

NON-FINANCIAL REPORTING IN A FUNCTION OF GROWING SOCIAL AND ENVIRONMENTAL RESPONSIBILITY - A CHALLENGE FOR ACCOUNTING AND AUDITING

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ABSTRACT

Corporate sustainability and successful long-term business are contributed by the orientation towards achieving economic and financial performance, taking into account social and environmental aspects. On the part of society, there has been a tightening of environmental requirements. The management of a modern company, through achieved economic and environmental performances, indicates that these two interests do not have to be in conflict. Rational use and adequate management of resources reduces operating costs and future liabilities, increases the company's image through increased social responsibility towards the environment. In the process of business decision-making, the importance of environmental accounting and environmental auditing is pointed out, which is based on the measurement of environmental costs and benefits. Environmental accounting represents a very important source of information in the process of managing environmental protection.

Modern non-financial reporting has the informational power to incorporate information provided by environmental accounting, and provides added value with financial information, in order to make adequate business decisions in the function of reconciling two goals - making a profit and protecting the environment.

The aim of the paper is reflected in the theoretical presentation of non-financial reporting with an emphasis on social and environmental responsibility, and on the review of non-financial information contained in the annual reports of certain companies in the Republic of Serbia whose shares are listed on the Belgrade Stock Exchange. The practical part of the paper refers to the presentation of the methodology and the quality of the non-financial information provided in the reviewed annual reports.

Keywords: *environmental accounting, non-financial reporting, annual reports, environmental audit, environmental protection*

JEL classification: *Q56, M41, M42*

1. INTRODUCTION

The survival of companies on the competitive global market is increasingly difficult due to the financial and energy crisis, the present elements of the economic recession, as well as the increasingly prominent environmental problems in the modern business world. In such conditions, the management of the company becomes more and more complex. This is because the increasing environmental demands pressure the company to adapt its management process to the requirements of the environment. Companies are therefore increasingly introducing the practice of environmental protection management, i.e. introduce the practice of corporate regulation.

Management very often, in an effort to maximize profits, overlooks the very important fact that natural resources are not unlimited and cannot be used indefinitely. The ecological aspect, if it is neglected, leads to an increase in the risk between natural resources and their availability and their consumption. Insufficient commitment to the environmental problem itself and ignoring them cannot ensure the business perspective of the company.

A very important challenge for companies is the inclusion of environmental requirements in the process of both strategic and operational management. In the process of making business and financial decisions, companies must also take into account environmental requirements. They should pay attention to developing adequate concepts that offer a methodological framework, instruments and measures for the successful operation of the concept of sustainable development, as well as increasing responsibility. In every strategy, the basic element for achieving the goal of sustainable development is actually awakening the responsibility of the company.

Although non-financial reporting began to develop in the early 1970s, it experienced expansion only after the adoption of the European Union (EU) Directive (2014/95/EU). The Republic of Serbia undertook the obligation to harmonize with European Union law with the signing of the Stabilization and Association Agreement. There are quite a number of standards that contain principles and recommendations related to reporting. Some principles are universally prescribed in standards and codes of corporate governance, and therefore accepted in practice.

In the process of managing environmental protection, environmental accounting (which deals with identifying, collecting, evaluating, allocating and analyzing environmental costs, related to energy and material flows) and environmental auditing (which should check the compliance of the company's operations with environmental standards and regulations, as well as to assess the effectiveness of environmental protection management) play a very important role.

In addition to financial information and indicators, there is a need to publicly present non-financial information in order to gain an idea of business operations and the impact that a company has on the environment and society. Non-financial information includes information on environmental protection, social and management aspects of business. Mandatory sustainability reporting in the Republic of Serbia applies to reports for 2021. The obligation to publish non-financial information applies to companies of public interest that are classified as large legal entities and that have an average of over 500 employees on the balance sheet date. By introducing the aforementioned obligation, the national legal accounting regulation is harmonized with the requirements of the European Union Directive 2014/95/EU through the publication of non-financial information and information on the diversity of certain large companies.

Compiling a non-financial report and publishing qualitative and quantitative information on generated waste, recycling, air emission measurements and moving beyond the framework of limit values is relevant for those companies whose technologies and production processes have negative consequences for the environment. The obligation to prepare a non-financial report is a novelty for the majority of companies that become obligees for non-financial reporting. One of the most commonly used methodologies for creating reports is promoted by the Global Reporting Initiative as an independent international organization that helps companies take responsibility for the impact of business activities on the environment and society.

The paper deals with the issues of non-financial reporting, social responsibility, and environmental accounting and auditing through the following chapters: a brief review of the literature, the importance of environmental management, the normative base of non-financial reporting with reference to reporting on environmental issues, environmental accounting and auditing in the function of environmental protection and finally, the chapter with the research part deals with an example of information on non-financial information and environmental protection in the annual reports of selected companies in the Republic of Serbia.

The goal of the practical research in this paper is to present a realistic picture of the quality of non-financial reporting in terms of volume and quality of information in companies with a total of over 500 employees, mostly. The first year with a legal obligation was 2021, and the reporting year 2022 was taken into consideration in order to review the most current data. Since it was the most challenging for companies to present non-financial information for the first time, i.e. in 2021 (although many companies previously presented non-financial information, even though it was not a legal obligation), a higher quality was expected for 2022, but unfortunately some companies have only fulfilled the formal minimum, or did not adequately pay attention to non-financial information.

2. BRIEF LITERATURE REVIEW

There is a growing understanding that environmental policy should be incorporated into the company's business policy (Gallhofer and Haslam, 1997). The concept of ecological innovation becomes the overview of public debate in the nineties and represents a global approach to ensure the sustainable development of companies (Park *et al.*, 2017). "The issue of environmental protection, i.e. the impact of companies on the environment, is becoming one of the dominant factors of possible business risk in all areas of human activity due to the constant deterioration of the general state of the environment and the strengthening of responsibility for environmental damage" (Janjić and Jovanović, 2015).

Environmental accounting is developed as a result of the need for systematic monitoring of the impact of changes in the ecological environment on economic, social and political circumstances. (Zhom *et al.*, 2016). Environmental requirements are becoming a significant factor that entities must take into account in the process of making business and financial decisions (Radukić and Stevanović, 2011). The introduction of environmental accounting at entities affects the better connection of the business entity's environmental strategy, which has positive long-term consequences for environmental protection (Jovanović and Ljubisavljević, 2017).

The redefinition of the concept of accounting as a technical, social and moral practice that deals with the sustainable use of resources and appropriate accountability to stakeholders, in order to enable the flourishing of organizations, people, and nature has led to an increasing and increasing importance of environmental accounting in recent years. (Carnegie *et al.*, 2021).

The intention is to highlight the importance of applying the principles of sustainable development in the construction and maintenance of environmental protection, in achieving environmental protection and resource management, to exchange experiences and achieve communication between different professions and to promote a comprehensive approach to environmental protection in all phases of socially responsible business (Mizdraković *et al.*, 2016). In terms of non-financial disclosures, EU requirements for large entities are mostly dictated by how they operate and their environmental and social engagement (Vićentijević, 2021).

Although the legal obligation of non-financial reporting begins to apply to reports for 2021, some companies in the Republic of Serbia have recognized a long time ago the importance of the concept of sustainable development and included not only economic, but also social, cultural and environmental aspects in the decision-making and reporting process (Marinković, 2021).

3. THE IMPORTANCE OF ENVIRONMENTAL MANAGEMENT

The impact of companies on the environment is becoming more and more crucial, which means that, first of all, a clear strategy should be set, and not just formal compliance with environmental laws, but compose a good environmental policy (Rondinelli and Vastag, 2000). One of the significant business risk factors in all areas of business is related to environmental issues. This is because we are witnessing the continuous deterioration of the environment and therefore, should come to the fore increased responsibility for the so-called environmental damage. Management should focus more on preventing pollution, which can be quantified ie. measure. (Shen, 1995).

The task of environmental management is to predict, determine and analyze all possible social, economic and environmental impacts that the company itself can cause and in that way endanger business, and therefore the environment. The duty of environmental management is to coordinate and integrate a multitude of disciplines in every company.

Performing activities in accordance with social, economic, legal, ecological, ethical and cultural requirements creates cost-effective systems. In this way, it provides a competitive advantage, protection from court proceedings, and very importantly, it provides savings.

Managers should ensure environmentally responsible companies by directing and monitoring projects, programs and encouraging environmental actions in an appropriate direction. Company management should consider all environmental impacts before making a decision to adopt and implement an environmental policy (Janjić and Jovanović, 2015).

Integrating environmental management into the company's management activities, i.e. the inclusion of environmental policy in business policy, requires the inclusion of a number of multifunctional activities: capital budgeting and cost budgeting, measuring financial and non-financial performance, budget control and product costing. Multidisciplinary teams have a clear allocation of tasks and functions at the institutional and operational level (Yakhou and Dorweiler, 2004).

Reducing the negative impact of companies on the environment and increasing environmental performance is actually the goal of integrating environmental management into the company's management activities. By integrating, environmental interests are included in everyday decisions within every management activity of the company. Successful management of a company in changing business conditions requires environmental management to choose an original way of working, behavior and proactive thinking.

Company management has a very important role in the implementation and realization of proactive environmental strategies, because it needs to think globally and act locally, to adopt long-term perspectives, that is, concepts and tools at the level on which environmental management is based. Environmental management tools and concepts are subject to change and continuous evolution of knowledge. Environmental management requires a multidisciplinary and interdisciplinary approach.

Management of environmental protection is based on: sustainable development, eco-efficiency and cleaner production:

1) The starting point of the concept of sustainable development is to integrate environmental protection into the process of making development and general social decisions. Assortments of products that are essential and harmless to the environment, whose production is characterized by low consumption of resources and the smallest amount of waste materials should contain a production program that is in line with sustainable development.

2) In professional literature, the concept of eco-efficiency was introduced at the end of the eighties of the twentieth century (Schaltegger and Burritt, 2000). Efficiency is achieved by delivering products and services at competitive prices that satisfy human needs and contribute to the quality of life, while gradually reducing environmental impacts, as well as the intensity of resource use during the life cycle to a level that is consistent with the estimated carrying capacity of the earth (Schaltegger and Burritt, 2000).

Corporate eco-efficiency represents a revolutionary step forward and an opportunity to build a new sustainable development in relation to the operations of corporations, especially multinational ones, which were completely ecologically and socially insensitive and irresponsible. By including eco-efficiency in the company's strategic planning, management establishes a direct link between the goals, protection, environment of the company and its profitability (Sinkin *et al.*, 2008).

3) The concept of cleaner production is defined by the United Nations Environment Program (UNEP). Cleaner production represents the application of a comprehensive preventive environmental protection strategy to production processes, products and services with the aim of increasing overall efficiency and reducing risks to human health and the environment. Cleaner production is directed towards the operational side of business, i.e. production. In contrast to this concept, eco-efficiency focuses on the strategic aspect of the company's operations. It is noticeable that the aforementioned concepts are complementary for the successful management of environmental protection and benefit the company with the use of numerous tools.

4. NORMATIVE BASE OF NON-FINANCIAL REPORTING WITH REFERENCE TO REPORTING ON ENVIRONMENTAL ISSUES

The need to publicly display non-financial information, in addition to financial information and indicators, with the aim of completing information about business operations and the impact that a company has on the environment and society, has conditioned the progressive growth of the importance of environmental protection. Information on environmental protection, social, societal and management aspects of business is incorporated into non-financial information.

Research is being conducted that is focused on non-financial reporting as a form of communication between companies and stakeholders, as well as an analysis of the relationship between the degree of disclosure of environmental information and the financial

performance of companies, due to the great interest of the professional, academic and general public in environmental issues (Stevanović *et al.*, 2019).

In the Republic of Serbia, mandatory sustainability reporting applies to reports for 2021. Companies of public interest that are classified as large legal entities and that have an average of over 500 employees on the balance sheet date, have an obligation to publish non-financial information (Official Gazette of RS No. 73/2019). Also, the national legal accounting regulation was harmonized with the requirements of the European Union Directive, 2014/95/EU (European Union, 2014). Obligees of non-financial reporting provide objective and unbiased information on policies, risks and results of activities related to social and personnel issues, respect for human rights, environmental protection and the fight against corruption and bribery in the non-financial report, either in the form of an independent document or as part of annual report on operations. (European Union, 2014).

For those companies whose technologies and production processes have negative consequences for the environment, it is relevant to draw up a non-financial report and publish qualitative and quantitative information about waste, recycling, air emission measurements and movements within or outside defined limit values (Marinković, 2021).

The novelty for most companies that become obligees for non-financial reporting is the obligation to prepare a non-financial report. Dilemmas can be related to the form of the report and the details that need to be published, as well as the methodology to be applied in the process of creating the report. One of the most commonly used methodologies is promoted by the Global Reporting Initiative (GRI), which as an independent international organization helps companies to take responsibility for the impact of business activities on the environment and society.

The GRI methodology is internationally recognized. It includes the calculation and display of specific measurable indicators, and they relate to economic performance, labor and human rights, responsibility for the product, for the environment. Companies that have opted for the GRI methodology when creating a non-financial report adhere to the Guidelines in the GRI Standards (GRI, 2022). The feature of the GRI standard is comprehensiveness in the preparation of sustainability reports, and they represent one of the best ways to show the impact of a company's business activities on the environment (Berber *et al.*, 2018).

An important instrument for informing interest groups about activities and risks related to pollution and environmental protection have reports (whether they comply with GRI standards or not), such as an environmental protection report, a report on sustainable business or a sustainable development, the report on corporate responsibility. They are a very important instrument for informing companies about activities and risks, and are related to environmental protection and pollution (Stevanović, 2018).

In the group of the most represented frameworks for the preparation of non-financial reports, in addition to the GRI standards, there are the SASB standards, the Committee for Standards on Sustainability in Accounting and the International Framework for Integrated Reporting. Sustainability Accounting Standard Board SASB created and adopted 77 sector standards. Companies from different industries follow the guidelines from the standards related to their field of business. The International Integrated Reporting Framework (IIRF) (Damnjanović, 2021) contains the concepts and principles that are relevant for the preparation and disclosure of an integrated report.

The ISO 14001 Environmental Management System standard represents a systemic approach to managing environmental protection, monitoring the implications of pollution, and identifying the production and business activities of certain companies on the environment.

In modern conditions, the main challenge for companies is to develop their accounting as an information system with the aspiration that it displays information about environmental protection, i.e. ecology and information on social responsibility in both the micro (local) and macro (global) environment.

5. ENVIRONMENTAL ACCOUNTING AND AUDITING IN THE FUNCTION OF ENVIRONMENTAL PROTECTION

Adequate management of natural resources is a necessity in modern conditions, because there is an escalation of environmental problems and uncontrolled exploitation of natural resources. With the increase in the level of awareness of the importance of sustainable development on the part of company management, investments are made in environmental protection. Management of natural resources in a new way, i.e. new approaches require adequate planning, monitoring, recording as well as reporting on investments and project effects by environmental management.

In modern conditions, the main challenge for companies is to develop their accounting as an information system with the aspiration that it displays information about environmental protection, i.e. ecology and information on social responsibility in both the micro (local) and macro (global) environment.

The interest in information about the pollution of natural resources and the working environment itself, their depletion, sets new tasks before accounting and financial reporting itself. Traditional accounting is expected to adapt to the modern, i.e. to the new business philosophy of a modern company, thinking about the importance of the environment and sustainable development. There is a need to develop specific methodological bases in order to determine the costs of environmental protection. This means that traditional accounting should be modified, as already mentioned, and adapted to the business philosophy of a modern company, by incorporating an ecological aspect in addition to an economic one. Developing a specific methodological base is necessary in order to determine the costs of environmental protection, and measure them on the investments made and the benefits obtained.

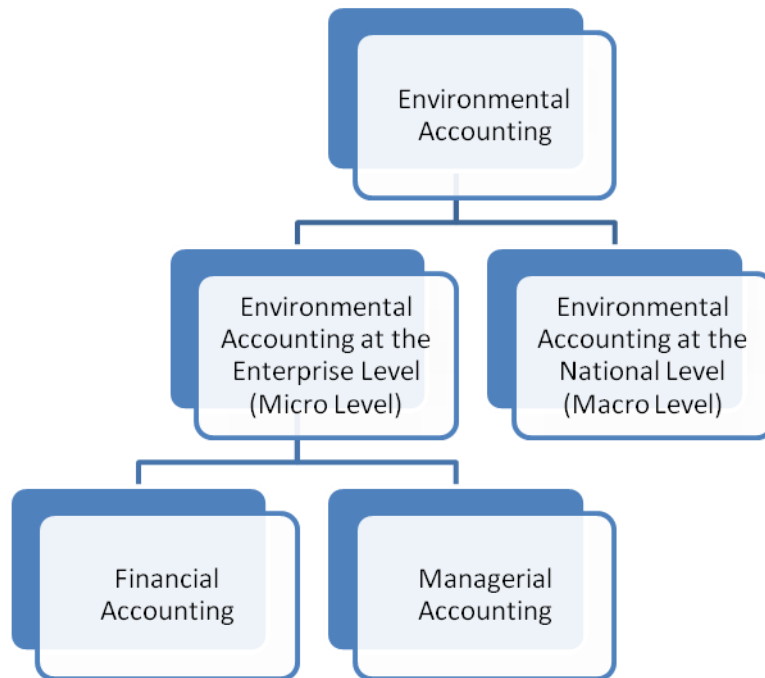
The discipline that records the flows and values that result from the interaction between economic and ecological systems is actually environmental accounting. It is based on the principles of continuous wealth growth for future generations and on the principle of sustainability. Environmental accounting arose as a result of the need to constantly monitor the impact of changes in the ecological environment on economic, political and social circumstances (Zhou *et al.*, 2016). Natural resources include land, minerals, forests, water and oceans. The ecological system includes three systems: the land surface system, the water system and the atmospheric system.

Environmental accounting (or Green accounting) represents a segment of modern accounting, it implies a special way of collecting, systematizing, recording and reporting on investments made to preserve natural resources and the environment itself. Environmental accounting should provide an adequate information base as a basis for the analysis of costs and realized benefits, as well as an overview of future economic activities with an economic calculation.

Back in 1995, the Environmental Protection Agency, the so-called EPA (United States Environmental Protection Agency) published a document (USEPA, 1995) in which the basics of accounting are given with a focus on the environmental aspect of the company's business activities. It is considered to be an important management instrument with the aim of controlling investment costs, investing in clean technologies, achieving environmental performance and developing green production processes and performance. Environmental

accounting can be organized at the national level, or at the company level. The result of increased responsibility towards the environment, not only from the perspective of the company but also of society as a whole, is carried out when there is a need to assess investments and environmental performance at the national, regional and company level. The aforementioned indicates the preservation of natural resources and the importance of sustainable development for current and future generations.

Figure 1: The structural elements of environmental accounting



(Source: USEPA, 1995)

Disclosure of information on the movement and use of renewable and non-renewable natural resources at the country level is actually a macro-level accounting task. Users show an interest in global reporting for the most efficient management of the environment and national resources, which indicates an external orientation of the approach. The responsibility of environmental accounting at the microeconomic level is to report on the impact of business processes and company activities.

The development of financial and management accounting as structural segments of environmental accounting at the company (business system) level is conditioned by the increased demands of external and internal interest groups related to environmental projects, in terms of the cost-benefit ratio.

Society increasingly expects from companies to take responsibility for a wider range of sustainability. It means the social and environmental aspect, which will affect the financial performance, ie. the result and the ability of the company to create value over time. An important indicator that companies should take into account in the process of making business and financial decisions are actually environmental requirements.

The adoption of proactive corporate strategies based on sustainable development by companies has a great impact on the development and implementation of environmental accounting. In 2006, PricewaterhouseCoopers conducted a study on large international corporations. The research showed that 79% of general managers believe that from of vital

importance to sustainability, while 71% are willing to sacrifice short-term profitability for long-term shareholder gains (Aurelia-Aurora and Sorina-Geanina, 2012). Environmental accounting refers to the assessment and public reporting of financial, material, environmental costs, as well as public reporting on environmental responsibilities.

Financial accounting enables businesses to prepare financial statements from which information would be used by investors, creditors, customers and others. The basic purpose of management accounting is to provide data for making business decisions by management. The necessity of auditing non-financial statements is crucial, in order to assure stakeholders that the information of this type is correct.

In the initial phase, the environmental audit was legally focused on technical issues, and objectivity ie. legal compliance. Over time, the environmental audit changed and developed, and accordingly the auditor's role changed, and the crucial goal was shifted to management control.

As environmental accounting can provide useful information should separate internal from external environmental auditing (Letmathe and Doost, 2000). An extended hand to the management with the basic task of fulfilling the requirements of the company's management in the realization of the goals defined by the environmental protection and improvement policy is represented by the ecological internal audit. In modern conditions, a large number of companies have begun to educate, train and use internal financial auditors to perform environmental audits of companies as an extension of the annual regular operational audit. It ensures timely compliance with eco standards, policies, measures, regulations and stimulates management to incorporate an eco perspective in all processes and activities of the company and its environment.

Table 1: Advantages and disadvantages of internal and external environmental auditing

Internal environmental audit	External environmental audit
Advantages	Advantages
Increases the image and reputation of the company in the environment	Increases the image and reputation of the company in the environment
Contributes to more efficient execution of internal work processes and cost savings	Increases the credibility of information in published reports
Contributes to the reduction of insurance premiums for possible damages	Reduces the risk of non-compliance with eco regulations
Improves the operation of EMS	Reduces the risk of disputes due to wrong information about the environment
Contributes to better management results	Accelerates the making of business decisions by investors
It ensures a higher level of satisfaction and eco-communication with customers	It encourages the development of an internal environmental audit
Disadvantages	Disadvantages
High requirements for personnel and other resources	Published information in eco reports can lead to a negative reaction from the environment
Conflicting situations during the audit of individual business segments	High costs of the implementation and reporting process
Retroactive action of previously undetected negative impacts on the environment	Inconsistency of performance and reporting procedures

(Source: Porter et al., 2014.)

If there is cooperation between company management and environmental accounting, on the one hand, and internal and external environmental audits, on the other hand, it is possible to reduce and overcome the mentioned shortcomings of internal and external environmental audits. Improving environmental protection is a teamwork of environmental auditors, accountants and company management that can greatly contribute to improving environmental protection. In the process of managing environmental protection, company management should adhere to the concept of sustainable development, cleaner production and eco-efficiency, because in this way numerous advantages are achieved, such as reducing costs, reducing environmental risks, complying with regulations and improving public image. It is necessary to examine changes in environmental business, determine critical information, and take care of compliance with regulatory regulations.

6. AN OVERVIEW OF INFORMATION ON ENVIRONMENTAL PROTECTION AND OTHER IMPORTANT NON-FINANCIAL ISSUES IN THE ANNUAL REPORTS OF SELECTED COMPANIES IN THE REPUBLIC OF SERBIA

The research part of the work is an analysis of the annual reports of certain large companies operating in the Republic of Serbia, whose shares are listed on the Belgrade Stock Exchange, and which generally have more than 500 employees. Since the legal regulations in the Republic of Serbia require that from 2021 non-financial information be presented according to the current Accounting Law from 2019, 2022 was taken into consideration, as the year with the most recent information. The first reporting year is always an adjustment process, although some companies provided non-financial information in earlier annual reports. In this paper 14 companies whose shares are listed on the Belgrade Stock Exchange and whose annual reports for 2022 were available on the Internet were considered.

NIS - Petroleum Industry of Serbia - The annual report of the Petroleum Industry of Serbia NIS is presented on 445 pages, and non-financial reporting is included on about 200 pages. In the sample taken, this is by far the highest quality annual report, and it also devotes the most attention and space to non-financial information.

A section on environmental protection, in addition to human resources, safety and health at work, and industrial safety is presented. In addition, social responsibility, as well as the fight against corruption and fraud, which is legally required as part of non-financial reports, is shown. Among other things, the green transition was presented as a new step towards green energy. The environmental protection strategy until 2030 was given, revised in 2022. It is also stated that environmental protection is one of the company's management priorities.

The company works on permanent improvement of the ecological elements of activities and processes. It invests in creating environmental awareness among employees. The company's goal is that the focus of investment projects should be direct or indirect impact on the environment. In 2022, 314.6 million dinars (about 2.7 million EUR) were invested for the implementation of ecological projects, and the plan is to continue this investment trend in order to reduce the negative impact on the environment (protection of air, water, soil and management waste).

The focus is also on energy efficiency (reducing consumption and losses of energy resources: electricity, steam, gas), and on renewable energy sources, CO₂ utilization. With these environmental actions, the level of compliance with state legislation has been raised to a higher level, and thus the management of the company's environmental system, and it is commendable that a positive trend in the field of environmental protection can be seen.

Nikola Tesla Airport - In the annual report of Nikola Tesla Airport for the year 2022, which is shown on 195 pages, minor information about investments aimed at environmental protection is presented, without specific elements.

Philip Morris Operations Niš – The annual report of Philip Morris Operations a.d. Niš is presented on 166 pages, and it is commendable that the company has published a separate non-financial report for the year 2022 on 40 pages. The same policy was for the previous year, which was the first with added requirements on mandatory non-financial reporting. The concept of sustainable business, research and development, and innovation for the development of better products is presented. The focus is also on respect for human rights (health, safety and well-being of employees, recognition and retention of talents, training and development, respect for diversity and inclusion, employee benefits, collection of employee feedback, projects focused on caring for the local community, etc.), and preventing corruption. As part of the chapter on environmental protection, climate change, water management, decarbonization of operations, waste management and prevention of improper disposal of products after use are discussed.

Putevi Užice - The company Putevi Užice presented its annual report for 2022 on 134 pages. Non-financial information regarding research and development, as well as information on investments aimed at environmental protection, are presented very sparingly. The corporate governance code, a description of the company's expected development, and changes in the company's business policies based on non-financial information are briefly presented.

Impol Seval aluminum rolling mill Sevojno - The annual report of Impol Seval aluminum rolling mill for 2022 is presented on 209 pages. It is stated that the basic motives for the development of the progress plan (as early as 20 years ago) included ecological protection of the environment and humanization of work. In the section on human resources affairs, they mention, among other things, the personnel structure, the improvement of the Rulebook on the organization and systematization of jobs, the development and implementation of the Personnel Education Plan, taking into account the labor legal status of employees with health disorders, the development of the policy of attracting personnel, and the publication of an information sheet and newsletter (6 and 12 issues per year, respectively).

It is emphasized that safety and health at work should be taken care of, to innovate and follow Act on risk assessment in the workplace and the working environment, the Instructions for safe and healthy work, and training and supervision for their implementation and application. Testing of the working environment and periodic inspection of work equipment is carried out. Control and targeted medical examinations for employees are organized.

The non-financial report is presented as part of the annual business report, while reports on corporate management, personnel, and very briefly actions in the area of research and development are presented separately. The business model of the company is also presented in the non-financial report. Emphasis is placed on the commitment to create good working conditions for employees, as well as care for the safety and health of employees, encouraging motivation and commitment to work and establishing a fair relationship with co-workers. Socially responsible cooperation with the local community and contribution to a better quality of life are mentioned.

One chapter is dedicated to the environment, which includes the basic principles of environmental protection, and obligations regarding the prevention of pollution. The main guidelines are the environmental protection policy, quality system documents and adopted planning documents. The emphasis is on following legal regulations and undertaking measures and activities aimed at reducing emissions of waste gases into the air, preventing

water pollution, controlled use of hazardous materials, and improving energy efficiency. The program of dealing with the environment with new goals and risks is stated. In the category of key indicators of success, they emphasize taking into account the emission of substances into the air and water, the emission of carbon dioxide, the consumption of technological water, hazardous waste, energy efficiency, biodiversity, fire protection, etc.

The part about caring for employees includes personnel and social issues and respect for human rights. As part of the presentation of the age and gender structure of employees, the gender structure from the point of view of management and executive positions is also presented. Employee turnover, qualification and educational structure, the number of employees with disabilities and health problems, and the number of incidents and accidents at work are analyzed. The presentation of employee training and professional training is also included.

As part of non-financial information, attention is paid to belonging to the company, socially responsible cooperation with the local community, and the fight against corruption. The personnel structure is presented in detail, as well as the average gross salary by job category.

Transport company Lasta Belgrade - The company's annual report for 2022 includes 171 pages. In terms of non-financial information, the number of employees by professional qualification is shown. Briefly presented information on investments related to environmental protection (examination of pollutant emissions into the air from emitters of boiler houses, examination of the quality of discharged waste water, and delivery of hazardous and non-hazardous waste).

The investment plan aimed at protecting the environment for the year 2023 was presented. The presented plan, in addition to the actions mentioned in the previous paragraph, also incorporates the delivery of hazardous waste, procurement of various absorbers and filters, and the amount of additional investments. The management report briefly presents the diversity policy in the company's management bodies (emphasized presence of both sexes, and differences in the level of education and types of qualifications).

GOŠA FOM Smederevska Palanka - The company presented its annual report for 2022 on 114 pages. The business report contains a segment on quality management, investment in environmental protection and employee safety. The report points out that the introduction of an integrated management system is expected to contribute to the company's work improvement in order to improve the quality of products, a higher level of care for the health and safety of employees, and environmental protection.

It is emphasized that the company has certificates and applies standards. Indirect costs related to environmental protection are listed: fees for managing special waste streams, fees for the protection and improvement of the environment according to the decisions of the local tax administration, for the transport of discarded computer equipment to the recycling center, costs for air quality testing that are releases into the atmosphere, costs of storage and destruction of hazardous waste.

Podunavlje Bačka Palanka - This company presented its annual report for the year 2022 on 109 pages. A business report with an integrated corporate governance report and a non-financial report are presented. The company's expected development, changes in business policies, and the company's exposure to the main risks and threats are briefly presented. The non-financial report includes the company's vision, mission and strategy, environmental protection activities, social and personnel issues, respect for human rights, but all the mentioned elements are presented very modestly.

TRAYAL corporation Kruševac - Annual report for 2022 includes 163 pages. The tabulated qualification structure of employees and information on investments in environmental protection are part of the notes to the financial statements. The annual report includes research and development activities.

It is stated that during the reporting year, the company invested 16.5 million dinars (about EUR 140,000) in energy efficiency, for protection against major chemical accidents, protection against ionizing radiation, prevention of pollution during the production process in the area of waste management, compliance and acquisition processes approvals from the Ministry of Environmental Protection for environmental impact assessment studies, sampling - analysis of hazardous substances (waste), waste disposal services, industrial wastewater testing services, use of the city's wastewater treatment plant, wastewater treatment plant efficiency testing services, air emissions measurement services and employee education on environmental protection.

In the non-financial report, care for employees (jubilee awards, preventive systematic medical examinations, mitigation of uneven gender representation), activities related to care for environmental protection and improvement of cooperation with the local community are highlighted. The established and certified Integrated Management System (IMS), compliance with legal regulations and application of ISO standards were emphasized.

The company emphasizes that it pays attention to the control and measures to reduce: air, soil and water pollution, waste and prevention measures, use of dangerous chemicals, danger to animal and plant life, negative impacts on natural assets of special value, danger of fire, accidents or explosions.

Tigar Pirot - The company presented its 120 page annual report for 2022. The company's business report includes a section on sustainable development where only general information on environmental protection, social responsibility, employees, employee safety and health, integrated management system, corporate governance and information technologies is presented.

Simpo Vranje - The company's annual report for 2022 is displayed on 197 pages. The report includes an overview of certificates and awards, age, gender and qualification structure of employees, information on investment in environmental protection. It is stated that the company is committed to sustainable development and employee care (health protection and safety at work). Also, a series of laws and by-laws that are respected for the purpose of protecting the environment and protecting health and safety at work (Law on Safety and Health at Work, Law on Environmental Protection, Law on Air Protection, Law on Waste Management, Law on Packaging and Packaging Waste, the Law on Environmental Noise Protection, the Law on Chemicals, the Law on Water, the Law on Fire Protection, and the Law on Explosive Substances, Flammable Liquids and Gases).

The report points out that the processes of environmental protection and employee health and safety protection are fully compliant with the legal regulations, which is confirmed by reports from external checks in front of the republican inspectors of the competent ministries. Employee satisfaction is incorporated into the plan of future actions. A brief description of the business model with the organizational structure is presented as part of the non-financial reporting, in which care for employees and care for the preservation of the environment in accordance with standards are highlighted.

BAS Belgrade - The annual report includes 99 pages. The annual business report contains information that the company did not invest in environmental protection in the 2022 reporting year, nor did it develop research and development. The modest part dedicated to non-

financial reporting includes a statement that the company is aware, as it falls into the category of over 500 employees, that it should present non-financial information, but which has not been done.

It is stated that the business model has not been defined, but it is emphasized that the business is harmonized according to legal norms. It was also pointed that the business is fully compliant with all legal norms regarding environmental protection. It was emphasized that the company harmonized its own internal acts in accordance with the Labor Law and other relevant regulations in the field of personnel and social policy. It is pointed that there is no discrimination during employment in terms of gender, age, religion or nationality. It is also stated that the issue of the fight against corruption is not defined by internal acts, nor has a model been adopted.

Jugoprevoz Kruševac – The annual report for 2022 is shown on 98 pages. In the report, questions about employees are condensed (structure, costs, personnel optimization, employee training). In the section for the protection of the environment, safety and health of employees, it is emphasized that the activities of waste management, pollutant emission measurement, fire protection, and that waste water sampling and noise measurement in the environment are carried out. The section on social responsibility includes a socially responsible concept of business, improvement of environmental awareness, care for the community (helping vulnerable groups), assistance in education and participation in the local community through financial support of sports activities.

PPT Armature Aleksandrovac – The annual report for 2022 includes 91 pages. Only one section is dedicated to environmental protection, where it is basically stated that the company's work complies with the requirements of the SRPS ISO 14001:2015 standard. In a separate section, there is a minimal text dedicated to research and development.

A small research contribution on the image of important companies for the Republic of Serbia leads to the conclusion that non-financial reporting has not been developed and that it does not meet the legal regulations. Although only the second reporting year is available (which is being analyzed in the work), it is clear that companies did not pay enough attention, globally, to show the legally required non-financial information about environmental protection, employee care, and anti-corruption policy. The sample is small, but in the Republic of Serbia, according to this criterion, there are not a large number of companies, and the limiting factor was the unavailability of the requested information on the Internet. The website of the Belgrade Stock Exchange includes annual reports in the news section, but they are often not found on company websites, which is also a complaint.

It is concluded that there are extremes in this type of non-financial reporting, from a detailed and high-quality presentation on 200 pages (which also meets the strict GRI standards that were not taken into account in this review) to almost one sentence, or with an honest acknowledgment that they are not presented in the annual report non-financial information, although there is a legal requirement for it. Despite the fact that the legal provision covered only the second reporting year, examples of good practice could be motivators for companies that did not pay attention to non-financial information, so that the extremes would not be obvious, since everyone should respect the laws equally.

7. CONCLUSION

Great importance when making business decisions related to the company's operations have financial and non-financial information, i.e. financial and non-financial reports. In recent years, environmental protection and information about it has become increasingly important. Companies, some more and some less, use different types of investment in environmental

protection, which brings short-term and very often long-term benefits. The aforementioned manifests itself in companies through a reduction in costs and an increase in profits.

Since the legal obligation of non-financial reporting has started to be applied for reports for the year 2021 in the Republic of Serbia, future research can deal with analyzes to what extent it is respected, i.e. respects environmental protection reporting. With the implementation of the obligation of non-financial reporting on environmental protection, significant growth in environmental protection is expected, as well as increased transparency.

At the end of the paper, a study of the annual reports of important large companies in the Republic of Serbia was carried out, which concluded that the participation of non-financial information, globally, is not at a satisfactory level, and there is enough space for prompt improvement in order to comply with legal regulations, but also to improve awareness of the importance information of this type that especially relates to the care of personnel and environmental protection.

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