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MASTER'S LEVEL QUALIFICATION PAPER

on the topic " THE ROLE OF SUSTAINABILITY REPORTING AS A TOOL FOR
IMPROVING THE BRAND REPUTATION OF INTERNATIONAL COMPANIES"
Specialty 292 "International Economic Relations"

Student 6th Course
group ME.m-11an

(signature)

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It is submitted for the Master's level degree requirements fulfillment.

Master's level degree qualification paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source

Research advisor PhD, Associate Professor

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SUMMARY

of Master's level degree qualification paper on the theme
“THE ROLE OF SUSTAINABILITY REPORTING AS A TOOL FOR IMPROVING
THE BRAND REPUTATION OF INTERNATIONAL COMPANIES”

student Burnakova Valeriia Yuriiivna

The main content of the master's level degree qualification paper is set out on 58 pages, including a list of used sources of 76 titles, which is placed on 8 pages. The work contains 3 tables, 14 figures, as well as 1 annex.

KEYWORDS: SUSTAINABILITY REPORTING, NON-FINANCIAL REPORTING, BRAND REPUTATION, SUSTAINABILITY STANDARDS, GLOBAL REPORTING INITIATIVES, TOBACCO INDUSTRY, CORPORATE SOCIAL RESPONSIBILITY, SUSTAINABLE DEVELOPMENT.

The purpose of the master's level degree qualification paper is to study the theoretical foundations and to develop practical recommendations for improving the competitive position of the company in terms of foreign economic activity development.

The aim of the master's level degree qualification paper to examine the essence and impact of non-financial reporting on companies reputation in controversial industries such as tobacco industry.

The object of this work is implementation of sustainability reporting.

The subject of this work is the influence of sustainability reporting on brand reputation of international companies.

Methods that were used in the study of this work: descriptive method was applied for primary analysis of general information about sustainability reporting and brand reputation, as well as the concept of corporate social responsibility; synthesis - to create and describe the legal regulation of sustainability reporting; comparative method – to contrast different sustainability standarts; analysis– to describe tobacco market and peculiarities of implementation sustainability reporting.

The information base of this work is – materials from the Internet resources, publications of Ukrainian and foreign authors, results of analyses of World Health Organization (WHO), regulatory framework of the European Union, sustainability reports of tobacco companies, materials from Global Reporting Initiatives (GRI), statistical databases Statista, MacroTrends, Finance Yahoo and Grand View Research.

The main scientific results of the work are as follows:

1. Analysis of the impact of sustainability reporting on brand reputation.
2. Development of a mechanism for creating non-financial reporting.
3. Analysis of companies operating in the tobacco industry from the perspective of sustainable development and corporate social responsibility to further assess the impact of sustainability reporting on their reputation.
4. The comparison of different reporting standards have been developed.

The results of the research can be used by companies working in the tobacco sector to introduce sustainable development reporting and, as a result, improve brand reputation.

The results of the approbation of the main provisions of the master's level degree qualification paper were considered at:

- 1) Economic Scope № 181, Dnipro, 2022;
- 2) International Scientific and Practical Online-Conference «Business Ethics and Leadership» , Sumy, November 29-30, 2021;
- 3) International Scientific and Practical Seminar «The modern paradigm of international economic relations in the context of global transformations», Lutsk, May 14, 2021;
- 4) Ukrainian scientific-practical on-line conference, Sumy, November 19-20, 2020;
- 5) International Scientific and Practical Conference, Sumy, November 3–4, 2020;
- 6) International scientific-practical conference of students and young scientists named after Professor Balatsky "Economic problems of sustainable development" Sumy, April 28-29, 2020.

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MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

SUMY STATE UNIVERSITY

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TASKS FOR MASTER'S LEVEL DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations ")

student 6th course, group ME.m-11an

Burnakova Valeriia Yuriivna

1. The theme of the paper is «The role of sustainability reporting as a tool for improving the brand reputation of international companies» approved by the order of the university from « 27 » жовтня 2022 №0969-VI
2. The term of completed paper submission by the student is 07.12. 2022
3. The purpose of the qualification paper is to examine the essence and impact of non-financial reporting on companies reputation in controversial industries such as tobacco industry.
4. The object of the research is implementation of sustainability reporting.
5. The subject of research is the influence of sustainability reporting on brand reputation of international companies.
6. The qualification paper is carried out on materials from the Internet resources, publications of Ukrainian and foreign authors, results of analyses of World Health Organization (WHO), regulatory framework of the European Union, sustainability reports of tobacco companies, materials from Global Reporting Initiatives (GRI), statistical databases Statista, MacroTrends, Finance Yahoo and Grand View Research.

7. Approximate master's level degree qualification paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purposes as follows:

Chapter 1 Theoretical basics of the formation of sustainability reporting, deadline – 19.11.2022

Chapter 1 deals with researching next tasks:

- to analyze the importance of sustainability reporting and publishing practices among international companies;
- systematize various types of non-financial reporting;
- describe the concept of brand reputation and its importance for building business competitiveness.

Chapter 2 Research methodology of the process of forming a sustainability report of the enterprise, deadline – 01.12.2022

Chapter 2 deals with researching next tasks:

- characterize indicators of the formation of reporting on sustainable development;
- investigate legal regulation of non-financial reporting and various standards.

Chapter 3 The impact of the sustainability reporting on international companies: a case of controversial industries, deadline – 05.12.2022

Chapter 3 deals with researching next tasks:

- analyze the tobacco industry from the point of view of sustainable development and the impact of sustainability reporting on the reputation of companies;
- to propose ways of implementing sustainable development reporting as a factor of improving the company's image and investment attractiveness.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date	
		task issued by	task accepted by
1	PhD, Associate Professor Domashenko M.D.		
2	PhD, Associate Professor Domashenko M.D.		
3	PhD, Associate Professor Domashenko M.D.		

9. Date of issue of the task: « ___ » _____ 2022

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LIST OF ABBREVIATION AND SYMBOLS

BAT	British American Tobacco
CSR	Corporate social responsibility
ESG	economic, social and governance
EU	European Union
GRI	Global Reporting Initiatives
OECD	Organization for Economic Cooperation and Development
PMI	Philip Morris International
R&D	Research and Development
SR	sustainability reporting
WHO	World Health Organization

INTRODUCTION

Currently, sustainability reporting is gaining more and more popularity among large international companies, such reporting describes the company's non-financial activity, combining results with long-term goals in the social, environmental and economic spheres, contributing to the support of the Sustainable Development Goals and taking care of corporate social responsibility issues.

Such reporting allows stakeholders to receive transparent information about all resources of the organization. Any person (investor, shareholder) interested in receiving information about all spheres of activity, on the basis of which a plan of interaction with this organization will be built, can become a reader of sustainability reporting. The main purpose of such reporting is to explain the principles of the enterprise's functioning to various stakeholders.

A number of scientific works by Ukrainian and foreign authors as Zeynep S., Çankaya F, Mara Del Baldo, Paulina Permatasari, Vasylchuk I., Folkens. L, Adams C., Geoffrey R., Bilan O., Lypova P., Kirsanova V. and others are devoted to the problems of sustainability reporting. Most of them investigated different types of non-financial reporting, the impact of this reporting on the company's reputation, various standards for publishing reports, best practices of sustainability reports, the advantages and possible difficulties of publishing non-financial reporting, regulatory and legal regulation in different countries and sustainability issues of the tobacco industry.

In order to analyze the impact of sustainable development reporting on the company's reputation, companies from the tobacco industry were selected. This industry is quite large and has a harmful impact on human health and the environment, which is why it best illustrates the impact of non-financial reporting on brand reputation. Nowadays there is a lot of debate about whether an industry that produces products that are harmful to both human health and the environment can be considered sustainable and socially responsible.

The relevance of the implementation of non-financial reporting is confirmed by the fact that investors demand more and more information, not only financial. They are interested not only in information about the economic situation contained in accounting reports, but also in information about social, environmental and economic indicators.

Providing non-financial reporting to stakeholders in competitive conditions is an effective way to attract the attention of investors, improve the image and reputation of the enterprise, improve the loyalty of both employees and customers, and also increase the company's income.

The object of this work is implementation of sustainability reporting.

The subject of this work is the influence of sustainability reporting on brand reputation of international companies.

The aim of this work is to examine the essence and impact of non-financial reporting on companies reputation in controversial industries such as tobacco industry.

To achieve this goal the following tasks were set:

- to analyze the importance of sustainability reporting and publishing practices among international companies;
- systematize various types of non-financial reporting;
- describe the concept of brand reputation and its importance for building business competitiveness;
- characterize the main indicators of the formation of reporting on sustainable development;
- investigate legal regulation of non-financial reporting and various standards;
- analyze the tobacco industry from the point of view of sustainable development and the impact of sustainability reporting on the reputation of companies;
- to propose ways of implementing sustainable development reporting as a factor of improving the company's image and investment attractiveness.

The information base of this work is – materials from the Internet resources, publications of Ukrainian and foreign authors, results of analyses of World Health Organization (WHO), regulatory framework of the European Union, sustainability

reports of tobacco companies, materials from Global Reporting Initiatives (GRI), statistical databases Statista, MacroTrends, Finance Yahoo and Grand View Research.

Methods that were used in the study of this work: descriptive method was applied for the collection process, primary analysis of general information about sustainability reporting and brand reputation, as well as the concept of corporate social responsibility; synthesis - to create and describe the legal regulation of sustainability reporting; comparative method – to contrast different sustainability standards as well as to compare sustainable performance of the enterprises chosen for the study; analysis– to describe tobacco market and peculiarities of implementation sustainability reporting.

The elements of scientific novelty are the analysis of the companies performances operated in the tobacco industry from the point of view of sustainable development and the impact of publishing sustainability reports on brand reputation.

Results of approbation of the basic provisions of the qualification Master work was considered at:

- 1) Economic Scope № 181, Dnipro, 2022;
- 2) International Scientific and Practical Online-Conference «Business Ethics and Leadership» , Sumy, November 29-30, 2021;
- 3) International Scientific and Practical Seminar «The modern paradigm of international economic relations in the context of global transformations», Lutsk, May 14, 2021;
- 4) Ukrainian scientific-practical on-line conference, Sumy, November 19-20, 2020;
- 5) International Scientific and Practical Conference, Sumy, November 3–4, 2020;
- 6) International scientific-practical conference of students and young scientists named after Professor Balatsky "Economic problems of sustainable development" Sumy, April 28-29, 2020.

CHAPTER 1 THEORETICAL BASICS OF THE FORMATION OF SUSTAINABILITY REPORTING

1.1 The essence of sustainability reporting, its forms and classification

Sustainability reporting (non-financial reporting or social reporting) is accurate set of information of a commercial organization that demonstrates the company's environment, the principles and standards of cooperation with influence groups, the results of the company's performance in the economic, social and environmental areas of society. According to the definition of the Global Reporting Initiative (GRI) [1], the term "sustainability reporting" means reporting that at the same time encompasses the economic, environmental and social aspects of an organization's activities.

The degree of implementation of CSR and sustainable development programs can be confirmed by the preparation of data in the form of non-financial reporting in various formats. Non-financial reporting comprises information on both economic performance and social and environmental efficiency. Non-financial reporting according to (GRI) refers to the publishing of information and reporting on the results of the company's activities in the area of sustainable development to internal and external stakeholders.

The primary task of non-financial reports in the field of sustainable development is to contribute a comprehensive picture of the influence of the company's activities on three spheres - environmental, economic and social - and to distinguish contradictions between the goals of stakeholders, possible relationships between these areas. Non-financial reporting has different titles and preparation formats - from the form and content defined by various international standards to those prepared according to one's own ideas: a report on sustainable development, a report on corporate social responsibility, a social report, a report on progress in the implementation of the principles of the Global Compact, integrated report etc.

The importance of providing and publishing sustainability reports by international companies has been studied by many foreign and domestic scientists namely Zeynep S.,

Çankaya F, Mara Del Baldo, Paulina Permatasari, Vasylchuk I. and others [2 ; 3 ; 4 ; 5 ; 6].

If financial reporting is based to a greater extent on the economic performance of the enterprise, revealing the operating, financial and investment areas, non-financial, in turn, reveals the social, environmental, innovation and other "non-production" areas of the enterprise.

Non-financial reporting, in turn, the non-financial part of the management report, has the potential to be not only a collection of statistical information about events that have occurred, but also to be a tool for managing the sustainable development of an enterprise by: forming long-term goals and policies of an enterprise regarding "non-production" areas of activity; calculation and analysis of the results of "non-productive" measures already obtained and predictive results that are planned to be obtained in the future; distribution of the non-financial report to external users in a self-defined form.

To present non-financial information in the world, the following forms of non-financial reports are used: unregulated (free), regulated (standardized), complex. In an unregulated form, the components of the report are independently selected, the amount of information that is provided for the disclosure of stakeholders and distributed to the media. Users are predominantly external. Data confirmation is not required.

There are many different types of reporting [7]: corporate social responsibility reporting (CSRR), sustainability reporting (SR), intellectual capital reporting (ICR), economic, social and governance (ESG) reporting and integrated reporting (IR), etc.

The field of corporate reporting is constantly expanding, it is recommendations and frameworks are created by such organizations as the Global Reporting Initiative (GRI)[1] or the International Integrated Reporting Council (IIRC) [8]. Moreover, in some countries (such as Great Britain, USA, France, Sweden) internal regulators of corporate reporting are being formed.

The development of sustainability reporting began at the macroeconomic level, since the idea of such corporate reporting arose only a few decades later, in the following stages, the development of reporting moved to the microeconomic level, and

currently the trend of increasing shareholder value through sustainable development practices and reporting is evolving [9].

Figure 1.1.1 shows the global dynamics and trends in the publication of sustainable development reports. It is noted that reporting on sustainable development began to gain momentum in the mid-1990s. Large companies that were interested in expanding their business and looking for new partnerships began to report, creating a worldwide trend that is currently key in the development and expansion of international enterprises.

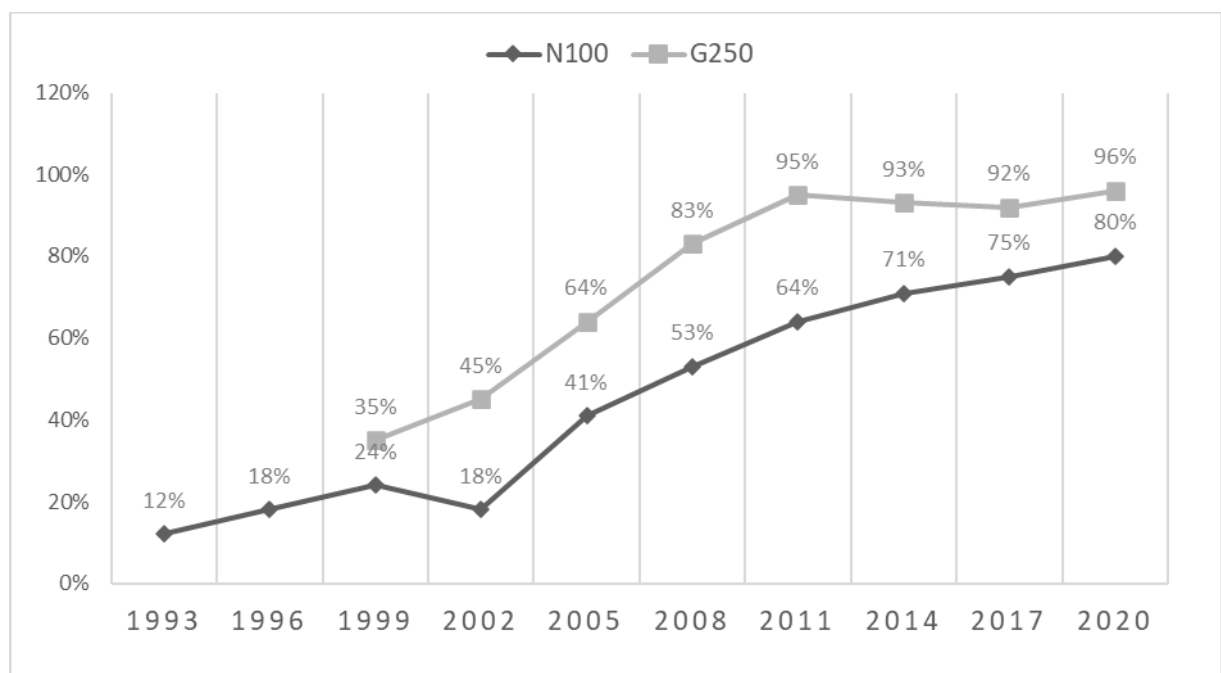


Figure 1.1.1 Increase in global sustainability reporting during 1993-2020: N100 and G250 (constructed by author based on [10 ; 11])

The N100 appeal to a worldwide sample of 4,900 companies, including the 100 companies with the highest revenue in each of 49 countries. These statistics provide comprehensive information on reporting analysis for large to medium-sized businesses in the world. The G250 is the 250 largest companies in the world by revenue based on the 2016 Fortune 500 ranking. Global trends are formed precisely by the behavior of large companies [10].

Based on the data shown in Figure 1.1.1, 80% of companies included in the N100 list published sustainability reports in 2020. There is an increase in this indicator by 5 percent compared to 2017. It is assumed that these indicators will continue to grow. If we talk about the companies included in the G250 list, during the last 10 years, starting from 2011, the indicator of sustainable development reporting exceeds 90 %. It means that more than 90% of the most influential companies in the world publish sustainability reports, which forms a global trend. In 2020, this indicator reached 96%.

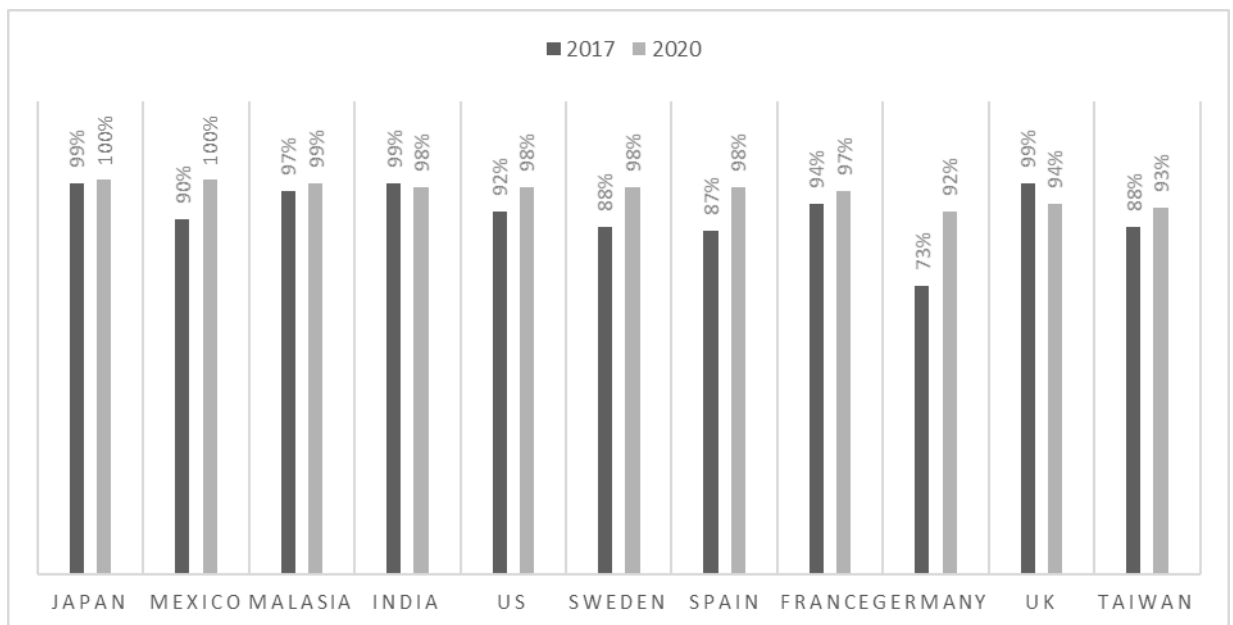


Figure 1.1.2 The highest national sustainability reporting rates in 2017 and 2020 (constructed by author based on [10 ; 11])

Approximately 14 countries participating in the 2020 survey have a reporting rate of over 90 percent. The most influential countries were included from all regions, which confirms that the trend of sustainable development reporting is global, it is not limited to individual regions.

In Figure 1.1.2, you can see the countries with the highest rate in comparison of 2020 and 2017. Thus, the greatest growth was observed in Germany, in 2017 this indicator was 73%, and in 2020 - 92%. It should also be noted that countries such as Japan, Malaysia, the USA, India, France and the UK have been leaders in this indicator for the past 3 years, this indicator was above 90% in 2017.

The EU is strengthening the requirements for reporting on sustainable development. According to the Corporate sustainability reporting directive [12], the range of companies that must report is expanding, and now large companies with a staff of 250+ people and a turnover of more than 40 million euros are required to report. This explains why European countries have such a high reporting rate.

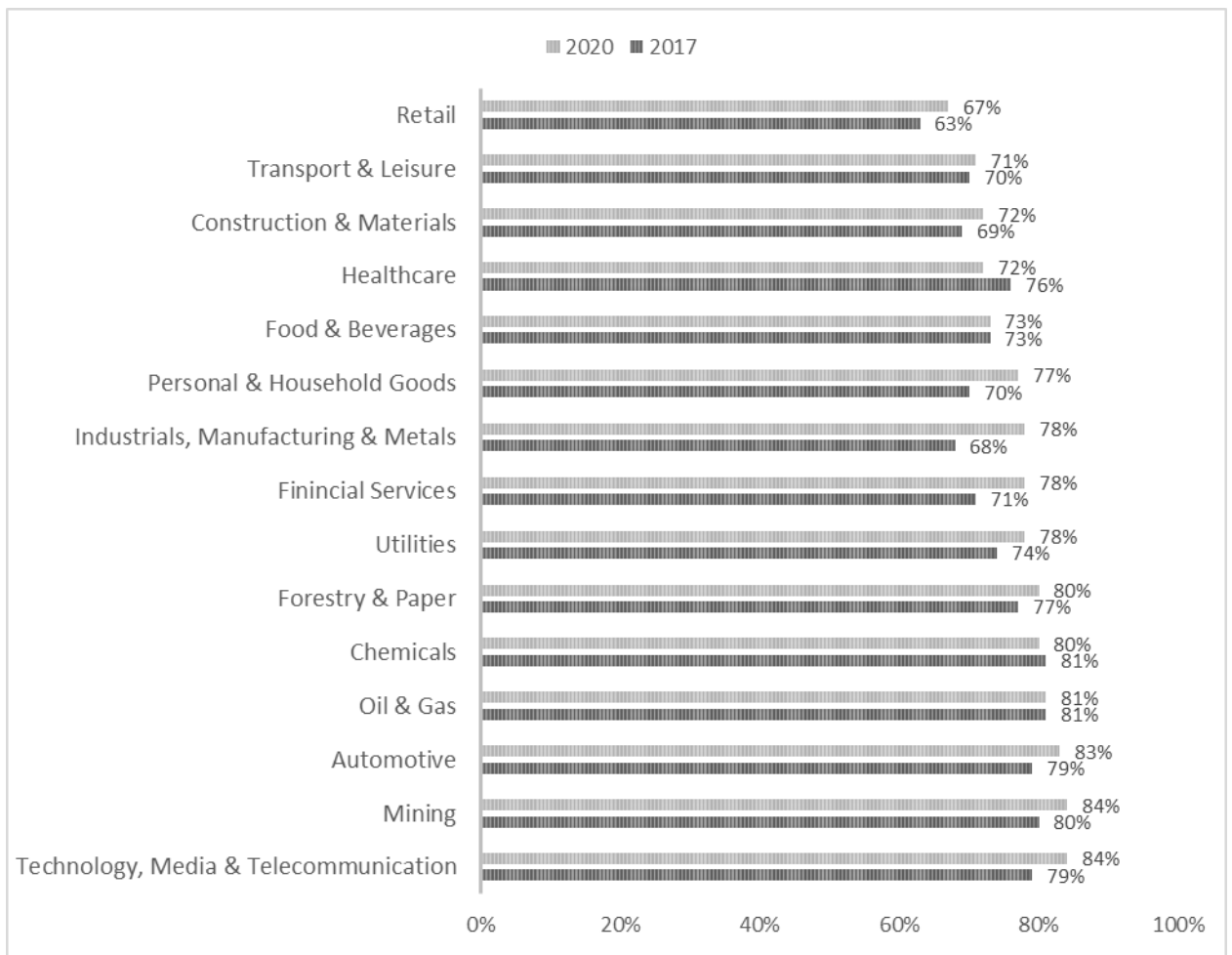


Figure 1.1.3 Indicators of sustainability reporting by sector among N100 (constructed by author based on [10 ; 11])

Based on figure 1.1.3, at least 70% of companies from the T-100 list reported across all sectors of the economy, with the exception of the retail trade sector, which accounted for 67% in 2020. The leading sectors are technology, media and telecommunications; mining; automotive industry, oil and gas. These sectors were also leaders in 2017.

Speaking of G-250 companies, 5 sectors achieved 100% in 2020 - namely, technology, media and telecommunications, retail, oil and gas, healthcare, and automotive.

Benefits of sustainability reporting for companies [13]:

- development of CSR principles in the company;

During the preparation of the report, the company gets the opportunity to analyze its own strategy, conduct an objective assessment of non-financial risks and assess the company's impact on society.

- improving the level of trust among different groups of stakeholders;

Reporting helps the company in building the image of a responsible employer, promotes the creation of partnerships, and improves the company's reputation.

- increasing transparency of the organization;

Reporting allows stakeholders to analyze not only financial aspects, but also non-financial ones, which makes it possible to effectively assess business risks and, in turn, increase the company's capitalization by attracting more investors and auctioneers.

- facilitates the company's readiness to enter other markets;

In some regions of the world, non-financial reporting is mandatory, so having it is a big advantage for entering the international market.

- strengthens partnership.

The presence of sustainability reporting shows the company's transparency and openness to cooperation at the international level, as international companies are increasingly demanding social and environmental aspects of their activities.

There are some risks and disadvantages of sustainability reporting:

- criticism of the company's activities;

Reporting on sustainable development contains not only positive information about the company's activities, but also negative information, which can lead to criticism from stakeholders.

- amateurism;

The report will be analyzed by many specialists from different fields, which is why the company must prepare the report according to the norms and constantly improve.

- resource consumption;

When preparing a report on sustainable development, it is necessary to understand the costs that the company will bear - because it requires highly qualified human resources.

- validity of data;

The information provided in the report must be reliable and true, as false data can undermine the brand's reputation and prevent its further development.

- impossible to turn back;

A published report cannot be deleted or corrected, it will forever remain in the public domain.

1.2 Tools and strategies of improving brand reputation

According to [14] brand reputation is the recognition by consumers of a certain brand, product or service. The author of this study [15] described various methods of evaluating brand reputation. Summing up, it can be noted that brand reputation consists mainly of 6 factors or components:

- 1) The first is an emotional impression: it is the general impression of consumers towards the company, respect for the organization and employees.
- 2) Goods and services: the company offers the consumer high quality goods and services, the product is innovative and benefits customers from it.
- 3) Vision and management: the company has a development strategy and long-term and short-term goals, management is interested in development and takes advantage of market opportunities.

- 4) Working environment: the company offers a proper working environment, a friendly team and a favorable working atmosphere.
- 5) Company's financial history: This sector includes the availability and transparency of financial statements, profitability history, description of the risks of investments made and prospects for future growth compared to competitors.
- 6) Corporate Social Responsibility: the company is interested in responsible development, which means supporting humanitarian causes, the environment and its employees.

In order to improve brand reputation, all 6 sectors need to be influenced and developed, but only social responsibility can have a direct impact on consumer and partner impressions of brand reputation. This can be both a positive and a negative impact, if the organization is not concerned with environmental issues or the protection of employee rights, it can be the key reason for the company's downfall [16].

The primary task of CSR is to focus on human and social interests. Obviously CSR initiatives and practices lead to more significant stakeholder support. These stakeholders are consumers, investors, employees, policy makers who enhance the company's reputation and profits.

Under these conditions, the dependence of the enterprise's business reputation on the essence of relations with partners, clients, consumers, and the local community enhances. Therefore, stakeholders eager to know what methods the company plans to use to achieve its strategic goals, whether it fulfills its obligations, what social principles it adheres to.

Thus, the presence of a CSR program, sponsorship activities, the nature of relationships with the local community significantly influence the company's business reputation, establish and develop its competitiveness and investment attractiveness in the long term.

So, business reputation is formed on the basis of real experience of interaction of stakeholders with the company. Accordingly, business reputation can be interpreted as a set of opinions of stakeholders regarding the advantages and disadvantages of the

company, which forms a general impression about it based on the assessment of economic, social and environmental aspects of its activities [17].

Researches have shown that the publication of a non-financial report significantly affects the perception of the company by the readers of the report. 90% of readers indicated that the report significantly influenced their views of the company. Of them, 85% noted that the impact was rather positive [18].

Therefore, if the company desires to be competitive and eagers to succeed in the competition, it is no longer enough to develop only in the direction of enhancing the efficiency of its activities, choosing an innovative type of development. In modern business conditions, the formation of a positive image and a good brand reputation, obtaining public recognition and trust are essential and necessary as it will create a favorable social background for business development [19].

Nowadays investors pay attention not only on financial activities of an enterprise while they analyze risks and investment attractiveness. They are also keen on the hidden value of the business, i.e. its intangible assets, in particular, the presence and results of CSR strategy implementation, analyzing reports on sustainable development, investigating the impact of these processes on reputational capital.

Accordingly, every domestic enterprise that plans to enter international markets and cares about its business reputation must be socially responsible and should report on sustainability.

Advantages of implementation of sustainability reporting and corporate social responsibility on company's reputation [20 ; 21 ; 22]:

- increasing the level of trust and forming a positive opinion among the target audience of consumers, the local community, authorities and the general public;
- increasing the loyalty of the company's employees, which will ensure the growth of their interest and initiative;
- attracting the attention of the mass media, which will provide additional free advertising support for the business;
- increasing the loyalty of existing and attracting new customers.

It is also necessary to mention the social and reputational capital of the enterprise, since it is an integral part of the brand's reputation.

The social and reputational capital of the enterprise is the capitalized market value created as a result of the formation and observance of high social standards and ethical norms of behavior of employees, managers and owners, high business reputation, the existence of trust and willingness to cooperate and share information both within the enterprise and between stakeholders in order to improve individual and collective well-being.

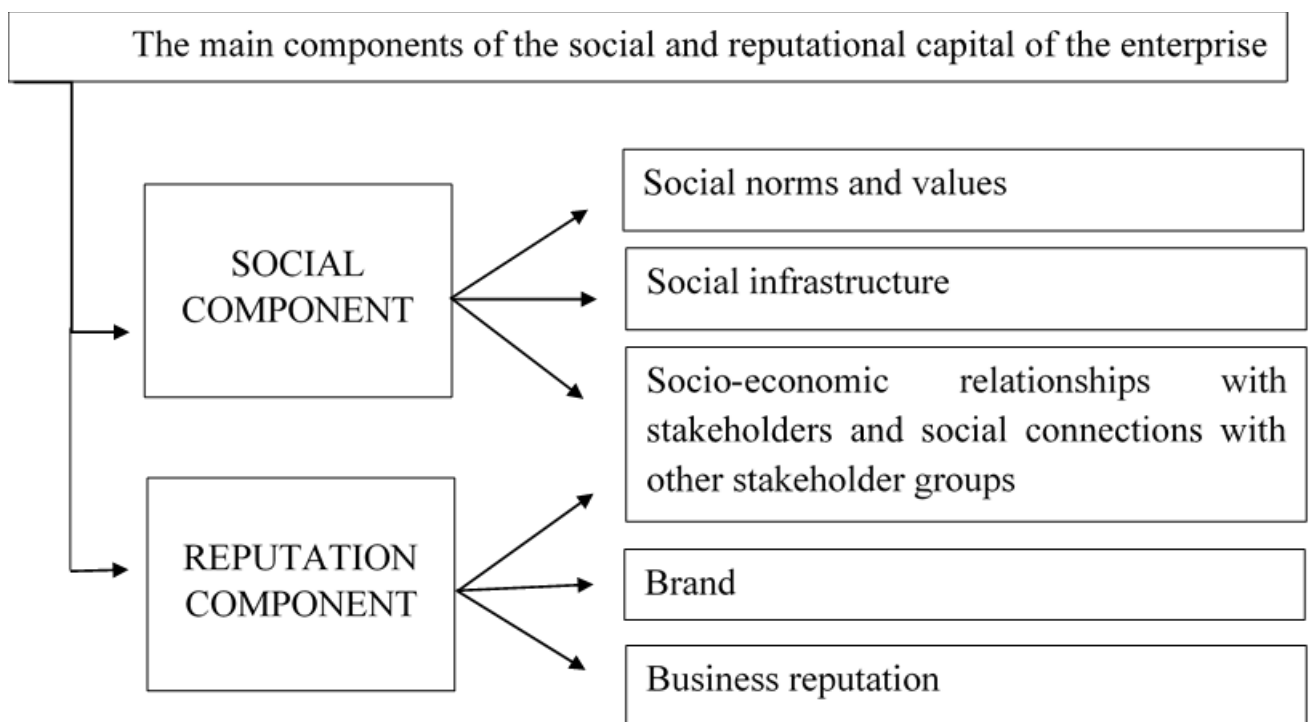


Figure 1.2.1 The main components of the social and reputational capital of the enterprise (constructed by author based on [22 ; 23])

The main components of social reputational capital are social norms and values, social infrastructure, socioeconomic relations with stakeholders and social connections with other groups of interested persons, the brand and business reputation of the enterprise.

The peculiarities of social and reputational capital are that it is formed and functions in the process of network interaction of the enterprise, is determined by the

level of mutual trust between counterparties, operates in the long term, has an intangible nature, requires investment of funds, depends on the influence of many not only internal, but also external factors, contributes to increasing the stability and efficiency of business activity and increasing the competitiveness of the enterprise on the market [22].

CHAPTER 2 RESEARCH METHODOLOGY OF THE PROCESS OF FORMING A SUSTAINABILITY REPORT OF THE ENTERPRISE

2.1 Characteristics of the main indicators of the formation of sustainability reporting

The process of creating sustainability reporting is quite large and resource-intensive. Therefore it became a topic of many scientific papers and researchers, such author as Folkens. L, Adams C., Geoffrey R and others [24 ; 25 ; 26]. Based on discussions it is important to understand the stages of preparation of non-financial statements, as this can facilitate the process of its creation.

The main problems faced by the enterprises, which only started to implement the concept of sustainable development, arise precisely at the stage of formation of management reporting. Most often, this is due to the lack of the opportunities or skills to collect primary information, process it, analyze it and present it in a report. This happens when data collection systems are not properly automated and there is no understanding of the significance of indicators. Another reason why management is slow to implement the concept and form reports is the high cost of preparing reports. In order to compile them, it is necessary to collect non-financial information, which in volume is many times greater than financial information. For this, the company needs to implement new systems, involve third-party specialists and experts [27].

Figure 2.1.1. you can see the proposed mechanism for creating non-financial reporting, which includes the process of preparing, compiling and publishing a report on sustainable development.

Since the process of creating a sustainable development report has a clear sequence and structure, there are 3 main blocks. The first sector is the process of preparing the report, which includes such stages as: creation of a cross-functional team; involvement of stakeholders; development of the structure of the report; determination of the list of indicators, according to which the enterprise will report. These stages will help the company to form the vision of the report and the aspects that need to be paid

attention to. It is also very important to pay attention to the long-term goals and practices of sustainable development in the sphere of social, economic and environmental, that is, to describe the structure of CSR [28].

The second part is the writing and drawing up of a report, which includes such stages as: data collection, calculation of results and risks, direct writing of a non-financial report.

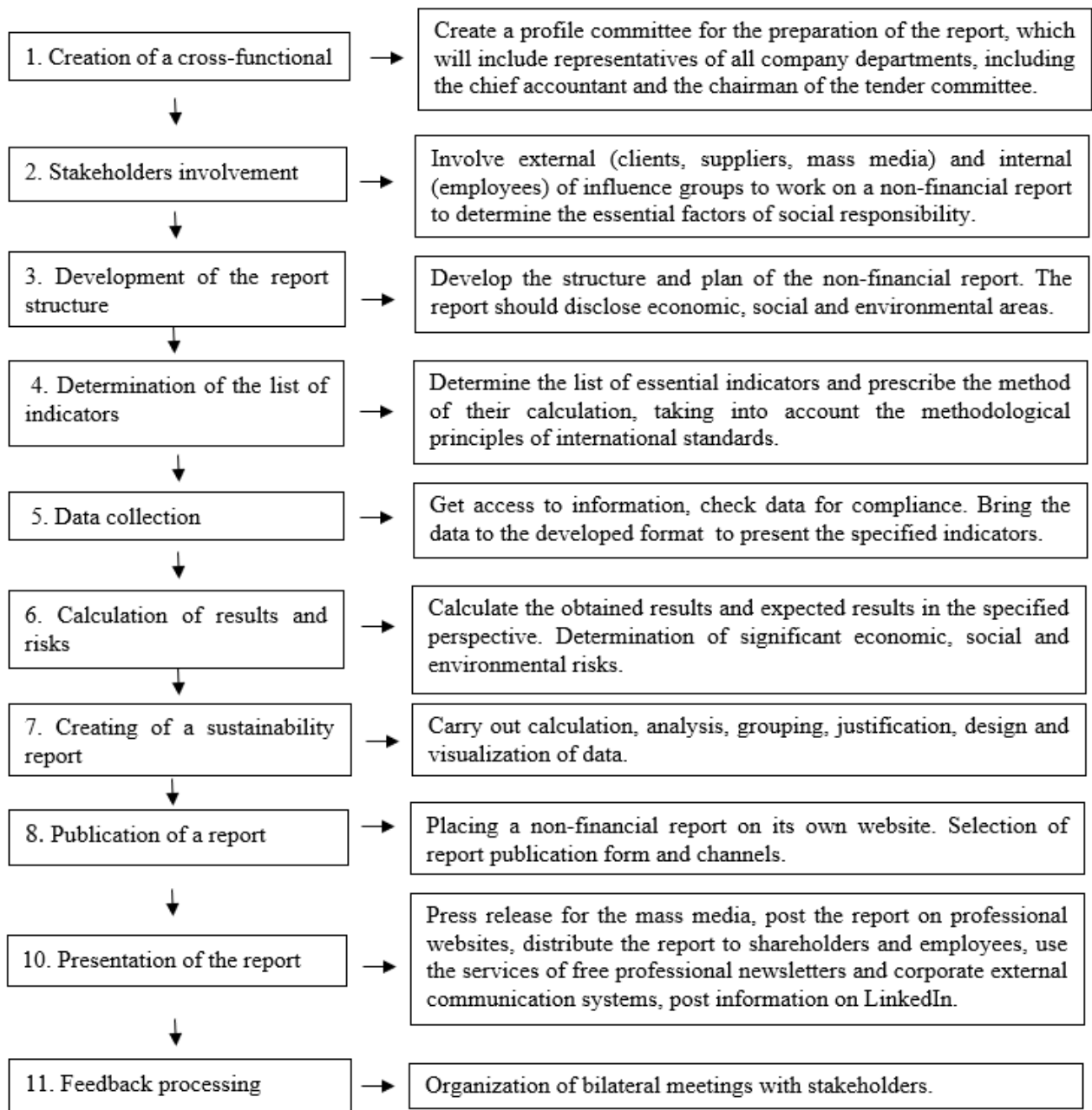


Figure 2.1.1 Mechanism of creating a sustainability report (constructed by author based on [28 ; 29])

It is important to describe the indicators by directions that reflect the economic, environmental and social aspects of the company's activities, as well as the specifics of the field of activity. It is appropriate to pay attention to risks and performance, both actual and forecast.

The third part is the publication of the report, which includes such stages as: publication of the non-financial report, presentation of the report, processing of feedback. The purpose of this stage is to distribute the sustainability report in such a way that every stakeholder can analyze it. Therefore, the report should be published on the company's official website and on other specialized web pages.

The work on the sustainability report can make progress more easily if managers from the main specialized departments of the company are involved in the process [29]. Consequently, a profile committee should be created for the preparation of the report, which is ought to include representatives of the departments of planning, strategic development, marketing and sales, the production and financial department, responsible for relations with investors and government bodies, the department of communications, personnel management, responsible for security labor and ecology. During the preparation of the report, the committee may meet monthly to assess progress and make decisions on matters of principle. The creation of such a committee allows [30]:

- to simplify the process of obtaining data for a report;
- to increase the involvement of employees in the implementation of the CSR strategy;
- to directly receive information on problematic issues and internal priorities;
- to instruct specialized units to use the report to perform their own functions.

It should be noted that the report is being prepared for a specific audience, namely stakeholders. According to numerous researchers [31 ; 32], it is important to involve stakeholders in the process of preparing the report, because it helps to determine the key factors of social responsibility. An important step is to determine the key stakeholders who have the greatest influence or are influenced by the company, to determine internal and external stakeholders. Based on [32] Stakeholders involvement is the process of establishing stable relations of the company with a wide range of

stakeholders. Engagement of stakeholders in organizational activities or in the creation of a report on sustainable development has a positive effect on the company's activities, which is useful for society.

The publication of the report raises questions about the veracity and reliability of the data specified in the report. Realizing that a sustainability report is primarily designed for the closest stakeholders such as employees, partners and shareholders, the information presented in the report will be analyzed by this group of stakeholders and may be questioned [33]. Verification of data (both quantitative and qualitative) is an important stage, given the speed of information dissemination and changes in the company's reputation.

It is important to note that the real value of a sustainability report verification is that it signals how important the report is to the company and how transparent and open the company itself is.

Some of the most popular formats for launching and distributing sustainability reports are: organize an event or conference where the report will be presented; press release for mass media; launch a newsletter for key business partners using various channels, both social networks and e-mails; disseminate information to employees through internal mailings and make presentations at employee meetings; posting the report on relevant professional websites such as Corporate Register [34], UN Global Compact [35], GRI [1] and the company's official website; publication of information on sustainable development reporting on business social network accounts such as LinkedIn, XING [32].

The Figure 2.1.2 shows the recommended structure of sustainability reporting. There are 5 stages, but each one should be described in terms of 3 areas of activity – social, economic and environmental. On the Figure 2.1.2 it can be seen the required information of each sector.

After ensuring quantitative and comparative indicators that identify the position of the enterprise in various areas, it is necessary to switch to indicators that represent the results of the enterprise as a whole and differentiate social, economic and environmental markers.

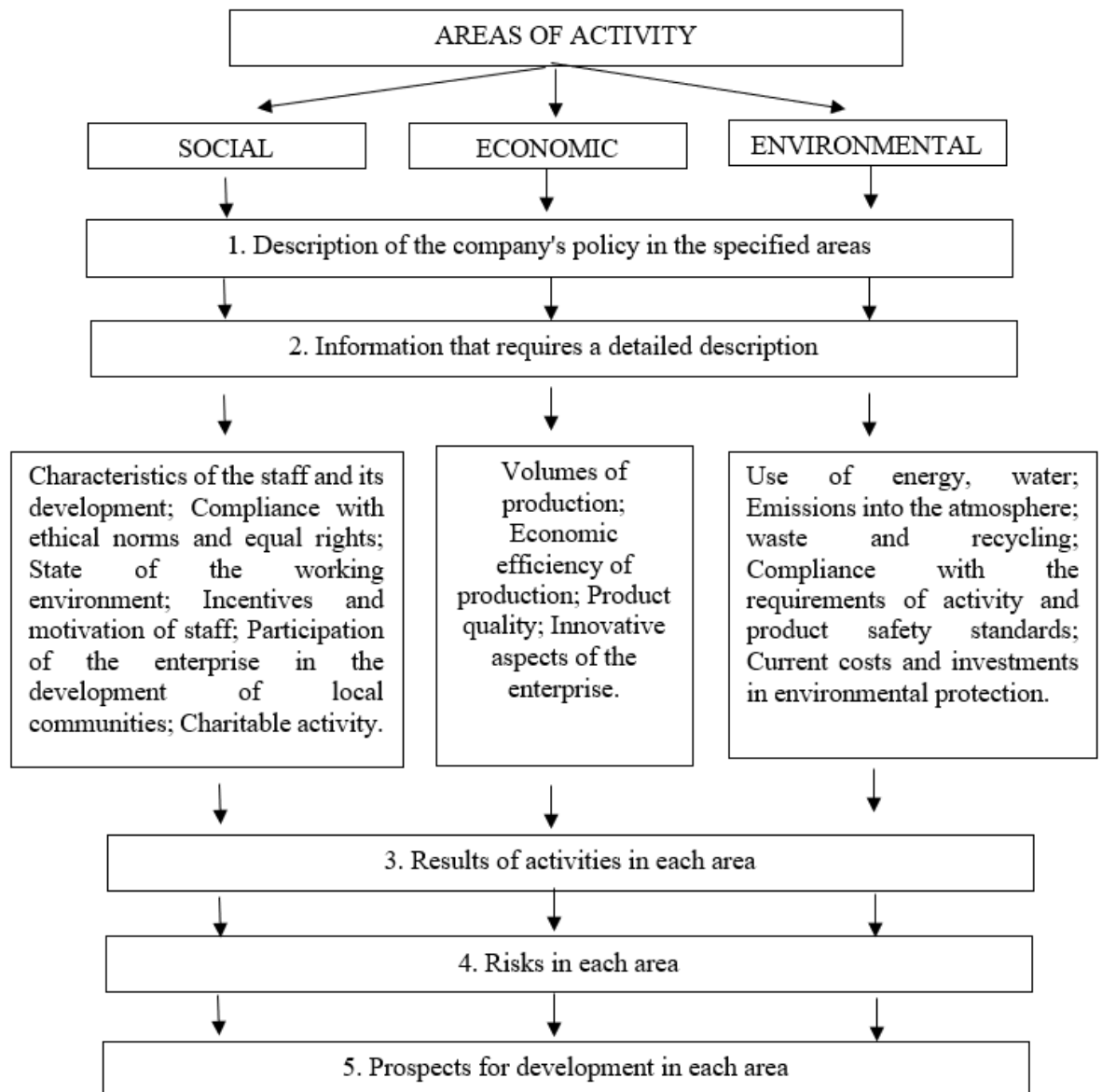


Figure 2.1.2 Key aspects that should be described in the sustainability report [28]

It is important to mention that financial reporting discloses the outcomes of an enterprise's performance from the point of view of economic efficiency, while non-financial reporting is based more on social and environmental activities. This makes it eventual to determine the integral indicator of the enterprise's efficiency, which includes the sum of efficiency measures: economic, business relations, social and environmental safety.

Last two stages are describing risks and future forecasts. These chapters are the most essential for investors and shareholders as they want to analyze and estimate investment attractiveness of a company.

2.2 Legal regulation of sustainability reporting

The mechanism of creating any reporting is subject to the relevant methods, regulations and recommendations. Table 2.2.1 shows the most popular and widely used reporting standards in 2022.

Table 2.2.1 Main standards of sustainability reporting in the world (constructed by author based on [12 ; 36 ; 37 ; 1 ; 38 ; 39])

Standards/ Indicators	Subjects	Total number of members	Appropriate for	Target stakeholder group
EU Corporate Sustainability Reporting Directive (SCRD)	Sustainability and Environmental Reporting	More than 50 000	EU companies with more than 500 employees.	EU regulatory bodies and other stakeholders
Task Force on Climate-related Financial Disclosures (TCFD)	ESG & Climate Financial Risk	More than 2 600 organisations	Big international companies	Investors
IFRS Sustainability Disclosure Standards	Outcomes of sustainable development, risks and opportunities	N/A	Medium and large businesses	Chief Financial Officers and Investors
Global Reporting Initiative (GRI)	Sustainability	Approximately 10 000 organisations	All types of companies	All groups of stakeholders
The Sustainability Accounting Standards Board (SASB)	ESG Financial Risk	About 800 companies	Big international companies	Investors
B Corp	ESG & Climate Financial Risk	More than 4 000	Small and medium businesses	All groups of stakeholders

Today, reporting on sustainable development does not have a clear form and standardization, there are about 600 different standards and recommendations, and it is up to the company to choose the type of standards that are suitable for each company individually. The standardization trend is already gaining momentum through the following organizations - CDP, CDSB, GRI, IIRC, SASB and the IFRS Foundation. It

is assumed that in the near future reporting on sustainable development will take on a standard and unified form.

The EU Corporate Sustainability Reporting Directive (CSRD) is an updated sustainability reporting standard that comes into force in 2023. These standards are aimed primarily at companies located within the European Union. The purpose of the directive is to increase the impact of sustainability reporting and make it as popular and relevant as financial reporting [23].

The Task Force on Climate-Related Financial Disclosures (TCFD) is a standards-focussed analysis of companies' impacts on climate change. These standards have been in place since 2017 and are key to climate risk management within the company's overall risk management process [36].

IFRS sustainability disclosure standards are new sustainability reporting guidelines that are currently under development but already have many supporters. These standards were created with the goal of combining financial reporting with non-financial reporting, that is, creating a single standard of integrated reporting, revealing the issues of sustainable development and climate change [37].

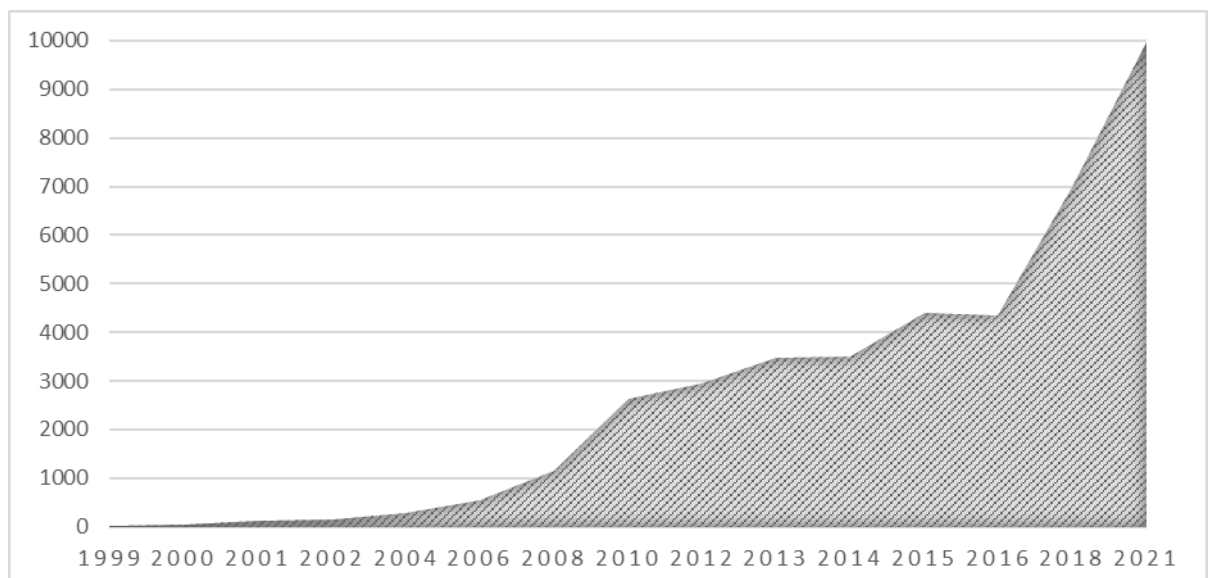


Figure 2.2.1 Sustainability reporting growth based on GRI in the period 1999-2021 (constructed by author based on [1 ; 40])

One of the most common formats of non-financial reporting are reports on sustainable development prepared according to the Global Reporting Initiative (GRI) system. This system is used by organizations of all sizes, types and locations [1]. Figure 2.2.2 shows the growth in the number of GRI reports from 1999, when only 11 reports were issued under this standardized system, to nearly 10,000 reports per year in 2021.

GRI is an organisation that first proposed the concept of corporate sustainability reporting, which is the most widely used worldwide at the moment. The GRI standards are used to describe the general aspect of sustainability.

The Sustainability Accounting Standards Board (SASB) is a set of standards and guidelines that describe the ESG aspects of sustainability reporting that are most important to investors [38].

B Corp is an organization that certifies companies in the field of social responsibility. Having a B Corp certification makes it easy for consumers to distinguish between profitable businesses and those that just have good marketing [39].

The Organization for Economic Cooperation and Development (OECD)[41] is also involved in the process of standardizing sustainability reporting information. The organization has issued Guidelines for multinational enterprises, which contain important information from the perspective of indicators of environmental and social responsibility in reporting and an overview of management practices.

It should be noted that reporting on sustainable development is currently voluntary, that is, only the company is interested in creating and publishing reporting. This is the main obstacle in increasing the popularity of reporting. Currently, some countries are starting to implement non-financial reporting at the state level to encourage more companies to report. A number of such countries include France, Belgium, Spain, and Great Britain.

The implementation of international standards of corporate social responsibility into the system of strategic management of the enterprise, the highlighting of risks and opportunities gives an efficient impact as it provides a way of monitoring of the enterprise's activities. Enterprises should publish and reveal not only their achievements, but also problematic issues. This creates a temporary threat to the

company's reputation, but in the long term, such a risk is indemnified by significant benefits: a deeper analysis of the results of the company's activities, an increase in the trust of stakeholders, an improvement of the risk management system and an increase in the profitability of the company's activities.

As experience shows, EU governments take an active position in promoting sustainability reporting as well as CSR principles. The main initiatives are formulated in Table 2.2.2

Table 2.2.2 The main initiatives of EU governments in the field of sustainability reporting (constructed by author based on [42 ; 43 ; 44])

Name of the document	Description
«Green Paper»	The European framework policy on CSR is presented, according to which the government develops a national policy, including mechanisms and tools for supporting best practices and innovative ideas in the field of sustainable development of enterprises.
"EU Plan for Environmental Protection"	The main areas of activity of the states of the European Union in the field of environmental protection are established.
"Integrated Product Policy" ("IPP")	It is designed to monitor the degree of impact of production processes on the environment and to stimulate the implementation of the most effective methods of production.
"Eco-Management and Audit Scheme" (EMAS)	Recommends a CSR assessment and reporting system and is aimed at implementing environmentally friendly management in the company's activities.
"European Environmental Efficiency Initiative" (EEEE)	It is aimed at integrating the principles of environmental efficiency into the industrial and economic strategic plans of companies.
Resolution on EU Standards for European Enterprises Operating in Developing Countries: towards a European Code of Conduct	Proposes the creation of a European standard corporate code of conduct.
EUROPE 2020 A strategy for smart, sustainable and inclusive growth	New directions of CSR development and sustainability in the EU are proposed.

So, we see that EU policy is aimed at the development of non-financial reporting. Moreover, if earlier it had more of an environmental aspect, because the initial documents were oriented in this direction, then recently it is already oriented towards other aspects of CSR, such as: a corporate code of conduct or the development of new directions of CSR.

Tools and mechanisms for encouraging socio-economic behavior in the European Union depend on the goal of sustainability reporting development in a particular country and cover the range from incentives to strictly regulated requirements and actions.

Attention should also be paid to initiatives in the field of non-financial reporting at the state level. The Companies Act 2006 is in effect in Great Britain, which requires companies to disclose general information on environmental issues, employee relations policies and interactions with the local community. For example, in Denmark, the 2008 Action Plan of the Danish government on CSR was adopted, and mandatory annual reporting of company management on social responsibility was introduced for large companies.

Regarding the experience of France, a number of social indicators were introduced in 1977 (the so-called "Social Report" — "Bilan Social"[45]). For now, large companies (with more than 300 employees) registered in France have to report. They publish information on wages, occupational health and safety, education and training, and other data reflecting the relationship between management and staff. Since January 1, 2003, companies listed on the stock exchange are required to provide a social report on labor protection, compliance with the principles and standards approved in the Declarations of the International Labor Organization (ILO), compliance with the norms of environmental protection and solving social problems. A similar practice exists in Belgium. Providing such reporting is mandatory for companies with more than 20 employees, with the only limitation being that large companies make a full report, and small and medium-sized companies - a shortened report. It is submitted to the National Bank of Belgium, which controls the reliability of the information.

The experience of European states in the field of supporting those enterprises that carry out social initiatives can be practical. This support can be expressed in preferential profit taxation of an enterprise that carries out socially responsible activities. This is the socio-economic responsibility of entrepreneurship, i.e. obtaining economic benefits from conducting social activities. For this, the tax code should clearly describe the same changes that will be made. Studying the experience of other countries, it was found that the example of France, which made non-financial reporting mandatory, is also functional.

The introduction of international standards of corporate social responsibility into the system of strategic management of the enterprise, the highlighting of risks and opportunities gives an effective effect due to the monitoring of the enterprise's activities. Enterprises should disclose not only their achievements, but also problematic aspects.

CHAPTER 3 THE IMPACT OF THE SUSTAINABILITY REPORTING ON INTERNATIONAL COMPANIES: A CASE OF CONTROVERSIAL INDUSTRIES

3.1 Analysis of the impact of non-financial reporting on tobacco and alcohol industries

Corresponding to the stakeholder theory [46], the company should create values for its stakeholders, as this provokes business growth and also improves the image and reputation of the company. A brand's reputation includes the desire of customers to buy, shareholders to invest in and employees to work for that company, so incorporating sustainable development values into a company's development strategy, as well as addressing environmental and social issues, can have a positive impact on any company's reputation [47]. Sustainability reporting (SR) is a voluntary but powerful tool in improving brand reputation, even in some industries that harm human health and the environment.

The importance of social issues for certain sectors of the economy is in the area of special attention of society and the public. This applies to enterprises in those industries whose products and services have a harmful effect on the environment, the health of children, the population, etc. It is about the trade of tobacco products, environmental aspects of the activities of motor vehicle enterprises, harmful emissions from gas stations and the use of low-quality fuel, the sale of duty-free and counterfeit goods (alcoholic beverages, tobacco products), abuse and unscrupulous practices in these areas of activity, etc. The biggest threat to human health is the sale of tobacco products.

Based on World Health Organisation (WHO) [48] the amount of damage caused by the tobacco industry annually is more than 8 million human lives, 600 million trees, 200,000 hectares of land, 22 billion tons of water and 84 million tons of CO₂, in the European region, tobacco is responsible for the death of about 1.6 million people a year. Tobacco products are the most polluted type of product on our planet, containing more

than 7,000 toxic chemicals that enter the environment during disposal. Approximately 4.5 trillion cigarette filters pollute our oceans, rivers, city sidewalks, parks, soil and beaches every year. Taking into account these statistics, doubts arise about the sustainability of companies operating in the tobacco industry. This topic became the basis for many researches and disputes among many scientists, therefore the following authors investigated the importance of implementing sustainability strategy into tobacco industry [49 ; 50].

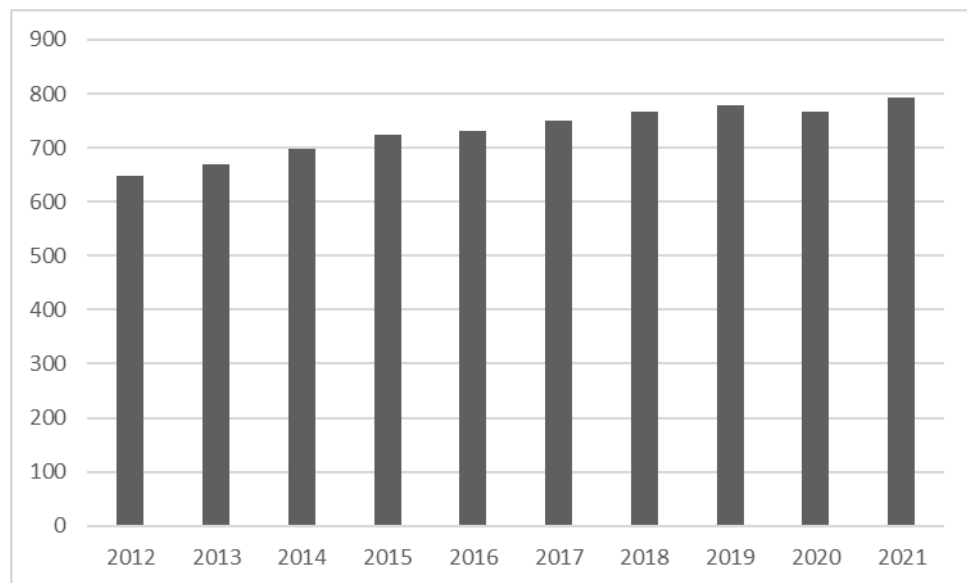


Figure 3.1.1. Global tobacco market value during 2012 – 2020, thousands of USD (constructed by author based on [51; 52 ; 53 ; 54])

The tobacco industry is quite large and dynamic, growing every year. Figure 3.1.1 shows the growth of the tobacco industry in the period from 2012 to 2021. As we can see, the size of this sector of the economy in 2012 was 647 billions US dollars, while in 2021 this indicator reached almost 800 billion US dollars. This can be explained by the huge development of less harmful alternatives to cigarettes and the scientific potential of this field in general. According to [55] revenue of tobacco industry can reach USD 1,049.9 billion by 2030.

This shows that despite all the harmful effects of the tobacco sector, this industry continues to grow and develop. The largest companies operating in this sector are Philip

Morris International, Japan Tobacco International, British American Tobacco and Imperial Tobacco. In most countries of the world, the production of cigarettes, like alcoholic beverages, is extremely profitable, and in those cases where it is not monopolized by the state or subject to excessive excise taxes, it is always attractive to investors.

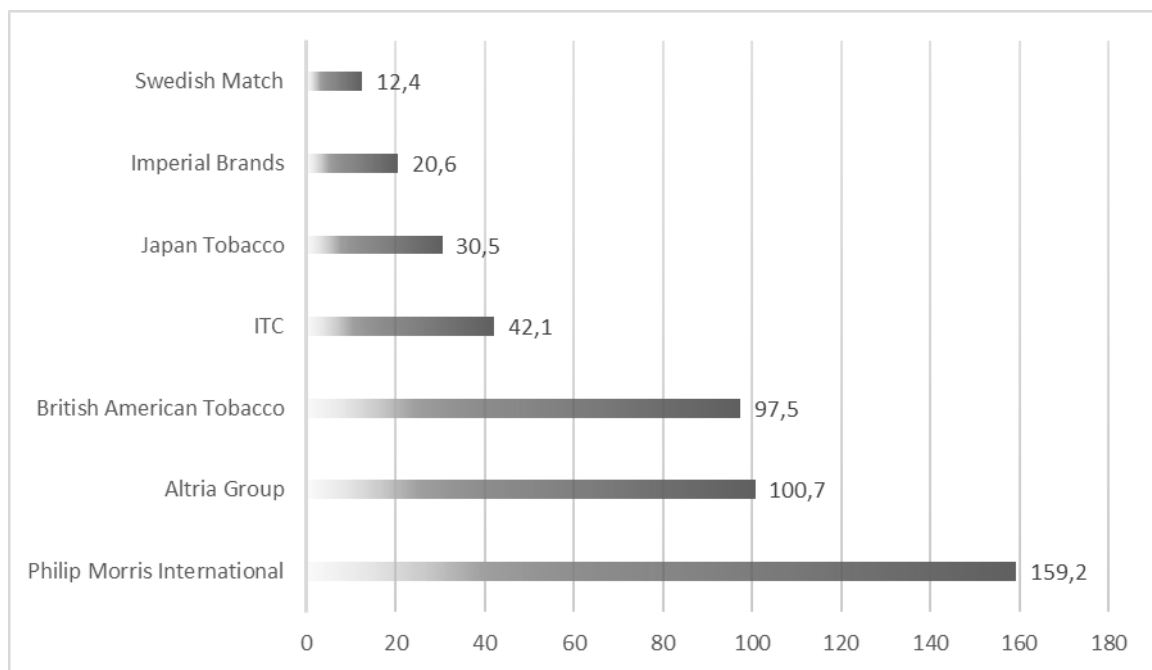


Figure 3.1.2 Biggest tobacco companies according to market value in 2021, billion USD (constructed by author based on [56 ; 57])

As indicated in Figure 3.1.2, the largest tobacco company currently is Philip Morris International, with a market value of 159.2 billion US dollars. This company is based in New York, USA. This company is the first to start the trend of creating a future without cigarette smoke. In second place is Altria Group, the company is based in the USA and is the world leader in the production and sale of tobacco products, the market value of which is 100.7 billion dollars. The next company is British American Tobacco, a British international company in the tobacco industry with a market value of 97.5 billion dollars.

In order to assess the impact of sustainability reporting, the experiences of each company were analyzed.

In 2015, Philip Morris International (PMI)[58] first announced a new development strategy - a future without tobacco smoke. Since then, the company has published various sustainability reports, and in 2019 published its first integrated report. The company is developed and published according to ESG standards, paying attention to economic, social and managerial aspects. It is worth to mention the main achievements and goals in the field of sustainable development of the company over the past 5 years. Speaking of PMI key business performance indicators [59 ; 60]:

1. As of December 31, 2020, IQOS is available for sale in 64 countries. The number of users has already exceeded 17.5 million, of which 12.7 million are ex-smokers who completely switched to IQOS after giving up cigarettes.

2. In 2020, the company invested US\$495 million in innovative research and development (R&D), 99% of which was directed towards research into smokeless products.

3. In 2020, PMI's net revenue from the sale of smokeless products was 23.8%, compared to 0.2% in 2015.

4. In 2020, PMI smokeless product sales were over 10%, up from 0.1% in 2015.

Key indicators of ESG principles:

1. During the pandemic, 100% of tobacco producers and farm workers - PMI suppliers were provided with personal protective equipment.

2. In 2020, the company reduced CO2 emissions by 26% in its own operations and by 18% in the supply chain. These results were the result of the COVID-19 pandemic and the company's efforts to achieve carbon neutrality. Since 2019 some Ukrainians factories have been operated on solar energy.

3. In August 2020, PMI launched the IQOS VEEV in New Zealand, the first electronic device equipped with age verification technology. PMI aims for 100% of electronic smokeless devices to be equipped with this technology by 2023.

4. In 2020, the company ensured 100% procurement without the risk of cutting down relict forests. PMI will continue to make efforts to conserve biodiversity and reduce environmental impact.

5. PMI continued its implementation of CIRCLE's smokeless electronic device recycling program and achieved an 84% recycling rate for IQOS devices returned to CIRCLE centers (percentage of weight of each device).

6. As of December 2020, 37.2% of PMI executive positions are held by women, compared to 36.1% in 2019. The company is on track to achieve gender balance at all levels: by 2022, women should occupy 40% of management positions.

7. In 2022, in connection with the full-scale invasion of Russia on the territory of Ukraine, the company stopped any activity on the territory of the occupying country, although it had developed there for more than 30 years.

All these actions were aimed at showing stakeholders that the company cares about sustainable development issues and is trying to solve them.

Speaking of Altria Group [61], the company has been publishing sustainability reports since 2012 based on the platform [62]. This company has announced a new direction of its development – Moving Beyond Smoking. In addition to responsibility reports, the company also publishes TCFD report, according to it [63] the amount of greenhouse emissions was reduced by 16,6 % during 2020. Speaking about the environmental component, the company takes care of the following goals of sustainable development – 6, 7, 12, 13, 14. The company was ranked in the top 1 percent of the nearly 60,000 companies assessed in 2020 by CDP [64] and received the highest A rating for support and contribution to climate change and water security. The main goal of the company in terms of sustainability is to accomplish smoke free future for the adults. For implementing it, the company also invests in the development of less harmful products to reduce the negative effects of smoking.

The company is investing in the development of a system for heating tobacco. These are special cigarettes that are heated with the help of devices to a certain temperature, as a result of which an aerosol is formed, which is inhaled by the smoker. Although the WHO does not recognize tobacco products for heating as safe for health and emphasizes that there is no reliable evidence to date that would indicate a lower level of harm from these products [65].

An interesting case study is the following company - British American Tobacco (BAT). In March 2019 [66], the company announced a new development strategy, Building a better tomorrow, and changed the company's logo from a tobacco leaf. For years, the tobacco leaf was associated with this company, while BAT decided to change the concept of the organization in the direction of sustainable development and move away from clichés.

BAT's new strategy not only improved the brand's reputation, but also improved the company's financial history, as the company's revenue increased significantly. Based on Figure 3.1.3, starting in 2015, the company's revenue began to fall, reaching 20 035 million dollars. This indicator remained unchanged for another 2 years, and in 2017 it moved from place to reach 26 152 million dollars, this was due to the development of a new product on the market - Glo. But this was not enough, in 2018 the company was stuck for the next 2 years with an income of 32 692 million and did not develop. That is why the rebranding and implementation of a new strategy in 2020 significantly increased the company's income, despite the Covid-19 and the crisis that led further. In 2021 the company's revenue is 35 318 million and growing rapidly.

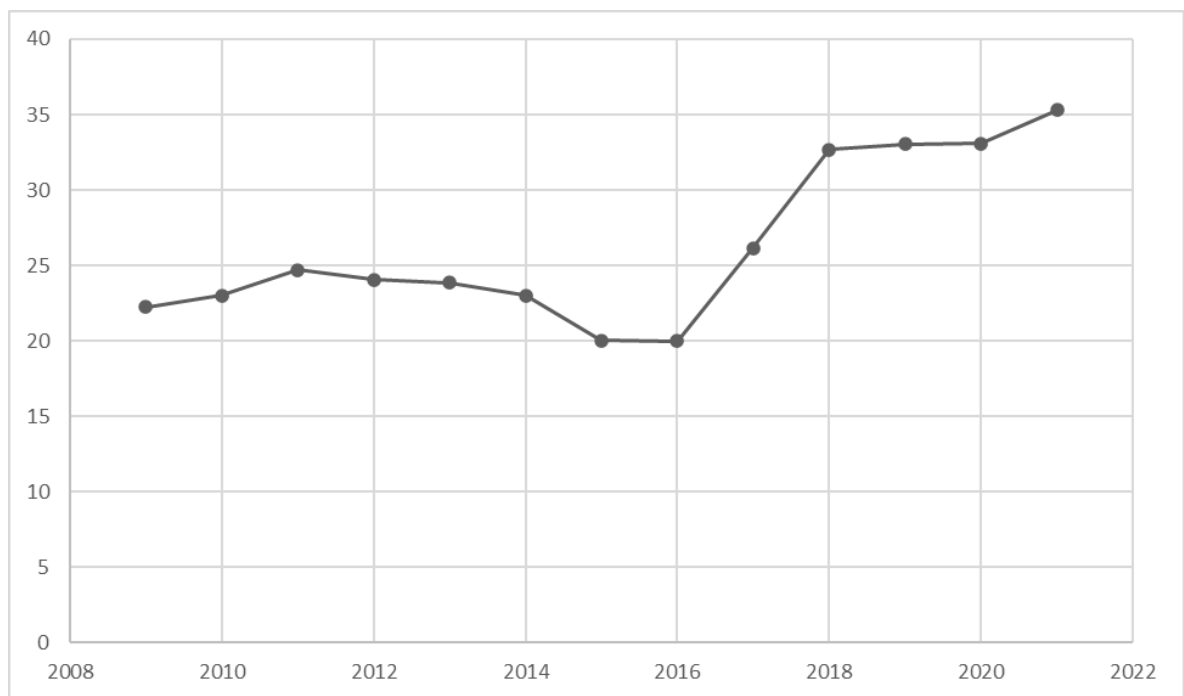


Figure 3.1.3. Revenue BAT 2009 – 2022, billions of USD (constructed by author based on [56])

The new strategy includes several aspects and areas of activity:

1) support of society and local communities. This aspect requires the creation of safe working conditions, professional development, responsible marketing, information openness. Special attention is paid to the scientific activity of BAT in the development of a vaccine against Covid-19.

2) care for employees. The main idea is to create a safe workplace, so the company minimizes all possible risks that may be created for their employees.

3) concern for the environment. The company published the Low-Carbon Transition Plan 2022 [67] along with Sustainability Reports [68] and Annual Reports [69], which specifies the main goals for environmental safety and achievement, BAT understands that it depends on nature for resources, so it contributes to the fight against climate change. In 2021 BAT achieved 47,7 % reduction of greenhouse emissions compared to previous year, and by 2050 BAT wants to achieve net zero emissions.

4) harm reduction. The company develops new categories of products for smokers to reduce the harmful effects on health. In 2021, New Product Category revenue reached more than \$2 billion, up 42 percent from 2020. BAT uses modern new laboratories to analyze various ways of reducing harm to health and consumers, by investing in R&D.

This supports the theory that sustainability reporting has a positive impact on a company's reputation and has a positive impact on a company's revenue.

It is also worth noting that tobacco companies are also included in the Newsweek Green Ranking (see Table 3.2.1) [60], which is one of the most recognized assessments of the environmental performance of the world's largest corporations on the financial market. The ranking of the world's largest companies by corporate sustainability and impact on the environment is published.

The 500 largest US companies and the 500 largest global corporations are evaluated using a methodology that takes into account eight key performance indicators: the ratio of energy and water use; greenhouse gas emissions and waste generation to the corporation's profit; the environmental impact of that income and the governance mechanism that links the corporation's income to environmental goals.

Table 3.1.1 Global Green Ranking 500, best companies in Tobacco industry [60]

№	Company	Industry	Country
148	Altria Group Inc	Tobacco	United States of America
180	Philip Morris International Inc	Tobacco	United States of America
281	Japan Tobacco Inc	Tobacco	Japan
285	Imperial Brands PLC	Tobacco	United Kingdom

According to this rating [60] , Altria Group is ranked 148th, and Philip Morris International is ranked 180th among the 500 most influential and greenest companies in the world. This shows that even if a company produces harmful products, they can be considered a green company and rank quite high on the list.

The information presented in non-financial reports is considered to be an additional package of reporting that is not related to financial reporting, but given the current trends in the development of accounting, it can be assumed that such reporting will become a mandatory element for assessing business value. Already today, certain changes can be observed, which relate to a certain convergence of financial reporting and reporting on the sustainable development of the enterprise. Large enterprises and multinational corporations increasingly publish a single annual report that contains complete information about all activities.

3.2 Peculiarities of preparation of sustainability reporting of corporations

When compiling a report on sustainable development, it is very important to understand the main indicators that should be included in the report.

As mentioned earlier, GRI standards are the most widely used among the various packages of sustainability reporting standards. Based on a survey conducted by Boston College Center for Corporate Citizenship [71] (see Figure 3.2.1) , almost 60% of international companies with an annual revenue of more than 5 billion dollars choose

GRI standards as the basis for non-financial reporting, while this figure among companies with an annual revenue of less than 5 billion dollars reaches 50%. Non-GRI standards are chosen by less than 10 percent of all surveyed companies, with both revenues. And partial reporting for GRI occurs in 23% with income less than 5 billion, and in 18% with income more than 5 billion dollars. This shows that GRI standards are the most popular among large international companies.

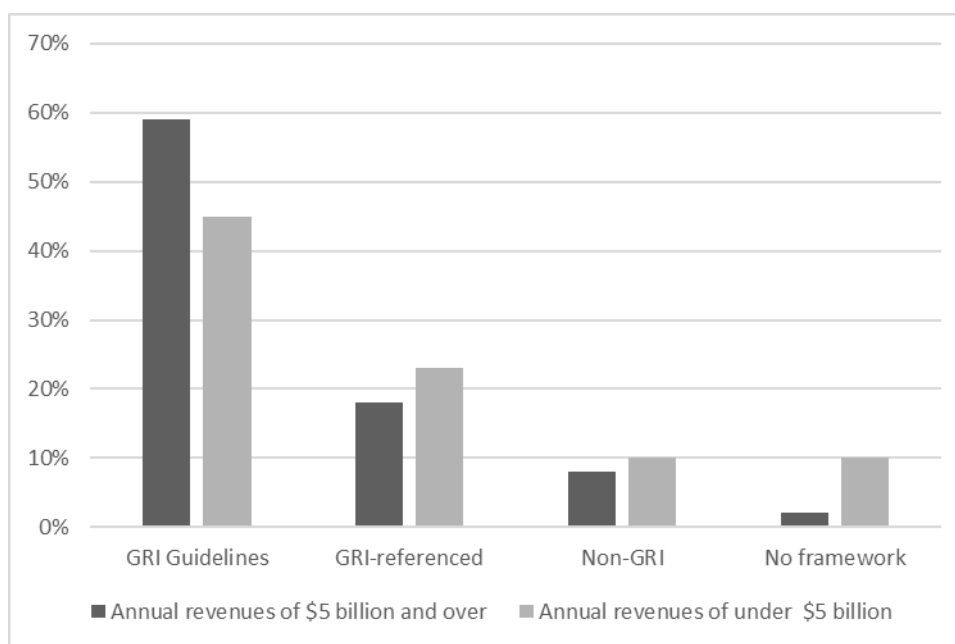


Figure 3.2.1 Reporting guidelines by company size, percent of responders [71]

It should be noted that the GRI standards and recommendations are constantly revised, supplemented and expanded. The fourth version of the GRI Guidelines (G4) was presented in its final version at the Global Conference on Sustainable Development and Public Reporting [72]. The G4 version accumulates the global experience accumulated when using the previous versions of the GRI Guidelines and creates a basis for further movement in the direction of the introduction of standards in the implementation of the concept of sustainable development. Figure 3.2.1 shows a scheme of the information presentation based on the latest version of the GRI standards.

Thus, when compiling a report on sustainable development, it is necessary to cover all the presented issues in full and in a structured manner.

As international and Ukrainian experience shows, social responsibility and public reports on socially oriented activities provide competitive advantages: creation of reputational capital and increased interest of investors; access to new sources of financing and investment funds; access to new sales markets; increase in value of intangible assets; indirect increase in profits due to improved quality of human resource management and efficiency [73].

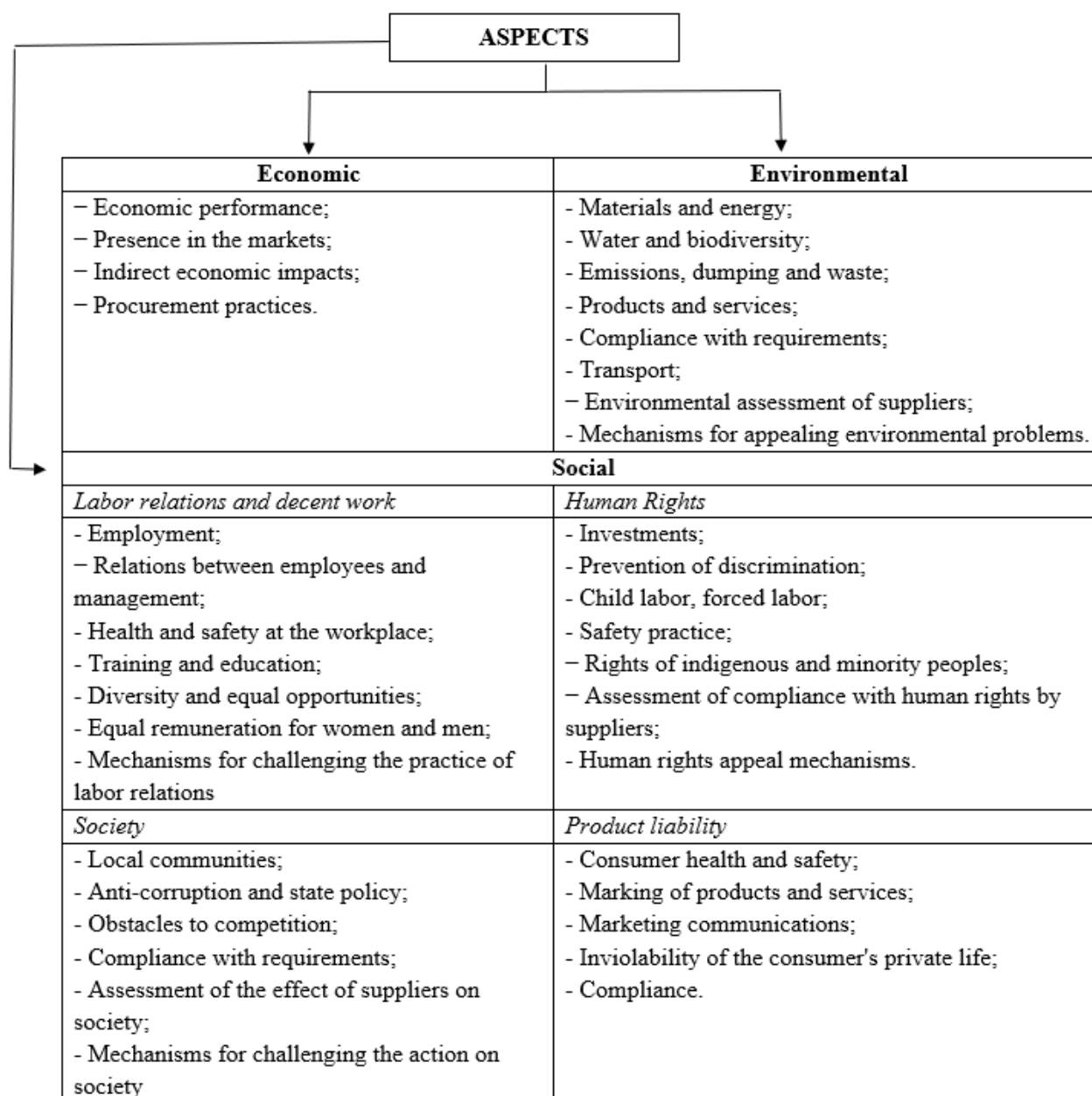


Figure 3.2.2 Categories and Aspects of the GRI Guidelines (G4) [72]

Therefore, the importance of publishing SRs by companies is to prove to society their desire to adhere to the principles of social responsibility. The reports of some companies show a high level of preparation for the reporting procedure itself and responsibility for the information provided in the reports. It is social reporting that will be an effective tool for the internal and external policy of enterprises, which will become the basis for the development and implementation of strategic business projects [74].

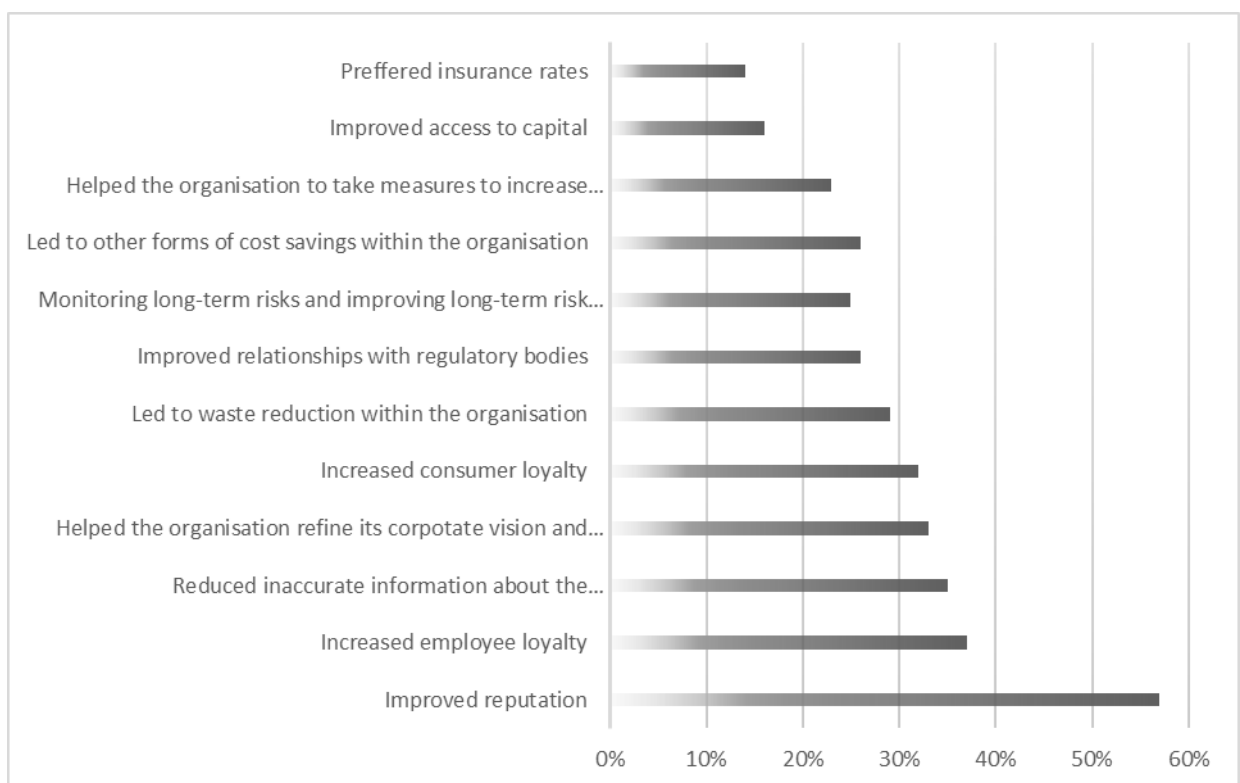


Figure 3.2.3 Value provided by sustainability reporting, percent of responders [71]

Figure 3.2.2. shows the results of a survey on the values that create sustainability reporting. Based on the survey, 57 percent of surveyed companies believe that the value of sustainable development reporting improves the company's reputation, 37 percent - improve employee loyalty, 33 percent voted for the fact that reporting helps build a development strategy, and 32 percent claim about improved customer loyalty, and 23%

claim about an increase in profits. As we can see, the increased reputation is the most important value among the respondents.

The reasons for creating non-financial statements can be several, but based on Figure 3.2.3, among companies with revenues of more than 5 billion dollars, approximately 80% of respondents chose - Transparency among stakeholders, on the 2nd place - a competitive advantage, which was voted for by almost 60%, and on the third - risk management, which is 50%. Speaking of companies with revenues of less than 5 billion, Transparency among stakeholders and competitive advantage are also priority reasons, occupying 58% and 50% respectively.

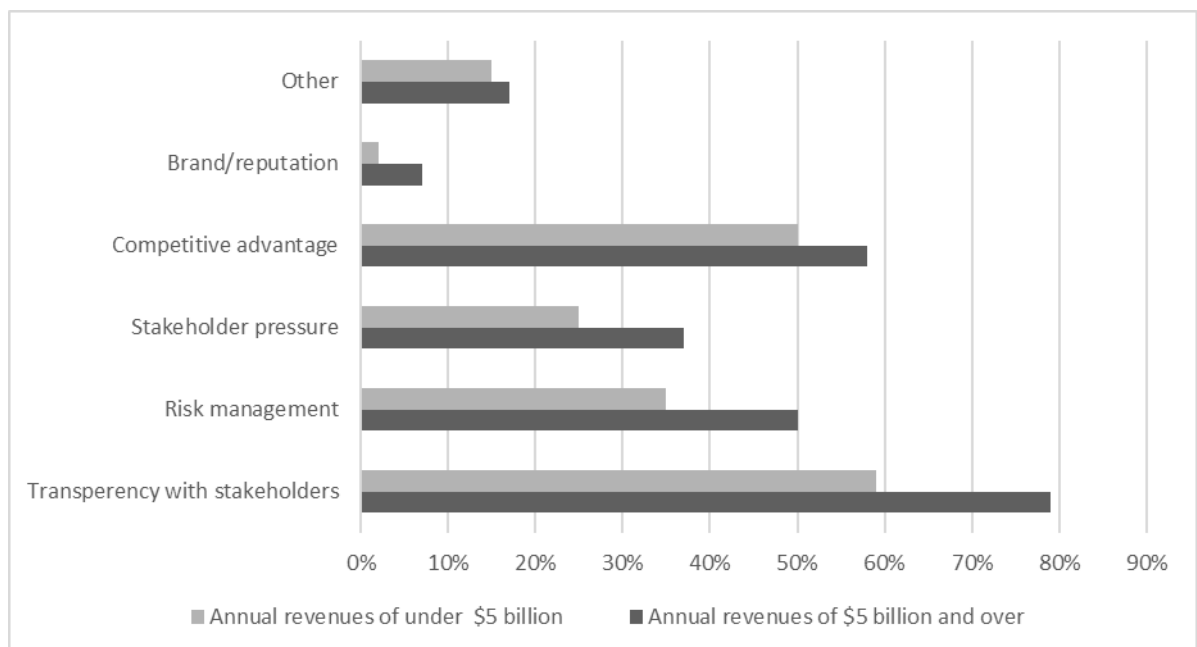


Figure 3.2.4 Reasons for sustainability reporting by company size, % of responders [71]

The implementation of non-financial reporting according to GRI standards has its advantages.

1. Reporting on sustainable development according to GRI recommendations allows the company to conduct internal self-analysis in accordance with the assessment of how well certain processes are built and function in order to ensure the sustainable development of the organization. These standards are integrated according to a number of features, covering a fairly wide range of criteria and indicators.

2. Implementation of reporting according to GRI principles allows to strengthen the general image of the company, to see how effective the company's activities are, and to raise its rating to a higher level.

3. Reporting allows organisations to pay attention not only to the content, but also to the principles of activity. The Guidelines clearly state the criteria by which the evaluation and audit of the organization's activities are carried out, they have a detailed action plan and procedures, and a description of the necessary procedures is provided.

To ensure the transparency of non-financial reports, which are prepared in a free form, the following measures can be recommended [75]:

- conduct a survey of stakeholders on whom this reporting is calculated, in order to study their comments;
- draw up a plan of social events taking into account the specific requests of stakeholders;
- promptly inform stakeholders about the progress of their requests and detected violations.

Analyzing the development of the practice of implementation of sustainable development reporting over the past 10 years to the level of the main area of self-regulation, it can be stated that the main factor of this process was the awareness of the fact that private sector policies are applied in the activities of private companies, in the case of their application on a large scale, can have the same, and in some cases, much greater influence, why public sector policies - implemented by state governments and determined by society.

Companies with flexible management systems, corporate commitment to ESG goals and structural sustainability will be the main beneficiaries of this changing investment paradigm. A recent study [76] showed that more and more investors are paying attention to ESG, and the importance of social factors to them has increased by 20% since the beginning of the pandemic.

The global trend is that the total number of companies that undertake the preparation of non-financial statements is growing every year.

Despite the fact that the submission of non-financial statements has become a popular procedure in recent years not only on the international, but also on the domestic market, there is a significant level of skepticism towards this type of reporting. Criticism is explained by the fact that the procedure for forming and submitting such reports is not regulated in any way at the legislative level. Moreover, the voluntary application of standards and the freedom to choose reporting criteria contribute to the fact that companies disclose only information that positively affects reputation, or resort to various types of manipulation of indicators.

The information presented in non-financial reports is considered to be an additional package of reporting that is not related to financial reporting, but given the current trends in the development of accounting, it can be assumed that such reporting will become a mandatory element for assessing business value. Already today, certain changes can be observed, which relate to a certain convergence of financial reporting and reporting on the sustainable development of the enterprise. Large enterprises and multinational corporations increasingly publish a single annual report that contains complete information about all activities.

CONCLUSION

Sustainability reporting is a type of non-financial reporting, the purpose of which is to describe and evaluate the company's activities in terms of sustainable development, describing the environmental, social and economic components of the activity.

Non-financial reporting appeared as a result of looking for a solution to the problem of lack of information about the company's activities for their stakeholders. Financial statements are not able to fully reflect how successful a company is. There was a need to develop a report that includes not only economic, but also indicators, and information about risks and prospects for development, which would allow managers, owners, and capital providers to make more balanced decisions from the point of view of sustainable development of the enterprise and socially responsible allocation of resources.

Today, reporting on sustainable development is voluntary, but in many European countries partial non-financial reporting is a mandatory type of annual reporting.

Non-financial reporting has many advantages for the company, as it increases competitiveness, attracts more investors, increases loyalty among both employees and customers, and all this has a positive effect on brand reputation. Thus, publishing sustainability reports can improve the reputation of a company operating even in a controversial industry.

In order to successfully create a SR, it is necessary to understand the structure of the report and the stages of its creation, which include the creation of a cross-functional group, the selection of a list of indicators, the collection of information, the calculation of results and risk assessment, the publication of the report, the presentation of the report and working with feedback. Thus, drawing up a report on sustainable development is time and resource-consuming.

The choice of reporting standards is also an important stage. To date, there are a number of standards: EU Corporate Sustainability Reporting Directive (CSRD), Task Force on Climate-related Financial Disclosures (TCFD), IFRS Sustainability Disclosure

Standards, Global Reporting Initiative (GRI), The Sustainability Accounting Standards Board (SASB), B Corp and others. Each standard has its advantages, given the size of the company, its location and purpose of reporting and which group of stakeholders the company wants to interest. The most popular standard is GRI, since almost 60% of international companies with an annual revenue of more than 5 billion dollars choose GRI standards as the basis for non-financial reporting.

This paper analyzes the impact of sustainability reporting on the tobacco industry. For this, the largest manufacturing companies of the tobacco industry were selected, namely - Philip Morris International, Altree Group and British American Tobacco. As the research shows, these companies publish sustainability reports in order to improve the reputation of the industry, promoting innovation and thereby attracting more and more investors. The study shows that the tobacco industry is large, accounting for USD 800 billion in 2021, and this figure is estimated to reach USD 1,049.9 billion by 2030.

This is explained by the fact that there is a demand for these products, which means that people will not stop using tobacco products. Therefore, companies try to reduce the harmful impact of products on both people and the environment, and publish the results of their activities in reports on sustainable development.

After reading the reports on sustainable development, it can be concluded that companies participate in many environmental and social programs, care about the welfare of employees, pay attention to the innovative aspect of their activities, invest in R&D process, have clear long-term plans for achieving the goals of sustainable development, assess their risks and forecasts.

The tobacco business can be sustainable and socially responsible at least because even in a crisis it does not stop charitable and environmental projects, gives jobs to people, pays them salaries, and also provides certain social guarantees.

The task of a sustainable enterprise is to reduce the negative impact of its activities by developing alternative products and investing in innovative activities and the development of society. Under the condition of fulfilling these tasks, the company can be sustainable and have a good reputation, even operating in a controversial industry.

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ANNEXES

ANNEX A

SUMMARY

Burnakova V. Yu. The Role of Sustainability Reporting as a Tool for Improving the Brand Reputation of International Companies. – Masters-level Qualification Thesis. Sumy State University, Sumy, 2022.

The work examines the issue of sustainability reporting, considers international reporting standards. The impact of sustainability reporting on the reputation of international companies has been analyzed. The main goal of this work is to develop recommendations for improving the reputation of companies operating in the tobacco industry through the implementation of sustainability reporting.

Keywords: sustainability reporting, non-financial reporting, brand reputation, sustainability standards, global reporting initiatives, tobacco industry, corporate social responsibility, sustainable development.

АНОТАЦІЯ

Бурнакова В.Ю. Роль звітності зі сталого розвитку, як інструмент вдосконалення репутації бренду міжнародних компаній– Кваліфікаційна магістерська робота. Сумський державний університет, Суми, 2022 р.

У роботі досліджено питання звітності про сталий розвиток та розглянуто міжнародні стандарти звітності. Проаналізовано вплив звітності про сталий розвиток на репутацію міжнародних компаній. Основною метою даної роботи є розробка рекомендацій щодо покращення репутації компаній, що працюють у тютюновій галузі, шляхом впровадження звітності про сталий розвиток.

Ключові слова: звітність про сталий розвиток, нефінансова звітність, репутація бренду, стандарти сталого розвитку, глобальні ініціативи щодо звітності, тютюнова промисловість, корпоративна соціальна відповідальність, сталий розвиток.