Impact of Non-financial Information on Digitalization of Business on the Sustainable Development of Russian Companies

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Abstract: The article reveals the role of non-financial data for sustainable development purposes. In the era of the digital economy, along with traditional non-financial information, which includes data on financial, production, intellectual and human resources capacity, as well as environmental and social policies, we consider it necessary to disclose information on the digitalization of the company, which will contribute to increasing confidence in the company's activities on the part of interested users. This area is particularly relevant for companies in the post-transition economy, as Russian business is currently in particular need to improve Russian business's investment attractiveness to maintain its sustainable development.

1 INTRODUCTION

In today's global economy, non-financial and social information about a company is a critical business reporting component. The development of the ideas of sustainable development of companies and the need to follow corporate social responsibility principles has led to the fact that standard financial reporting is no longer sufficient. Most global and domestic companies already pay great attention to non-financial information about themselves and publish annual non-financial statements.

The purpose of public non-financial reporting is to provide organizations with meaningful, accurate, as well as timely, reliable, and objective information about their environmental, economic, social, and governance performance to meet the information needs and requests of stakeholders.

Given that most non-financial reporting companies are digitizing their business, we consider it appropriate to disclose non-financial information describing the level of digitalization of the company and the degree of reliability of its digital environment.

2 MATERIALS AND METHODS

With the digitalization of the economy, data from various types of accounting, such as financial, tax, management, social, environmental, as well as promising methods and technologies, such as Big Data, machine learning, artificial intelligence, etc., are used to disclose non-financial information.

This will expand the range of non-financial indicators of investment attractiveness with additional diagnostic or predictive value, particularly evaluation indicators as peculiar indicators of investment attractiveness.

In the course of the study, general scientific methods were used, including analysis of the practice of reflecting non-financial information on companies' digitalization in the energy industry. The application of these methods made it possible to achieve the set objectives and to obtain the following results.

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3 RESULTS

Russian companies need investment to cope with the COVID-19 pandemic successfully. In this regard, we believe that to improve investment attractiveness in the pursuit of sustainable development, Russian companies need to disclose non-financial information about the digitalization of their activities in the context of the following aspects:

- Company's IT strategy: defines areas of digitalization of processes and implementation of information technology projects;
- IT strategy implementation areas: for each area it is necessary to define the implementation timeframe, budgets and internal business customers;
- Types of digital technologies used in the company's operations: discloses information on digital technologies used to optimize and automate business processes and reduce costs;
- Cybersecurity: demonstrates information on measures and actions aimed at maintaining information security (maintaining data integrity, availability, confidentiality), identification of cyber threats (malware, social engineering, phishing, ransomware).

Regardless of the size of the company, the implementation of digitalization processes in Russian companies will help:

- optimization and automation of business processes;
- operational management and execution of various business tasks;
- reducing costs and labor costs;
- stable development of the company;
- improving the investment attractiveness of the business and the inflow of investments.

4 DISCUSSION OF THE RESULTS

Sustainable development is becoming a macro-trend in modern society. In an effort to improve their investment attractiveness, companies try to demonstrate their competitive advantages, stable performance, and concern for society through non-financial information. Non-financial information means any data obtained from sources other than the organization's financial statements or accounting systems and disclosed in non-financial reports. The use of non-financial reports in the global practice is associated with the development of the concept of corporate responsibility or sustainable development. Emerging and evolving as a PR tool, or communication system, non-financial reporting in the 21st century has increasingly been used as a means of stakeholder feedback aimed at improving investment attractiveness.

According to the Sustainable Development Concept, sustainable development indicators include:

1) "indicators of social aspects (poverty reduction; dynamics of demographic processes and sustainability of development; development of education, literacy, training programs; protection and improvement of human health; ensuring sustainable development of places of mass habitation);

2) economic dimension indicators (international cooperation to enhance sustainable development and related domestic policies; changing consumption patterns; financial resources and mechanisms for their rational use; transfer of environmentally friendly technologies, cooperation, and capacity development);

3) environmental indicators (protection of water quality and drinking water supply; protection of oceans, all types of seas and coastal areas; an integrated approach to land use planning and management; management of fragile ecosystems: deserts and arid zones, mountain areas; ensuring sustainable agricultural and rural development; air protection; solid waste management and sewage issues, toxic chemicals, hazardous waste; radioactive waste processing and neutralization; combating desertification and degradation of coastal lands; and water pollution;

4) indicators of institutional aspects (integration of environmental interests and development principles into decision-making; science and sustainable development; international legislative instruments and mechanisms; provision and exchange of information for strategic decision-making; strengthening of key population groups)".

The above information is reflected in sustainability reporting in terms of the three aspects presented in Table 1.

Table 1: Elements of corporate reporting in accordance with the GRI "Global Reporting Initiative" G4 standard.

Elements of corporate reporting					
Economic dimension	**Environmental aspect**	Social aspect			
		Labour practices and decent work	*Human rights*	*Society*	*Product responsibility*
Economic performance	Materials	Employment	Investments	Local communities	Consumer health and safety
Market presence	Energy	Employee-management relations	Non-discrimination	Anti-corruption efforts	Product and service labeling
Indirect economic impacts	Water	Health and safety in the workplace	Freedom of association and collective bargaining	Government policy	Marketing communications
Procurement practices	Biodiversity	Training and education	Child labour	Barrier to competition	Consumer privacy
	Emissions	Diversity and equal opportunity	Forced or compulsory labour	Compliance	Compliance
	Discharges and waste	Equal remuneration for women and men	Security practices	Assessing the impact of suppliers on society	
	Products and services	Assessment of supplier labour practices	Rights of indigenous and minority peoples	Community Impact Grievance Mechanisms	
	Compliance	Grievance mechanisms for labour practices	Evaluation		
	Transport		Assessment of suppliers' compliance with human rights		
	General information		Human rights complaint mechanisms		
	Environmental assessment of suppliers				
	Environmental grievance mechanisms				

As shown in Table 1, in sustainability reporting, the main block of information falls on the social aspect, which details human rights, decent work organization, legitimacy of labor relations, etc.

Sustainability reporting is internationally widespread and trusted, but despite this, the volume of other types of reports is increasing every year. In practice, non-financial reports such as risk reports, marketing policy reports, intellectual potential reports are generated. Integrated reporting, which is governed by the International Integrated Reporting Standard published in 2010, is currently the most popular. This type of reporting expands the information base provided to interested users - it contains information on six types of company capital: financial, production, social and reputation, human, intellectual and natural. According to the definition proposed by the International Integrated Reporting Council, integrated reporting refers to "a new model of corporate reporting based on the concept of integrated thinking, involving the interlinking of financial and management reporting, corporate governance and remuneration reports, and sustainability reports". Integrated reporting aims to provide information that enables interested users to assess an organization's ability to create value over

time. Integrated reporting is designed to support a more sustainable business environment and better decision-making by financial capital providers. "Integrated reporting is characterized by an overall focus on conciseness, strategic focus and future prospects, the interconnectedness of information, capitals, business model, ability to create value over the short, medium and long term, and financial capital providers as the primary target audience". In general, integrated reporting is designed to provide the user with relevant information that is material to form a conclusion about the advisability of expanding a corporate business or investing in it.

Thus, non-financial reports, regardless of the concept of its preparation, traditionally disclose information on the resource potential of the company in the context of the following directions:

- financial capacity;
- productive capacity;
- intellectual capacity;
- human capacity;
- environmental policy;
- social policy.

The presented volume of non-financial information reflected in non-financial reports is informative and demanded by interested users. However, the current crisis caused by the coronavirus pandemic has served to drive the demand for information that characterizes a company's level of digitalization. The point is that the COVID-19 pandemic can be seen as a kind of test for the resilience of exactly those systems, tools, and mechanisms that were relevant to the "pre-coronavirus" world and could trigger something new. Observations during the COVID-19 pandemic show that those businesses that were able to promptly move to remote work by applying modern information and communication technologies, especially in their advanced technical standard - digitalization - were able to advance and strengthen the logistical capabilities of post-industrial economy development.

Digitalization processes were in demand even before the COVID-19 pandemic, and attempts to introduce them into Russian practice were made not only by the business community, but also by the government. The introduction of digital technologies in the economy and social sphere became one of the state's national development goals back in 2018. To implement it, Decree No. 204 of the President of the Russian Federation of May 7, 2018, "On National Goals and Strategic Development Objectives of the Russian Federation for the period until 2024", the following tasks were defined:

- increase in domestic spending on the development of the digital economy from all sources (by share in the gross domestic product);
- creation of a sustainable and secure information and telecommunication infrastructure for high-speed transmission, processing and storage of large volumes of data, accessible to all organizations and households;
- use of predominantly domestic software by state and local authorities.

Representatives of big business have begun to actively implement digital technologies in their companies' operations. Thus, in their 2018 integrated reports, energy companies disclosed digitalization of the business. For example, Atomenergomash JSC started using digital technologies in industrial production aimed at improving production efficiency, developing remote servicing of manufactured equipment, and carried out work on creating digital products based on information systems for supporting production processes, managing delivery times, equipment quality control, personnel optimization and equipment monitoring, technical documentation management and several others. In the practical activities of JSC Atomenergomash "a universal bar-coding system is used, which allows automating the process of entering information by users and minimizing the influence of the human factor on the correctness of the entered data. It is also possible to fix in the information system the list of documents required to form the technological passport concerning the operation for pipeline valves. A mechanism has been developed for the timely submission of scanned copies of technological passport documents. Control over the completeness of the entered documents is set up. The process of full-fledged electronic approval of technological documentation at all stages - from development to approval by the customer's representatives was implemented".

In the State Research Centre Scientific Research Institute of Atomic Reactors, to improve the efficiency of the internal control and audit department, an IT system was implemented, into which information on the results of control activities and audits conducted in the reporting period was entered, based on which final reports were generated.

Enel Russi PJSC started using Big Data, applying Agile approaches, which allowed responding faster to the changes taking place. Unipro PJSC started using Process Mining Technology, which made it possible to identify and analyze actual business processes by

extracting knowledge from event logs available in modern information systems.

IDGC of Centre began to use the following types of digital technologies in its operations:

- Business Ontology (Ontological models of activity): gradual digitalization (optimization) of activities by core business processes of the Company contributes to the reduction of the cost of all business processes of the Company;
- Digital Shadows: as part of the development of online and offline decision support systems the creation of mathematical models of networks, objects, processes, etc. Contributes to reducing operating costs and developing new business for the company;
- IoT (Industrial Internet of Things): significant CAPEX and OPEX reductions for collecting data from remote objects and devices on the network, including a qualitative increase in this data volume. Reducing operating costs and developing new business for the Company;
- Big Data: significant increase in transparency of operations, qualitative saturation of online and offline decision support systems with data. Optimality of decision-making in the operational and prospective environment. Additional effects through common processing of technological and corporate data;
- Machine Learning: automated processing of data sets within online and offline decision support systems with appropriate mathematical algorithms. Optimality of operational and forward-looking decision-making;
- Blockchain (Distributed registers): elimination of intermediaries in the chain of electricity sales to the end consumer, transition to automated smart contracts, service development for active consumers and distributed energy. Development of new types of services (business) of network companies for market subjects.

Based on the above, we can conclude that large Russian companies began to disclose data on the digitalization of their operations in integrated reporting even before the COVID-19 pandemic and, accordingly, had a practice of working with them, which cannot be said about medium and small businesses, which felt the difficulties and challenges of doing business particularly acutely during the pandemic. They had to quickly and in an extremely short period of time master and implement digital technology into their operations to keep their business running.

It can be said that it was the COVID-19 pandemic that gave a powerful impetus to the digitalization of small and medium-sized businesses and the rapid adoption of digital technology in everyday life. This has had a particular impact on the transformation of the relationship between sellers and buyers, which has become exclusively remote during the pandemic. The digital transformation of market relations is facilitating trade facilitation through digitalization as well as the active use of e-commerce. During the pandemic, new forms of market demand emerged: the subscription model, the sharing economy, and personalization. Thus, on the supply side of the market, the Internet has enabled sellers to offer a fairly wide range of goods and services at lower prices, while increasing the space and time for which a product is considered viable. Modern information and communication technologies make it possible to work out common managerial decisions, to transmit meaningful visual information, which is necessary, for example, in issues of operative managerial decisions without direct contact. Almost everywhere where there is no need for contact communication with different customers, or buyers to carry out direct and feedback, digital technologies are used to produce a product or service and thereby continue to operate businesses in the harsh environment of the COVID-19 pandemic.

Based on the above, we can state that in the post-virus economy, companies began to return to the usual real interaction, but the public trust in digital technology has remained and even increased. This is why companies need to disclose digital data alongside traditional non-financial information, which acts as a competitive advantage to improve their investment attractiveness in pursuit of sustainability.

5 CONCLUSIONS

In order to assess investment attractiveness, companies need to generate structured information that targets potential investors and can influence the investment decision. In a post-virtual economy, in our view, information about a company's digitalization is key when making investment decisions. By showcasing company digitalization information to interested users in terms of the proposed areas, companies will be able to disclose data not only about the digital technologies available, the areas of automation and digitalization of the company, but also about how to manage and preserve them. As digitalization promotes automation and the formation of information bases containing confidential

information, to achieve maximum effect in improving investment attractiveness, we recommend that companies take decisive measures to enhance the company's information security by keeping its confidential information containing competitive advantages. If confidential information is leaked, the company may suffer irreparable damage, which can lead to losses and sometimes bankruptcy, and, consequently, to investors' losses. Therefore, by disclosing information to interested users about a company's digitalization and how to ensure its cybersecurity, companies inspire users with greater confidence in information about the company's business continuity and continue the path and direction of sustainable development.

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