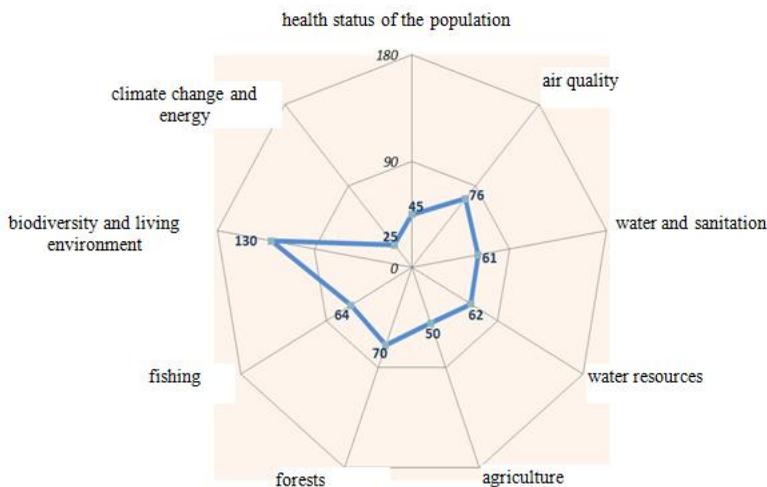


Fig. 3.5 Assessment of the ecological efficiency indices of Ukraine in 2016

¹⁶⁷ Україна в рейтингу екологічної ефективності у 2016 році [Електронний ресурс]. Режим доступу: <http://edclub.com.ua/analytika/ukrayina-v-reytingu-ekologichnoyi-efektyvnosti-u-2016-roci>.

¹⁶⁸ Mckenna C., Olswang N. EU rules Bulgaria's new support scheme for renewables unlawful –Lexology. LLP. 2018. URL: <https://www.lexology.com/library/detail.aspx?g=01035bab-f5a5-41b6-9adb-76d217782c9e>

Information on the environmental assets of economic entities and a society is a key indicator of the sustainable development of the world economies and the mankind in general^{169,170}. The need to assess the environmental impact of Ukrainian enterprises is enshrined in Section VIII of the Tax Code of Ukraine, which defines the methodological principles for its assessment of the most harmful results of its activity, namely: volumes and types of pollutants emitted into the atmosphere by the stationary sources; volumes and types of pollutants discharged directly into the water bodies; volumes and types (classes) of the allocated waste, except volumes and types (classes) of waste as a recyclable material, allocated on their own territories (objects) of economic entities; volumes and category of radioactive wastes generated as a result of the activity of economic entities and/or temporarily stored by their producers beyond the specified terms of the license period; volumes of electric energy produced by the operating organizations of nuclear plants (nuclear power plants)¹⁷¹. In an integrated report, it is necessary to present the following indices in the context of the ecological component: the share of the recyclable material used; energy use; energy intensity in physical terms; consumption of fresh water for personal needs; specific weight of recyclable water; greenhouse gas emissions; emissions of substances into the atmosphere; specific emissions of pollutants in physical terms; wastewater discharges; specific wastewater discharges in physical terms; discharges of polluted wastewater; amount of waste; specific volume of waste in physical terms; the number of significant accidents with environmental damage; environmental damage that has been compensated; initiatives as to mitigation of the impact of products (works, services) on the environment and the scope of this mitigation; investments in the environmental protection objects, the amount of ecological tax

¹⁶⁹ Центр розвитку корпоративної соціальної відповідальності. [Електронний ресурс] Режим доступу: <http://www.csr-ukraine.org>.

¹⁷⁰ Patricolo C. Bulgaria Must do More to Liberalise its Energy Markets - Novinite.com - Sofia News Agency, 2018. URL: <https://www.novinite.com/articles/191340/Bulgaria+Must+do+More+to+Liberalise+its+Energy+Markets>

¹⁷¹ Податковий кодекс України [від 02 грудня 2010 року №2755-VI із змінами і доповненнями] [Електронний ресурс]. Режим доступу : <http://zakon3.rada.gov.ua/laws/show/2755-17>.

paid and accrued in the reporting period.

The economic component of a country's sustainable development can be measured according to the indices of food supply security, economic freedom and prosperity. Food supply security is considered to be one of the main indices of socio-economic development of a state. The Global Food Supply Security Index takes into account the key factors such as the level of food accessibility and consumption; availability and sufficiency of food; the level of quality and safety of food products. Therefore, an integrated report should contain information on biological assets, investments in agriculture, the availability of certificates of ISO 9000 quality management system in the food sector and certificates of the food safety management system, incentive measures in the form of free or subsidized meals for employees, etc. In 2016, when determining Ukraine's rating the following aspects (quantitative characteristics of which is more than 75 points) were named among the strong ones: a low proportion of the population living beyond the global poverty line (spends less than \$ 1.90 per person per day), food safety, low food losses, low import duties, sufficient supply and availability of food safety programs. The weaknesses named were the high level of corruption, the risks of political instability, and the low value of GDP per capita^{172,173}.

The index of economic freedom is calculated on the basis of 10 quantitative and qualitative factors, grouped into four broad categories, or indicators of economic freedom: supremacy of law (property rights protection, freedom from corruption); government restrictions (fiscal freedom, government expenditures); regulatory efficiency (freedom of business, labor market freedom, monetary freedom); openness of markets (freedom of trade, freedom of investment, financial freedom). Each of the ten economic freedoms within these categories is rated on a scale from 0 to 100 points (Table 3.3). In 2016, Ukraine was ranked the 162nd out of 178 countries and was recognized as a country with non-free economy. Our economic freedom index is 46.8 points out of 100 possible.

¹⁷² Global food security index 2016. An annual measure of the state of global food security [Electronic resource]. Access mode: <http://foodsecurityindex.eiu.com/>

¹⁷³ Kabakchieva P., Ganev G. State Owned Enterprises: Preventing Corruption and State Capture. The case of Bulgaria, 2017. URL: <http://www.statecapture.eu>

Table 3.3

Value of Economic Freedom Index

No.	Index value	Ranking
1	80-100	Free
2	70-79,9	Mostly free
3	60-69,9	Moderately free
4	50-59,9	Mostly unfree
5	0-49,9	Repressed

In an integrated report, information on the level of economic freedom should be disclosed when describing the external environment in which an enterprise functions directly, in particular, when highlighting information on the legislative and regulatory area and the political environment of the countries where an enterprise operates, which may affect the ability of an enterprise to implement its strategy.

Ukraine also has a low prosperity index – only the 107th place. The index is compiled on the basis of many different indices, clustered in nine categories, which represent various aspects of a society’s life and the parameters of social well-being: economics; entrepreneurship; management; education; health care; security; personal liberties; social capital; ecology. In fact, these indices are disclosed in each section of an integrated report and in order to improve the prosperity index value of our state, it is necessary to disclose in a meaningful way the qualitative and quantitative parameters of each indicator.

A composite indicator that characterizes the level of sustainable development of the countries in terms of social, ecological and economic components is the society sustainability index, the calculation of which is based on the assessment of 21 indicators: 9 indicators – by social measurement, 7 indicators – by ecological measurement and 5 indicators – by economic measurement (Figure 3.6).

In addition to the sustainability index of a society, which determines the country’s ranking in the achievements of sustainable development, there is a methodology for assessing the level of sustainable development of enterprises directly by means of the Dow Jones sustainability index. It is calculated on the basis of a system of criteria for various qualitative and quantitative indices in three areas:

economic impact – corporate management effectiveness, development of the system of crisis and risk management, adherence to the code of business ethics / counteraction to corruption are assessed; environmental impact – the quality of environmental reporting and reporting in the field of sustainable development are assessed; social impact – human capital development, attracting and retaining talented employees, labor relations, corporate social responsibility and philanthropy, social reporting are assessed¹⁷⁴. The main information source for assessing the Dow Jones index of sustainability of an enterprise is integrated reporting, which should disclose all of the above presented information, surveys of the top managers and employees, a review of media information and a feedback analysis of stakeholders’ opinion about a company’s activity.

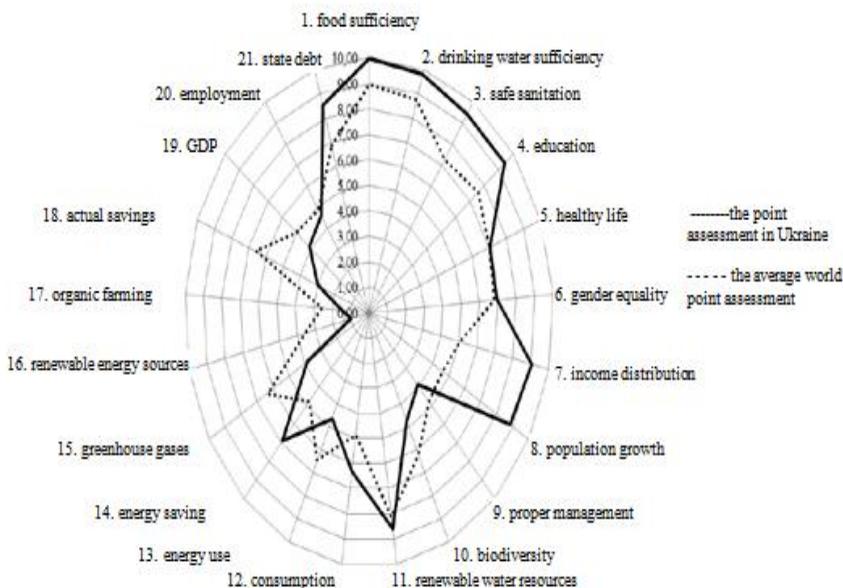


Fig. 3.6 Results of the point assessment of sustainable development indices in Ukraine and the world in 2016

¹⁷⁴ Корпоративна соціальна відповідальність / під заг. ред. В. Я. Горфинкеля, Н. Ст. Родіонової. М: Видавництво Юрайт, 2014. 570 с.

Thus, the advantages of the investigated integral indices of assessing various aspects of sustainable development include the simplicity of their calculation and the convenience of interpreting the results, the disadvantages include the existence of methodological problems associated with the choice of indicators that will be included in the index, conducting the procedure of weighing, and the main problem is the lack of accounting and analytical information on ecological, socio-economic indices of activity of economic entities, which should be disclosed in the integrated reports, since when determining the rating of a country by any index the combination of data is usually obtained from public sources as well as the information from international organizations and experts in the area of development, that is also obtained by analyzing sustainable development reporting. However, as practice shows, national economic entities that draw up integrated reports usually place them on their own website or even publish sustainable development reports in a paper format only that complicates or even makes the process of obtaining accounting information by stakeholders impossible.

3.2 Formation of the global information model for integrated reporting

To improve the rating of Ukraine by the sustainable development indices, it is expedient to create a “Single Portal of Integrated Reporting of Enterprises and Organizations of Ukraine”, at which economic entities could publish reports on sustainable development in the form of open data. At the “Single Portal of Integrated Reporting of Enterprises and Organizations of Ukraine” the enterprises and organizations of Ukraine (or those which carry out economic activity in its territory) should be grouped according to the sectors of economy, regions, organizational and legal forms, sizes, forms of ownership, and IIRS compliance of the reports, which will allow adjusting a simple and convenient mechanism for searching integrated reports according to different filters. The creation of such a portal will promote dissemination of the concepts of integrated reporting, provide information basis for state support for the formation of sustainable development reporting and increase motivation of economic entities to form integrated reports.

Adoption of the Association Agreement between Ukraine and the European Union requires directing activity of the parties to exchange information and experience as to the existing systems and innovations in the area of protecting the rights of shareholders, creditors and other parties concerned by improving the information interaction between national registries of economic information and business registries of the EU member states. The need to create a Single Portal for Integrated Reporting of Enterprises and Organizations of Ukraine is also actualized by the fact that Ukraine's accession to the European Union will oblige large companies to form integrated reports. In 2017, the provisions of Directives 2013/34 / EC of 26 June 2013 on annual financial reporting consolidated financial reporting and related reports of economic entities of certain types and 2014/95 / EC of 22 October 2014 on disclosure of non-financial information became mandatory. In particular, the latter directive requires that companies with over 500 employees (mergers and acquisitions) should provide non-financial reports, disclosing environmental aspects, social aspects and employment issues, issues as to respect for human rights, aspects of fighting corruption and bribery, and information on corporate management. The Directive defines the following elements as mandatory for disclosure in a non-financial report: a brief description of the functioning business model; a description of the policies adopted in regard to the abovementioned aspects, including the introduction of the due diligence process; the results of the abovementioned policies; significant risks that arise as a result of a company's activity, covering the produced goods or services provided and which are likely to cause significant adverse effects, as well as information on what steps have been taken by a company to manage those risks^{175,176,177}.

¹⁷⁵ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. [Электронный ресурс]. Режим доступа: <http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN>

¹⁷⁶ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives

The biggest obstacle for the formation of integrated reports by national economic entities is the lack or incomplete understanding of the content and form of presenting information in it. Therefore, it is also expedient to place reference information on integrated reporting at the portal: IIRS; requirements for recognizing a report as integrated; regulatory and legal framework for sustainable development; scientific publications and practical recommendations; consultations of the leading national and international experts in the field of integrated reporting; information on holding panel discussions, conferences or presentations and their results; international practices for the implementation of integrated reporting, etc. In addition, it is expedient to provide users who formulate integrated reports with the opportunity to receive professional answers on various issues of integrated reporting, and corporate consultants in the sphere of corporate reporting, analysts, investors and other parties concerned with relevant information in terms of the integrated reports materials. Therefore, the organizational and technological scheme of the Single portal of integrated reporting of enterprises and organizations of Ukraine should be designed based on the logic, which combines the functions of submission, verification and publication of integrated reports with the functions of system administration, users authorization, systematization of information and provision of consulting support (Figure 3.7).

The functioning of the “Single Portal of Integrated Reporting of Enterprises and Organizations of Ukraine” will provide an appropriate basis for strengthening cooperation between Ukraine and the EU member states concerning the development of the information society for the benefit of private persons and business by means of providing universal access of information and communication technologies, facilitating access to the markets of electronic communications services and promoting competition, and incoming of investments into the Ukrainian economy.

78/660/EEC and 83/349/EEC. URL: <http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN>

¹⁷⁷ Pavlov S. Bulgaria among EU countries with highest consumption of electricity from renewables, 2018. URL: <http://bnr.bg/en/post/100932162/bulgaria-among-eu-countries-with-highest-consumption-of-electricity-from-renewables>

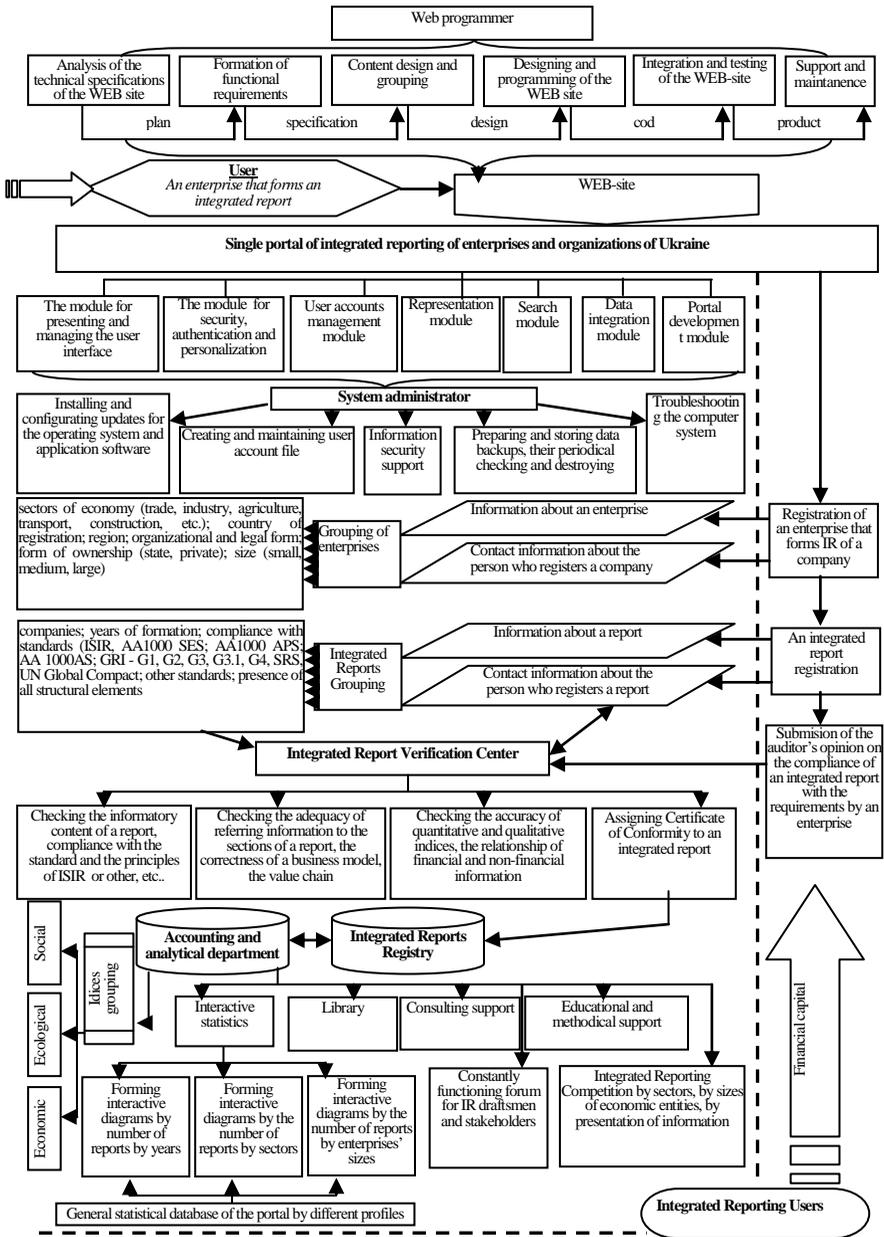


Fig. 3.7 Functional structure of “Single Portal of Integrated Reporting of Enterprises and Organizations of Ukraine”

In addition, publishing companies' reports at the integrated reporting portal will provide improvement of the dialogue between economic entities that place their integrated reports at the portal with all the parties concerned, in particular, with suppliers of financial capital.

3.3. Expert assessment of the informative content of integrated reports

The EU Integrated Reporting Directives have been developed in non-regulatory manner, so there is a high degree of flexibility in choosing the most appropriate model for disclosing the necessary financial and non-financial information. Economic entities can apply national frameworks or pan-European (for example, the EMAS (Eco-Management and Audit Scheme) system of environmental management and auditing), but for the recognition of reports worldwide, it is expedient to apply international approaches which involve integrated reporting.

The lack of common methodological basis and well-established practice of forming integrated reporting by the national enterprises has led to the fact that in the reports, which some economic entities refer to as “integrated” or “sustainable development reporting”, information presented is irrelevant, in some cases non-transparent or incomprehensible at all.

The main reason for these shortcomings is that economic entities apply different standards when forming integrated reporting; the principles of drawing up an integrated report are not adhered to; a significant number of indices and factors of the external environment remain undisclosed, especially those relating to the adverse effects of the activity, the ecological component of a report, risks, etc.

In order to identify shortcomings in the reporting of economic entities, we will analyze them as to conformity with the IIRS standards or other standards of sustainable development, disclosure of the main indices of integrated reporting and adherence to the principles when drawing up integrated reporting (Table 3.4, Table 3.5). National enterprises and foreign corporations, which operate at the national market, are selected for comparison.

Table 3.4

Expert assessment of the informatory content of the sustainable development reports of the national and foreign enterprises

Economic entities	Standard							Sections of the report								
	GRI	MSIS	AA1000	CDP	SASB	UN Global Compact	Not specified	Appeal of the management	General information about the company	Key events	Environment	Management	Creating value and business model	Risks and opportunities	Strategy and resource allocation	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
DTEK Group Corporation	✓	✓				✓		+	+	+	+	+	-	-	+	
Obolon	✓					✓		+	+	+	-	+	-	+	-	
AgroProm Holding Astarta-Kyiv	✓					✓		+	+	+	-	+	+	-	+	
Volia company						✓		+	+	+	-	-	-	-	-	
Platinum Bank	✓					✓		+	+	-	-	+	-	-	-	
Nestle Ukraine Ltd.						✓		+	+	+	-	-	-	-	-	
Ernst & Young Global Limited (activities in Ukraine)	✓					✓		+	+	+	-	-	-	-	+	
Company Amway Europe	✓							+	+	+	-	+	-	-	-	
Coca-Cola HBC	✓	✓				✓		+	+	+	+	+	+	+	+	
BDO Ukraine	✓	✓	✓					+	+	+	+	+	+	+	+	
Samsung Electronics Co., Ltd.	✓							+	+	+	+	+	-	+	+	
Metinvest							✓	+	+	+	+	+	-	+	+	
ASE Group	✓	✓	✓					+	+	+	+	+	+	+	+	
JSC "SSC NIAR"	✓	✓	✓					+	+	+	+	+	+	+	+	
PJSC "KMZ"	✓	✓	✓					+	+	+	+	+	+	+	+	

Table 3.4 (continued)

Economic entities	Sections of the report									
	Financial capital	Production capital	Intellectual capital	Human capital	Socially-reputable capital	Natural Capital	Results of activity	Prospects for the future	Scores	Rating
1	17	18	19	20	21	22	23	24	25	26
DTEK Group	+	+	-	+	+	+	+	+	14	3
Corporation Obolon	-	-	-	+	+	+	+	-	9	4
AgroProm Holding Astarta-Kyiv	-	-	-	+	+	+	-	+	9	4
Volia company	-	-	-	+	-	-	-	+	5	8
Platinum Bank	+	-	-	+	-	+	+	+	8	5
Nestle Ukraine Ltd.	-	-	-	+	-	+	+	+	7	6
Ernst & Young Global Limited (activities in Ukraine)	-	-	-	+	-	-	+	-	6	7
Company Amway Europe	-	-	-	+	-	+	-	-	6	7
Coca-Cola HBC	+	+	+	+	+	+	+	+	16	1
BDO Ukraine	+	-	+	+	+	+	+	+	15	2
Samsung Electronics Co., Ltd.	+	-	+	+	+	+	+	+	14	3
Metinvest	+	-	+	+	+	+	+	+	14	3
ASE Group	+	+	+	+	+	+	+	+	16	1
JSC "SSC NIAR"	+	+	+	+	+	+	+	+	16	1
PJSC "KMZ"	+	+	+	+	+	+	+	+	16	1

Table 3.5

**An expert assessment of adhering integrated reporting principles
by the national and foreign enterprises**

Enterprises	Principles of Integrated Reporting									
	Strategic focus and orientation to the future	Interaction with the parties concerned	Spatial continuum	Differentiation of capital	Value approach	Monitoring and control of risks	Ecologization	Socio-harmony	Information coherence	Continuity and comparability
1	2	3	4	5	6	7	8	9	10	11
DTEK Group Corporation	+	-	+	-	-	-	+	+	+	+
Obolon	-	+	-	-	-	+	+	+	-	-
AgroProm Holding Astarta-Kyiv	+	+	-	-	+	-	+	+	-	-
Volia company	-	+	-	-	-	-	+	+	-	-
Platinum Bank	-	+	-	-	-	-	+	+	-	-
Nestle Ukraine Ltd.	-	+	-	-	-	-	+	+	-	-
Ernst & Young Global Limited (activities in Ukraine)	+	+	-	-	+	-	+	+	-	-
Company Amway Europe	-	-	-	-	-	-	+	+	-	-
Coca-Cola HBC	+	+	+	-	+	+	+	+	+	+
BDO Ukraine	+	+	-	-	+	-	+	+	-	-
Samsung Electronics Co., Ltd.	+	-	+	-	-	-	+	+	+	+
Metinvest	+	-	+	-	-	+	+	+	+	+
ASE Group	+	+	+	+	+	+	+	+	+	+
JSC "SSC NIAR"	+	+	+	+	+	+	+	+	+	+
PJSC "KMZ"	+	+	+	+	+	+	+	+	+	+

Table 3.5 (continued)

Enterprises	Principles of Integrated Reporting										
	Center-orientation	Colation	Reaction	Informatology	Significance	Brevity	Reliability and	Openness	Clearness	Verification	Temporality
1	12	13	14	15	16	17	18	19	20	21	22
DTEK Group Corporation	+	+	+	+	+	-	+	+	+	-	+
Obolon	-	-	-	+	-	+	-	-	+	-	+
AgroProm Holding Astarta-Kyiv	-	-	-	+	-	+	-	-	-	-	+
Volia company	-	-	-	+	-	+	-	-	-	-	+
Platinum Bank	-	-	-	+	-	+	-	-	-	-	-
Nestle Ukraine Ltd.	-	-	-	+	-	+	-	-	-	-	-
Ernst & Young Global Limited (activities in Ukraine)	-	-	+	+	-	+	+	-	-	+	+
Company Amway Europe	-	-	-	+	-	+	-	-	-	-	-
Coca-Cola HBC	+	+	+	+	+	+	+	+	+	+	+
BDO Ukraine	-	-	-	+	-	+	-	-	-	-	+
Samsung Electronics Co., Ltd.	+	+	+	+	+	-	+	+	+	-	+
Metinvest	+	+	+	+	+	-	+	+	+	-	+
ASE Group	+	+	+	+	+	+	+	+	+	+	+
JSC "SSC NIAR"	+	+	+	+	+	+	+	+	+	+	+
PJSC "KMZ"	+	+	+	+	+	+	+	+	+	+	+

The conducted assessment of the informatory content of sustainable development reporting has shown that among economic entities, only DTEK Group states that its report is integrated, however, presents only a few indices determined by IIRS in its report. In general, the structure of reports of the national enterprises is formed in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), which is the prevailing

standard for providing information on economic, environmental and social indices that characterize sustainable development. The study of the structure and informatory content of the reports according to the GRI standards has showed that the reporting, drawn up according to their requirements, is multidirectional, based mainly on presenting information about the environmental impact and the means of mitigating it and various social indices of an enterprise. In our opinion, integrated reporting content should include a specific set of indices that relate directly to the business model of an economic entity and the value creation process, otherwise, due to the overload of reporting with information on environmental and social impacts of activity, there may arise some difficulties with its perception by interested users.

The most well-grounded, structured and informatory is international corporations reporting, the basis of which is formed by both the standards of GRI and IIRS. The information presented in these reports is interrelated, adhere to all principles of integrated reporting, discloses both the positive aspects of activity and its adverse effects, contains financial indices that characterize the processes of creating value and distribution of capital in the value chain of a business model, quantitative and qualitative risks assessment, environmental impact assessment and information on mitigation of such an impact. This proves the expediency of meeting the requirements of IIRS, when presenting financial indices of integrated reporting to, which provide component wise recommendations on disclosing components of a business model, capital allocation by types, value disclosure of information in the short, medium and long-term, etc. At the same time, IIRS does not practically disclose requirements and does not provide recommendations on the highlighting the environmental and social components of integrated reporting. The clear recommendations for these components are highlighted in the Sustainable Development Standards of the Global Reporting Initiative, which were revised and improved in 2016, and which enterprises reporting on sustainable development should change over since June 2018. Therefore, it is expedient to apply the recommendations presented in the GRI standards when disclosing non-financial indices of integrated reporting.

Preparing an integrated report while, at the same time, meeting the requirements of IIRS and GRI will provide companies with significant benefits, but it also puts forward a number of problems, the main of which is to ensure comparability of the data obtained in different formats, from different departments of companies in different fields of activity. One more problem is the balance between the disclosure of positive and negative information about the activity of an economic entity. The need for solving the determined problems actualizes the need for developing organizational and methodological basis of integrated reporting.

An enterprise's accounting system plays a key role in the process of developing organizational and methodological basis of integrated reporting and the formation of an integrated report, since it is an accounting system that it is assigned to reconcile all the diversity of indices of strategy, a business model, predictive and actual indices of financial and non-financial character within the framework of a single and a systematically structured document that will represent the reality of a business model and business development strategy and its resource endowment with financial, intellectual, production and other types of resources as well as an economic entity performance in all major aspects of sustainable development – economic, environmental and social.

The existing organization of the accounting system of the national economic entities does not meet the requirements for the formation of information support of integrated reporting. Therefore, the development of the information system of an enterprise, which forms an integrated report, should begin with the accounting system modeling, that is, from the accounting policy formation. In this regard, there is a need to develop accounting policy components that can form a unified methodological basis for assessing all elements of an enterprise's capital, ensure high reliability and informativity of reporting data and satisfy the balance of interests of different groups of integrated reporting users.

3.4 Sustainable development reporting as an instrument for institutional reform in Ukraine

Acquisition of stable partnerships of Ukraine among developed European countries requires from our country significant changes in various spheres of social and economic life. Head of Regional and Government Engagement, Member of the Managing Board of World Economic Forum Philip Resler believes that "sustainable economic growth, provided by strong and reliable institutions, is the best guarantee of the future of Ukraine as a country located at the junction of Europe and Asia"¹⁷⁸. The characteristic of the state is connected with its consideration in the integrity, allocated from the social environment, system of various interdependent bodies and institutions, called – the mechanism of the state. Implementation of the institutional conception of the society development requires the integration of all subjects of society efforts in order to create conditions for the effective use of the potential of the domestic market, natural resources, and powerful human capital. By linking various general theoretical, abstract-logical and conceptual guidelines for sustainable development, it should be noted that their practical implementation directly depends on the main information driver – accounting and analytical support for the sustainable development of institutional units.

The World Economic Forum report "Scenarios for Ukraine: Reforming Institutions, Strengthening the Economy After the Crisis" performs the analysis of the results of broad consultations of more than 300 leading experts, executives, large entrepreneurs and civil society leaders, responsible for decision-making, confirmed the necessity of creating in the country an effective system of global metrology. Defining of key priorities for assessing the indicators of socio-ecological and economic development in the long-term perspective in post-crisis period. In this aspect, the World Bank innovative methodology for assessing national wealth is based on the following indicators of sustainable development: natural capital; production capital (assets); human capital (human resources); social

¹⁷⁸ GRI Sustainability Reporting Guidelines // Global Reporting Initiative. [Electronic resource]. – Access mode: <https://www.globalreporting.org>.

capital^{179,180}. Subsequently, the materialization of the proposed approach takes place under the auspices of the International Federation of Accountants (IFAC), which initiated the development of the Integrated Reporting Concept, aimed to providing stakeholders with full information on the factors of influence that have a significant impact on the ability of the business unit to create value in the long run.

In recent years, among the important scientific research of various aspects of accounting and reporting support of sustainable development management should be allocated the works of T.I. Efimenko V.M. Beetle, L.G. Lovinskaya, V.V. Evdokimov, D.O. Gritshishen; GI Roberts and P.K. Michael, who deeply explored the organizational dynamics, ideological foundations, national and public significance of the branch accounting standards development and introduction of integrated reporting in order to prevent crises, ensure social justice and economic independence, and respect for the humans rights and freedoms. The conceptual foundations for assessing of the institutional units social, human and environmental capital were investigated by R.O. Kostyrko and K.V. Lee, the problem issues of using of the integrated reports in the financial security management and involvement of financial capital suppliers were examined in the works of G. Seraphayma, and the methodological tools for the integrated reports compiling, their structure and the procedure of information disclosure were studied by KA. Adams.

Without diminishing the significance of the existing achievements, we have to admit that scientific and theoretical basis of the organization and methodology for the formation of integrated reporting as an element of the conceptual model of accounting and analytical support for the sustainable development management of the institutional units in the system of national accounts requires further research, which was defined as the purpose of this article.

Achievement of the stated objective is accomplished by solving the following tasks: determining the place of sustainable

¹⁷⁹ 5. Офіційний сайт Світового банку. [Електронний ресурс]. – Режим доступу: <http://www.worldbank.org/uk/country/ukraine>.

¹⁸⁰ GRI Sustainability Reporting Guidelines // Global Reporting Initiative. [Electronic resource]. – Access mode: <https://www.globalreporting.org>.

development reporting in the institutional reform in terms of European integration; development of a conceptual model of accounting and analytical support for the management of institutional units sustainable development; substantiation of accounting and analytical support main components in the process of sustainable development reporting.

The concept of sustainable development dramatically changes the value of accounting, and, accordingly, affects the formation of accounting and analytical support as an information contour of management of the economic, environmental and social components of the institutional unit's activities. The development of forms of reports and identification of its indicators are directly related, firstly, to changes in the interests of a particular group of accounting and reporting information users, and secondly, to socio-political conditions that affect the activities of a specific entity, in particular, the level of economic development of the country and world in general, and thirdly, to legal regulation of accounting and reporting system.

The basic priority of improving the accounting and reporting system is the progressive or regressive development of the institutional environment¹⁸¹. Thus, development of the integrated reporting is influenced by various institutions, which, according to developed by V.M. Zhuk hierarchy of the institutional support of accounting in Ukraine, expediently include the following: formal institutes "in the heads of people" and "rules of the game"; institutes of science, education, professional support; controlling institutions and regulatory institutes¹⁸². It is these institutions that form the methodological basis for the integrated reporting.

Institutional transformations in the accounting system require the introduction of a general database design that allows measuring and predicting the potential effects of the economic, social and environmental interaction of a business units and society. Solution of

¹⁸¹ Корягін М. В. Проблеми та перспективи розвитку бухгалтерської звітності : монографія / М. В. Корягін, П. О. Куцик. – Київ: Інтерсервіс, 2016. – 276 с., С. 28.

¹⁸² Жук В. М. Неформальні інститути селянства у моделюванні реформ та аграрної політики: теорія і практика / В. М. Жук // Економіка АПК. –2017. – № 9 (275) – С. 5–18, С. 9.

this problem lies in design of a conceptual model of accounting and analytical support for the institutional units' sustainable development management, with regards to the fundamental issues of value creation process and its disclosure in integrated reporting (Figure 3.8).

With regard to the new reporting model T.I. Efimenko V.M. Zhuk, L.G. Lovinskaya emphasize that it should be reflected in the information environment of the concept of sustainable development, which the international community recognizes as a new ideology of the 21st century¹⁸³. Construction of the accounting and reporting system of the country according to the proposed scheme allows to solve problems of coordination of the public and private sectors of the economy, to strengthen the principles of cooperation on the basis of public interests in all areas of business activities.

The conceptual nature of the model of accounting and analytical support involves the formation of a global dynamic image of the management system of the sustainable development of the institutional unit, which reflects the given development dynamics, the nominal structure of the process of creating value added for available capital and the hierarchical structure of causal relationships in the time coordinates of the accounting process national accounts system.

Based on the above suggestions, it is necessary to determine the list of system tasks of the conceptual model of accounting and analytical support that corresponds to the information requests of the management system of sustainable development. Such tasks include:

- information management support at the input of the monitoring and capital analysis in the context of the mission of the institutional unit, which allows determining the amount of resources within the existing business model that is transformed as a result of economic activity;

- information support for the management of actions on the accumulation of value in the life cycle of the transformation of resources (capitals) into a new cost in time, from the total volume of which the sustainable development of business depends;

¹⁸³ Єфименко Т. І. Інформація в антикризовому управлінні : глобальний аспект стандартизації обліку та фінансової звітності : монографія / Т. І. Єфименко, В. М. Жук, Л. Г. Ловінська. – К. : ДННУ «Акад. фін. управління», 2015. – 400 с., С. 36.

– information support for managing risks and opportunities that fall within the area of influence on capital and ways of adapting the strategy in the short, medium and long-term periods;

– information support for managing changes in the value of different types of capital that have occurred as a result of economic actions that give a competitive advantage and allow to create value.

The subject of the conceptual model should be understood as the economic activity of the institutional unit, which is connected with the circulation of capital – financial, industrial, intellectual, human, socially-reputational and natural. In this case, to assess the effectiveness of economic activity, the "understanding of processes for creating a value other than financial" is of paramount importance¹⁸⁴. In the context of the concept of integrated reporting, capital is the fundamental object of a model of accounting and analytical support for sustainable development, which can create value and is the basis for its build-up in the long run. Determining the composition of objects of the model accounting and analytical support becomes of particular relevance in determining the elements of the information contour of the accounting process.

Various approaches to the elements of integrated reporting testify to the controversy of this issue¹⁸⁵. We consider it expedient to fill out the reporting block of the proposed model based on the priorities of sustainable development of institutional units. The Sustainability Reporting Hierarchy should include general and specific information about the industry in which the company operates, as well as indicators of its performance.

A detailed description of the reporting of sustainable development is caused by a number of factors that determine the state of development of socio-ecological and economic relations in society: changing the structure of property of economic entities; loss of the world economy signs of industrialization; introduction of resource-saving technologies in production and social spheres; ecological problems that need to be solved by minimizing emissions and pollution in the process of production, recycling of waste products,

¹⁸⁴ Adams C. A. The international integrated reporting council: a call to action / C. A. Adams // *Critical Perspectives on Accounting*. – 2015. – P. 23-28, C. 25.

¹⁸⁵ Lee K. W. The association between integrated reporting and firm valuation / Kin-Wai Lee, Hian-Heng Yeo Gillian // *Review of Quantitative Finance and Accounting*. – 2016. – №47. – P. 1221-1250, C. 10.

production of environmentally friendly products, which causes the emergence of important accounting objects; the development of corporate relations and the globalization of the economy¹⁸⁶. Therefore, in order to summarize information on the functioning of institutional units, study the dynamics of macroeconomic indicators and analyze the proportions of creating national wealth, it is expedient to formulate reports of sustainable development that are in line with the national sectoral structural and institutional basis, take into account metrological peculiarities of the system of national accounts and enable the transformation of abstract social and environmental categories into concrete reporting indicators.

The proposed conceptual model for the formation of accounting and analytical support can be used as a methodological development for the integral model of perfection, which corresponds to the general program of measures for the 2017-2019 year of the Public Association "Ukrainian Association of Excellence and Quality". The development of a system of accounting and analytical support for the management of the sustainable development of institutional units by the proposed conceptual model will enable the formation of an information base for substantiation of management decisions, the formation and implementation of economic policies at the micro- and mega-levels of management, assessment of market conditions, development of an economic strategy for business entities, coordination of foreign economic activity, development of a democratic society. This will contribute to the improvement of business perfection of domestic enterprises by updating the state policy of Ukraine in the field of quality management of products (goods, works, services), harmonization of the national system of accounting standardization and further improvement of the systems of verification of the reports of sustainable development.

¹⁸⁶ Бурдько О. В. Моделювання системи обліково-аналітичного забезпечення суб'єктів господарювання в умовах сталого розвитку / О. В. Бурдько // Проблеми економіки. – 2015. – № 1. – С. 285-291, С. 288.

CONCLUSIONS

1. The preconditions for the integrated reporting genesis are the development of the institutional theory and the emergence of institutional investors, activity of which are based on the principles of socially responsible investment, Ukraine's transition to the European Union, increased requirements for the reporting publication by stock exchanges in different countries of the world, expansion of international cooperation in solving environmental safety issues, development of modern information and communication technologies. The specified improvements and shifts in socio-economic relations have contributed to the fact that integrated reporting has become the mainstream of today. To implement a new reporting model in the practical activity of national economic entities, there has been developed an eco-social and economic concept of integrated reporting implementation, which will enable realizing the task of global dissemination of the best practice of integrated reporting and promote a dialogue between investors and reporting draftsmen.

2. In order to develop prospects for further development of integrated reporting in Ukraine and to determine its optimal structure for different groups of users under modern economic conditions, the historical retrospective of the formation of various forms of reporting has been considered in the study. The retrospective analysis conducted has shown that reporting has been a long way from presenting information on the clay tablets to formatting electronic reports, from drawing up only a balance sheet to integrated reporting, which arose as a consequence of the gradual accumulation of experience of corporate reporting under the influence of market requirements. The conducted research has proven that the history of integrated reporting dates back long ago before the emergence of the International Standard for Integrated Reporting and official publication of integrated reporting by some companies, while its current structure was formed as a result of the expanding information needs of the users of accounting and reporting information under the influence of the processes of globalization and informatiology of socioeconomic relationships.

3. The study of the regulatory and legal framework, the analysis

of the peculiarities of drawing up integrated reporting by large foreign and Ukrainian companies and identifying the needs of the users of accounting and reporting information allowed concluding that there is a conflict between the requirements of the legislation to the preparation of financial reporting and the needs of management systems that traditional reporting cannot satisfy. The monograph reveals the advantages of integrated reporting in the context of two contours – regulatory and legal and system and managerial, by the following indices: the concept of the system of value creation, subject of management, indices coverage, adaptability to the requirements of legislative and regulatory acts, orientation in the time space, mandatory record keeping, vector of application for sustainable development planning and transparency.

4. In order to develop the conceptual and terminological framework of integrated reporting and to determine the list of definitions, terms and concepts that need to be clarified and explained, the provisions of the legal and regulatory framework for integrated reporting have been investigated in the work. According to the results of the conducted study it is proposed to understand the term of “integrated reporting” as the process of generalization of the indices characterizing the ecological, socio-economic and financial and economic activity of an enterprise, as a result of which a periodic integrated report is formed that contains useful information on the value creation in short, medium - and long-term perspective. Taking into account the above mentioned definition and having based on the results of the research on the impact of modern economic trends (physical economy, institutional economy, globalistics and risk-oriented management) on the process of forming an integrated report, there has been determined a list of its main indices, which take into account the current versatility, scope and intricacy of changes in economic activity of economic entities.

5. To enhance the information support vector of the decision-making system, with priority groups of integrated reporting users they are clustered into the groups: users within and outside the enterprise, users with direct and indirect financial interest and without it. The proposed differentiation of the users of integrated reporting information will allow distinguishing their information needs and creating an adequate mechanism for collecting and differentiating integrated reporting information that will be of value

to stakeholders.

6. The study of the regulatory framework and the practice of applying the principles presented in the International Standard of Integrated Reporting made it possible to conclude that it is expedient to systematize them by clustering them into three groups according to the orientation and purposes of application: structural, organizational and qualitative. Adherence to the proposed structural principles of integrated reporting, namely: capital differentiation; value approach; monitoring and risk control; ecologization and socio-harmony will allow forming a system of key indices to be included in an integrated report and develop organizational and methodical mechanisms for collecting and disclosing information about them. In terms of the organizational principles of integrated reporting that cover the entire accounting process, it is proposed to distinguish the principles of center-orientation and response, informatiology and colation. The degree usefulness of utility of the information, contained in an integrated report, is determined by the qualitative principles of integrated reporting, which are proposed to be complemented with openness, clearness and temporality.

7. The monograph analyzes the indicators for assessing the level of sustainable development. It is proposed to determine the social component of sustainable development of the countries according to the indices of charity, social progress, human development, knowledge and human capital development; the ecological component of sustainable development of the countries – by the index of ecological efficiency; the economic component of sustainable development of a country – by the indices of food security, economic freedom and prosperity. In order to increase the level of sustainable development of Ukraine the study has determined the profiles of the accounting and analytical information on the ecological and socio-economic indices of activity of economic entities, which should be disclosed in integrated reports. The method of calculating corporate happiness indicator is proposed, which allows assessing the level of happiness at each enterprise, which forms an integrated report, by means of on-line questioning of its employees by indices of material, moral, psychological, social and environmental well-being. In order to increase the level of sustainable development of Ukraine the study has determined the

profiles of the accounting and analytical information on the ecological and socio-economic indices of activity of economic entities, which should be disclosed in integrated reports. It has been determined that in the context of social indices in an integrated report it is necessary to disclose information on corporative intangible assets based on knowledge, the place of knowledge in the process of value creation and a business model of an enterprise, information on the competences of employees, their capabilities and experience, motivation, etc.; in the context of ecological indices – the share of recyclable raw materials, energy use, water consumption, the proportion of reused water, greenhouse gas emissions, emissions of substances into the atmosphere, the number of significant accidents with environmental damage, investments in the environmental protection facilities, the size of the ecological tax accrued and paid in the reporting period; in the context of economic indices – the level of economic freedom in description of the environment, legislative and regulatory framework and the political environment of the countries where an enterprise operates, which may affect the ability of an enterprise to implement its economic strategy.

8. To improve the rating of Ukraine by the indices of sustainable development, it was proposed to create a “Single portal of integrated reporting of enterprises and organizations of Ukraine”, at which economic entities could publish their reports on sustainable development in the form of open data. The organizational and technological scheme of the Single portal of integrated reporting of enterprises and organizations of Ukraine is proposed to develop according the logic that combines the functions of submission, verification and publication of integrated reports with functions of system administration user authorization, information systematization and consultancy support provision. The functioning of the “Single portal of integrated reporting of enterprises and organizations of Ukraine” will provide an appropriate basis for strengthening cooperation between Ukraine and the EU member states as to the issues of the information society development for the benefit of individuals and business by means of providing universal access to information and communication technologies, facilitating access to the markets of electronic communications services and promoting competition and the inflow of investments into the

Ukrainian economy. Publication of companies' reports at the Integrated Reporting Portal will facilitate the dialogue between economic entities, which publish integrated reports at the portal, and all the parties concerned, in particular, with suppliers of financial capital.

9. To identify shortcomings in the reporting of economic entities, the study has analyzed the sustainable development reporting of the national enterprises and foreign corporations operating at the national market in compliance with the requirements of the International Integrated Reporting Standard or other standards of sustainable development, disclosure of the main indices of integrated reporting and adhering to the principles when drawing up integrated reporting. It is determined that economic entities apply different standards in the course of formulation of integrated reporting; the principles of drawing up an integrated report are not adhered to; a significant number of indices and factors of the external environment remain undisclosed, especially those relating to the adverse effects of activity, the environmental component of a report, risks, etc. It is proposed, when presenting the financial indices of integrated reporting, to adhere to the requirements of the International Integrated Reporting Standard, which provide element wise recommendations as to disclosing components of a business model, differentiating capital by the types, value disclosure of information in the short, medium and long-term, and when disclosing non-financial indices of integrated reporting adhere to the requirements of the standards of sustainable development of the Global Reporting Initiative.

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Appendix A

Table A

Characteristics of Sustainability Reporting Standards

No.	Management	Components	Description
1	2	3	4
1	Sustainability Development Reporting Guidelines of the Global Reporting Initiative (GRI)	Description	Standard of reporting preparation. A set of GRI recommendations for reporting preparation in the sphere of sustainable development. The Guidelines version G4 was published In 2013 and in 2016 - GRI Sustainability Reporting Standards Indices are divided into three categories: economic, environmental and social.
		Participation of companies	Reports based on GRI or in compliance with GRI principles are issued by more than 4,000 organizations in different countries
		Sectors	Any public or private companies
		Basic sections	Corporative management; human rights; labor practices; environmental impact; honest business practices; interaction with consumers; work with local communities
		Website	www.globalreporting.org
2	Institution of Social and Ethical Reporting (Account Ability): standards of the AA1000 series	Description	Voluntary standards based on the principles: <ul style="list-style-type: none"> • The AA1000 Account Ability Principles Standard (2008) provides organizations with a framework for managing sustainable development issues. • AA1000 Assurance Standard (2008) provides auditors with methodology to assess the compliance of the organization with the principles of Account Ability.

Table A (continued)

1	2	3	4
	<p>Institution of Social and Ethical Reporting (Account Ability): standards of the AA1000 series</p>		<ul style="list-style-type: none"> • AA1000 Stakeholder Engagement Standard (2012) provides a framework for interaction with the parties concerned
		<p>Participation of companies</p>	<p>Organizations from the countries of North America, European Union, Latin America, Middle East, South Africa and other developing countries</p>
		<p>Sectors</p>	<p>Financial services, pharmaceutical industry, energy production and mining industry, telecommunications, consumer products manufacturing, food industry</p>
		<p>Basic sections</p>	<p>Corporative management; human rights; labor practices; environmental impact; honest business practices; interaction with consumers; work with local communities</p>
		<p>Website</p>	<p>www.accountability.org</p>
<p>3</p>	<p>Reporting Guidelines and Recommendations of Carbon Disclosure Project (CDP) (Project on disclosure of information on greenhouse gas emissions)</p>	<p>Description</p>	<p>Instrument: CDP questionnaire. CDP provides online questionnaires to the companies wishing to represent the environmental impact of industrial activities in the reporting.</p> <ul style="list-style-type: none"> • Ratings: CDI (Climate Disclosure Leadership Index) by the index of disclosing information on environmental impact) and CPLI (Climate Performance Leadership Index) (by the index of environmental impact reduction). The companies that have achieved the best indices, taking into account their market capitalization are subject to inclusion in the index.

Table A (continued)

1	2	3	4
	<p>Reporting Guidelines and Recommendations of Carbon Disclosure Project (CDP) (Project on disclosure of information on greenhouse gas emissions)</p>	<p>Description</p>	<p>• Reporting Guidelines: The Climate Disclosure Standards Board (CDSB) (Council on the standards for disclosure of environmental impact). CDP internationally promotes integration of environmental information into financial reporting</p>
		<p>Participation of companies</p>	<p>Investors and corporations of different countries</p>
		<p>Sectors</p>	<p>CDP reports are prepared by the companies of different sectors</p>
		<p>Basic sections</p>	<p>Environmental impact</p>
		<p>Website</p>	<p>www.cdproject.net</p>
<p>4</p>	<p>International Standardization Organization: ISO 26000</p>	<p>Description</p>	<p>Voluntary standard (no certification). Guidelines for organizations wishing to conduct socially responsible activity. Helps organizations to implement principles in practice, disseminates information on the best practices. The ISO 26000 standard was put into effect in 2010.</p>
		<p>Participation of companies</p>	<p>Organizations in 163 countries</p>
		<p>Sectors</p>	<p>All types of organizations</p>
		<p>Basic sections</p>	<p>Corporate management; human rights; labor practices; environmental impact; honest business practices; interaction with consumers; work with local communities</p>
		<p>Website</p>	<p>www.iso.org/iso</p>

Table A (continued)

1	2	3	4
5	OECD: mechanism of identifying risks for multinational corporations	Description	The OECD mechanism of identifying risks for multinational corporations focuses on the risks and ethical issues faced by the companies that run businesses in the regions with underdeveloped practices of corporate management that presupposes more cautious investment management and counteraction to unethical behavior.
		Participation of companies	34 member countries, including industrialized countries in North and South America, Europe and the Asia-Pacific region
		Sectors	International enterprises, professional associations, trade unions, civil society organizations, international financial organizations
		Basic sections	Corporate management; human rights; labor practices; honest business practices; interaction with consumers
		Website	www.oecd.org
6	Sustainability Reporting Standards Board (SASB)	Description	The Sustainability Reporting Board classifies companies into 10 sectors and 89 branches for which levels of resource consumption and sustainable development innovation potential are determined. SASB issues sectoral maps of significance, develops standards for each sector, taking into account its peculiarities. Sustainability Accounting Standards consist of tables of indices and notes of the Board on information disclosure. Standards are classified taking into consideration consequences and innovative opportunities

Table A (continued)

1	2	3	4
		Participation of companies	All public companies in the US
		Sectors	89 branches in 10 sectors: health care, finance, technologies and communications, non-renewable energy, transport, services, resource transformation, consumption, renewable and alternative energy, infrastructure
		Basic sections	Corporate management; human rights; labor practices; environmental impact; honest business practices; interaction with consumers; work with local communities
		Website	www.sasb.org
7	UN Global Compact, 10 principles	Description	Voluntary Initiative. The UN Global Compact requires signing countries to adhere to 10 principles in the area of human rights, labor relations, the environment and the fight against corruption. The Global Compact also includes a number of mechanisms applied in the specified areas of Business and Human Rights Learning Tool, Guide to Develop Human Rights Policy, Good Practices to Prevent and Combat Human Trafficking, Corruption Fighting E-learning Tool, and others.
		Participation of companies	More than 10,000 corporations and other parties concerned from more than 130 countries
		Sectors	Any company, business association, trade union, nonprofit organization, state structure, scientific organization

Table A (continued)

1	2	3	4
		Basic sections	Labor relations; environmental impact; human rights; labor practices; honest business practices; work with local communities
		Website	www.unglobalcompact.org
8	Protocol on Greenhouse Gas Emissions Reduction of The World Business Council on Sustainable Development (WBCSD) and the World Resources Institute (WRI)	Description	Mechanism and (or) standards. The greenhouse gas emissions reduction protocol is an international mechanism applied by the corporations, organizations and government agencies to measure greenhouse gas emissions control them and represent in the reporting. The protocol consists of four separate but interrelated standards: corporate accounting and reporting standards (corporate standard); protocol and guidance on project emissions accounting; the standard of accounting and reporting on emissions of the supply chain (the so-called scope 3); the standard of accounting and reporting for the life cycle of a project.
		Participation of companies	The mechanism is applied by the corporations, organizations and government agencies in the industrialized and developing countries.
		Sectors	Any kind of organizations in different sectors
		Basic sections	Environmental impact
		Website	www.ghgprotocol.org

Appendix B

Table B

Approaches to the definition of “integrated reporting” concept

No.	Source	Definition
1	2	3
1	T.N. Slepneva, L.I. Khoruzhyi ¹⁸⁷	Is designed to combine information on finance, public supervision, environmental issues and social aspects into a single, coherent and comparable integrated format.
2	A. Vyruchaeva ¹⁸⁸	It is financial reporting that, in addition to complete and reliable information about the company, also contains information on the future development plans of a company and on the future prospects of its activity.
3	T.O. Khachaturova ¹⁸⁹	An instrument designed to unite all the aspects of an enterprise’s economic activity in one clear format.
4	U.Yu. Roshchektaeva ¹⁹⁰	It is a new corporate reporting model based on the concept of integrated thinking that presupposes the interrelation of financial and managerial reporting, corporate management reports and remuneration, as well as reports on sustainable development.
5	L.N. Gerasymova, O.S. Korobkova ¹⁹¹	It is a single document that represents significant and accurate information on the company’s strategy, corporate management system and its performance indices in the social, economic and environmental areas.

¹⁸⁷ Слепнева Т. Н., Хоружий Л. И. Интегрированная отчетность: история развития и необходимость применения [Электронный ресурс]. Студенческий научный форум : материалы V Междунар. студ. электрон. науч. конф. М., 2013. Режим доступа : <http://www.scienceforum.ru/2013/pdf/8799.pdf>

¹⁸⁸ Выручаева А. Особенности интегрированной отчетности. Актуальная бухгалтерия. 2013. № 10. С. 97–100.

¹⁸⁹ Хачатурова Т.О. Интегрированная отчетность: понятие, история возникновения и развития, применение на современном этапе. Карельский научный журнал. 2014. № 3. С. 103-104, С. 103.

¹⁹⁰ Рошчектаева У.Ю. Интегрированная отчетность как новый уровень развития корпоративной отчетности. Научный вестник ЮИМ. №1. 2016. С. 40-44. С. 42.

¹⁹¹ Герасимова Л.Н., Коробкова О.С. Развитие интегрированной бухгалтерской отчетности в России. Экономика и управление в XXI веке: тенденции развития. 2014. №17. С. 85–88.

Table B (continued)

1	2	3
6	Yu.V. Domashenko ¹⁹²	Consists of three main components: environmental reporting, social reporting and corporate management, and, moreover, integrated reporting is the language of a “sustainable” enterprise and a way of communicating to the potential user the information as to how the value of an enterprise is created and it contains forecasts for the short-, medium- and the long-term period of its activity.
7	M.V. Koryagin, P.O. Kutsyk ¹⁹³	A conglomerate of accounting and management reports, which represent the ability of an enterprise to generate value that is presented to the external users for decision-making.
8	СВБ ¹⁹⁴	It is a combination of both financial and non-financial reporting of enterprises.
9	V.F. Maksimova, R.V. Kuzina ¹⁹⁵	This is a consolidation of financial and non-financial information that represents the ability of an organization to create and maintain its value in the short, medium and long term.
10	Yu.V. Novozhylova ¹⁹⁶	Corporate reporting in the form of an individual or consolidated one with representation of financial and non-financial information.

¹⁹² Домашенко Ю. В. Интегрирована звітність: вдосконалений облік операцій як показник ефективності діяльності. Економічний вісник. 2013. №1. С. 70.

¹⁹³ Корягін М.В., Куцик П.О. Проблеми та перспективи розвитку бухгалтерської звітності : монографія. Л. : ЛКА, 2016. 276 с.

¹⁹⁴ СВБ Интегрирована звітність якісна інформація для компанії та про компанію [Електронний ресурс]. Режим доступу: <http://gurt.org.ua/news/recent/18762/>

¹⁹⁵ Максимова В.Ф., Кузіна Р.В. Деякі питання формування складу фінансових і нефінансових показників інтегрованої звітності. Науковий вісник Мукачівського державного університету, 2015. Серія Економіка. Випуск 2(4). Частина 1. С. 243-249.

¹⁹⁶ Новожилова Ю. В. Интегрированная отчетность и её место в системе корпоративных отчетов. Социальные и гуманитарные знания. 2015. № 4. С. 248-255.

Table B (continued)

1	2	3
11	S. Adams, R. Simnet ¹⁹⁷	A new paradigm of reporting that is integral, strategic, adaptive, significant and relevant as to different time measurements.
12	R.O. Kostyrko ¹⁹⁸	This is a new model of corporate reporting, based on the concept of integrated thinking, which presupposes the interrelation of financial and managerial reporting, corporate management reports and remuneration and reports on sustainable development.
13	O.I. Gryshchenko ¹⁹⁹	It is a combination of the elements of both financial and non-financial reporting of enterprises.
14	O.A. Kuzmenko, M.V. Abrosymova ²⁰⁰	combines different reporting trends (financial reporting, management notes, corporate management report and remuneration, sustainable development report), integrating them into a single whole that gives an idea of the ability of an organization to create and maintain its value.
15	Chernikov A.N., Chernikova O.A. ²⁰¹	a new instrument that will ensure efficient interaction of economic entities with global financial markets and a wide range of business partners.

¹⁹⁷ Adams S., Simnett R. Integrated Reporting: An Opportunity for Australia's Not-for-Profit Sector. Australian Accounting Review. 2011. Vol.21. Issue 3. P. 292-301., C. 292.

¹⁹⁸ Костирко Р.О. Перспективи міжнародної інтегрованої звітності [Електронний ресурс]. Режим доступу: http://www.irbis-nbuv.gov.ua/cgi-bin/irbis_nbuv/cgiirbis_64.exe?C21CO

¹⁹⁹ Грищенко О. І. Тенденції та проблеми формування інтегрованої звітності суб'єктами господарювання. Молодий вчений. 2014. № 2(05). С. 31-34.

²⁰⁰ Кузьменко О. А., Абросимова М. В. Интегрированная отчётность – новая модель отчётности для российских корпораций. Академический вестник ТГАМЭУП. 2014. №1 (27).

²⁰¹ Черников А.Н. Черникова О.А. Интегрированная отчетность – ценности взаимодействия в XXI веке. Поволжский торгово-экономический журнал. 2013. №5 (33). С. 77-82.

Table B (continued)

1	2	3
16	M.S. Rybyantseva V.E. Khramova ²⁰²	It is a financial accounting instrument that is a complete array of information data about an organization that includes a set of indices that characterize the economic, social and environmental aspects of an economic entity's activity, as well as on the system of corporate management that allows interested users to see the process creating value of an economic entity and to form an opinion as to its economic values.
17	E.A. Kovpotina ²⁰³	It is one of the types of reporting that provides high-quality, timely, complete and reliable information about a company and includes data on a company's perspective, strategic plans for the future.
18	E.S. Koptkova ²⁰⁴	An instrument for strategic management that promotes an increase in the level of transparency of a company, combining financial and non-financial information.
19	V.G. Kogdenko, M.V. Melnyk ²⁰⁵	A brief report on how an organization's strategy, management methods, results and prospects, in the context of the external environment, lead to the creation of value in the short, medium and long-term.

²⁰² М. С. Рыбьянцева, В. Е. Храмова Интегрированная отчетность как основа повышения существенности учетной информации. Научный журнал КубГАУ. 2016. №120(06). [Электронный ресурс]. Режим доступа: <http://ej.kubagro.ru/2016/06/pdf/101.pdf>

²⁰³ Ковпотина Е.А. Интегрированная отчетность как современная модель формирования отчетности. Вестник Ессентукского института управления, бизнеса и права 2015. № 11. С. 122- 125.

²⁰⁴ Копкова Е.С. Интегрированная отчетность и интегрированное мышление в эволюции стратегического управления. Вестник современной науки. 2015. №12. С. 64-65.

²⁰⁵ Когденко В.Г., Мельник М.В. Интегрированная отчетность: вопросы формирования и анализ. Международный бухгалтерский учет. 2014. №10. С. 5.

Table B (continued)

1	2	3
20	N. V. Malynovska ²⁰⁶	is a new corporate reporting model based on the concept of integrated thinking that presupposes the interrelation of financial and managerial reporting, corporate management reports and remuneration, as well as reports on sustainable development

²⁰⁶ Малиновская Н. В. Интегрированная отчетность – инновационная модель корпоративной отчетности. *Международный бухгалтерский учет*. 2013. № 38. С. 12–18.

Appendix C

Table C

Ukraine's rating by the global competitiveness index

Global competitiveness index (the position of Ukraine by the main components)		2014-2015 (among 144 countries)	2015-2016 (among 140 countries)
		76	79 ↓
1		2	3
Basic requirements		87	101 ↓
INSTITUTIONS		130	↑ 130
	State institutions	131	↑ 130
	- ownership	135	↑ 131
	- ethics and corruption	120	↑ 107
	- abuse of influence	131	↑ 125
	- waste of government spending	138	↑ 134
	- security	124	132 ↓
	Private Institutions	120	↑ 110
	- corporate ethics	98	↑ 76
	- accountability	127	130 ↓
INFRASTRUCTURE		68	69 ↓
	Transport infrastructure	88	91 ↓
	- the quality of the entire infrastructure	75	82 ↓
	- quality of roads	139	↑ 132
	- quality of railway infrastructure	25	28 ↓
	- quality of port infrastructure	107	108 ↓
	- quality of air transport infrastructure	99	↑97
	Electricity and telephone infrastructure	51	54 ↓
	- quality of electricity supply	69	75 ↓
	- the number of fixed mobile communication subscribers / 100 inhabitants	33	↑ 32
	- the number of fixed mobile communication subscribers / 100 inhabitants	45	↑ 44

Table C (continued)

1	2	3
MACROECONOMIC ENVIRONMENT	105	134 ↓
Gross National Savings, % of GDP	134	↑ 124
Inflation, change per year in %	75	134 ↓
Government debt,% of GDP	66	110 ↓
HEALTH CARE AND PRIMARY EDUCATION	43	45 ↓
Health care	82	82
- the level of tuberculosis / per 100 000 inhabitants	90	↑ 88
- prevalence of HIV,% of adult population	106	↑ 104
- the impact of HIV / AIDS on work	86	↑ 84
- child mortality / 1000 newborns	54	↑ 53
- anticipated life-expectancy	88	↑ 87
Primary education	32	34 ↓
- the quality of elementary education	40	45 ↓
- admission to primary education	31	33 ↓
Performance enhancers	67	↑ 65
HIGHER EDUCATION AND PROFESSIONAL TRAINING	40	↑ 34
The share of education	14	14
- admission to secondary education institutions	41	↑ 39
- admission to higher education institutions	13	14 ↓
The quality of education	65	↑ 46
- the quality of educational system	72	↑ 54
- the quality of mathematical and natural education	30	38 ↓
- the quality of management schools	88	↑ 87
- Internet access at schools	67	↑ 44
On-the-job training	88	↑ 74
- accessibility of specialized research and educational institutions	84	↑ 78
- the quality of personnel training	92	↑ 74

Table C (continued)

1	2	3	4
EFFICIENCY OF THE GOODS MARKET		112	↑ 106
	Competition	125	↑ 122
	Quality of demand conditions	70	↑ 68
THE EFFECTIVENESS OF LABOUR MARKET		80	↑ 56
	Flexibility	89	↑ 66
	- fixed determination of wages	77	↑ 71
	- the impact of taxation on incentives to work	135	↑ 121
	Using Talents	70	↑ 58
	- country's ability to hold talents	132	↑ 114
	- country's ability to attract talents	130	↑ 97
DEVELOPMENT OF THE FINANCIAL MARKET		107	121 ↓
	Efficiency	109	113 ↓
	- the availability of financial services	102	↑ 101
	- accessibility of financial services	123	123
	- financing through the local capital market	108	118 ↓
	- easiness of access to loans	87	87
	- availability of venture capital	97	102 ↓
	Reliability and trust	100	120 ↓
	- sustainability of banks	138	140 ↓
	- regulation of stock exchanges	127	135 ↓
TECHNOLOGICAL READINESS		85	86 ↓
	Technological borrowing	114	↑ 103
	- availability of the latest technologies	113	↑ 96
	- development of technologies at the firm level	100	100
	- direct investment and technology transfer	127	↑ 117
	Using inform-telecom. technologies	69	80 ↓
	- Internet users,% of the population	82	↑ 80
	- subscribers of the fixed broadband Internet / per 100 inhabitants	68	72 ↓
	- bandwidth of the Internet, kb / s / per user	50	64 ↓

Table C (continued)

1	2	3	4
	- activities of mobile broadband subscribers / per 100 inhabitants	107	121 ↓
THE SIZE OF THE MARKET		38	45 ↓
	The size of the domestic market	37	46 ↓
	The size of the foreign market	38	39 ↓
Innovations and Improvement Factors		92	↑72
THE CONFORMITY OF BUSINESS TO THE CURRENT REQUIREMENTS		99	↑91
	The number of local suppliers	80	↑61
	The quality of local supplier	83	↑80
	Scales of cost creation chains	79	↑70
	Management of international distribution	82	86 ↓
	Modernization of the production process	95	↑68
	The boundaries of marketing	79	81 ↓
INNOVATION		81	↑54
	Innovation ability	82	↑52
	Quality of research institutes	67	↑43
	Expenses of companies for research and development	66	↑54
	Cooperation of universities and industry in research and development	74	74
	Public Procurement of High-Tech Products	123	↑98
	The presence of scientists and engineers	48	↑ 29

Scientific publication

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