

Environmental component of non-financial reporting: development trends and world practice

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Abstract – The article discusses the main trends in the development of non-financial reporting in Russian companies. We have analyzed international experience of various countries in the disclosure of environmentally relevant information in compliance with the generally accepted GRI criteria. Russian organizations account for slightly more than 1% in the overall structure of reports. We have carried out a thorough analysis of the official websites of Volgograd companies with a high risk of disclosure of environmentally relevant information. Research results show that only 30% of companies have their own websites, but the information available cannot provide an overall picture of the current environmental policy effectiveness. It is also not possible to obtain reports in the field of sustainable development in accordance with international criteria. An additional stage of the study consists of mailing the authors' questionnaire on the level of companies' readiness to provide environmentally relevant information to stakeholders. The survey has resulted in an almost complete disregard of participation – only 2 out of 67 companies took part in it. The solution of the problem may consist in informing companies about the undeniable advantages of compiling an environmental report in the field of sustainable development with the free consulting support of specialists involved in environmental protection (regional non-profit organizations, the scientific community).

Keywords – *non-financial reporting, environmental responsibility of business, sustainable development, transparency of environmental information, enterprises, region*

I. INTRODUCTION

Evolution of environmental responsibility is based on the changing nature of environmental problems, their globalization caused by increased anthropogenic load on all

components of the environment. Today, the society's rethinking of the current environmental situation is expressed in the formation of new practical approaches to solving numerous problems, including transition to "green economy" and application of new environmental policy tools. Modern trends are characterized by a change of management style, transition to business transparency and entrepreneurs' interest in minimizing the negative impact of production and in active application of environmental innovations. Environmental responsibility of business had always consisted in compensation of damage caused to the environment. Now it is aimed, first of all, at prevention of harm to the environment and maximum transparency of economic activity, expressed particularly in information transparency.

Availability of any information allows identifying risks and improving the system of risk management. The Russian government's interest in increasing the social and environmental responsibility of Russian entrepreneurship and its transparency is manifested in the documents issued at the State level.

II. MATERIALS AND METHODS (THE MODEL)

At the international level, the GRI Guidelines are the most comprehensive and influential framework for non-financial reporting in terms of disclosure of information about company impacts on the environment. The GRI Standards are the first global sustainability reporting standards. They have a modular, interconnected structure and represent world best practice in reporting on a range of economic, environmental and social impacts.

Official and statistical materials posted on the official portals of ministries, departments, information agencies, enterprises/organizations have been used during the work.

Decree of the Government of the Russian Federation No. 876-R of May 5, 2017 approved the Conception of public non-financial reporting development and the action plan for its implementation. It provides for improving the incentive system of Russian companies for high information openness and transparency of results of their impact on the environment; increasing objectivity in assessing the contribution of companies to social development; promoting the reputation of Russian companies and confidence in their activities; increasing the introduction of non-financial information into management practice; expanding the scope of people aware of the conception of sustainable development and the importance of public non-financial reporting for both companies and stakeholders.

Directive No. 1710p-P13 was developed by Prime Minister Vladimir Putin in March of 2012. It contained a list of the 22 largest State-owned companies that were required to regularly publish non-financial reports [1].

III. RESULTS AND DISCUSSION

The GRI database as of 1 June 2019 contains 32625 reports executed in accordance with the GRI Guidelines, 13879 different organizations. The share of Russian companies covered by this database is very small (Fig. 1).

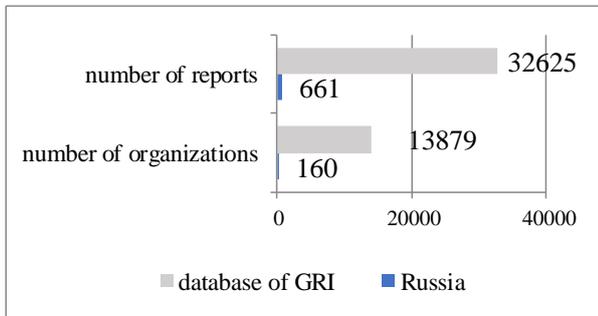


Fig. 1. Reporting of Russian companies in the GRI system [2]

As seen from Fig. 1, the share of Russian companies accounts for slightly more than 1%. It should be noted that as the GRI information partner, The Russian Union of Industrialists and Entrepreneurs (RUIE) systematizes and analyzes non-financial reports placed in the National Register of the RUIE, and (with consent of the company) transmits them for placement in the international database of GRI reports.

Taking into account that 176 companies and 924 reports issued since 2000 (the structure of the reports is shown in Fig. 2) are registered in the National Register, we can conclude that 16 Russian companies have not given consent to placement of their reports in the GRI information base.

As seen from Fig. 2, Russian enterprises prefer either narrow-profile social reports due to the trends of social policy expansion, or comprehensive reports in the field of sustainable development, in which the social and environmental aspects of their activities are the structural elements of reporting. Actually, specialized environmental reports make up less than 10%.

The data presented in Fig. 3 show that since 2012, the number of reporting companies has stabilized at an average of about 80 reporting organizations per year. Let us compare: as of January 2019, 16,403 companies that published 9,854 non-financial reports are registered in the database of the project www.corporateregister.com.

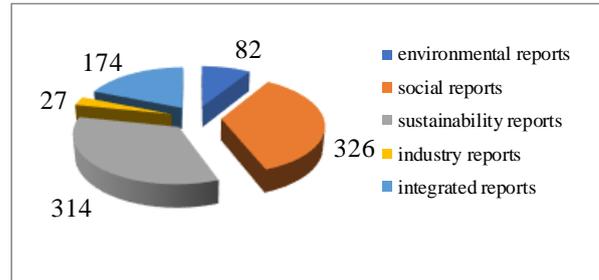


Fig. 2. Reporting structure in the National Register of corporate non-financial reports [3]

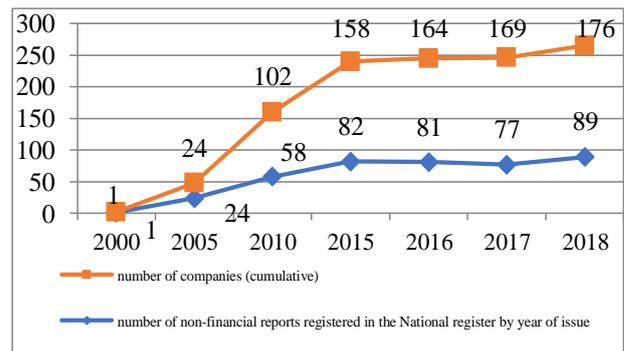


Fig. 3. Dynamics of the number of companies issuing reports for 2000-2018 [3]

Today, 16 countries in the whole world are distinguished by the most active development of non-financial reporting in the world. They can be recognized as leaders in this sphere (Fig. 4). Russia is not among them, and the gap between Russia and the leader in this area, the United States, is almost 20 times.

In terms of reporting, Russia is still comparable to such countries as Poland and Malaysia, which means that transparency of Russian companies for investors, counterparties and partners is not comparable to companies in other countries [5].

While large enterprises are under greater public scrutiny for their impact on environmental components, about 400 million small and medium-sized enterprises, accounting for about 95% of all enterprises worldwide, are largely ignored. And though sustainability reporting is common among large businesses, it is much less common for medium- and small-sized enterprises (SMEs) to report on sustainability. However, SMEs are an integral part of global value chains and form the backbone of the global economy.

One of the problems consists in the fact that small organizations are unlikely to have a sustainability specialist with reporting experience, which means they may have to rely on external consultants, who often provide expensive services. The solution may be found in free consultations on the issues of reporting in the field of sustainable

development by specialists of non-profit organizations. For example, regional non-profit organizations or staff of higher educational institutions with specialization in environmental issues can provide services for making environmental reports on companies' sustainable development.

It should be noted that, as of June 2019, the analysis has shown that in the Volgograd region there are no website-based proposals of consulting companies and non-profit organizations concerning the reporting services in the field of sustainable development.

Lack of reporting regulation of SMEs at the regional level can be attributed to the activities of regulatory authorities. Large enterprises, especially those engaged in foreign economic activities, publish such reports in compliance with international standards to maintain competitiveness, or due to legislative requirements. Indirect promotion of the region's sustainable development may consist in informing small and medium enterprises about the

importance of sustainability reporting and providing consulting services by regulatory authorities.

According to the draft State report on the environment of the Russian Federation in 2018, the Volgograd region accounts for less than 1% of the total emissions of pollutants in the country, of which more than half (54%) are emissions from stationary sources [5]. According to the environmental ranking of the Russian entities, the Volgograd region ranks 51st out of 85 entities [6].

According to the public portal of software-technical support for accounting Negative Environmental Impact (NEI) objects, 107 objects of the 1st category [7] were registered in the Volgograd region in June 2019. They all refer to high and significant risk categories (Fig. 5).

We have analyzed the official websites of enterprises with the aim to identify environmentally relevant information in the public domain (Table I).

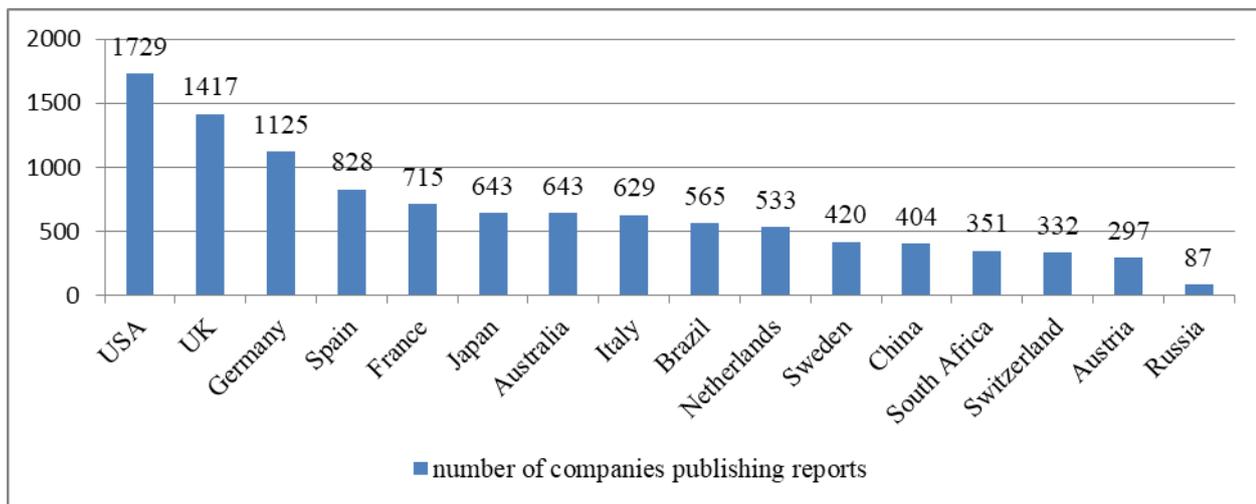


Fig. 4. The leading countries in the field of non-financial reporting (number of companies publishing reports) [4]

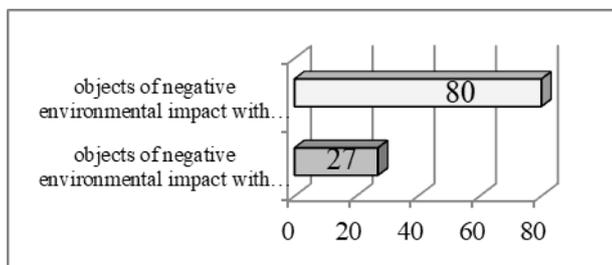


Fig. 5. Risk categories of enterprises of the Volgograd region [8]

According to the results of the analysis, it can be noted that 9 out of 27 organizations with a high-risk category do not have their own official websites. In most cases such organizations include either branches of large companies, for example, a large regional poultry factory, or small

companies such as a transport enterprise for garbage removal.

Only 3 enterprises contain information on the anthropogenic impact on their official websites, but it is presented in a generalized form, excluding the possibility of analyzing the scale of impact on environmental components.

The official website of the enterprise for production of industrial and household chemicals KAUSTIK JSC contains information about the environmental policy of the parent company of the NIKOHIM group of companies, as well as the program of measures for environmental protection and the data of pollution monitoring within the boundaries of the sanitary protection zone (SPZ).

Similarly, information about atmospheric air monitoring, environmental facilities and sanitary laboratory is presented on the website of the enterprise for basic chemicals production Volzhsky Orgsintez JSC. However, quantitative

data on anthropogenic impact and on environmental measures' efficiency is not provided.

Websites of the enterprise for rolled metal production VMK Krasny Oktyabr JSC and the enterprise for building materials production Sebryakovtsement JSC provide general information about the companies' policies in the field of environmental protection. The aluminum plant RUSAL Volgograd JSC does not have its own official website. The official website of the organization providing

services for garbage and waste removal Ekomaster LLC does not contain environmentally relevant information.

It is necessary to point out a large amount of information on the website of Volzhsky Pipe Plant JSC. The company provided structured information on environmental impact management with division according to environment components, as well as its environmental initiatives and an overview of environmental activities undertaken.

TABLE I. ANALYSIS OF THE OFFICIAL WEBSITES OF REGIONAL COMPANIES WITH A HIGH RISK CATEGORY (COMPILED BY THE AUTHORS)

Object of negative impact on the environment	Website availability	Environmental impact information ("1" - generalized; "2" - quantitative data)	Environmental policy ("1" - declaratively; "2" - the ability to evaluate effectiveness)	Sustainability Report
NikoMag CJSC	+	-	-	-
Volga-Business LLC	-	-	-	-
Volzhsky Pipe Plant OJSC	+	1	1	-
Spetsavtotrans LLC	-	-	-	-
VMK Krasny Oktyabr JSC	+	-	1	-
KAUSTIK JSC Industrial site No. 1	+	1	2	-
Municipal Unitary Enterprise 'Plumbing and Sewer Facilities', Volzhsky	+	-	-	-
Branch of RUSAL Ural JSC, Volgograd	+	-	-	-
Volzhsky Orgsintez JSC	+	1	1	-
Sebryakovtsement JSC	+	-	1	-
EkoMaster LLC, solid waste landfill	+	-	-	-
Gaznefteservis LLC	-	-	-	-
Vostochno-Makarovskoe gas condensate field	-	-	-	-
Uryupinsky Oil Extraction Plant OJSC	-	-	-	-
Ritek JSC, Oil & Gas Production Department No. 3 'Kotovskiy'	+	-	-	-
Biotech JSC, production, plot No. 1	-	-	-	-
Site of Forte Metals GmbH LLC	+	-	-	-
Specialized solid waste landfill Singam LLC	-	-	-	-
Uryupinskaya Poultry Factory OJSC	-	-	-	-
PrikaspiyNefteGaz LLC	-	-	-	-
Nizhnevolzhskaya Oil Company LLC, Industrial site No. 8	-	-	-	-

At the same time, the study on CSR in Russia conducted by the University of Salford [9] in 2016 outlines that owners of Volzhsky pipe plant JSC believe that "environment protection is just a waste of money". They follow a clear logic: "Why worry about expensive but not necessary things?".

The official website of Nikomag JSC specializing in production of high-purity magnesia products – chloride, oxide and magnesium hydroxide, does not provide information about the impact of company's activities on the environment and availability of environmental policy.

Analysis of the website of Gaznefteservis LLC, which focuses on the production of gas and oil, shows that the tab "health safety environment" contains general information about environmental responsibility.

On the main page of the website of Uryupinsk oil extraction plant JSC (sunflower oil production) in the section "About us" (tab "Social responsibility") contains general information about environmental projects of the company, and also mentions that they use not only Russian high-tech methods and tools in production processes, but also international equipment that meets environmental

requirements. World environmental standards are taken into account when purchasing new equipment, as well as during the construction of new plants, enterprises and branches.

The official website of the company on production of aluminum and bimetallic heating radiators Forte metals GmbH LLC does not contain any information on environment protection actions carried out by this enterprise. The only information about the environmental safety of products that are mentioned on the site are not essential and are located in the tab "Our products".

Environmental policy in the public domain is declared on the official websites of 4 organizations and only one company has more detailed information (Fig. 6).

19 NEI objects among the enterprises of a significant risk category do not have their own official websites, while 46 organizations do not have any environmentally significant information on their websites (Fig. 7).

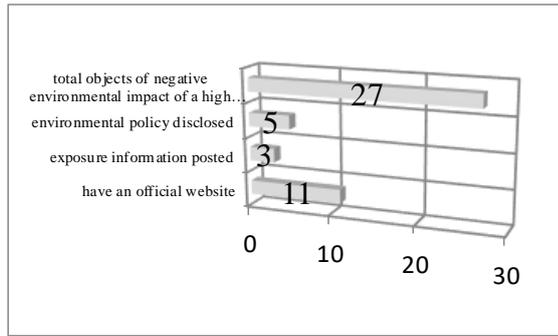


Fig. 6. Analysis of the availability of environmentally significant information on objects having negative environmental impact of a high-risk category (compiled by the authors)

Thus, of all enterprises belonging to the 1st category of NEI objects, only Volzhsky pipe plant JSC and petrochemical enterprise LUKOIL-Volgozneftepererabotka LLC make accessible a part of information about negative environmental impact and environmental measures. 21.5% of companies declaratively publish environmentally relevant information, and 28 NEI objects do not have official websites.

Of all enterprises belonging to the high-risk category, only 30% have their own official websites, but the information presented does not allow assessing negative impact on the environment or effectiveness of the environmental policy. Moreover, the information available does not meet any requirements of international standards of public non-financial reporting.

In the context of digitalization in various spheres of activity, including the environmental and economic aspects of business, additional studies have been conducted to develop a sociological survey for the Volgograd region's enterprises of the 1st NEI category.

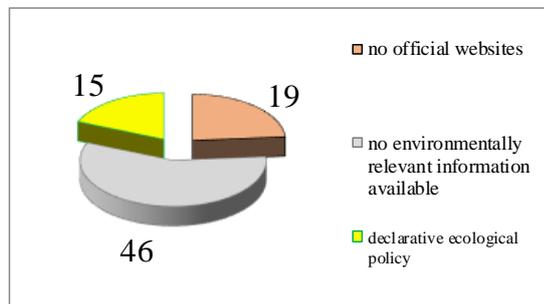


Fig. 7. Analysis of availability of ecologically significant information on objects having negative impact on the environment of a significant risk category (compiled by the authors)

The survey was conducted using the Google Internet platform. The link to the questionnaire was placed in free access on the official website of the Volgograd State University in the tab "Department of ecology and nature management. Scientific activity".

The questionnaire was sent simultaneously to the enterprises. It contained 12 questions, including open-ended questions and a proposed list of answers. The questionnaire

was designed so as to ascertain the willingness of enterprises/organizations to place environmental information in the public domain.

The questionnaire included the following questions:

- company's awareness of the global reporting initiative;
- availability of an annual sustainability report;
- placement of environmentally relevant information on the official website and on other information platforms;
- readiness to publish statistical environmental reporting in the public domain;
- readiness to provide quantitative data on the impact on environmental components and costs of their protection; on the effectiveness of environmental policy;
- participation in surveys conducted by major Russian news agencies, such as Interfax-ERA, related to disclosure of environmentally relevant information;
- willingness to increase transparency of data on the impact on environmental components.

Only 2 enterprises out of 67 took part in the proposed survey [10]. All the rest refuse to provide environmental information to a third party or showed potential readiness, but on-the-job. As a matter of fact, ignoring can be regarded as unwillingness to cooperate with news agencies, public organizations and other third parties.

IV. CONCLUSION

According to the analytical review of corporate non-financial reports for 2012-2018, only 1% of Russian enterprises submit reports in accordance with the GRI Guidelines. Leading countries in the GRI are the USA as the permanent leader, Great Britain and Germany.

Russian enterprises are focused on aggregate reports of social and environmental orientation, while the share of "clean" environmental reports is only 10%. SMEs are not interested in the openness of this kind of information due to the lack of full-time environmental specialists, particularly specialists in sustainability. One of the reasons is the lack of financial support for environmental activities of enterprises/organizations. Reporting of this type requires financial resources and additional staff, as well as staff training expenses.

The Volgograd region is exactly the case since there are no consulting firms or non-profit organizations which provide reporting services in the field of sustainable development. At the same time, only 30% of enterprises of a high-risk category have official websites, but the information provided is not comprehensive and does not allow evaluating the effectiveness of the environmental policy. Enterprises that do not place environmentally relevant information in the public domain are not ready to interact with stakeholders on the issue of information disclosure.

The research has also entailed surveying enterprises by means of the questionnaire, which opened up a range of questions about the readiness to provide environmental information to interested parties. Only 2 enterprises out of 67 passed the questionnaire, while the rest ignored the request coming from a third party (the scientific community, the population).

The problem can be solved by informing enterprises about the opportunities and benefits of conducting environmentally responsible business and its openness to stakeholders using regional information and analytical system in the field of environmental protection.

ACKNOWLEDGMENT

The research has been funded by the Russian Foundation for Fundamental Research and the Administration of the Volgograd region, project No. 19-410-340015 r_a "Information openness as a tool of environmental responsibility of business in the structure of environmental safety of the region".

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