

management						
Environmental responsibility	20	17	8	9	10	2
Anti-Corruption	21(12%)	15 (11%)	5 (6%)	5 (14%)	3 (6%)	1 (10%)
Protection of personal data	5	3	2	1	0	0
Ethical standards	5	3	2	2	0	0
Corporate governance	11	9	1	2	3	1
Total	92 (100%)	70(100%)	31(100%)	36(100%)	44(100%)	14(100%)

*The analyzed the number of companies in a given sector

TRANSPARENCY OF NON-FINANCIAL REPORTING IN THE CONTEXT OF CORPORATE SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES: CASE OF UKRAINE

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The paper focuses on the essence of transparency of non-financial reporting based on the analysis of international standards of corporate social responsibility as well as scientific research in the social responsibility field. It introduces a system of 30 quantitative and 10 qualitative indices for assessing transparency of the reflection of the indicators of corporate social responsibility (CSR) towards employees in non-financial reporting. The proposed integrated index shows the actual share of suggested indicators in the published non-financial reports. The analysis of transparency of the reflection of indicators of CSR towards employees in non-financial reporting by companies working in Ukraine was carried out. The paper offers recommendations for enhancing transparency of information about CSR towards employees in non-financial reports.

Keywords: transparency of non-financial reporting, corporate social responsibility, indicators of CSR towards employees, methodology of assessing transparency of indicators of CSR towards employees.

Introduction

Though social responsibility is among crucial issues, its relevancy is becoming even stronger under modern development conditions in Ukraine. It is essential for building a socially oriented market economy, securing social and economic effectiveness of business and high quality of life for population, creating preconditions for establishment of civil society, and expanding possibilities for sustainable development. Ukraine has gone from scattered charity actions to systemic strategy for sustainable development over the past few years. Such strategy is typical for several dozens of leading Ukrainian companies; however, it is possible to say that these companies are defining the course for future changes of economic activities in Ukraine.

Meanwhile, complete deficit of social capital constitutes one of the key problems of Ukrainian society, and it is manifested particularly in the lack of trust between all society actors in most of the life spheres. During the crisis period of 1990s and the roaring beginning of the 21st century, not only politics, power and business have lost trust almost completely, but also civil society organizations, the media, the banks and the church. Social differentiation is spreading in society: audacious prodigality, splurge of wealth, and unlimited power of public officials are thriving amid general poverty and insecurity about tomorrow experienced by the mainstream population.

Under such circumstances, it is extremely important for promotion and development of the CSR to preserve its core moral and spiritual essence without turning into a marketing and image-building tool, or another channel for off-the-books money redistribution. Consequently, transparency of the CSR and non-financial reporting in particular is a prerequisite for the real, rather than sham, effectiveness, which is especially relevant for Ukraine nowadays.

The spread of social reporting in Ukraine

Under conditions when the competition is severe and resources are limited, disclosure of information about the company in its non-financial reports is becoming an additional competitive advantage providing for a dialogue with stakeholders at a level that ensures a long-term success of the company, i.e. «success of strategic significance». Establishment of any relations, for example, with consumers, company personnel, local communities, environmental NGOs and other stakeholders must be based on trust, the «convincingly sufficient» level of which can be provided by non-financial reports with answers to all questions of interest to the company's key stakeholders. The sufficient level of transparency of a non-financial report under current conditions is rather important, whereas in Ukraine the concept of CSR and, correspondingly, non-financial reporting is still undergoing development. This fact is backed by statistical data that provides comparison of the quantity of non-financial reports in Ukraine and in other countries. According to CRRA CRreportingAwards' 10³¹², and the statistics from GRI³¹³ website, the quantity of the published non-financial reports is growing annually worldwide (Figures 1 and 2).

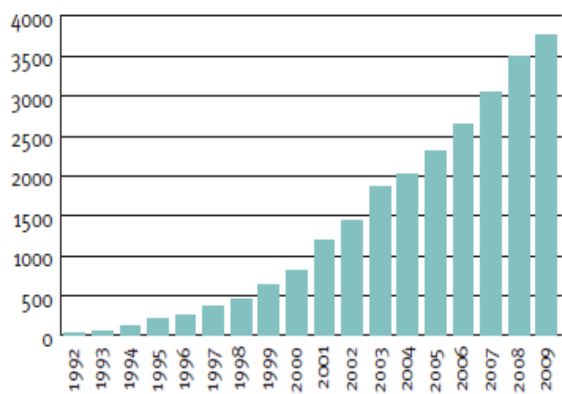


Fig. 1 Global report output per year

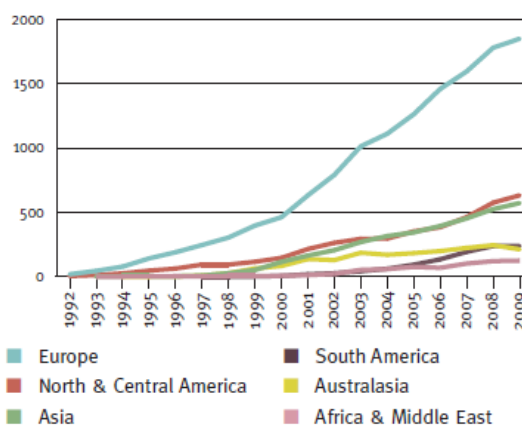


Fig. 2 Reporting output by year, by region

Implementation of international standards is conducive to the application of principles of doing socially responsible business in Ukraine. The analysis of the social reports presented on the Internet websites on CSR has allowed to draw a conclusion that the majority of non-financial reports in Ukraine, Russia and Belarus are compiled with the use of such standards as GRI³¹⁴, AA1000³¹⁵ and CoP³¹⁶. According to these standards, the following types of non-financial reports are specified: sustainability reports under the GRI standard, reports in line with the AA 1000 Assurance Standard, Progress reports on the implementation of the principles of the UN Global Compact, and reports on company's social or environmental projects. Data on the number of non-financial reports in Ukraine is provided in Table 1.

Table 1

Number of published and verified non-financial reports in Ukraine in 2005 – 2010

³¹²CRRA CRreportingAwards'10 [Electronic recourse]: Available at:<http://www.corporateregister.com/pdf/CRRA10.pdf>

³¹³Sustainability Disclosure Database: Available at: <http://database.globalreporting.org/>

³¹⁴GRI (Global Reporting Initiative) was founded in 1997. In 2002 GRI became an independent institution with headquarters in Amsterdam. GRI activity is directed by the Board of Directors with a maximum of 16 members. The operations of the Board of Directors are supported by the Secretariat.

³¹⁵The AA1000 Standard (1999) was developed by the Institute of Social and Ethical AccountAbility). AA1000 Standard is designed for integration of social aspects into business organization. It provisions the integration of social aspects into business management. The inclusive involvement of stakeholder groups for improvement of business accountability is an important idea of the standard.

³¹⁶CoP – the UN Global Compact Communication on Progress.

№	Type of non-financial report	Number of companies that submitted reports during the reporting period					
		2005	2006	2007	2008	2009	2010
1	Total number of reports prepared, including:	1	2	21	30	18	27
1.1	Progress report for the reporting period		1	17	26	16	11
1.2	GRI report			4	4	1	4
1.3	CSR report		1			1	12
2	Number of verified reports		1	3			1

Only 10 out of 100 companies in Ukraine with largest net income³¹⁷ partake in non-financial reporting process. It is caused largely by the fact that CSR in Ukraine is undergoing a difficult stage of its development. Results from our survey of experts on social responsibility issues show that the following factors are among the key constraints impeding the spread of CSR practice in Ukraine (Table 2):

Table 2

Factors impeding the spread of CSR practice in Ukraine

№	Name of the factor	Confirmed by survey-takers, %
1	Lack of social responsibility ideology in Ukraine, deficit of trust at all levels	100,0
2	Spread of corruption at all levels of state governance; authorities' use of businesses for single-time projects, some of which lack strategic and social significance	92,9
3	Very limited number of experts with capacity to develop corporate social responsibility on macro- and micro-levels	85,7
4	National companies' lack of interest, both economic and moral, in social projects	71,4
5	Lack of state and public support, recognition, and moral reward for socially responsible enterprises in Ukraine	64,3
6	Lack of comprehensive scientific research in the field of social responsibility	57,1
7	Absence of influential civil society sector that would purposefully promote CSR principles	53,6
8	Lack of companies' idle funds for social projects	48,2
9	Lack of objective and transparent CSR evaluation experience	42,9
10	Positive information about CSR is not disseminated; lack of vivid examples and "national heroes"	35,7

Thus, the spread of social responsibility practice in Ukraine is constrained mostly by the deficit of trust at all levels of Ukrainian society, the widespread corruption at all levels of state governance, as well as the lack of experts with capacity to develop the CSR on macro- and micro-levels, and the missing economic and moral interest of national enterprises in social projects. Therefore, even companies with responsible way of doing business by no means always prepare non-financial reports. Key factors impeding the spread of non-financial reporting in Ukraine are given in Table 3.

Table 3

Key factors impeding the spread of non-financial reporting in Ukraine

³¹⁷Top 100 Largest Companies in Ukraine (InvestGazeta ranking) [Electronic recourse]: Available at: <http://www.investgazeta.ua/kompanii-i-rynki/top-100-159472/>

No	Name of the factor	Confirmed by survey-takers, %
1	Limited number of enterprises in Ukraine with experts on CSR issues	89,3
2	Lack of companies' experience in non-financial reporting	75,0
3	High level of disbelief in all spheres of Ukrainian society, contributing to lower effectiveness of non-financial reporting	71,4
4	Lack of enterprises' will to attract attention of the public and regulatory bodies in particular	67,9
5	Development of high-quality non-financial report requires allocation of significant amount of time, resources, as well as some funds	64,3
6	Companies see no connection between social responsibility and economic effectiveness, between social reporting and the company's positive image	57,1
7	Disclosure of information on particular spheres of activities of certain companies is undesired in the view of competition or possible negative effects on company's image, or it would not benefit the company's image	51,8
8	Lack of state and public support of social reporting in Ukraine	26,8

Thus, results of our survey lead to conclusion that the lack of experts on corporate social responsibility and the actual lack of experience in non-financial reporting at Ukrainian enterprises, along with the high level of disbelief in all spheres of Ukrainian society, constitute the key obstacles for promotion of non-financial reporting practice.

The essence of non-financial reporting transparency

The reports allowed us to analyze the implementation of the following international standards in the CSR sphere and in the process of drawing up and verifying the non-financial reports: the UN Global Compact's Ten Principles³¹⁸; the GRI Reporting Guidelines³¹⁹; International standard ISO / DIS 26000³²⁰; AA 1000³²¹; the SA8000 Standard for Certification for Ethical Labour Standards in Manufacturing Facilities³²². Many standards stress the importance of a dialogue with the stakeholders and transparency of non-financial reporting. According to AA1000 Standard, transparency is a characteristic of non-financial reporting defined as «reporting for stakeholders³²³». We offer the following definition of the non-financial reporting transparency – *it is a necessary and sufficient level of the disclosure of information on the company's CSR activities for all stakeholders.*

In the paper «Transparency Benchmark 2010. The Crystal 2010 in association with NBA»³²⁴, it is indicated that reporting transparency is a factor of business improvement. An organization that is transparent to its environment shows how it positions itself in society and how it deals with the sustainability issues. This will help to open a dialogue with those concerned and lead to improved business performance. The Transparency Benchmark is based on 50 criteria. The criteria are divided into content-oriented criteria and quality-oriented criteria, which in turn are clustered into five themes or categories. A total of 200 points can be obtained, 100 points for the content-oriented and 100 points for the quality-oriented criteria.

³¹⁸ The Ten Principles. United nations. Global Compact [Electronic recourse]: Available at: <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

³¹⁹ Sustainability Reporting Guidelines. Version 3.1 [Electronic recourse]: Available at: <https://www.globalreporting.org/resource/library/G3.1-Guidelines-Incl-Technical-Protocol.pdf>

³²⁰ International standard ISO/DIS 26000 [Electronic recourse]: Available at: http://www.lsd.lt/typo_new/fileadmin/Failai/N172_ISO_DIS_26000__E_.pdf

³²¹ AA1000 Framework Overview [Electronic recourse]: Available at: <http://www.accountability.org/about-us/publications/aa1000-framework-1.html>

³²² Social Accountability 8000 [Electronic recourse]: Available at: <http://www.iqnet-ltd.com/userfiles/SA8000/2008StdEnglishFinal.pdf>

³²³ The AA1000 Series is a set of effective assurance and accountability management tools and standards, including the AA1000 Assurance Standard.

³²⁴ Transparency Benchmark 2010 The Crystal 2010 in association with NBA [Electronic recourse]: Available at: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/files/nat_laws_and_policy_init/dutch_transparency_benchmark_for_esg_disclosure_en.pdf

In the paper «Transparency and Accountability Index of Companies in Ukraine», the transparency of companies is defined as «the level of the disclosure of information on key spheres of corporate social responsibility»³²⁵. The transparency assessment of the companies was performed on a 200-point scale. According to research results, top ten companies were identified, among them: «DTEK» (160 points; 80%-transparency); «Metinvest» (146 points; 73%), «Obolon» (140 points; 70%), «ArcelorMittal Kryvy Rih» (122 points; 61%), «System Capital Management» (119 points; 59,5%), «Kyivstar» (117 points; 58,5%), «Interpipe» (106 points; 53%), «Ernst & YoungUkraine» (105 points; 52,5%), «METRO Cash & Carry Ukraine» (104 points; 52%), «Galnaftogaz» (103 points; 51,5%).

Content and significance of corporate social responsibility towards employees

Leading Ukrainian companies are only beginning the transition to systematic (of annual or other periodicity) disclosure of information on the key indicators of their activities in non-financial reports. We agree with many experts and business leaders that employees are the main stakeholders in a company. Therefore, information on social responsibility towards employees constitutes an important (if not the most important) portion of non-financial reporting. However, our study of social responsibility development in Ukraine shows that the views of company managers/owners on high level of social responsibility differ significantly from those of employees. For most companies that market themselves as socially responsible such responsibility is mostly limited to official employment, timely salary payments, in-service training, and provision of vacation time according to legal standards.

Meanwhile, the wage workers in Ukraine (in the view of still unforgotten socialist past) often understand corporate responsibility as social policy of an enterprise and employers' responsibility for personnel. This understanding may differ in content, ranging from simple observance of legal norms in organization and remuneration of labour down to paternalist idea of a master who takes care of his workers in a father-like manner. In any case, the wage worker's idea of corporate social responsibility includes all elements of decent work: a salary that not only is paid on time, but also is adequately high; normal working hours; respect for employees, social security and social safeguards; workplace safety etc. There is supporting evidence that would substantiate this opinion, including solidarity and interdependence of actors in social and labour relations, higher effectiveness attributed to high motivation and employees' loyalty, and even expansion of consumer market potential and subsequent higher business profitability due to salary increases.

The backbone of corporate social responsibility lies in ensuring the fair treatment of employees, democratic functioning of the company; providing opportunities for participation in the governance process, learning new skills and technologies, professional development, as well as in effective performance in social opportunities field. Companies are urged to use professional career planning and provide employment guarantees. Responsible companies are contributing continuously to corporate ethics and culture development; they're engaging employees in the company's business. For instance, the following priorities for social responsibility were set in SCM 2010-2011 Sustainability Report (the company's transparency indicators of social responsibility towards employees were assessed in this study):

- 1) ensuring a decent workplace environment for employees, salary level included;
- 2) implementation of modern approaches to labour organization and development of corporate culture; adherence to high occupational safety standards; offering equal opportunities to employees; conduct fair evaluation of each person's contribution to success of the business;
- 3) investment in human resources; personnel training and development opportunities for fulfilment of one's potential³²⁶.

We consider that corporate social responsibility involves, first of all, creating conditions for high quality of professional life. In order to achieve this, constructive cooperation of actors in social labour relations is required, where interests of all parties overlap at a quality level of work life that provides opportunities for the employee to fulfil his/her potential, receive decent remuneration, ensure productivity and innovations that are important for the employer, as well as reach favourable demographic conditions and social development of society, that constitute state interests³²⁷.

Increasing level of work life is a logical outcome of social and economical development. Advancements in equipment and technology, increased work productivity, development of organization and production

³²⁵The transparency index: Ukraine. – K.: 2011 – 31 p.

³²⁶The SCM Sustainability Report, 2010-2011. National Business. Responsible Leadership. [Electronic resource]: Available at: <http://www.scm.com.ua/uk/sustainability/reports/2012/>

³²⁷Шаульська Л.В. Стратегія розвитку трудового потенціалу України: Монографія. – Донецьк: ІЕП НАН України, 2005. – С.118.

management, growth of intellectual and creative components' share in work process are the prerequisites for improvement of professional life. Meanwhile, there is also an inverse link: high quality of professional life has an impact on the abovementioned progressive manufacturing processes as it raises effectiveness and competitive power.

Increased quality of professional life is also important for the country and society in general. Quality of professional life affects implementation of strategic priorities for the country's social and economical development: building a socially oriented market economy, increasing its competitive power on the basis of innovative growth, expansion of productive employment opportunities, as well as avenues for personal development; the growing activity of social partnership.

High-quality professional life for employees involves an effective system of material and moral incentives, production democracy, development opportunities, safe occupational conditions, and social security. Increased effectiveness of labour is beneficial to the employers' interests: innovative production development, prime costs cuts and increased profits, enhanced competitive power, developed corporate culture, as well as social welfare at the facility. Interests of the society and states are fulfilled through higher quality of living, better demographical conditions, exercise of the citizens' constitutional rights to decent work, development of labour culture, scientific and technological innovation-based development, increased competitive power of the national economy, reinforced social responsibility of the actors in labour relations.

It is the transparent reflection of the indicators of social responsibility towards employees that gives an idea of professional life quality and the company's social responsibility level.

Analysis of indicators of the CSR towards employees

This study includes an assessment of indicators of the CSR towards employees; these indicators were listed in non-financial reports of socially responsible companies in Ukraine. The choice of companies was affected by the results of the 2011 study "Transparency and Accountability Index of Companies in Ukraine" by NGO Centre "CSR Development"³²⁸ and "Hvardiya"³²⁹ magazine 2010, 2011 and 2012 rankings of socially responsible companies.

A system of quantitative and qualitative indicators crucial for transparency of a company's CRS towards employees, if reflected in non-financial reporting, was elaborated based on the analysis of reports by socially responsible companies and scientific works³³⁰. The system includes 30 quantitative indicators divided into the following 6 thematic groups: number of employees and workforce fluctuation, wages and work productivity, personnel training, occupational safety, social security, gender equality. 10 quantitative indicators measure the availability of information on the following: specific provisions of collective labour agreement, occupational safety activities, equal opportunities for men and women, corporate culture, projects for staff members, encouragement for staff development, workers' rights and compensation package, support for employees who are parents (health improvement, flexible schedule etc.), support programs for persons with disabilities (both employees and consumers), support programs for university students.

The research resulted in development of an integral transparency index that characterizes reflection of CSR towards employees indicators in non-financial reports by socially responsible companies in Ukraine. The index is descriptive of the actual share of suggested indicators in published non-financial reports. Accordingly, if the report provides complete information in conformity with all 30 quantitative and 10 qualitative indices characterizing the CSR towards employees, the transparency level of the non-financial report is 100%.

It should be pointed out that 7 of 9 companies, of which the social reports were herein assessed by labour indicators, are represented in the "Hvardiya" magazine ranking of socially responsible companies. The magazine expert council has been composing such annual rankings for the past 5 years (Table 4), and it is the only one available at the moment in Ukraine.

Table 4

Companies with reports assessed in 2010-2012 (according to "Hvardiya" magazine ranking)

³²⁸The transparency index: Ukraine. – K.: 2011 – 31 p.

³²⁹ Kontrakty [Electronic resource]: Available at: <http://kontrakty.ua/proekty/rejtingi/16287-kto-poluchil-propusk-v-prilichnoe-obshhestvo-rejting-soczialno-otvetstvennyh-kompanij-ukrainy>

³³⁰ Грішнова О.А. Соціальна відповідальність бізнесу: сутність, значення, стратегічні напрями розвитку в Україні / О.А. Грішнова // Україна: аспекти праці. – 2010. - №7. - С. 3-8

Соціальна відповідальність: теорія і практика розвитку: монографія / [А.М. Колот, О.А. Грішнова та ін.]; за наук. ред. д-ра екон. наук, проф. А.М. Колота. – К.: КНЕУ, 2011. – 504 с.

Колот А.М. Соціально-трудова сфера: стан відносин, нові виклики, тенденції розвитку: Монографія. – К.: КНЕУ, 2010. – 251 с.

№ 3/п	Company name	Company ranking, score (maximum – 100 points)					
		2010		2011		2012	
		Ranking	Points	Ranking	Points	Ranking	Points
1	DTEK (SCM Group)	-	-	-	-	2	95,04
2	Metinvest (SCM Group)	-	-	-	-	1	97,22
3	ArcelorMittal Kryvy Rih	-	-	-	-	4	76,44
4	Obolon	4	72,00	5	68,00	8	68,88
5	Ernst&Young Ukraine	23	53,00	15	57,42	-	
6	METRO Cash&Carry Ukraine	3	72,25	16	56,48	19	57,36
7	Interpipe	-	-	-	-	-	-
8	Galnaftogaz	-	-	-	-	-	-
9	Kyivstar	2	76,50	2	75,56	5	74,95

Consequently, the most socially responsible Ukrainian companies (according to “Hvardiya” magazine ranking) were chosen for our assessment. See Figure 3 and Annex A for the summary of transparency assessment (integral indices) of Ukraine’s leading CSR companies’ non-financial reports on the base of CSR towards employees indicators.

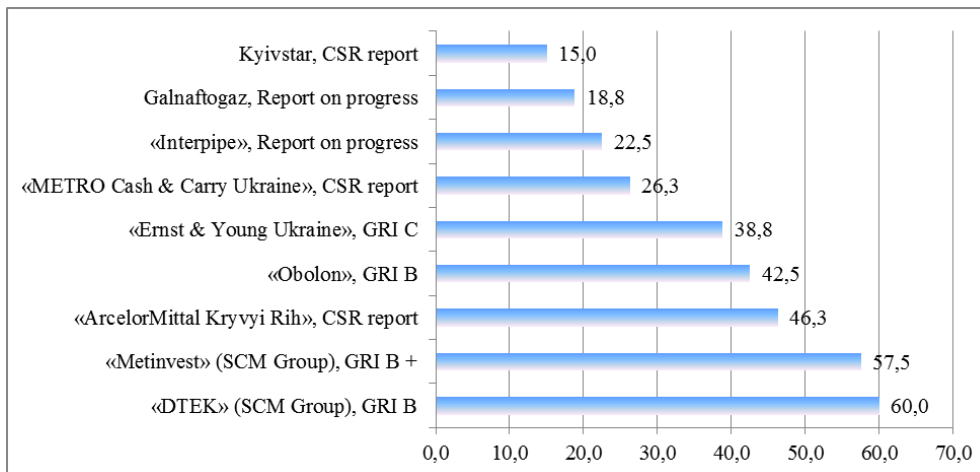


Fig. 3. Transparency assessment of non-financial reports of the companies operating in Ukraine in relation to CSR towards employees(integral transparency indices, %)

Our research shows that in only two Ukrainian companies the transparency level is above 50 %, namely in DTEK (SCM Group) and in Metinvest (SCM Group). The companies’ non-financial reports show mainly qualitative indices. For example, all companies have presented information on corporate culture, various projects for the personnel and on how they appreciate the personnel and encourage the employees’ professional growth. The reports compiled in line with GRI Standard have proved the most informative among all types of non-financial reports. The reports compiled in accordance with other standards, as a rule, do not contain quantitative indices and, consequently, have purely descriptive character. Thus, non-financial reports which have been assessed in our research are mainly aimed at disseminating information about success in the social and labour relations sphere. We believe that non-financial reports should reflect the companies’ really existing problems in relations with the personnel, at least in the sections referring to the companies’ future tasks.

Challenges in the reflection of labour-related indicators in non-financial reports

The lowest level of transparency in the reports under study was observed in relation to such personnel management issues as number and ratio of employees working in arduous and hazardous workplace conditions. Many reports contain no information on the average salary and social investments of the companies (in particular, social security expenditures, investment towards internal social services maintenance, and investment in improvement of social conditions).

The evidence of specific negative trends in personnel management of the companies, which were evaluated with regard to transparency of social responsibility towards employees, is the following:

1) PJSC ArcelorMittal Kryvy Rih was one of the pioneers in introduction of a large-scale compensations program for resigning employees. The program provides opportunities for voluntary resignation accompanied by “rather attractive compensation package”. It is also stated in the social report that “the compensation is the highest in Ukraine; it allows the employees who are leaving the enterprise to feel secure”. However, despite compensation payments, termination of employment is a negative phenomenon that leads to an increase in the regional unemployment rate. In addition, the social report provides no explanation of the way in which the compensation package is “attractive” and how it compensates for the job loss.

2) The social report of DTEK company indicates that “the ring-fencing or contracting of non-profile functions or business processes to third parties (outsourcing) is an acknowledged way of increasing economic efficiency: by doing so, the company ceases to perform the functions that are unrelated to the core activity and is able to direct financial and material resources to its key tasks. In addition, the ring-fencing of non-profile functions to outsourcing contributes to development of internal services market, which increases the quality of services due to stronger competition, as well as it creates jobs outside of industrial sector. In the frame of this practice, DTEK is reorganizing the business processes gradually. In 2008-2009, the company went on to outsource several non-profile functions (namely, transportation, security, services, communications, cleaning, and laboratory studies). Overall, 4050 persons have left the Company during 2008-2009 in the framework of this process³³¹. Meanwhile, it is a matter of common knowledge that the outsourced employees are hired by the third-party companies under the civil contract, which doesn’t provide for the employer’s social expenditures stipulated by the law. Consequently, employees lose important social guarantees.

3) It is stated in the social report of Ernst&Young Company that “business success is often determined by the employees’ willingness to sacrifice their personal time in favour on the client’s interests, i.e. to work overtime in order to achieve high business goals and career success. A 25-day vacation, which exceeds the legal limit by 7 days, is aimed at compensating for intense working period”. However, 7 days of vacations are unlikely to compensate for the chronic fatigue from overtime work. In addition, high fluctuation rate indicates that employees are overloaded (according to Ernst&Young 2010 Corporate Responsibility Report³³², the rates are 15% in Kyiv and 12% in Donetsk).

These are the public facts provided in the social reports. It is possible to assume that a hundred-fold larger number of similar issues were not reflected in the reports. Thus, questions arise, such as: what are the reasons behind non-financial reporting? What is their purpose? What should they reflect? Our opinion is that enterprises with actual high level of social responsibility (rather than sham one) can be honest and open in reflection of both their achievements and existing problems. As a matter of fact, the stakeholders (particularly the personnel) judge the company not only and not just by the report, but primarily by its real actions that can’t be concealed from the employees. On the other hand, if the sole purpose of the report is the positive image, they’re not always accurate about the inside situation. It is indicative of an early stage and large reserves of the CSR development.

Annex A contains the indicators that we consider as obligatory for *transparent* non-financial reporting, as well as the actual level of their presence in the reports under assessment. Let us review in detail the challenges that were identified in the groups of quantitative and qualitative indicators of the companies (Table 5).

Table 5

Challenges in the reflection of labour-related indicators in non-financial reports

№	Group of indicators	Challenges
Quantitative indicators		

³³¹ DTEK Sustainability Report, 2008-2009. [Electronic recourse]: Available at: <http://www.dtek.com/library/file/sustainability-report-2010ukr.pdf>

³³² Ernst&Young Ukraine Corporate Responsibility Report 2010 [Electronic recourse]: Available at: <http://www.csjournal.com/liveexperience/socreports/3148-socialnyy-otchet-ernst-end-yang-2010.html>

1	Number of employees and workforce fluctuation	The parts of social reports on the workforce fluctuation indicators are the least transparent since high rate of fluctuation is indicative of difficult working conditions, as well as it casts a shadow on the verity of the company's social responsibility. Thus, accurate data may not contribute to its positive image.
2	Wages and work productivity	None of the reports under assessment presented information on the share of wages in prime production costs since the enterprises are working in highly competitive conditions, thus reports are "untransparent" in presentation of these issues.
3	Personnel training	Only one social report included an indicator of the "average annual number of training hours per employee"; it shows that enterprises do not disseminate information about personnel training and development and provide only declarative statements on paying attention to these issues.
4	Occupational safety	This part is the least transparent in the social reports: information about number of employees working under arduous or hazardous conditions is not available in the reports. In the view of industrial character of the companies, the reports of which were assessed, it leads to assumption about the sham nature of responsibility towards employees, as well as avoidance of discussion of actual problems in the social and labour sphere.
5	Social security	Lack of reflection of "expenditures on social security" indicators in non-financial reports may be an evidence of the companies' failure to invest in the social sphere, or the low level of investments as compared to actual needs. It also doesn't show the high level of their social responsibility.
6	Gender equality	Reports of the companies under study are also not transparent on the issues of gender equality, as only one company provided information about the number of female managers. It shows the unwillingness to publish such information and, possibly, the gender inequality in access to management positions in the enterprises under study.
Qualitative indicators. Availability of information on:		
1	specific provisions of collective labour agreement	These issues are presented partially in all social reports, however, the information is not structured, and only the aspects that are describing the company in a positive manner are provided. Comprehensive view of the labour relations is not available just from the social report.
2	occupational safety activities	Traditionally, information on occupational safety is included into social reports. However, this may result not so much from the high social responsibility level, but from the state control of occupational safety.
3	equal opportunities for men and women	Issues of gender equality were covered by more than half of the companies whose reports were assessed. Nonetheless, quantitative indicators of the situation in this field are usually not provided.
4	corporate culture	These parts are found in all social reports which indicated that these issues are significant for all of the companies under study. It also shows their activity in these fields, however, no quantitative indicators are provided.
5	projects for staff members	
6	encouragement for staff development	
7	workers' rights and compensation package	The data is only of descriptive nature; no quantitative indicators are available in non-financial reports.
8	support for employees who have children	
9	support programs	Only 30% of the companies indicated the availability of support for persons with

	for persons with disabilities	disabilities. Consequently, these issues require more attention in Ukraine.
10	support programs for university students	Most of the companies have programs for students, but no quantitative details on professional support for youth are available.

Methods of improving non-financial reporting transparency

Increasing transparency level for non-financial reporting is definitely a progressive and desirable process. It can be achieved, in particular, through: government support and facilitation of non-financial information disclosure, as well as information on implementation of social projects; general increase in the level of the companies' openness and transparency of economy; improved adherence to international CSR standards and further integration of the companies into European area.

The fundamental role in CSR popularization in general and, in particular, in increasing transparency level of non-financial reporting, belongs to the shaping of social responsibility ideology and culture in a broader sense. It requires the good will and significant long-term efforts from all actors in the society and every concerned citizen. Establishment of moral and ethical economy, guided by the principle of *financial success' dependence on real social value of goods and services*, is a necessary and logical addition to the task of building an innovative and intellectual economy. Organization of such activities and setting a real example of its implementation in the public sector of economy is the state's responsibility. In general, higher activity and increased effectiveness of the state (as the owner, employer, legislator, judge, mediator, coordinator and the guarantor of law) is required for organization of socially responsible business.

The most powerful factor in CSR development (as well as its result) is the *establishment of favourable economic climate*, namely through combating corruption and easing the administrative pressure to create a healthier national economy, contribute to its unshadowing and gradual revival. A separate major task includes *creating a healthier moral climate in society, overcoming corruption, as well as enforcement of law and order*, restoring credibility of state institutions and civil society.

The government can and should play an important role in CSR development by promoting non-financial reporting. Inspired by examples from several EU countries, it could create a requirement of social reporting for all or certain groups of companies. In particular, it includes feasible institutional recognition of the list of indicators and CSR information that is compulsory for publication in company reports, development of social reporting standards recognized on the state level.

Another important component is the state support of professional education of the professions, demand for which is experienced by the national companies, such as the social and corporate responsibility managers, CSR experts, and social auditors.

The state support would become a significant boost for the promotion of social responsibility practice, elaboration of non-financial reporting and increased transparency of information about businesses.

Conclusions

Increase in the transparency level of non-financial reports implies, firstly, the strengthening of the companies' CSR, secondly, the increase of mutual trust with the stakeholders; and thirdly, the social partnership development and an effective dialogue with the parties concerned.

The undertaken study exposed on one hand the initial development level of the systematic CSR and non-financial reporting and on the other hand its extremely low transparency level of even the leading Ukrainian companies as regards social responsibility.

It is indicative of, firstly, the country's lack of socially responsible field of economic activities, secondly, the early stage of social responsibility development of the enterprises under study; thirdly, significant reserves and major tasks for social partners in relation to CSR development in Ukraine.

The methodology suggested herein for assessing transparency in reflection of indicators of corporate social responsibility towards employees shows both the level of such transparency, and the ways in which it can be increased. Advantages of the offered methodology for assessing transparency of non-financial reports in reflection of indicators of CSR towards employees are: 1) *universality* – it can be applied to all types of non-financial reports; 2) *availability* of the information – the assessment uses only those indicators which are directly specified in social reports of the companies; 3) *objectivity* – the methodology allows to assess the indicators themselves provided in reports rather than their subjective perception; 4) *consistency*– complex assessment of

the availability of all basic indicators characterizing the CSR towards employees, their classification by blocks and calculation of the integrated indicator of transparency.

The promising researchable issues in the framework of studying non-financial reporting of the socially responsible companies include: 1) assessment of indicators that characterize the level of corporate social responsibility in non-financial reporting (for all non-financial reporting standards); 2) methodology elaboration and evaluation of non-financial reports of the companies in different fields of economic activity; identification of the specifics of information disclosure in social reports in view of the characteristic features of a particular industry; 3) methodology elaboration and assessment of indicators that are presented in non-financial reports and characterize the level of the companies' social responsibility towards different groups of stakeholders; 4) evaluation of social projects that are indicated in non-financial reports of the companies.

**CORPORATE SOCIAL RESPONSIBILITY AND SMES:
EXPLORATORY STUDY ON DYNAMICS OF CORPORATES
AND STAKEHOLDERS PERSPECTIVE IN SPORTS GOODS INDUSTRY MEERUT**

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Introduction

Business is increasingly forming societal values and norms and defining public policy and practice. With raising awareness business are requested by their customers, clients, shareholders and other parties of interest to account for their activities on the global scale in a transparent way.

The whole issue of socially responsible business is based on the premise that companies have the right to choose. In this context there is a need to distinguish between philanthropy and compliance to labour and environmental standards. The adoption of standards may be either voluntary or compulsory in a given social, political and economic environment. The codes on labour standards developed by FIFA and the World Federation of Sporting Goods Industries (WFSGI), which are based on the relevant ILO conventions, look for creating a level playing field for all the traders of sporting goods in the international market. FIFA in its license agreements with companies has included a clause on child labour prohibition, as well as the broader model code of conduct of the WFSGI and the ILO declaration on "Fundamental Principles and Rights" at Work. The past reports on Sports goods industry by Christian aid society in collaboration with South Asian coalition against child servitude 1997 highlighting the situation of working children in Jalandhar and Meerut based SGI, world cup 2002 global march to protest on the use of child labour in the sports goods industry, and the study funded by ILO-IPEC and FICCI in 1998 on Jalandhar (football) are suggestive of –that *'passing the responsibility is no longer an option'*. How the SGI Meerut defines Corporate Responsibility? What initiatives it is taking for being socially responsible? Does the industry have achieved a balance in its economical, environmental and ecological dimensions or the triple bottom line? Is SGI Meerut managing business processes to add social, environmental and economical value in order to produce a positive sustainable impact for both society and the business? What is the tendency of business involvement in societal issues (in context to SGI Meerut)? What is the role of business in society (in context to SGI Meerut)? Do the tendency and role of business toward society have congruence when compared and also is it affected by the ownership patterns? CSR is dependent on which elements in SGI Meerut? Is SGI Meerut aware of the fact that there is a need to distinguish between philanthropy and compliance to labour and environmental standards? Does the SGI Meerut have developed strategies for CSR?