

# **SOCIAL RESPONSIBILITY OF BUSINESS TOWARDS SUSTAINABLE DEVELOPMENT: CASE OF UKRAINE**

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Received 15.02.2023.

| Send to review 27.02.2023.

| Accepted 26.05.2023.

Original Article



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## **JEL Classification:**

M14, A13, M21, M31, F20

**Doi:** 10.61432/CPNE0101126k

**UDK:** 339.137.2:330.341.1(477)

## **ABSTRACT**

Social responsibility is one of the priority tasks of corporate management and one of the urgent problems of the modern economy, in the context of determining the role of social responsibility in the sustainable development of a business organization and the contribution of social investments to sustainable development. The purpose of the article is to assess the current state of development of the institute of social responsibility, the implementation of the policy of social responsibility and transparency of economic activity by Ukrainian businesses, the study of factors that become obstacles to the introduction of the institute of social responsibility in Ukraine. This publication highlights the aspects of transformational changes, the globalization of economic relations, the role of sustainable organizational development, and their impact on the formation of socially responsible business standards. An attempt was made to give a systematic presentation of the main advantages of transparency in reporting on economic activity. The results of modern rating systems of enterprises in the context of social responsibility in Ukraine were analyzed. Problems hindering the development of social responsibility of business in Ukraine are identified and outlined. The scientific research concludes that the active implementation of the policy of social responsibility in the formation of the Ukrainian business strategy should become one of the tools for ensuring the prerequisites for competitive advantages, strengthening the image of companies by strengthening the loyalty of employees, the trust of regular and potential customers, partners, local communities and the opportunity to attract “green” financing.

**Keywords:** *sustainable development, sustainable development goals, social responsibility, ESG factors, transparency rating of companies, corporate sustainability*

## **1. INTRODUCTION**

The economic activity of enterprises has a significant impact not only on the development of the national economy but also on the life and functioning conditions of the population. Not just in terms of the products and services they offer or the jobs and opportunities they create, but also in terms of working conditions, human rights, health, environment, innovation, education, and training. In the modern conditions of the development of economic relations, the success of the company, as a whole, or its project, largely depends on the culture of its behavior, the presence of common values, understanding and attention to social problems, as well as consumer trust.

Accordingly, the population rightly expects that modern enterprises understand their positive and negative impact on society and the environment and can prevent, manage and mitigate any negative consequences of their activities by the principles of sustainable development and social responsibility ([European Commission](#)).

The sustainable development of the economy and society in general, the implementation of the concept of well-being, and the construction of socially-oriented economic systems have long become the main vectors of the development of the world community. Petar Djukic write “Environmental culture and sustainability culture are only a part of a relatively new business culture and behaviour. In fact, ecological behaviour and “green intelligence” are typical human characteristics, and are a part of the universal human culture, as well as of a sustainable relationship with nature and with future generations” (Đukić, 2015). Today, the development of the concept of social responsibility in business is almost the most important factor in competitive positions and brand recognition. The concept of social responsibility is based on the principles according to which companies integrate social and environmental issues into their commercial activities and their interaction with interested parties voluntarily. Nowadays, socially responsible business activity is a generally accepted rule followed by a significant number of large, medium, and even small companies around the world.

Social responsibility of business has long been a basic requirement of society, an object of control and management by the state, and a guarantee of profitable activity for business entities themselves. There are many benefits that Ukraine, national businesses, and our society can get from implementing specific measures in this area. Among them are positive indicators of economic development, the formation of a good level of social well-being, where an appropriate level of consumer demand is possible, as well as an increase in the productivity of companies due to several competitive advantages and the creation of prospects (social, economic, technological and resource) for its further development (Krykun, Nanavov & Pryiatelchuk, 2017). An important, and most important, negative feature of the modern business environment is that companies work in conditions of worsening environmental conditions, increasing cases of inequality and violation of human rights, which affects their relations with society and social responsibility.

In previous years, social responsibility was part of the communication strategy of companies, but recently, especially in times of war, it has become an integral part of the development and viability of the business and the achievement of sustainable development goals. Modern social problems, in particular, Russia’s military actions in Ukraine, emphasized the fact that business and society are in the same boat. A business that thinks strategically understands that without the support it needs to provide now to partners and society in general, there will be no future.

The positive reputation of a commercial company is determined not only by its profit and high quality of products but also by the degree to which its activities correspond to “the current economic, legal, ethical expectations of society regarding this organization” (Carrol, 1999:288:289)

Daniel F. Runde, senior vice president and director of the Project for Prosperity and Development (PPD), noted as early as 2011 that there was a shift in the perception of social responsibility, in particular: companies began to realize that aligning projects with strategic business goals could improve their competitive advantage, improve the skills and engagement of their employees, improve their understanding of local markets and help them to be full and productive members of the communities they serve. People increasingly believe that companies are important actors in society with important means and influence; that responsible business has the power to foster a more cohesive society; and that they can contribute to a sustainable economic system. Businesses recognize the potential of responsible practices to deliver important benefits in terms of risk management, cost savings, access to capital, customer relations, employee satisfaction, operational stability, innovation, and profitability (Daniel, 2011).

“ COVID-19 has forever changed the way companies communicate with their employees, stakeholders, and communities. COVID-19 has prompted people to rethink their priorities, raising concepts such as community service, equity, and sustainability. Ten years ago, these values were not top operating priorities for many consumer goods companies. But today’s consumer doesn’t just want savings and convenience, they also want to feel good when a company that aligns with their values gets their money” (Bounfantino, 2022). Today, businesses around the world need to get used to living in a new reality. According to expert research, the world is completely changing after the quarantine due to COVID-19, namely: work and operational activities are changing, as well as consumer demand.

The “research tells us that 82% of shoppers want a consumer brand’s values to align with their own, and they’ll vote with their wallet if they don’t feel a match. Three-quarters of shoppers reported parting ways with a brand over a conflict in values. Even with their favorite consumer goods prod-

ucts, a majority of shoppers will not compromise on principles. If there's a value mismatch, 39% of shoppers said they'd permanently boycott their favorite brand, and 24% would break ties at least temporarily. Most won't be quiet about their concerns either: 28% of consumers that found their values at odds with a brand shared their concerns with friends and family, and another 15% shared their qualms on social media" (Bounfantino, 2022). Companies should focus on how their values align with the values of consumers and what impact they have on society.

Sustainable thinking is not only about reducing a negative impact but also the ability to adapt to new challenges and realities. When it comes to sustainability, businesses need to understand what needs to be done right now. Companies can act responsibly in many ways, such as encouraging volunteerism, making environmental changes, following ethical labor practices, and participating in philanthropy. At the same time, it is important to remember that profit is important for a company, but a company that does not pay attention to social responsibility will eventually be abandoned by society. During the quarantine, some companies started investing in healthcare, even though it was not their priority before. Ukrainian and global companies demonstrate positive examples of how to act in crisis conditions.

Luxury brands have moved into the development of sanitizers and the tailoring of protective medical suits, and some companies are making investments at the local level. For example, the "Tarantino Family" restaurant chain provided doctors with free food during the quarantine, and the Lifecell company provided doctors with 15,000 free calls throughout Ukraine (Belyaeva, 2020).

Since its inception, Starbucks has been committed to social responsibility, including sustainability and community well-being. It procures Fair Trade-certified ingredients for its production and actively supports sustainable agriculture in the regions where the ingredients come from (Starbucks).

Lego, the toy manufacturer, is committed to reducing carbon (CO<sub>2</sub>) emissions from the manufacture and sale of LEGO® bricks in its factories, offices, and stores, as well as in its supply chain. In 2020, Lego was the first major toy company to announce a science-based emissions reduction target (Lego).

During the opening of Salesforce, which has been the world leader in CRM platforms for more than a year, co-founder Marc Benioff expressed his theory that profitability and charity as the main pillars of the company's DNA are two ideas that, in his opinion, should not be mutually exclusive. Based on this theory, the company developed the so-called 1-1-1 model, according to which 1% of the company's equity capital, 1% of its product and 1% of the employees' time are dedicated to society (Salesforce).

According to Maryna Saprykina, head of the board of the Center for CSR Development, today even the smallest investments are an example of companies' sustainable thinking. However, in the context of making sustainable decisions, companies should think globally about how their actions affect three main areas: economic, social, and environmental. The world still suffers from global challenges that need to be addressed. More than 800 million people depend on climate change. In recent years, biodiversity has decreased by 60%, some species are threatened with extinction, and due to forest fires in Australia, some species of animals have disappeared forever. Rainforests are shrinking at a rate of 300 football fields per minute, and the problem of plastic is still a major threat to the environment. Every year, 8 million tons of plastic are found in the oceans. The amount of plastic in the seas and oceans could triple over the next decade unless decisive action is taken. Another global problem is poverty. More than 700 million people live on less than \$2 a day, and 25 million people are enslaved by global supply chains (Saprykina, 2020).

The concept of social responsibility in the context of business means that a firm/company operates to achieve its financial goals and in addition helps society. The idea is that businesses should combine profitable activities with activities that benefit society. That is, a socially responsible company should not work exclusively for profit maximization, but should make decisions and perform actions that are acceptable from the point of view of society's goals and values (Gozora & Resler, 2021).

Therefore, corporate social responsibility (CSR) is a management concept in which companies integrate social and environmental issues into their business operations and interact with their stake-

holders (UNIDO). In today's socially conscious environment, employees and customers value work and spend money on businesses that prioritize corporate social responsibility.

Companies that are known for their corporate responsibility can gain an advantage in attracting investors, business partners, and new employees, as well as in establishing customer preferences. Many company community programs can help develop employee skills. Volunteering and other forms of employee involvement help develop various competencies, including teamwork, planning and implementation, communication, project management, listening skills, and customer orientation. Active participation in public activities creates a positive reputation among stakeholders in the company (Gozora & Resler, 2021).

Ukraine's transition to sustainable economic development, its integration into the European and world community, and the modern practice of conducting business, both on the national and global markets, increasingly indicate that corporate social responsibility is a factor in increasing profitability, the company's image, and reducing costs, increasing employee morale and customer loyalty, as well as other benefits. In addition, for companies pursuing a multinational business strategy, community involvement can be useful in supporting efforts to enter new markets, attract potential employees, and build or strengthen the reputation of the company, its brand, and its products. Given the traditions of Ukrainian charity, the issue of corporate social responsibility is now extremely relevant for any region of Ukraine.

## **2. LITERATURE REVIEW**

Even though today there are many interpretations of social responsibility, which mainly provide an opportunity to expand and (or) deepen its essence, it can be confidently stated that most interpretations are concentrated around the very first, formulated by H. Bowen, interpretation of the social responsibility of businessmen. The author noted: "This refers to the obligations of businessmen to carry out such policies, make those decisions or follow those courses of action that are desirable from the point of view of the goals and values of our society." (Bowen, 1953).

A significant contribution to the formation of the basic concept of CSR was made by the American scientist K. Davis, who for many years held the position of president of the Academy of Management. He considers a comprehensive approach to the analysis of external forces that determine the social activity of companies. K. Davis believed that the social responsibility of businessmen should be commensurate with their social power, that is, he considered the idea of social responsibility in the managerial context (Davis, 1960, p.71). K. Davis views the business entity as a joint enterprise that unites responsible citizens such as managers, investors, employees, representatives of the local community, etc., and their groups. This "joint enterprise" is responsible for meeting not only economic but also social, psychological, political, and other expectations of society (Davis, 1967, p.46-47). It is worth noting that in the mid-1960s, K. Davis formulated the so-called "iron law of responsibility": those who do not take responsibility adequate to their power will eventually lose this power (Davis, 1967, p.47).

P. Drucker emphasized the need to turn social problems into economic opportunities, that is, he focused on the idea of business responsibility (Drucker, 1984). A. Carroll had a different approach to understanding social responsibility; in particular, he considered it from different points of view. In particular, the initial model of A. Carroll covers four types of social responsibility of the organization: economic, legal, ethical, and so-called discretionary. A. Carroll associates discretionary responsibility with the sphere in which society has not yet formed clear expectations, and it is such in content that it involves the individual voluntary choice of the manager (Carroll, 1979). In the early 1990s, the model proposed by A. Carroll gets further development in his theoretical and applied developments, and it can already be presented in the form of a pyramid of four types of social responsibility: economic, legal, ethical, and philanthropic (Carroll, 1991). "Today, CSR is a global concept that has progressed from the interplay of thought and practice. CSR represents a language and a perspective that is known the world over and has become increasingly vital as stakeholders have communicated that modern businesses are expected to do more than make money and obey the law. Today, ethics and philanthropy help to round out the socially responsible expectations placed on modern organizations



striving to be sustainable in a competitive, dynamic, global marketplace. Socially responsible firms make a special effort to integrate a concern for other stakeholders in their policies, decisions and operations” (Carroll, 2015).

In the 1980s and 1990s, a central theme of corporate social responsibility was the creation and development of stakeholder theory, which describes methods by which management can give due consideration to the interests of these groups, by economists such as R. Edward Freeman (Freeman, 1984), R. Ackoff (Ackoff, 1999) i A. Mendelow (Mendelow, 1981).

The theory of interested parties is supported by M. Clarkson, who notes “The corporation is a system of primary stakeholder groups. The survival and continuing profitability of the corporation depend upon its ability to fulfill its economic and social purpose, which is to create and distribute wealth or value sufficient to ensure that each primary stakeholder group continues as part of the corporation’s stakeholder system. Failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system and its inability to continue as a going concern” (Max, B.E., Clarkson, 1995: 110). Крім того, на його думку “Wealth and value are not defined adequately only in terms of increased share price, dividends, or profits.” (Max, B.E., Clarkson, 1995: 112). That is, a business can be effective only under the condition of fairness and balance in the distribution between the main groups of interested parties. Social responsibility in this case is manifested in the measures taken by enterprises to form and expand a fair relationship between business and stakeholders, while not favoring one group at the expense of others.

Larry Fink’s, CEO of Black Rock, one of the world’s largest asset managers, expressed in a letter to shareholders that the purpose of business is to have a positive impact on society. In his opinion, responsible business should benefit society and address the negative consequences it can have on society, people and the planet. “The world is still in crisis and will be for some time. We face a great challenge ahead. The companies that embrace this challenge – that seek to build long-term value for their stakeholders – will help deliver long-term returns to shareholders and build a brighter and more prosperous future for the world.” (Fink’s, L. 2021). That is, the external vectors of the corporate culture system are decisive.

CSR has become popular in the last decades with companies of all sizes engaging in this field with different objectives. From stakeholder and shareholder relationships to consumer marketing up to the Dow Jones Sustainability Index listing, CSR is proving to be a relevant field for businesses of any sector to invest in. On top of this, previous studies indicate a positive correlation between CSR communication and business returns; in other words, the more a business invests in CSR and communicates in a proper manner the actions undertaken by the firm to different publics (i.e., stakeholders, shareholders, and consumers) the more likely there could be an impact on returns at different levels (Inversini & Derchi, 2023).

Corporate social responsibility is a form of self-regulation of business with the aim of social responsibility and positive impact on society. Some of the ways in which a company can adopt CSR include environmental friendliness and environmental awareness; promoting equality, diversity and inclusion in the workplace; respectful attitude towards employees; giving back to the community; as well as ensuring ethical business decisions (Reckmann, 2023). Passion Lilie’s founder and lead designer notes that what the public thinks of a company is critical to its success, and that by creating a positive image that a company believes in, it can build a name for itself as a socially conscious company (Advance ESG, 2021).

Not everyone believes that business should be based on the principles of social responsibility. Milton Friedman noted that “social responsibilities of business are notable for their analytical looseness and lack of rigor”. According to Friedman, due to circumstances, enterprises cannot have a sense of social responsibility, such a trait can be inherent only to a person. M. Friedman determined the maximization of shareholders’ income as the purpose of the company’s activity and argued that business does not bear social responsibility to the public or society, only to its shareholders (Friedman, 1970; Friedman, 2007). Other experts also agree with him, and from the point of view of shareholders costs for CSR, they believe that social responsibility does not correspond to the essence of business. In their opinion, profit is above all else, and investing in CSR is an inefficient allocation

of resources. Accordingly, capital and labor should be invested in the activities and development of the company that increase its value (Pagano & Volpin, 2005; Surroca & Tribó, 2008; Cronqvist, Heyman, Nilsson, Svaleryd, & Vlachos, 2009). Also, the issue of social responsibility was considered through the prism of the influence of the Washington Consensus on the development of economic relations, in particular the social responsibility of business (Kasumović, 2016), social justice of business, in the context of pay inequality (Trpeski, 2015).

More than 2,000 studies have been conducted indicating the relationship between ESG (environmental, social, governance) factors and financial performance since the 1970s (Friede, Busch, & Bassen, 2015). Most of them confirm the existence of a clear positive correlation between sustainable commercial success, financial performance and the company's efforts in the field of sustainable development (Khan, Serafeim, & Yoon., 2016). Most investors consider CSR as a sign of ethical corporate behavior that minimizes risk (Chastity, 2020). CSR can increase business profits by creating value, increasing innovation, improving customer and employee relations and expanding opportunities for growth (Im, liu, & Song 2022).

### **3. AIM OF THE RESEARCH**

The purpose of the article is to assess the current state of development of the Institute of social responsibility in Ukraine, the implementation of the policy of social responsibility and transparency of economic activity by Ukrainian businesses, the study of factors that become obstacles to the introduction of the institute of social responsibility in Ukraine.

### **4. METHODS**

The research methodology is based on a literature review, a survey, and a qualitative case study. In the process of writing, the following methods of scientific research were used: analysis and synthesis (to study and research the peculiarities and current state of development of the institute of social responsibility, the implementation of the policy of social responsibility and transparency of economic activity by Ukrainian business, the study of factors that become obstacles on the way to the introduction of the institute of social responsibility in in Ukraine, developmental-constructive (when developing proposals for the development of social responsibility), dialectical and abstract-logical (for theoretical generalization and formulation of conclusions).

The authors analyzed more than 200 domestic and international works and studies on global trends in social responsibility, from which 72 sources were selected, which were used in writing the publication. The sources that formed the basis of the publication include scientific works, studies of international organizations, conclusions and reports from global conferences, articles of leading publications and expert opinions, materials of international experts, social (non-financial) reports of Ukrainian corporations, results of Kantar Purpose 2020 research, PwC Global Consumer Insights Pulse Survey 2021, S&P 500 Index, information from Corporate Register Ltd, ESG Transparency Index 2020, rating of corporate sustainability of Ukrainian companies Sustainable Ukraine.

Research topics related to the essence of corporate responsibility, Principles of Responsible Investments - PRI, Sustainable Development Goals (SDG), the integration of Sustainable Development Goals into the company's strategy, the practice of implementing social responsibility, the rating of corporate sustainability and transparency of Ukrainian companies in the field of sustainable development.

To assess the state and readiness of Ukrainian businesses to move in the direction of social responsibility to achieve the goals of sustainable development, the Report "View of business leaders 2021" and "View of business leaders 2022" was used. It demonstrates the mood and views of Ukrainian business leaders and their readiness to accept global challenges in times of global crisis and geopolitical instability. The report's data provides a unique look at how leaders thinking is changing as a result of geopolitical challenges, including the full-scale war in Ukraine. 43 managers working in various sectors of the economy took part in the survey. The survey was conducted in Ukraine from July to October 2022. Its structure is based on 32 questions adapted from the global KPMG 2022 CEO Outlook survey.

To compare the state of social responsibility in Ukraine and the world, the KPMG CEO Outlook report was used. The 8th edition of the KPMG CEO Outlook report, based on the results of a survey of 1,325 company leaders between July 12 and August 24, 2022, provides a unique insight into thinking, strategy, and tactics CEO planning not only compared to the pre-pandemic period to today, but also compares to the results of the KPMG CEO Pulse survey of 500 CEOs, conducted between January 12 and February 9, 2022, before the full-scale Russian invasion to Ukraine. CEOs of companies whose annual revenue exceeds USD 500 million took part in the survey, and a third of the surveyed companies' annual revenue exceeded USD 10 billion. The survey covered leaders from eleven leading markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, the UK, and the US) and eleven leading industries (asset management, automotive, banking, consumer goods, and retail, energy, infrastructure, insurance, the field of medical and biological sciences, processing industry, technologies, and telecommunications).

To assess the corporate sustainability and transparency of Ukrainian companies, their social (not financial) reports were evaluated, and the corporate sustainability rating of Ukrainian companies Sustainable Ukraine, developed by Premier Business Consulting & Communications, was also used. The evaluation was carried out on the basis of a questionnaire filled out by the participants of the rating, which contains more than 100 indicators, as well as monitoring of the mass media and the study of other available public information about the companies participating in the rating.

## Results

The basis for the development of the standard of socially responsible business was the recognition of the role of sustainable organizational development at the UN Conference on Environment and Development in Rio de Janeiro (1992) and refined in the UN report "On Human Development" in 1994 into a universal concept of sustainable development (Kuzmak, Kuzmak, & Pohrishchuk, 2021). The essence of the concept of sustainable development in its modern understanding is the balance of social development in social, ecological and economic aspects. Sustainable development is a development that satisfies all areas of society without compromising the opportunities of future generations (UN, 1992).

In 2015, in New York, as part of the agenda of the summit "Transforming our World: an agenda for sustainable development until 2030", the UN General Assembly approved 17 sustainable development goals aimed at fighting poverty, protecting the planet, and improving the lives and prospects of everyone, around the world and called on states, the public sector and business to unite for their implementation (UN, 2015).

That is, at the end of the 20th century - at the beginning. XXI century Friedman's doctrine, which we discussed above, that the costs of ethically responsible behavior outweigh the benefits, began to be increasingly criticized, and the environmental and social aspects of companies activities attracted public attention. At this time, the idea of responsible investing was developed, which involves taking into account in the process of investment analysis and decision-making not only financial but also environmental, social, and managerial aspects of companies activities (ESG factors (Environmental - care for the environment; Social - social projects; Governance - ensuring transparency of management)).

Business is more than just making a profit. Climate change, economic inequality, and other global challenges affecting communities around the world have forced companies to be purposeful and contribute to the common good (Gavin, 2019). The world community substantiated the principles of social responsibility in the UN Global Compact and the International Standards SA 8000 and ISO 26000. The UN Global Compact (2000) is the world's largest initiative created to promote the principles of corporate, social, and environmental responsibility among businesses. The World Network of the UN Global Compact counts more than 22,000 signatories from 163 countries of the world.

The Ukrainian local network is part of the UN Global Compact and began its work in our country in 2006 and has 118 Ukrainian signatories (as of 2023). (UN Global Compact, 2023). The Global

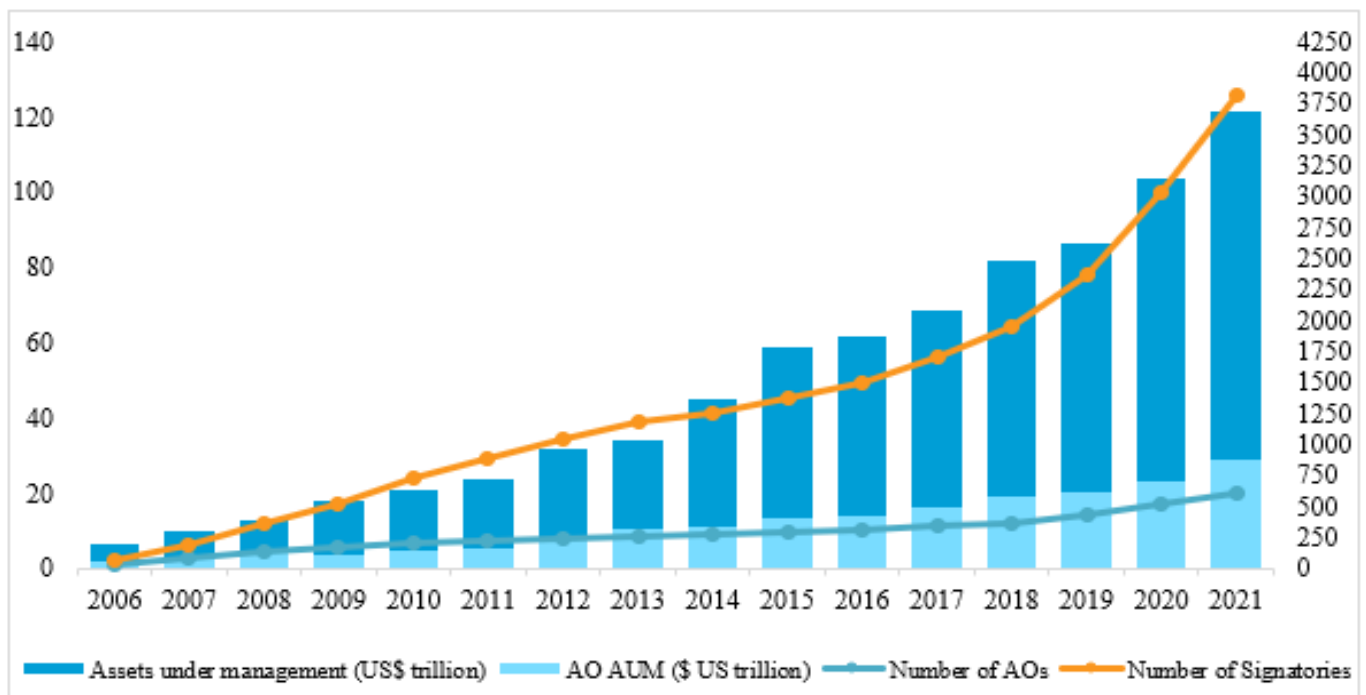
Compact establishes «Ten principles of social responsibility» in the field of human rights protection, employment, ecology, and anti-corruption.

At the beginning of 2005, the then UN Secretary-General Kofi Annan initiated the creation of a group of the world's largest institutional investors who joined the process of developing the Principles of Responsible Investments (Principles of Responsible Investments - PRI). At that time, a group of 20 investors and institutions from 12 countries was supported by a group of 70 experts from the investment industry, intergovernmental organizations, and civil society. In addition, the principles of responsible investment were developed with the support of the United Nations and were first introduced on the New York Stock Exchange in 2006. Investors from different countries of the world quickly joined these principles and by 2023 the number of organizations that signed the PRI increased from 100 to 3,826, and the total volume of assets under their management exceeded 120 trillion US dollars (Fig. 1) (PRI, 2023).

Demands from clients and other beneficiaries, who increasingly demanded more transparency about how and where their money was invested, as well as public pressure, were an important factor behind the widespread adoption of responsible investment practices. This can be explained by the growing awareness that ESG factors affect a company's value, profit, and reputation, as well as by increasing attention to the environmental and social impacts of investee companies. Today, most of the world's major banks have divisions dealing with responsible investments in their structure. Companies specializing in ESG investment consulting are actively developing.

Global statistics show that investors take into account the ESG factors of the organization they are considering as an investment target. According to the recent CFA Institute Earning Investors' Trust study 76% of institutional investors and 69% of retail investors have interest in investment design and products that incorporate environmental, social, and governance (ESG) factors, with a growing number of investors prioritizing racial diversity and justice to create a more inclusive society (CFA Institute, 2023). According to Bloomberg, global ESG assets could exceed \$53 trillion by 2025. This represents more than a third of the \$140.5 trillion in projected total assets under management (Makarenko, 2022).

Figure 1. PRI Signatory growth 2006-2021



Source: Constructed by authors on the basis (PRI, 2023)

The Kantar Purpose 2020 research demonstrated a direct relationship between positive perception and its impact on the growth of brand value. Companies perceived by the public to be highly influential have seen a 175% increase in brand value over 12 years, while businesses with low positive influence



have only seen a 70% increase (Kantar, 2020). The PwC Global Consumer Insights Pulse Survey 2021 found that 53% chose to support companies “very often or often” (PwC Global, 2021), that have strong corporate values and demonstrate a commitment to doing right. 77% of US consumers were motivated to do the same, while 74% of UK consumers also consider brand values before making a purchase, and 57% indicate that companies should be socially and environmentally responsible (Feefo, 2021). Consumers are not the only ones who are attracted to socially responsible companies, and sustainability strategy is an important factor when choosing an employment company.

Today’s society values culture, diversity, and high impact over financial gain. Approximately 44% of Millennials and 49% of Gen Zs rely on their ethics when choosing the type of work and companies they will join (Deloitte, 2021). 70% of 1,004 US adults surveyed about the corporate purpose and social justice believe they would not work for a company without a strong purpose (Porter Novelli, 2020).

Governments and international organizations support sustainable business development. In the European Union, for example, a whole architecture of sustainable development has been built: a multi-vector strategy of climate neutrality until 2050, the European Green Course, a taxonomy of «green» finance, which classifies activities that meet sustainability criteria, has been implemented, and a system of financial sustainability has been implemented. In 2019, the Management Accountability Institute (G&A) announced that 90 percent of large companies (S&P 500 Index) published sustainability and responsibility reports – compared to 86 percent in 2018, 75 percent in 2014, and just 20 percent in 2011. This push for sustainability and accountability reporting is a response to growing stakeholder expectations. For example, 73% of investors are looking for environmental and social responsibility and sustainability in business. In addition, 77% of consumers are more likely to use brands that strive to make the world a better place (G&A, 2020).

Historically, Ukraine’s path to sustainable development began at the same conference in Rio de Janeiro, when the Rio de Janeiro Declaration and Agenda for the Program of Action in the 21st Century were signed. Then Ukraine confirmed its desire to follow this path and, as a result, in 1997, the National Commission for Sustainable Development was created under the Cabinet of Ministers of Ukraine.

To understand the importance of social responsibility in business in Ukraine, there is already some progress. Ukrainian business sees in this not only social responsibility, but also a way to increase the loyalty of employees, customers, and local communities and an opportunity to attract “green” financing. Although, it is worth understanding that the implementation of sustainable business practices is not just a process that can be implemented in a month or a year. This requires a complex transformation of the business model and additional investments, sometimes quite large.

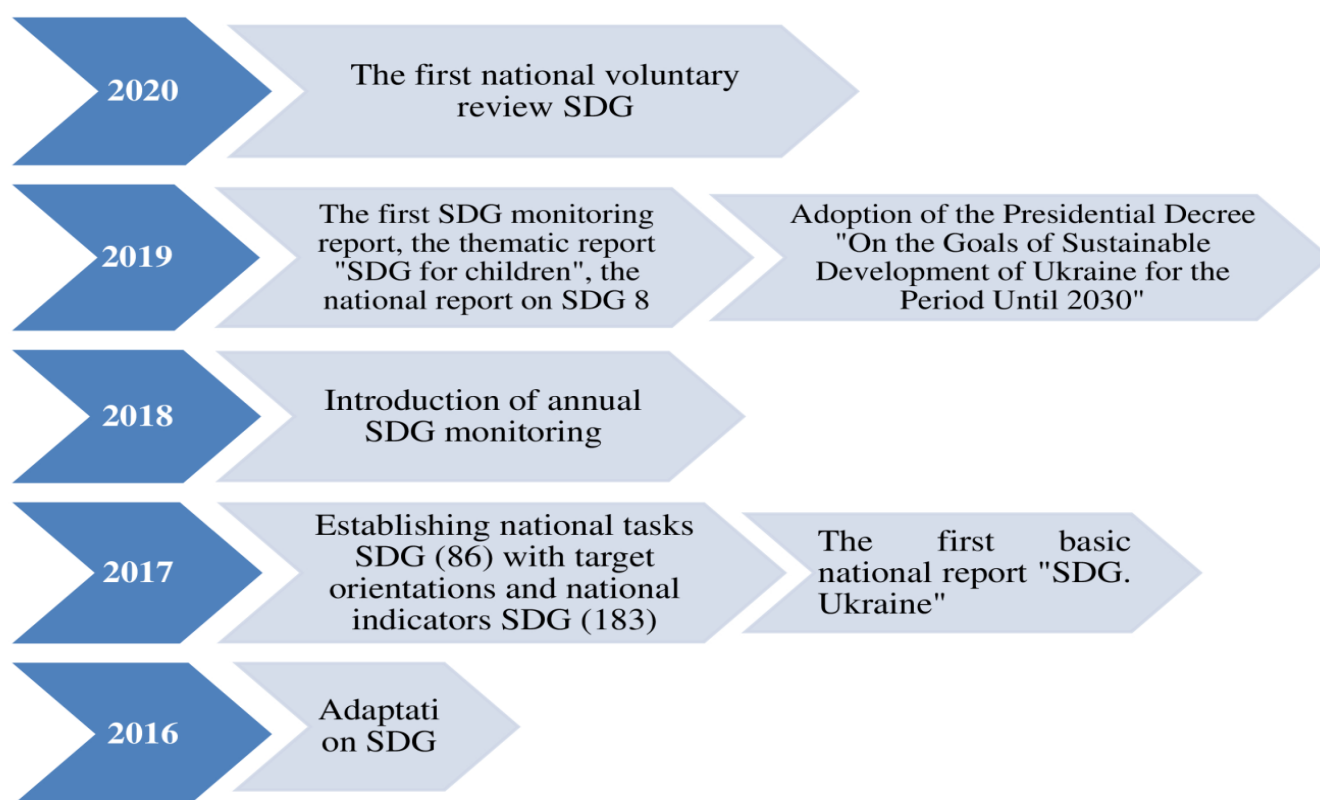
Since 2015, several reforms have been launched in Ukraine (Fig. 2), aimed at implementing socioeconomic transformations and strengthening the democratic system. The Sustainable Development Goals (SDGs) are integrated into a public policy based on “leaving no one behind”. The result of the inclusive SDG adaptation process for Ukraine, taking into account the specifics of national development, was the SDG system, which consists of 86 tasks with 183 indicators for monitoring. The government has established an Interdepartmental Working Group on SDGs to coordinate efforts to achieve the goals. So far, the responsibility of the ministries for SDG tasks has been established, the President of Ukraine has adopted a Decree that establishes the Goals as a reference point for the development of program and forecast documents, and an SDG monitoring system has been developed. In 2019, an analysis of the degree of SDG incorporation (at the level of SDG tasks) was carried out. In total, 17 goals and 86 national tasks of the SDG are incorporated into 162 regulatory and legal acts of the Government, 1,394 goals, and 4,296 measures established in these acts are aimed at the implementation of goals and tasks. But, despite a significant number of state strategic documents and a large volume of tasks and measures, not all tasks of the 17 goals are taken into account (KMU, 2017).

Regarding social responsibility, in particular, the policy of Ukraine and national business in the direction of achieving the goals of sustainable development in this context, then: in February 2010, the first meeting of the Advisory Council on the development of the National Concept for the Development of Social Responsibility of Business in Ukraine was held; the following are currently

operating in Ukraine: the Center for the Development of Corporate Social Responsibility and the Community of Socially Responsible Business; The Confederation of Employers of Ukraine has developed a project of the ISO 26,000 “Management on social responsibility” standard. At the same time, there are 118 signatories-participants of the UN Global Compact (The Global Compact) in Ukraine (UN Global Compact, 2023) – an initiative aimed at spreading responsible corporate citizenship and for commercial companies to participate in solving the problems that arise in connection with globalization. As part of the harmonization of Ukrainian legislation with European legislation, in 2019, for the first time, large Ukrainian companies had to prepare a management report for 2018; the new Code of Corporate Governance already starting in March 2020 recommends that Ukrainian companies disclose information regarding the development of ESG projects (National Securities and Stock Market Commission, 2020).

Also, in November 2021, the NBU presented a vision of the future development of the sustainable financial sector in Ukraine - the Policy of the NBU on the Development of Sustainable Financing for the Period Until 2025. The document contains a detailed description of the tasks of Ukrainian financial institutions to integrate ESG into financial services from the beginning of 2022. In particular, financial institutions will disclose information on the extent to which their activities are sustainable and report on their environmental impact, and when selecting projects for financing, they will assess their impact on the environment, sustainability of economic activity, and energy efficiency.

Figure 2. Statistics of actions related to the adaptation of sustainable development goals in Ukraine, 2016-2020



Source: Constructed by authors on the basis ([KMU, 2017](#); [KMU, 2021](#); [Office of the President of Ukraine](#))

Although, when analyzing the disclosure of information about non-financial aspects of the activity from a macroeconomic perspective, only 13% of companies in Ukraine from the 100 largest in terms of net income based on the results of 2018 prepared non-financial reports. According to Corporate Register Ltd. From 2016 to 2020, 136 non-financial reports were officially submitted in Ukraine - this is slightly more than 24 enterprises. For comparison, during the same period, in France almost 5000 reports - 800 enterprises, in Germany more than 7000 reports - 280 enterprises, in Italy almost 5 thousand reports - 700 enterprises, in Poland more than 480 reports - 500 enterprises, in the

USA 12 thousand reports - 2000 enterprises ([Corporate Register, 2020](#)). Ukrainian enterprises are moving to more conscious reporting, including state and private companies, every year the number of companies ready to form and publish non-financial reports increases, because this increases the trust of consumers, stakeholders, and investors. Companies are increasingly aligning their core business strategies and social goals with Sustainable Development Goals by adopting their own ESG (environment, social, and governance) strategies. According to the ESG Transparency Index 2020 ([CSR Ukraine, 2020](#)), an evaluation of the transparency of public information for 2020 was conducted by ESG criteria on the websites of Ukrainian companies that were among the 50 largest taxpayers and companies that voluntarily joined the evaluation.

Increasingly, companies are beginning to align their core business strategies and social goals with Sustainable Development Goals by adopting their own ESG (environment, social, and governance) strategies. In 2020, the Professional Association of Corporate Governance (PACU) and the Center for CSR Development, with the support of the Center for International Private Entrepreneurship (CIPE), conducted an assessment of Ukrainian companies based on indicators of transparency in the system of corporate governance and corporate social responsibility. On the basis of the conducted research, the ESG Transparency Index of Ukrainian companies in 2020 was presented. According to the ESG Transparency Index 2020 ([CSR Ukraine, 2020](#)), the transparency of public information for 2020 was assessed by ESG criteria on the websites of Ukrainian companies that were among the 50 largest taxpayers, and 10 companies that voluntarily joined the evaluation, and companies from among the TOP-10 Transparency Index 2019.

The index shows the level of information openness of the largest domestic companies. When evaluating companies, the results of their activities were taken into account and analyzed in such areas as corporate governance, human rights, relations with employees, the environment, relations with consumers, fair operating practices, work with communities, company reporting, site navigation, and accessibility. Five state-owned and five private companies from among the largest taxpayers of Ukraine made it to the top ten most transparent: VF Ukraine (mobile operator Vodafone), First Ukrainian International Bank, DTEK Group, Ukrgasbank, "Coca-Cola Beverages Ukraine Limited", NAEC "Energoatom", Mironivsky Hliboproduct, NEC "Ukrhydroenergo", "Ukrzaliznytsia" and JSC "Naftogaz of Ukraine".

The level of transparency of Ukrainian companies is gradually increasing. Thus, the average level of information disclosure of Ukrainian companies according to ESG indicators is 32% (23 out of 56 evaluated companies have a higher than average level of information disclosure). In particular, in social aspects (human rights, labor relations, supply chain, responsible consumption, community development, management, and company leadership), 26.4%, in environmental aspects - 36.6%, in corporate governance - 27.7%. The level of information disclosure compared to 2019 for all evaluation criteria increased by 6.5% (from 25.5% to 32%), most notably for the "Human Rights" and "Management and Company Leadership" criteria. According to the ESG Transparency Index 2020, non-financial reports for 2020 were prepared by only 16 companies out of all 50 analyzed, of which only 2 reports were integrated (JSC "Ukrainian Railways" and DTEK) and 8 reports on sustainable development (PJSC "VF Ukraine", "Nova Poshta" LLC, etc.), and all of them were guided by GRI standards.

Most often, companies disclose information on relations with communities (disclosure level - 40%), environmental protection practices (disclosure level - 36.6%), and general data about the company (mission, values, company strategy, and CSR strategy) (disclosure level - 36.6%). Compared to 2019, the share of companies that publish their CSR strategies or CSR goals has increased (from 23% to 44.4%), and information on the integration of Sustainable Development Goals into CSR strategies (from 8% to 17.8 %) (Table 1), disclose information on human rights issues (from 27% to 50%), inform about policies of work with suppliers (from 25.5% to 33%) and provide information on management leadership (from 11.6% to 21.4%).

The Environmental and Social Responsibility Policy of Ukrgasbank, which was adopted in 2018 ([Ukrgasbank, 2020](#)), also deserves attention. The policy is based on three components: "green" financing, reduction of the negative impact of the bank's activities, and assessment and monitoring

of environmental and social risks of borrowers. In October 2019, Ukrgasbank joined the UN Environmental Financial Initiative (UNEP FI - an international partnership between the UN and the financial sector, the purpose of which is to improve people's quality of life, and finance, and promote sustainable development). In the report on sustainable development, Ukrgasbank singles out the following goals in the context of the implementation of the Sustainable Development Goals: Goal 1: Reduce CO<sub>2</sub> emissions into the atmosphere by 70,000 tons in 2021, 80,000 tons in 2022, and 100,000 tons in 2023 due to the implementation of Bank-financed energy efficiency, alternative energy, and sustainable development projects; Goal 2: Reduce electricity consumption by 480 thousand kWh by 2024 (in 2021-2023) and reduce the use of paper in the Bank's work by 3.2 tons by 2024 (in 2021-2023); Goal 3: Refuse to finance the coal industry from 2021.

Table 1. The level of information disclosure under the component «General information about the company and CSR policy» in 2019-2020

Component	Maximum number of points	2019		2020	
		The average score of companies participating in the evaluation	Share of companies that posted relevant information, %	The average score of companies participating in the evaluation	Share of companies that posted relevant information, %
Mission and vision, values	2	0,7	43	1,1	65,2
Company strategy	2	0,4	30	0,6	34
CSR strategy or CSR goals	2	0,3	23	0,6	44,4
Integration of the Sustainable Development Goals into the CSR strategy/company goals (obligations)	1	0,05	8	0,18	17,8
Code of Ethics	2	0,8	46,5	1,2	59

Source: (CSR Ukraine, 2020)

Only 17.8% of companies (11 out of 56) demonstrated the integration of Sustainable Development Goals into the company's strategy. Nine companies (Ukrgazvydobuvannya, Nova Poshta, Carlsberg Ukraine, Administration of Sea Ports of Ukraine, Intellias, Kyivstar, First Ukrainian International Bank, Coca-Cola Beverages Ukraine Limited and DTEK Group) integrated the UN Sustainable Development Goals into the company's CSR strategy/goals (commitments) and posted relevant information on the website (CSR Ukraine, 2020).

Since 2017, Carlsberg Ukraine has been implementing the "GOAL 4: Together for the Future" program - the strategy of sustainable development of the global company Carlsberg Group, which includes four strategic goals: ZERO carbon footprint, ZERO water loss, ZERO irresponsible beer consumption, and ZERO accidents. The program has clear goals until 2022 and 2030. Every year in our sustainability reports, we show what has been achieved." (Carlsberg Ukraine, 2021).

The commitment of the Coca-Cola System of Companies in Ukraine focuses on the following key areas of the value chain: emissions reduction; reduction of water use; a world without waste; purchases; food; our people and communities. An example of the integration of the UN Sustainable Development Goals into the company's strategy is the ESG strategy until 2030. (Coca-Cola, 2020)

DTEK Group, which integrates 12 targets. The priorities of the strategy are: 1) to fulfill obligations on air protection and climate protection, investing in the development of renewable energy and reducing the carbon footprint of heat generation; 2) follow the principles of the circular economy, in particular, the use industrial waste; 3) protect biodiversity and promote the preservation of ecosystems; 4) follow high social standards and be a responsible "corporate citizen"; 5) to ensure safe working



conditions and a comprehensive health care system for employees; 6) follow the best practices of corporate governance, risk management, and compliance (DTEK, 2020a; & DTEK, 2020b).

The highest level of information disclosure under the components “General information about the company and CSR policy” is observed in Seaports Administration of Ukraine (9 out of 9 possible points), Carlsberg Ukraine (9 out of 9 points), Coca-Cola Beverages Ukraine Limited (8 out of 9 points) and DTEK Group (8 out of 9 points) (CSR Ukraine, 2020).

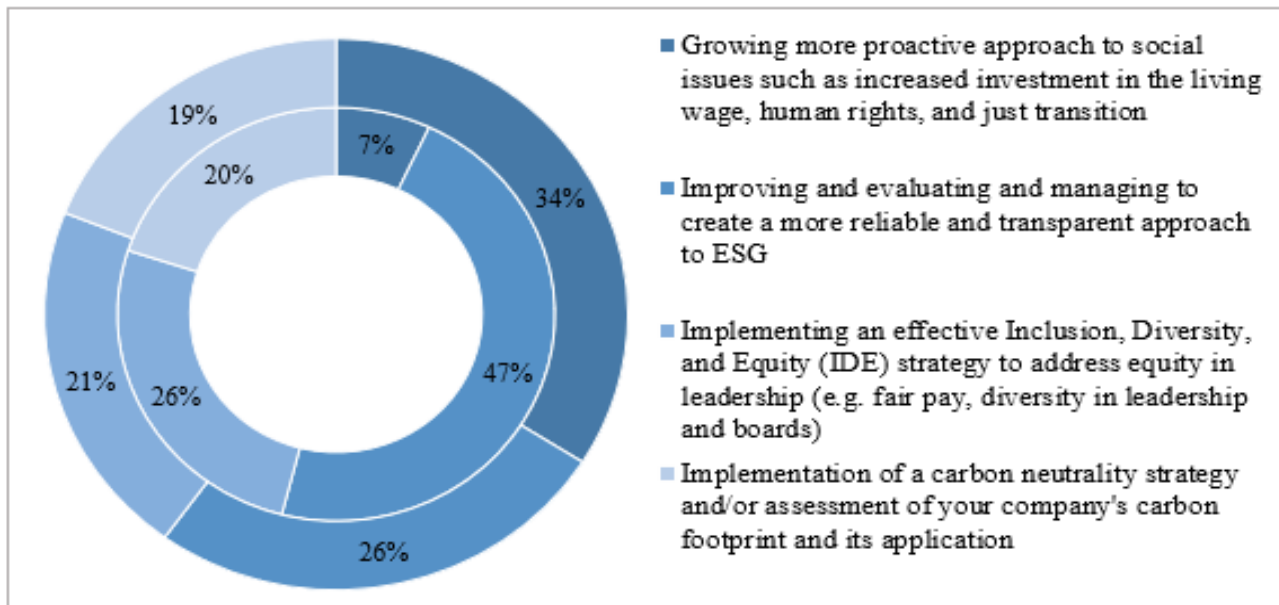
The practices of implementing the principles of social responsibility of the company Mironivsky Hliboproduct deserve attention, especially in the conditions of the current times. Thus, in the first month of the war, established production and stability of production processes made it possible to provide food products as charitable aid to citizens in more than 11 regions of Ukraine. In particular, 12.8 thousand tons of charitable products produced by Mironivsky Hliboproduct for the amount of about UAH 700 million were handed over. The company also dealt with security issues. In particular, the company's efforts were directed at the relocation of employees and their families, helping to find shelter for those citizens who lost their homes. The Mironivsky Hliboproduct Company and the “MHP-Gromadi” Charitable Foundation provided food to more than 300,000 displaced people and baby food to more than 10,000 children. On the eve of the beginning of the educational period, shelters were arranged in almost 70 educational institutions in 13 regions of Ukraine. У 2022 р. The “MHP-Gromadi” charity fund organized the “Do it yourself” business ideas competition, within which 62 projects were supported for a total amount of UAH 6 million, among the winners of the competition more than 20 were residents of Vinnytsia. The “MHP-Gromadi” Charitable Foundation provided UAH 20 million to support the healthcare sector within the framework of the global initiative of the President of Ukraine United24. Back in 2020, Mironivsky Hliboproduct was included in the list of companies that, according to the rating of the magazine “The Power of Money”, implemented the 25 best programs of corporate social responsibility (News of Vinnytsia, 2022).

The influence of business on the development of the national economy and society, in particular, is extremely important. These are CO<sub>2</sub> emissions, the transition to renewable energy sources, and the improvement of education, health, and poverty alleviation. The fact that Ukraine has declared an ambitious goal to increase the share of energy from renewable sources to 17.1% by 2030 is important. Without the intervention of business and its financing of expensive objects, it is impossible to achieve the set goal. For this, today, modern companies are building the latest filters capable of capturing dust and gases, using renewable energy sources, and ensuring the principles of a circular economy.

Thus, Prydniprovsk TPP launched the latest electric filter capable of reducing dust emissions by 20 times and approaching European standards. “Carlsberg Ukraine” company built and launched a biogas plant, which is the answer to the company's stated ambitious goal of “Zero carbon footprint”. Making progress in achieving this goal in 2017, the company reduced its total carbon consumption by 5.35% compared to 2016 and saved a total of 2% of electricity. For comparison, this amount of electricity would be enough to provide the annual needs of 250 two-room apartments in the sleeping area of Kyiv. The newest filter also works at the Ukrplastik factory in Kyiv, demonstrating the possibilities of a zero-waste business for several years. Ukrainian companies are trying to teach children about conscious consumption. For example, DTEK has developed a program and platform for energy efficiency, in which more than 1,000 schools participate. Children compete for better energy efficiency results in their schools, and at home, they teach parents, and grandparents to save energy (Global Compact, 2019).

We would like to note that in Ukraine, compliance with ESG principles remains relevant even during the crisis, but 28% of Ukrainian business leaders say that currently, other economic issues force them to shift the focus of attention from the ESG topic. In addition, 47% of Ukrainian business leaders (26% - in the world) believe that improving assessment and management for a more reliable and transparent approach to ESG are key factors in accelerating the ESG strategy. In the world, 34% and in Ukraine only 7% of business leaders consider it appropriate to apply a more active approach to social issues, such as a living wage or human rights, and to increase their funding (Fig. 3) (KPMG, 2021; KPMG, 2022a; KPMG, 2022b).

Figure 3. Key Factors for Accelerating the ESG Strategy, 2022



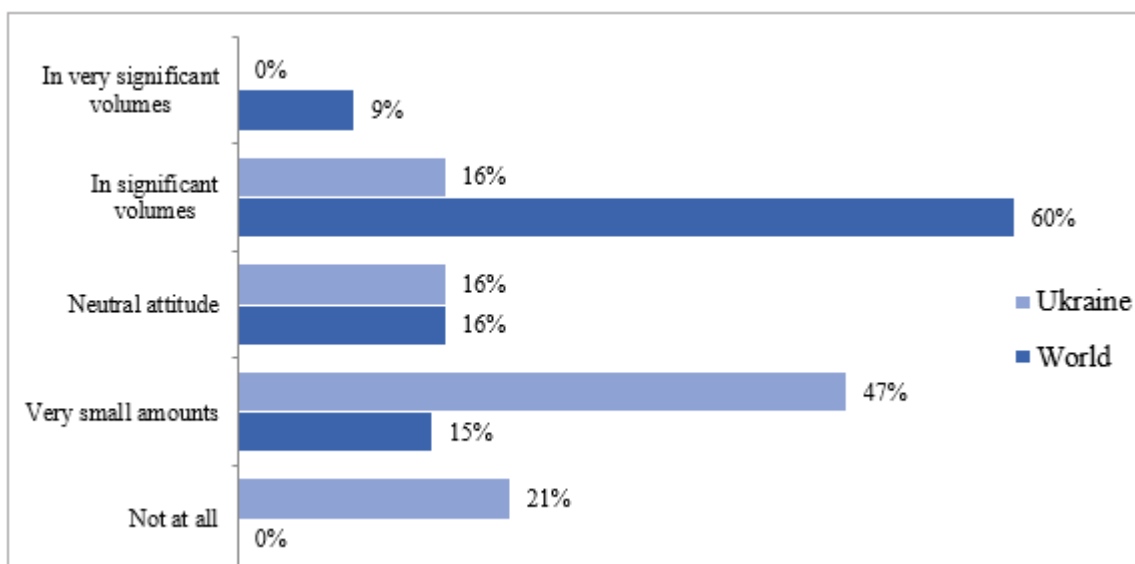
Source: Constructed by authors on the basis (KPMG, 2021; KPMG, 2022a; KPMG, 2022b)

Also, 47% of Ukrainian business leaders, when asked about the growing demands of interested parties, for example, investors, regulators, and customers, to provide more detailed and transparent reporting on ESG issues, note that they have noticed such a trend in very small volumes or it is absent at all (21%) (Fig. 4).

This year's indicators are significantly different from the results of the 2021 study. In 2021, almost half of the executives in Ukraine (47%) spoke of a significant demand from investors, regulators, and customers for increased reporting and transparency on ESG (environmental, social, and corporate governance) issues. Globally, 69% of business leaders report a significant increase in stakeholder demand for reporting and transparency on ESG issues (compared to 58% in August 2021) (KPMG, 2021; KPMG, 2022a; KPMG, 2022b).

However, in Ukraine, the degree of importance of the social issue increased after the start of the full-scale war in Ukraine. Ukrainian business leaders increasingly understand that companies that implement ESG principles are best able to ensure the availability of appropriate personnel, strengthen the employer's value proposition for employees, and attract loyal customers and capital.

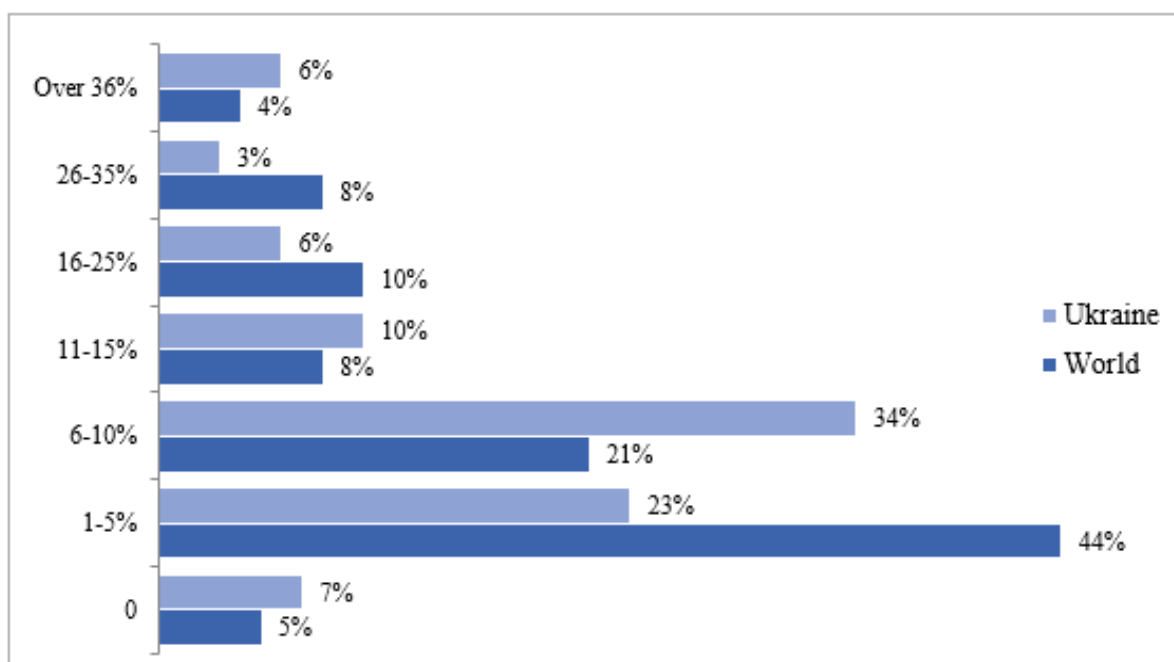
Figure 4. Investor interest in ESG reporting, 2022



Source: Constructed by authors on the basis (KPMG, 2022b)

To make progress in addressing sustainability issues, including climate change and decarbonizing the economy, CEOs plan to invest heavily in sustainability, with 24% of Ukrainian and 30% of CEOs globally planning to invest more than 10% of their income in the sustainable development of their companies (Fig. 5).

Figure 5. The percentage of income that company managers plan to invest in sustainable development programs, 2021



Source: Constructed by authors on the basis (KPMG, 2021)

We would like to note that, unfortunately, in Ukraine, individual companies participate in international ESG systems, ratings, and indices. These are mostly companies that want to attract international investments and whose shares, for example, are listed on international exchanges or have Eurobonds. However, to create an effective and efficient tool for the annual assessment of the sustainable development of Ukrainian companies based on leading international practices, in 2019 in Ukraine, Premier Business Consulting & Communications developed the first professional rating of corporate sustainability of Ukrainian companies, Sustainable Ukraine. Based on the rating, in particular, the quality of corporate governance in the field of sustainable development is analyzed; corporate sustainability; transparency of activity and its social accountability; the ability to identify and manage one's non-financial risks and opportunities; level of positive/negative impact on Ukrainian society and ecology (Sustainable Ukraine, 2019a).

The Sustainable Ukraine rating provides a scale from AAA to D. It covers three assessment clusters: 1) the corporate sustainability rating of companies, which provides for their assessment of compliance with leading international management standards in the field of sustainable development, corporate social responsibility and reporting; 2) transparency rating of companies in the field of sustainable development, which is formed based on an analysis of the completeness of disclosure of indicators; 3) the vector of sustainable development of the Ukrainian business environment and the country, which is calculated as an integral indicator of changes in quantitative indicators of companies that have passed the rating.

An important feature of this rating is that, along with environmental, social, and management, it also includes an analysis of the financial and economic sphere of the companies' activities. Companies that are among the 250 largest taxpayers of Ukraine participated in the rating for 2019 (Sustainable Ukraine, 2019b). According to the results of the analysis, the results of the rating of corporate sustainability and transparency of companies in the field of sustainable development can be seen, the highest level of corporate sustainability "AAA" was awarded to Energoatom. The companies Ukrhydroenergo, Kernel, and Coca-Cola Ukraine achieved a very

high level of corporate sustainability “AA”. High level of corporate sustainability “A” - at Carlsberg Ukraine, Metinvest Group, DTEK, and Ukrenergo (Table 2).

Table 2. Rating of corporate sustainability of Ukrainian business, 2019.

Rating	Rating scale range, %	Name of the company (enterprise)
AAA	AAA≥673	Energoatom
AA	673>AA≥598	Ukrhydroenergo, Kernel, Coca-Cola Ukraine
A	598>A≥523	Carlsberg Ukraine, Metinvest Group, DTEK, Ukrenergo
BBB	523>BBB≥448	Ukrzaliznytsia
BB	448>BB≥373	Mironivsky Hliboproduct
CCC	298>CCC≥223	Naftogaz of Ukraine, Oschadbank
CC	223>CC≥148	PrivatBank, Kyivstar, OKKO, ArcelorMittal Kryvyi Rih, Nibulon, JTI Ukraine
C	148>C≥73	METRO, Ukrnafta, Philip Morris Ukraine, Nikopol Ferroalloy Plant, Nova Poshta, Ferrexpo Poltava Mining
D	73>D	ADM Trading, Naftotrade Resource, Ukraine International Airlines, Status-Trade, Optima-Farm LTD, Suntrade, Dneprovskiy Metallurgical Plant, Silpo-Food, BADM, ATB-Market, TEDIS Ukraine, Epicenter K, BNK-Ukraine, Eridon

Source: built by the authors based on ([Sustainable Ukraine, 2019b](#))

As for the level of transparency of companies, the analysis of the rating indicates that the first place is occupied by almost the same companies with a certain redistribution. In particular, the highest level of transparency “AAA” was assigned to Energoatom, Ukrhydroenergo. The companies Ukrzaliznytsia, Coca-Cola Ukraine, DTEK and Kernel, Metinvest Group achieved a very high level of “AA” transparency. High level of transparency “A” - at Carlsberg Ukraine and Ukrenergo (Table 3).

It is important that the rating present the widest possible regional geography of companies and at the same time a wide industry spectrum. Mobile communication companies, beverage companies, and banking institutions remain unchanged in the rating structure. Ukrzaliznytsia, Nova Poshta, computer and home appliance stores, such as Eldorado, and large construction hypermarkets - Epicenter, became new participants in this type of rating. Most of the new participants joined due to the desire to take part in the fight against the consequences of the Covid-19 pandemic and help Ukrainian hospitals. Based on the analysis of the Sustainable Ukraine rating methodology, in our opinion, it is worth agreeing with its developers that it can become one of the factors in stimulating positive changes in the business environment, providing new opportunities and means of encouraging sustainable development, responsible business practices of domestic enterprises.

Even though the policy of forming the principles of social responsibility and their integration into the strategy of the activities of modern corporations is gaining significant relevance, nevertheless, world and Ukrainian practice indicate that some many obstacles and factors stand in the way of their observance and implementation. The problems and obstacles of social responsibility of business should include its limited promotion and practical application, in particular: employers violate international norms of human and labor rights; non-compliance with social-legal and labor rights; low wages; salary arrears; little investment in occupational health and safety, employee health and professional development ([Stern, 2022](#)). In addition, there is a lack of a sufficient number of interested and competent managers, because the policy of social responsibility of business must be implemented at the level of strategic management in the activities of marketing, production, and sales departments, as well as in the understanding of the strategy and the readiness to implement it in the workplace. In addition, there are such problems as low product quality, non-fulfillment of technical production requirements, environmental pollution, and unfair competition. In addition, lack of financial resources, inconsistency of criteria for assessing corporate social responsibility; low level of corporate culture; legal nihilism; and lobbying interests ([Kurland, Baucus & Steckler, 2022](#)).



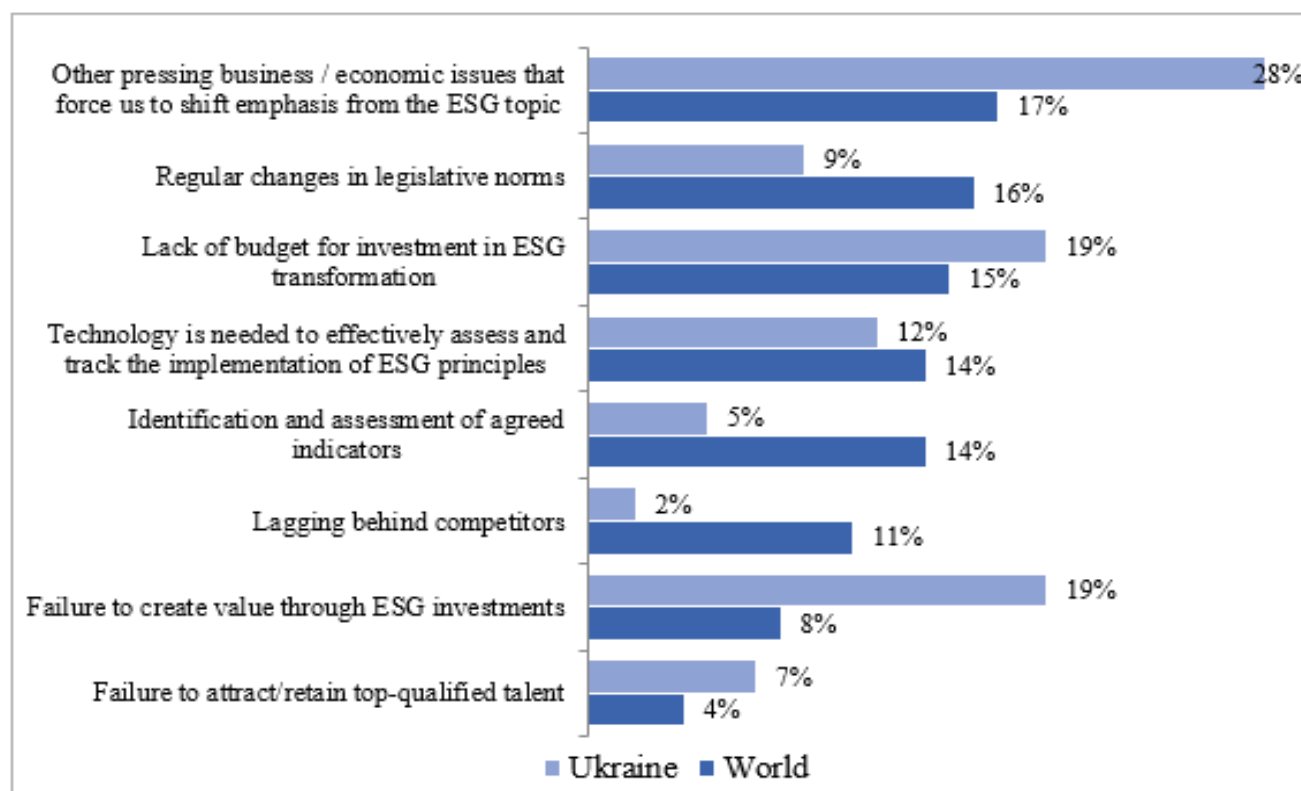
Table 3. Transparency rating of the company in the field of sustainable development, 2019.

Rating	Rating scale range, %	Name of the company (enterprise)
AAA	AAA $\geq$ 95,4	Energoatom, Ukrhydroenergo
AA	95,4>AA $\geq$ 84,8	Ukrzaliznytsia, Coca-Cola Ukraine, DTEK, Kernel, Metinvest Group
A	84,8>A $\geq$ 74,2	Carlsberg Ukraine, Ukrenergo
BBB	74,2>BBB $\geq$ 63,6	Mironivsky Hliboproduct
B	53,0>B $\geq$ 42,4	Naftogaz of Ukraine, Oschadbank, PrivatBank, OKKO, Ukrnafta, Philip Morris Ukraine
CCC	42,4>CCC $\geq$ 31,8	METRO, Kyivstar, Nikopol Ferroalloy Plant, ArcelorMittal Kryvyi Rih, Nibulon, JTI Ukraine
CC	31,8>CC $\geq$ 21,2	Nova Poshta, Ukraine International Airlines, Ferrexpo Poltava Mining
C	21,2>C $\geq$ 10,6	TEDIS Ukraine, ATB-Market, Dneprovskiy Metallurgical Plant
D	10,6>D	Silpo-Food, Eridon, Optima-Farm LTD, ADM Trading, Status-Trade, Epicenter K, Suntrade, BNK-Ukraine, Naftotrade Resource, BADM

Source: built by the authors based on ([Sustainable Ukraine, 2019b](#))

The way to implement the ESG strategy for companies is complex and not always clear for both representatives of Ukrainian and global companies. The biggest challenges for both Ukrainian and global leaders when implementing ESG strategies are other pressing global economic issues. Against the background of a long-term crisis after the pandemic and during a full-scale war in Ukraine, 19% of Ukrainian leaders note the lack of budget for investment in ESG transformation. Another 19% recognized that the failure to create value through ESG investments is an obstacle to successfully implementing an ESG strategy. For global leaders, regular changes in legislation (16%) and lack of technology to assess and track the implementation of ESG principles (14%) remain significant factors holding back progress in the field of ESG (Fig. 6).

Figure 6. The biggest challenges for Ukrainian and global businesses during the implementation of the ESG strategy



Source: Constructed by authors on the basis ([KPMG, 2021](#))

That is, we can highlight the factors that restrain the development of social responsibility of business in Ukraine: an imperfect regulatory and legal framework; does not have an independent public examination of socio-cultural projects and programs; imperfect tax legislation; there are legal restrictions on the scope and methods of providing potential assistance to those who need it; does not have a regional law on charitable activities, a large number of appeals against the background of limited charitable resources; lack of a socially responsible business system; lack of a system for informing the public about social and charity projects, about investors of social programs and a system for evaluating the results of the implementation of social programs by business entities; insufficient cultural level of organizational management; reluctance of some company managers to adhere to the principles of social responsibility and participate in the formation of a positive image of the company.

## **5. DISCUSSION**

Scientific Research on the formation of the Institute of Corporate Social Responsibility in Urain, as well as the principles of forming the mission and strategy of the economic activity of modern Ukrainian business, give reasons to claim that it is incorrect to equate the number of signatories of the UN Global Compact with the state of social responsibility of business in Ukraine. The presence of companies among the signatories of the Global Compact can have a purely declarative nature, which has been discussed at the international level for a long time. A much better indicator can be considered the presence of information on business social responsibility (CSR) on company pages (also a declarative indicator) and professionally prepared reports on social responsibility (with specific quantitative and qualitative indicators), which, unfortunately, are still too few in Ukraine. Today, the key question should be - how and what needs to be done so that in Ukraine, issues of social responsibility of business are included in the strategy of activities and development, and are not only declarative but are implemented.

## **6. CONCLUSIONS**

In the process of research, the concept of social responsibility of business was developed, which confirms that in modern realities, social responsibility contributes not only to improving the image of the enterprise but also ensures its economic growth and competitive advantage in the long term. Active implementation of corporate social responsibility of business by Ukrainian companies can contribute to the creation of new markets in Ukraine and beyond, contribute to solving social and environmental problems, and improve the access of companies with Ukrainian capital to international ones. In addition, these are huge advantages to which we must strive to develop and implement Ukrainian standards of the social responsibility management system. The social orientation of the business will be most effective if the social responsibility of the business is included in the company's management strategy.

The assessment of the establishment and formation of the institution of corporate social responsibility in Ukraine indicates that despite difficult crisis times, Ukrainian business improves their indicators in the context of corporate social responsibility and transforms business through the prism of ESG (especially export-oriented companies). Examples of social entrepreneurship are already working in Ukraine, although at the current stage, the state support for such enterprises is not sufficient, it is also possible to note the low level of consciousness and awareness of managers on the issue of social entrepreneurship.

In recent years, a trend has been observed in Ukraine when large companies prepare non-financial annual reports according to GRI STANDARDS and/or by the requirements of the UN Global Compact. In general, reporting on ESG as a phenomenon in Ukraine is still being formed.

Companies that have taken a course to achieve the goals of sustainable development understand what needs to be done and what efforts need to be made for it. Companies that are still thinking about the path to CSR and sustainable development need to make maximum efforts and take the following steps: discuss the vision of sustainable development with the participation of management and find their concept in the context of the Sustainable Development Goals; rebuild the organizational structure and processes – given the maturity, scope, and strategy of the sustainable development agenda

– that ensure continuous progress, and appoint a person to take care of this; measure results and communicate in a non-financial report; conduct an honest and transparent dialogue with its stakeholders, including youth, regulators, and investors. Of course, it is not easy, and many companies will start talking about the lack of funds. However, the main thing is not money, but the desires and values of the people who lead the business or are its owners. That is why the understanding and acceptance of social responsibility by Ukrainian companies, through the promotion and development of sustainable development education, should become a priority task in Ukrainian society.

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