

Kyiv National University of Trade and Economics

The World Economy Department

FINAL QUALIFYING PAPER (PROJECT)

on the topic:

**"CORPORATE SOCIAL RESPONSIBILITY OF INTERNATIONAL
ECONOMIC ACTIVITY SUBJECTS"**

(based on the materials of Nestle Ukraine LLC)

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**Task
for a final qualifying paper****RAVA IRYNA*****1. Topic of a final qualifying paper:*****“Corporate Social Responsibility of International Economic Activity Subjects”**

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LLC

4. Consultants of the research and titles of sections which were consulted:

Section	Consultant (last name and initials)	Date and signature	
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INTRODUCTION

Part 1. RESEARCH OF CORPORATE SOCIAL RESPONSIBILITY OF INTERNATIONAL ECONOMIC ACTIVITY SUBJECTS

1.1. Theoretical fundamentals of corporate social responsibility

1.2. Analysis of corporate social responsibility of TNCs on the international market

Conclusions to part 1.

Part 2. ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY ON THE EXAMPLE OF THE ENTERPRISE «NESTLE UKRAINE» LLC

2.1. Analysis of the financial and economic activity of «Nestle Ukraine» LLC

2.2. Research for the corporate social responsibility of the «Nestle Ukraine» LLC

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Part 3. DIRECTIONS FOR IMPROVEMENT CORPORATE SOCIAL RESPONSIBILITY ACTIVITY OF THE ENTERPRISE «NESTLE UKRAINE» LLC

3.1. Development of a complex of measures to improve corporate social responsibility activity of the enterprise «Nestle Ukraine» LLC

3.2. Forecast effectiveness of the proposed measures for «Nestle Ukraine» LLC

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CONCLUSIONS AND RECOMMENDATIONS

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6. Time schedule of the paper:

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		de jure	de facto
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ABSTRACT

The final qualification paper researches the theoretical basis of corporate social responsibility in the framework of modern approaches to the definition, theories and models of CSR. The corporate social responsibility of TNCs in the international market is considered. Also, the financial, economic and corporate social activities of Nestle Ukraine LLC are analyzed. Practical directions of improvement of CSR management are developed and the expediency of their introduction for Nestle Ukraine LLC is substantiated.

Key words: corporate social responsibility, transnational corporation, sustainable development, circular economy, regenerative approach, modeling.

АНОТАЦІЯ

У випускній кваліфікаційній роботі розглянуто теоретичні засади корпоративної соціальної відповідальності в рамках дослідження сучасних підходів до визначення, теорій та моделей КСВ. Досліджено корпоративну соціальну відповідальність ТНК на міжнародному ринку. Також, розглянуто фінансову, економічну та корпоративну соціальну діяльність підприємства ТОВ «Нестле Україна». Розроблені практичні напрями вдосконалення управління КСВ та обґрунтовано доцільність їх запровадження для ТОВ «Нестле Україна».

Ключові слова: корпоративна соціальна відповідальність, транснаціональна корпорація, сталий розвиток, циркулярна економіка, регенеративний підхід, моделювання.

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INTRODUCTION

The relevance of the chosen topic is that in modern conditions the world economic activity is rapidly evolving. The subjects of international economic activity, mainly transnational corporations, are the major structural elements of the economy in most countries, the "engines" of world globalization and integration processes.

Business, society and environment are interconnected – wellbeing of one of these elements causes the conditions for improving the others. Hence, the enterprise cannot survive in a long-term period without contributing into socially responsible initiatives. That is the reason for research the theoretical fundamentals of corporate social responsibility in case to develop and improve efficient business strategy.

In order to face global challenges and issues, the world market players should contribute to corporate social responsibility activity and continuously analyze the effectiveness of the results obtained, transform business policies and strategies to ensure sustainable development and a prosperous future.

Literature review. A significant contribution to the development of theoretical and methodological foundations of the study of corporate social responsibility were made by the scientific works of the foreign and domestic scientists: Carroll A. B, Dmytriiev S., Freeman R. E., Dogadaylo Y.V., Goreva A. S., Guseva O.Y., Kondratyuk O. M., Levchenko O. P., Rudenko O. V., and others. The coverage of the chosen topic is quite new, that is why corporate social responsibility still needs further research.

The object is the process of formation of the corporate social responsibility of international economic activity subjects.

The subject is the theoretical and methodological aspects and principles of international economic activity subjects in the context of corporate social responsibility of Nestle Ukraine LLC.

Purpose of the paper is to analyze the corporate social responsibility of the TNC's subsidiary and propose measures for improvement.

In order to achieve the defined purpose, it is expedient to perform the following **tasks**:

- to research theoretical fundamentals of corporate social responsibility;
- to analyze the corporate social responsibility of TNCs on the international market;
- to analyze the financial and economic activity of the «Nestle Ukraine» LLC;
- to research the corporate social responsibility of the «Nestle Ukraine» LLC ;
- to develop a complex of measures to improve corporate social responsibility activity of the enterprise «Nestle Ukraine» LLC;
- to forecast effectiveness of the proposed measures of improvement for «Nestle Ukraine» LLC.

Research methods. The following methods were used in the work: method of classification, systematization, method of synthesis (when considering the essence and structure of collaboration models of international market players to achieve sustainable development goals), analytical, statistical qualitative and quantitative comparison methods, tabular and graphical methods, method of system approach, method of induction, method of scientific abstraction, modeling method (for development of a complex of measures to improve CSR), generalization (for the development of recommendations for the implementation of corporate social responsibility).

The practical significance of the results. The conclusions and proposals formulated and substantiated in the final qualifying paper can be used as a methodological basis for improving the corporate social activity of the enterprise, as well as to increase the effectiveness of social and economic results.

The obtained results are of practical importance and consist in the following provisions:

- research for the corporate social responsibility of the international activity subject was conducted;
- the sequence of actions for a complex of measures to improve corporate social responsibility activity is developed;
- the efficiency and advantages of the proposed measures for the CSR improvement are defined.

Approbation of the results. The main provisions of the study, which formed the basis of the final qualifying paper, were published in the collection of scientific articles

of students obtaining a master's degree in "International Economics" at the Kyiv National University of Trade and Economics "Modern Relationships in the World Economy" (Kyiv, 2021).

Structure and scope of work. The final qualifying paper consists of an introduction, three parts, conclusions to parts, a general conclusions and recommendations, a list of used references and appendices. The total volume of the work is 66 pages of printed text and contains 13 tables, 10 figures, a list of used references of 55 items.

PART 1

RESEARCH OF CORPORATE SOCIAL RESPONSIBILITY OF INTERNATIONAL ECONOMIC ACTIVITY SUBJECTS

1.1. Theoretical fundamentals of corporate social responsibility

Corporate social responsibility has become part of the management system of many international and domestic companies. The analysis of the fundamental theoretical foundations of CSR will be a response to the challenges of globalization.

The start of CSR formation was during 1920-1950s. At this time, Peter Drucker's famous work "Management Practices" appeared. The scientist considered social responsibility as one of the eight key factors in achieving business goals. Drucker noted that companies acted as the main socio-economic institutions, which laid down other methods and ways of future existence of society (Guseva et al., 2020).

A remarkable achievement of this period was the scientific work of Howard R. Bowen "Social responsibility of the businessman", published in 1953. In his work, the author formulated the doctrine of social responsibility as the obligation of businessmen to carry out daily business practices in compliance with the goals and values of society (Guseva et al., 2020).

Later this phenomenon continued its development due to the work of progressive scholars, a widespread social movement at the time to protect civil rights, women's and consumers' rights, and the environment.

The 1980's became one of the most decisive in the context of CSR. During this period, the Stakeholder theory was developed, the discussion of the organizational structure for the management of corporate social responsibility began and the concept of sustainable development appeared for the first time. Sustainable development is development that meets the needs of today and does not limit the ability of future generations to meet their needs (Freeman & Dmytriyev, 2017).

In this work, we considered the main modern approaches to definitions of CSR, which were formulated over the years of the phenomenon development (see table 1.1)

Table 1.1

Definition of the corporate social responsibility

Source	Definition
International standard ISO 26000	Corporate social responsibility (CSR) is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that: contributes to sustainable development, including the health and welfare of society takes into account the expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behavior, and is integrated throughout the organization and practiced in its relationships.
Concept of implementation of state policy in the field of promoting the development of socially responsible business in Ukraine for the period up to 2030	"Corporate social responsibility" defines the responsible behavior of economic entities for the impact of their decisions and actions on society, the environment, which contributes to the sustainable development of society, including ensuring the welfare of the population; takes into account the expectations of business entities and society; complies with legislation and international standards of conduct; integrated into the activities of the business entity.
World Business Council for Sustainable Development	CSR is the commitment of businesses to promote sustainable economic development, working with employees, their families, the local community and society at large to improve the quality of life.
European Business Association	CSR is a concept of involving social and environmental areas in business activities on a voluntary basis and interaction between all stakeholders.
Howard R. Bowen	CSR is the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action that are desirable in terms of the objectives and values of our society.

Source: created by author based on (International Organization for Standardization, n.d.), (Order of the Cabinet of Ministers of Ukraine № 66-r., 2020), (WBCSD, 2021), (European Business Association, n.d.), (Latapi Agudelo et al., 2019).

The International Organization for Standardization is the world's largest developer of voluntary International Standards, used by businesses and other organizations.

ISO 26000 is an International Standard giving guidance and recommendations about how any organization can improve its CSR and contribute to sustainable environmental, social and economic development. The Standard outlines seven key

principles, which it advocates as the roots of socially responsible behavior (see table 1.2).

Table 1.2

The corporate social responsibility principles

№	CSR principle	Explanation
1	Accountability	State of being answerable for decisions and activities to the organization's governing bodies, legal authorities and, more broadly, its stakeholders.
2	Transparency	Openness about decisions and activities that affect society, the economy and the environment, and willingness to communicate these in a clear, accurate, timely, honest and complete manner.
3	Ethical behavior	Involves deciding what is the right course of action, day to day.
4	Respect for stakeholder interests	Involves identifying groups of stakeholders - those who are affected by your decisions and actions - and responding to their concerns.
5	Respect for the rule of law	An organization complies with all applicable laws and regulations, even if they are not adequately enforced.
6	Respect for international norms of behavior	In situations where the law or its implementation does not provide for adequate environmental or social safeguards, an organization should strive to respect, as a minimum, international norms of behavior.
7	Respect for human rights	In situations where human rights are not protected, take steps to respect human rights and avoid taking advantage of these situations.

Source: created by author based on (International Organization for Standardization, n.d.).

One of the main models used in the research of such a phenomenon as corporate social responsibility are the CSR Pyramid, the Three-domain Model of Corporate Social Responsibility and the Triple Bottom Line theory.

Archie B. Carroll made a significant contribution to the process of business management research. The result of this caused the creation of a model called the "Carroll's Pyramid of CSR" (figure 1.1). The pyramid consists of four levels: economic, legal, ethical and philanthropic responsibility. According to Carroll, CSR levels should be considered in bottom-up order, from economic responsibility to philanthropic responsibility. In this model, the same analogy operates as in the pyramid of A. Maslow. If the company succeeds in the first stage, it can move on to the next.

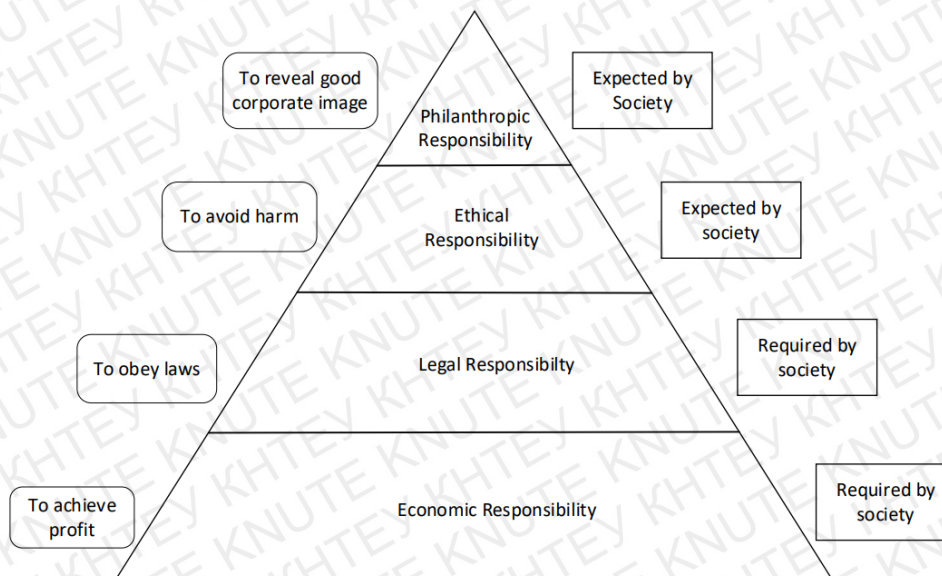


Fig. 1.1. Carroll's Pyramid of Corporate Social Responsibility

Source: created by author based on (Carroll, 2016).

The economic responsibility that is in the base of the pyramid is determined by the basic function of the company in the market, in which it appears as a producer of goods or provider of services. This function is aimed at meeting the needs of consumers and obtaining economic benefits such as income.

The legal responsibility is associated with compliance with the requirements and norms contained in applicable regulations. This stage of the pyramid is about obedience to the law and public expectations about the business activities that do not contradict legal norms.

The ethical responsibility is the third stage of the pyramid. Here, business is required to practice such social actions that are consistent with the expectations of society. The latter are not prescribed in the relevant legal acts and appeal to the norms of morality.

The philanthropic (discretionary) responsibility encourages the organization to socially useful actions, the formation of a new quality of life of members of society through voluntary participation in the implementation of social programs.

In the article "Building a model of corporate social responsibility of the enterprise", Levchenko and Dogadaylo researched M. S. Schwartz's and Archie B. Carroll's model that represents the interaction of economic, legal and ethical responsibility of enterprises.

This model is an evolution of Carroll's Pyramid and better interprets the realities of today. The main idea is that only individual companies simultaneously implement all types of social activity and responsibility, and most are limited to different options for their combination.

According to this model the SCR of the enterprise may have economic, legal, ethical or balanced orientation (Levchenko & Dogadaylo, 2018).

The economic domain captures those activities which are intended to have positive economic impact where related criteria are the maximization of profits and/or the maximization of share value.

The legal category of CSR pertains to the business firm's responsiveness to legal expectations of society in the form of state and local jurisdictions, or through legal principles as developed in case law.

The ethical domain of the three-domain model refers to the ethical responsibilities of business as expected by the general population and relevant stakeholders. This domain includes responsiveness to both domestic and global ethical imperatives (see figure 1.2).

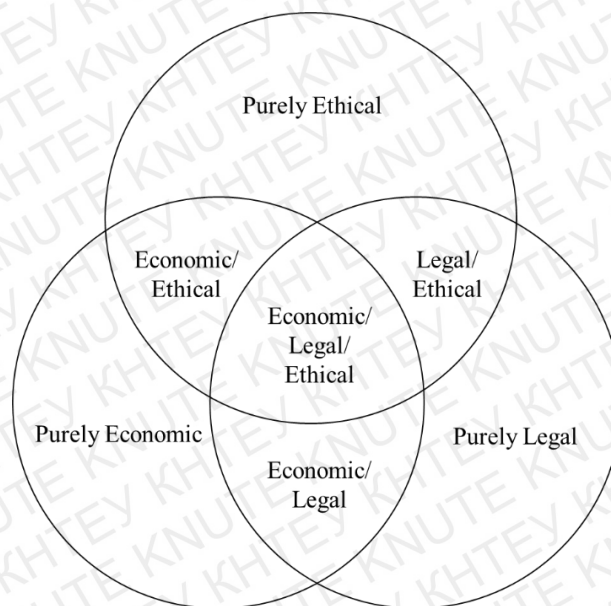


Fig. 1.2. The Three-Domain Model of Corporate Social Responsibility of M. S. Schwartz and A. B. Carroll

Source: created by author based on (Levchenko & Dogadaylo, 2018).

As we can notice, the three-domain model is literally a venn diagram, in which of

economic, legal, and ethical domains of responsibility have an overlapping nature and the resultant creation of seven. The ideal overlap is located at the center of the model where economic, legal, and ethical responsibilities are simultaneously fulfilled, but other pure and overlapping segments of the model also represent situations decision makers may face in the business world (Levchenko & Dogadaylo, 2018).

The Triple Bottom Line model (TBL) is a framework or theory that encourages companies to focus on social and environmental issues as well as profits. TBL seeks to assess a corporation's commitment to corporate social responsibility and its environmental impact over time (Brin, P. & Nehme, M., 2019).

According to TBL theory, companies should work simultaneously on these three dimensions (three Ps):

- 1) Profits: a traditional measure of corporate profit (P&L).
- 2) People: measures the level of social responsibility of the organization throughout its history.
- 3) Planet: measures the level of environmental responsibility of the firm.

By focusing on these three interrelated elements, research on the triple line can be an important tool to support a firm's sustainability goals.

The idea of this model is that the company can operate in such a way as not only to make a financial profit, but also to improve the lives of people and the planet.

1.2. Analysis of corporate social responsibility of TNCs on the international market

To overcome the social issues, reduce the anthropological impact on the planet and improve the quality of life, the United Nations together with governments and business representatives adopted the 2030 Agenda for Sustainable Development in 2015. This is a detailed description of the plan to improve living conditions, ensure the prosperity of societies and the planet, gradually reduce the negative anthropological impact in the future. These actions are designed to ensure a sustainable heritage for future generations. The global community realizes that the only way to gain real benefits is to contribute to sustainable activities in the long run (United Nations, n.d.).

The 2030 Agenda for Sustainable Development is based on 17 Sustainable Development Goals (SDGs), which are designed to encourage governments, TNCs and other organizations to unite their efforts and overcome global problems (United Nations, 2020).

The awareness of the issues on the world level contributed to rethinking the priorities of TNCs. This is why most international companies have transformed and adapted corporate policies and social programs to the SDGs.

According to the research of S&P Global Ratings, we analyzed how strategies of TNCs contributed to the SDGs in 2016 – 2020.

The figure 1.3 represents the percentage of CSR strategies by transnationals, which addresses a particular sustainable development goal through one of their priority areas.

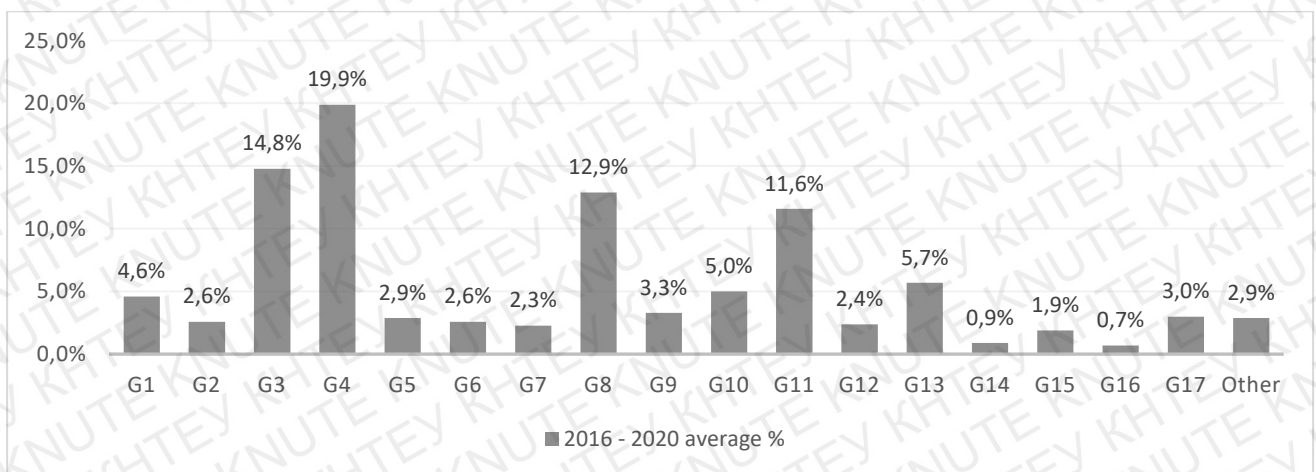


Fig. 1.3. Company CSR strategies addressing the UN Sustainable Development Goals

Source: created by author based on (Hallqvist, 2021).

As a result, the highest proportion of company CSR strategies focus on addressing SDG 4 (Quality Education) – almost 20%, then goes SDG 3 (Good Health and Well-Being) with the proportion of the 14,8%. The third and fourth place take SDG 8 (Decent Work and Economic Growth), and SDG 11 (Sustainable Cities and Communities).

TNCs pay the least attention to SDG 16 (Peace, Justice and Strong Institutions) – 0,7% and G14 (Life Below Water) – 0,9%.

Stock indices of corporate social responsibility are designed to provide information for assessing the impact of the largest TNCs and deciding on socially responsible investment. The calculation takes into account not only financial but also social and environmental aspects of the activity. One of the most popular stock indices of corporate social responsibility is the Dow Jones Sustainability Indexes (DJSI);

This group of sustainable development indices is based on the principles of selecting the best companies from the Dow Jones base indices. As a rule, the indices of individual companies are not disclosed. However, we can examine the Dow Jones Sustainability World Index, which reflects the price return on investments in corporate social business, taking into account 10% of the top 2 500 companies in 64 industry groups (see figure 1.4).

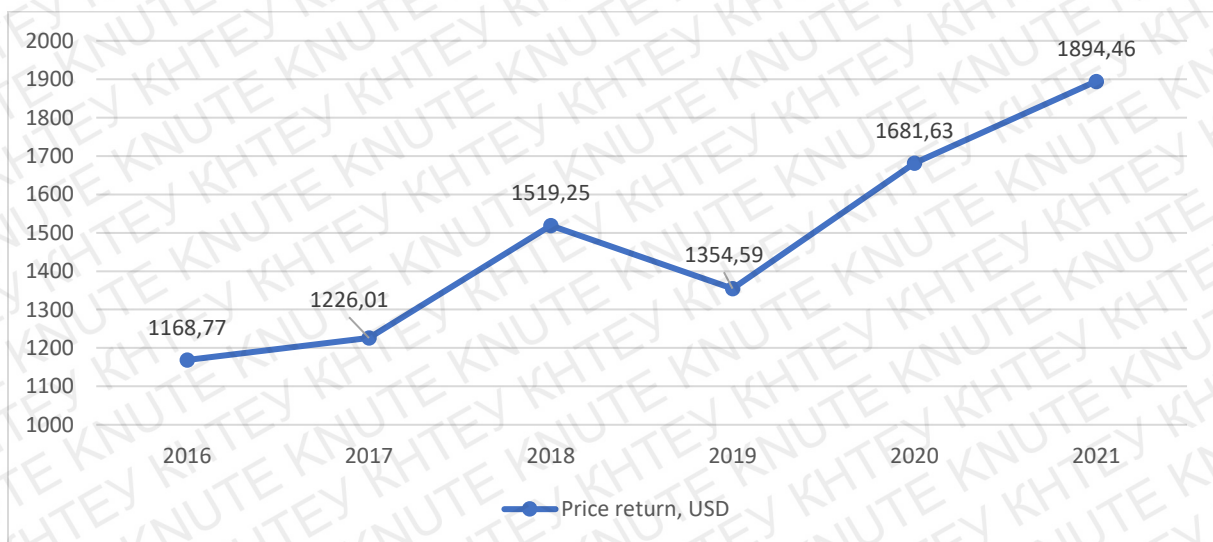


Fig. 1.4. The Dow Jones Sustainability World Index results in 2016-2021, price return

Source: created by author based on (S&P Global, 2021).

As we can see from the figure, price return on CSR investments tends to increase, despite a small decline in 2019, which was fully offset in 2020 due to the significant involvement of TNCs in tackling the pandemic of Covid-19. The research shows 12,7% of annualized price return in recent 5 years.

These indicators of DJSW index confirms the desire of TNC investors to make profit by addressing and solving global problems.

Let's research the sector breakdown of the index on the figure 1.5

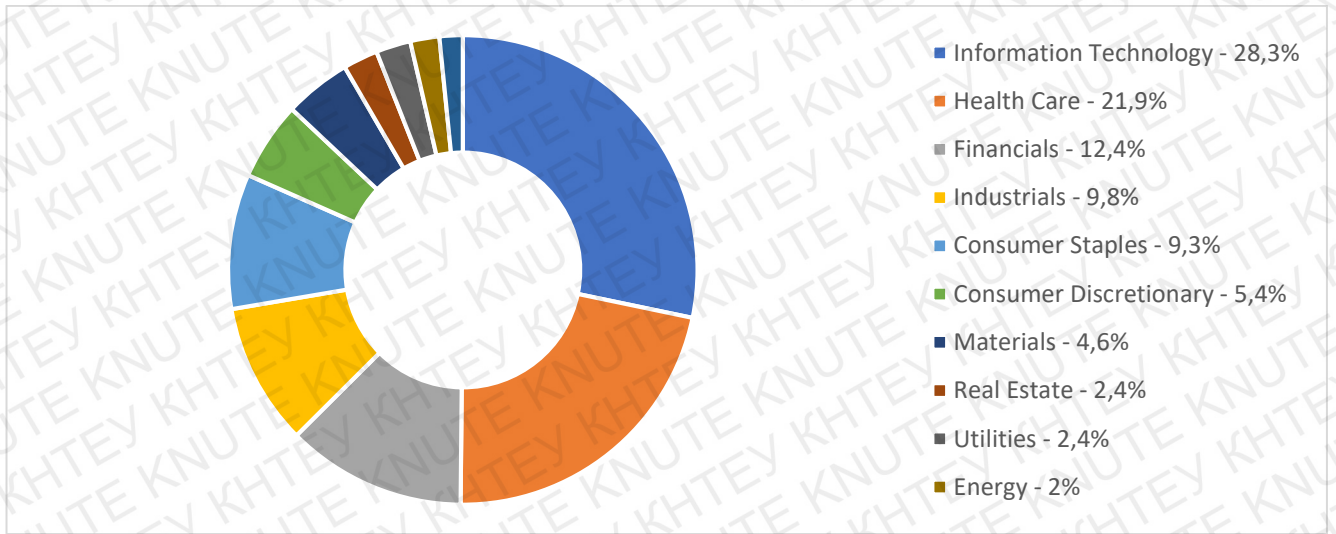


Fig. 1.5. Sector breakdown of Dow Jones Sustainability World Index, %

Source: created by author based on (S&P Global, 2021).

As we can see, IT sector companies have the highest weight in Dow Jones Sustainability World Index (28,3%). This share is formed by following transnationals: Microsoft Corp, Taiwan Semiconductor Manufacturing Co Ltd, ASML Holding, Adobe Inc, Cisco Systems Inc etc.

The Health Care sector occupies 21,9% of the index weight and includes United Health Group Inc, Roche Group, Abbott Laboratories. Nestle SA has the greatest weight in the consumer staples sector, which is 9,3% of DJSWI structure.

Companies of utilities and energy sectors have the least weight in the index formation 2,4% and 2% accordingly.

TNCs need to ensure sustainable development by moving to a closed-loop circular economy in which industrial and consumer waste is effectively integrated into the

business chain. The transition to a circular business model requires a new way of thinking that begins with a clear strategy. But there may appear some obstacles on the way of improving and transformation.

The World Economic Forum defined the list of impediments that TNCs and other companies meet while implementing circular economy approaches: lack of capabilities, lack of economic viability, lack of access to material, uncertain feasibility, lack of scale.

The obstacles are described in detail in Appendix A.

All these business impediments can be overcome by industry collaborations and mutual support.

Let's analyze the most popular collaboration models that enable to implement and scale circular solutions in the table 1.3.

Table 1.3

Multiple collaboration models

Collaboration type	Collaboration approach	Key advantages
Vertical networks	Brings together multiple players along an industry value chain	Align on common clear circular economy goals, material and product composition, standards; Enhance understanding of repercussion and interdependencies
Horizontal networks	Brings together players at the same step of the value chain (even direct competitors)	Agree with competitors on specific joint action; Bring together companies with the same needs; Create one solution together to reach scale
Cross-sectoral partnership	Companies from different industries work together to realize a solution	Bring together complementary expertise and competencies; Develop solutions leveraging different needs across industries (e.g., open loop reuse or recycling)
Vertical partnership	Two (or more) companies from different steps of a value chain engage in a deep cooperation	Build on complementary skills; Jointly develop solutions that meet the need of customers
Horizontal partnership	Cooperation of companies on the same step of the value chain	Bring together complementary expertise and competencies
Corporate-Start-up collaboration	Big corporate and small Start-up collaborate	Match complementary skills; Rapidly test new solutions; Adopt new technologies or services

Source: created by author based on (World Economic Forum, n.d.).

TNCs often make such effective collaborations in order to reduce the difficulties of the transition to sustainable development and the digital economy. This is an effective way to provide platforms for experience and knowledge exchange, in order to reach a required scale.

The bright example of vertical network is CEFLEX – a cooperation project carried out by European companies that represent the entire value chain in the production of flexible packaging. The members of the project are Henkel AG, ExxonMobil, Danone, Royal Canin, Nestle and many others. Companies exchange knowledge, understand interdependencies and align on common standards and solutions for circular flexible packaging (CEFLEX, 2021).

Another circular solution via horizontal network and cross-sectoral partnership is Loop – the project of TerraCycle company, that united together such players as P&G, PepsiCo, Nestle, Coca-Cola and many more. The cooperation enables to reach sufficient scale to run reuse models (Makower, 2019).

As an example of vertical partnership, Renault and Suez (specialist in the recycling of wastes worldwide) organized the joint venture INDRA to bring together assets and competencies needed to collect car components at the cars' end of life and renovate them, create a competitive end-of-life vehicles treatment branch (Indra, n.d.).

In order to increase the scale of social impact the CEOs of nearly 200 leading multinational corporations organized the World Business Council for Sustainable Development (WBCSD). There are such members of this organization as Apple, Microsoft, Google, Danone, IBM, Phillips, Shell, Mastercard, Unilever, Nestle, Walmart and others.

The organization released the report called **“Vision 2050: Time to Transform”**. This report sets a vision of a new world with prosperous conditions of living within planetary boundaries, by 2050. The companies defined for themselves nine transformation pathways to improve: energy, transportation, living spaces, products and materials, financial services, connectivity, health and wellbeing, water and sanitation, food. The defined transformation pathways are designed to help companies drive regenerative change in their strategies, business operations and impact on society.

The WBCSD's actions are aligned with the UN Sustainable Development Goals and the targets of the Paris Agreement.

The TNCs see only one way of evolving – moving to a regenerative and circular economy (see figure 1.6).

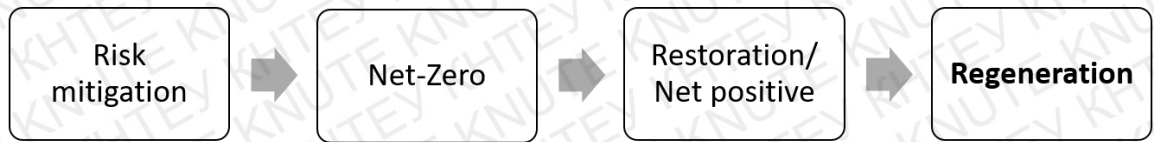


Fig. 1.6. Stages of evolving toward a regenerative mindset.

Source: created by author based on (WBCSD, 2021).

This model represents the process of moving from a “doing no harm” mindset to one in which business build the capacity of social and environmental systems that will lead to prosperity.

Risk mitigation is the first stage on the way of regenerative transformation. Today, due to the UN and the Paris Agreement, companies pursue efficiency to do less harm to the environment and achieve better value returns. The next stage is receiving “net-zero” (i.e. net-zero carbon emissions by 2050).

In today's conditions, achieving zero emissions from TNCs is not enough. Corporations must restore critical ecosystems that are in decline, making more positive impact than harm, until they reach the fourth stage of development. Regeneration mindset will provide business with opportunity to build the capacity of self-sustaining social and environmental systems.

Conclusions to part 1

As we can see, the modern understanding of the concept of "corporate social responsibility" was formed by various historical preconditions of business development and the need for corporations to be responsible for their own activities to society. Business, society and environment are interconnected – wellbeing of one of these elements causes the conditions for improving the others. The enterprise cannot survive in a long-term period without contributing into socially responsible initiatives. That is the reason for scientists to research the phenomenon of the CSR and for international organizations and governments to develop and implement recommendations, legislation norms and standards for socially responsible economic activity.

Relying on the analysis of corporate social responsibility of TNCs in the global market, we can say that most companies are rethinking their activities in accordance with the Sustainable Development Goals established by the United Nations.

So far, the greatest progress has been observed in the contribution of TNCs to the following SDGs: Quality Education, Good Health and Well-Being, Decent Work and Economic Growth, Sustainable Cities and Communities.

In our opinion, this is due to the fact that TNCs directly interact with these spheres of life, carrying out their activities. That is why the result will be achieved faster in these directions.

In addition, based on the indicators of the Dow Jones Sustainability Index, we see a trend that confirms that being socially responsible is beneficial, because such companies are more attractive to investors and gain the loyalty of stakeholders. As a result, a company that does not engage in CSR activities will not be able to withstand competition in the global market.

Also, the key to sustainable development of TNCs is a gradual transition from a linear to a circular economy, collaborating to obtain maximum results. This approach will limit waste and ensure the regeneration of anthropological consequences.

PART 2

ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY ON THE EXAMPLE OF THE ENTERPRISE «NESTLE UKRAINE» LLC

2.1. Analysis of the financial and economic activity of «Nestle Ukraine» LLC

Nestlé is the world's largest food producing company. The TNC has a globally oriented regional organizational structure based on a divisional structure, but using the geographical principle of organization. This indicates the close connection of the parent company with the geographical regions and the coordination of its subsidiaries.

The innovative economy development has led to a dynamic increase in the number of corporate integration, merging and acquisitions, which empowers TNCs to develop markets of foreign countries and boost profits (Mazaraki & Duginets, 2019).

The history of Nestlé's activity in Ukraine began in December 1994 - with the opening of the representative office of Societe pour l'Exportation des Produits Nestlé S.A. in Kyiv (Official website of Nestlé in Ukraine, n.d.). In 1998, Nestlé bought a controlling stake in the Lviv confectionery factory “Svitoch”. In 2003, Nestle Ukraine LLC was founded. At the same time 100% of the shares of “Volynholding” plant (TM “Torchyn”) were bought, which allowed the company to become one of the leaders in the cold sauces segment. In 2010, Nestle again significantly expanded its culinary portfolio in Ukraine, acquiring Technocom LLC (TM “Mivina”).

The legal dossier of the company is presented in Appendix B.

We researched the balance sheet of the enterprise in the table 2.1. There is an analysis of the structure and dynamics of assets and liabilities of Nestle Ukraine LLC during 2016 – 2020.

Table 2.1

Structure and dynamics of assets and liabilities of Nestle Ukraine LLC in 2016-2020

Name of Balance Sheet line	Share, %					Rate of growth, %			
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	2017/2016	2018/2017	2019/2018	2020/2019
Total non-current assets	24%	23%	22%	19%	23%	-2%	-0,5%	-5%	28%

Continuation of the table 2.1

Total current assets	76%	77%	78%	81%	77%	7%	4%	14%	2%
Total assets	100%	100%	100%	100%	100%	4%	3%	10%	7%
Equity	-184%	-168%	-134%	-109%	-133%	-5%	-18%	-11%	30%
Total non-current liabilities	204%	179%	151%	123%	14%	-8%	-13%	-11%	-88%
Total current liabilities	80%	88%	83%	86%	219%	15%	-3%	13%	172%
Total equity and liabilities	100%	100%	100%	100%	100%	4%	3%	10%	7%

Source: calculated by author based on Appendices C, D.

As a result, we see that the share of non-current assets is 23% of total assets in 2020, share of current assets - 77%. Fluctuations in the structure are not significant over the last 5 years. On average, non-current assets account for 22%, and current - 78% for the period 2016 - 2020.

Taking into account the growth rate, it should be noted that in 2019 the number of total current assets increased by 14% compared to last year. The reason for this was the increase in accounts receivable and cash equivalents in bank accounts.

Total non-current assets increased by 28% in 2020 compared to 2019, mainly due to a significant increase in fixed assets.

In 2020, equity occupies -133% in the structure of total equity and liabilities due to the presence of a significant amount of uncovered loss – 804 152 thousand hryvnias. At the same time, non-current (long-term) liabilities account for 14% and current (short-term) liabilities for 219%.

In 2019, a short-term loan from the non-resident – Nestle Treasury Center middle East Africa Ltd. in the amount of 3,205 billion hryvnias was obtained, which caused a 123% share of total non-current liabilities. In 2020 the loan was reclassified to other current liabilities due to a breach of covenants and prolongation of contract terms. That's why the total current liabilities increased by 172% in 2020.

To analyze the effectiveness of Nestle Ukraine LLC, we calculated the dynamics of the main financial and economic indicators, using the Statement of Financial Performance (Official website of Nestlé in Ukraine, n.d.).

The table below presents calculations of chain indicators of dynamics: absolute deviation and growth rate for 2016 – 2020 (see table 2.2).

Table 2.2

**Dynamics of financial and economic indicators of Nestle Ukraine LLC
in 2016-2020**

Name of P&L Statement line	Absolute deviation, thousand UAH			Rate of growth, %		
	2018/2017	2019/2018	2020/2019	2018/2017	2019/2018	2020/2019
Revenues	237 985	726 901	85 953	3%	8%	1%
Cost of sales	-308 419	-119 086	-391 904	5%	2%	6%
Gross profit (loss)	-70 434	607 815	-305 951	-3%	24%	-10%
Other operating income	-2 559	18 173	-10 805	-6%	48%	-19%
Admin expense	43 249	-227 446	74 640	-7%	38%	-9%
S&D	-106 083	-535 180	264 782	10%	47%	-16%
Other operating expense	-19 163	-58 940	64 639	4%	11%	-11%
Operating income	-154 990	-195 578	87 305	-31%	-58%	62%
Other financial income	-10 210	-11 161	-9 979	-20%	-28%	-35%
Other income	-5 325	482 057	-544 398	-7%	727%	-99%
Finance expenses	-53 985	-112 990	-55 815	57%	76%	21%
Other expense	-11 943	-15 332	-651 192	21%	22%	775%
Profit (loss) before tax	-236 453	146 996	-1 174 079	-51%	65%	-315%
Income tax expense	-2 788	27 115	32 491	5%	-43%	-91%
Net profit (loss)	-239 241	174 111	-1 141 588	-59%	107%	-338%

Source: calculated by author based on Appendices C, D.

As we can see, there was a generally negative trend in 2020 - net loss decreased by 338% which in value terms is 1,141 billion hryvnias. The reason for this was an increase in other expenses by 775%, which was caused mainly by the effect of exchange rate differences of 629 million hryvnias on short and long-term loans from non-residents.

In absolute terms, the net loss was 804 million, which means the non-profitability of the enterprise.

Positive dynamics is observed in 2019. Net income increased by 107% and had a positive absolute deviation of 174 million hryvnias. This effect was achieved mainly due to the growth of other income by 482 million, which mainly included net income from non-operating exchange rate differences.

In 2018, the dynamics was negative. Net profit in value terms amounted to 163 million hryvnias, in contrast 402 million in 2017, which means a drop of 59%.

We analyzed the main indicators of liquidity of Nestle Ukraine LLC in table 2.3, based on the data of the Balance Sheet of the enterprise (Official website of Nestlé in Ukraine, n.d.).

Table 2.3

Liquidity ratios of Nestle Ukraine LLC in 2016-2020

Indicator	Reference values	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020
Absolute liquidity ratio	0,2 — 1	0,05	0,05	0,09	0,12	0,02
Current liquidity ratio	1 — 3	0,94	0,87	0,94	0,94	0,35
Intermediate liquidity ratio	0,7 — 0,8	0,62	0,58	0,65	0,69	0,24

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.), Appendices C, D, E.

Absolute liquidity ratio shows the share of current liabilities that the enterprise is able to repay in the near future. In this case, the actual value of the indicator during 2016 – 2020 is below the lower limit of the reference value. The company has a shortage of the most liquid funds to cover its current liabilities. The best result was in 2019 – 0,12.

Current liquidity ratio, compared to the reference value, shows that current assets are not sufficient to repay short-term liabilities. Also, deviations from the standard of intermediate liquidity ratio indicate that the company is unable to cover current liabilities via current assets (without taking into account their least liquid form – inventories).

Let's analyze the capital ratios of Nestle Ukraine LLC on the basis of data calculated in table 2.4.

Table 2.4

Capital ratios of Nestle Ukraine LLC in 2016-2020

Indicator	Reference values	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020
Own current assets ratio	> 0,3-0,4	-2,76	-2,47	-2,01	-1,59	-2,02
Solvency ratio (autonomy, financial stability)	> 0,5	-1,84	-1,68	-1,34	-1,09	-1,33
Debt ratio	< 0,5	2,84	2,68	2,34	2,09	2,33
Debt coverage ratio	> 1-1,5	-0,65	-0,63	-0,57	-0,52	-0,57
Current debt ratio	> 0,5	0,28	0,33	0,36	0,41	0,94
Equity maneuverability ratio	> 0	1,13	1,14	1,16	1,18	1,17

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.), Appendices C, D, E.

As we can see, the own current assets ratio and solvency ratio have been negative for the last 5 years, which indicates that the structure of working capital is formed due to debt. This is a prerequisite for reducing the financial stability of the enterprise and increasing dependence on borrowed funds.

This condition is confirmed by the debt coverage ratio. Exceeding the criterion indicator ($< 0,5$) is a prerequisite for increasing the risk of default.

The current debt ratio is gradually improving during 2016-2020. The indicator meets the standard and is 0,94 in 2020. This indicates the optimal level of short-term liabilities in total liabilities.

Also, we see an increase in the company's own funds flexibility and accelerating the ability to cover current liabilities due to the positive dynamics of the equity maneuverability ratio.

The main indicators of turnover (business activity) for Nestle Ukraine LLC during 2016-2020 are calculated in table 2.5.

Table 2.5

Dynamics of turnover ratios of Nestle Ukraine LLC in 2016-2020

Indicator	Reference values	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
Asset turnover ratio	Increase	4,74	4,64	4,62	4,34
Inventory turnover, times	Increase	9,65	10,07	10,75	10,40
Inventory turnover, days	Decrease	39	35	33	39
Accounts receivable turnover, times	Increase	7,91	7,82	7,76	7,17
AR turnover, days	Decrease	48	47	51	52
Accounts payable turnover, times	Decrease	2,97	2,98	2,92	1,56
AP turnover, days	Increase	124	112	124	127
Asset productivity	Increase	3,62	3,59	3,67	3,42

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.), Appendices C, D, E.

As a result, the decline in the asset turnover ratio (from 4,74 in 2016 to 4,34 in 2020) is a factor in reducing the efficiency of current assets.

In the 2016 – 2019 period, inventory turnover was increasing. However, in 2020 the figure deteriorated, which may be the beginning of a negative trend. Also, an unfavorable dynamic is observed in the calculation of asset productivity and accounts receivable turnover.

The positive trend is noted in accounts payable turnover. Which means that the enterprise can use credit resources for a longer period of time.

We analyzed the main indicators of profitability of Nestle Ukraine LLC in the table 2.6.

Table 2.6

Dynamics of profitability ratios of Nestle Ukraine LLC in 2016-2020

Indicator	Reference values	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
Return on assets	Increase	17%	7%	13%	-29%
Return on non-current assets	Increase	73%	30%	64%	-137%
Return on current assets	Increase	23%	9%	17%	-37%
Return on equity	Increase	10%	4%	11%	-24%
Return on borrowed capital	Increase	6%	3%	6%	-13%

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.), Appendices C, D, E.

As we can see from the results, the enterprise had positive return on assets, equity and borrowed capital during 2016 – 2019 period. The indicators acquire negative values in 2020 due to significant net losses in the amount of 804 million hryvnias.

We conducted a PEST analysis to assess the environmental conditions in which Nestle Ukraine LLC operates (see Appendices F, G). The analysis is based on the formation of a list of possible impacts on the enterprise in the following areas: political factors (P), the state of the economy (E), socio-cultural characteristics (S), and the technological environment (T).

Among the political factors, the highest assessment of significance got military conflict in the country (0,25) and unstable political situation (0,23).

The highest significance assessment among the economic environment factors were received by the following: economic decline caused by the Covid-19 pandemic (0,25) and decline in consumer demand due to lower purchasing power (0,24).

The main social and cultural factor that affects the company is low level of staff motivation (0,18), and technological - lack of own financial resources to acquire and implement modern technologies, with a score of 0,22.

2.2. Research for the corporate social responsibility of the «Nestle Ukraine» LLC

Nowadays, not only economic and financial indicators play a vital role in the activities of domestic and foreign enterprises. Non-economic indicators have an increasing impact on ensuring competitiveness, achieving high productivity and profitability. Such non-economic indicators are: the level of social security of employees, the quality control, environmentally friendly and energy-saving technologies, etc. That is why corporate social responsibility has become more widespread in recent years and become a global business concept that defines the key ideas, the modern format of business activity.

Due to the dynamic evolving of the sustainable development concept a new type of accounting has appeared – social accounting (Rudenko et al., 2020).

Especially important for the development of non-financial reporting in Ukraine are the new requirements of the law "On Accounting and Financial Reporting, which provides for the mandatory preparation of a management report by large companies that have influence on communities .

Social accounting is designed to address issues related to the social and environmental consequences of the economic entities' activities in all their manifestations and to provide information on the implementation of social programs by providing a non-financial reporting (Rudenko et al., 2020).

According to a survey conducted by the Center for Corporate Social Responsibility Development, only 52% of companies in Ukraine have CSR strategies approved, and only 13% prepare non-financial reports on the results of social activities (CSR Ukraine, 2019). Among them are Metinvest, Nestle Ukraine, Coca-Cola, Nova Poshta, etc. Therefore, those who start preparing CSR reports today will be able to gain an additional competitive advantage tomorrow.

The social policy of Nestle Ukraine LLC coincides with the global policy of the TNC. Nestle reports on social results every 2 years. It is called "Creating Shared Value and Sustainability Report", which is intended for shareholders and stakeholders and contains detailed information about the company's goals, commitments and results in their implementation.

As shown in the figure 2.1, compliance with Nestlé Corporate Business Principles (2020) is the foundation for the Company’s commitment to be environmentally sustainable and to create shared value.

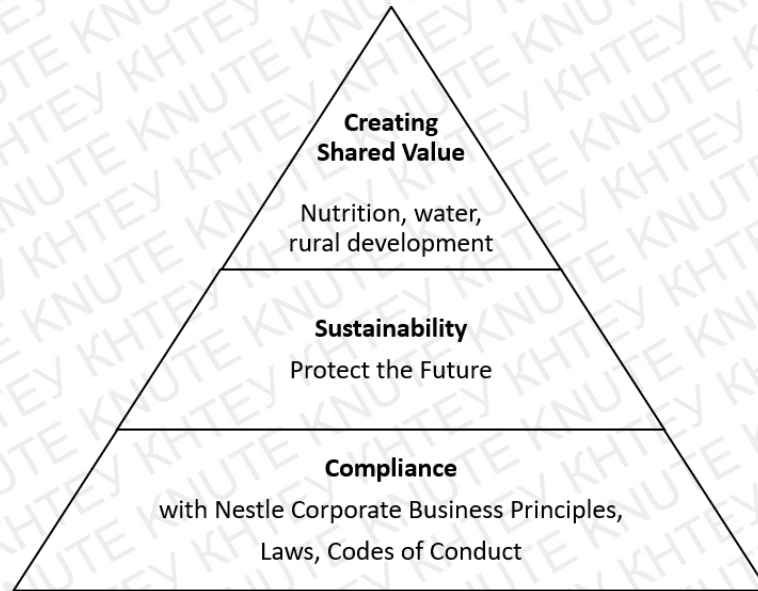


Fig. 2.1. The Creating Shared Value Pyramid of Nestle.

Source: created based on (Nestlé S.A., 2021).

Due to the Nestle’s policy, Creating Shared Value (CSV) is the basic way of the doing business, which states that in order to create long-term value for shareholders, they have to create value for society.

Nestlé identified three key areas in which they have influence and expertise (see table 2.7). These commitments guide the company's activities and support the achievement of the UN Sustainable Development Goals by 2030.

Table 2.7

Three main areas of CSV of Nestle

For individuals and families	For communities	For the planet
<i>Enabling healthier and happier lives:</i> 1. Offering tastier and healthier choices. 2. Inspiring people to lead healthier lives. 3. Building, sharing and applying nutrition knowledge.	<i>Helping develop thriving, resilient communities:</i> 1. Enhancing rural development and livelihoods. 2. Respecting and promoting human rights. 3. Promoting decent employment and diversity.	<i>Stewarding resources and the environment:</i> 1. Caring for water. 2. Acting on climate change. 3. Safeguarding the environment.

Source: created based on (Nestlé S.A., 2021).

The enterprise carries out many initiatives within these three identified areas of influence. Let's consider the contribution of Nestle Ukraine LLC made for **individuals and families**.

After the COVID-19 outbreak, the company joined the reconstruction of the Torchyn District Hospital in the Volyn region, investing more than 1 million hryvnias in its modernization. As part of a joint project with the Torchyn village council, Nestle helped to adapt the medical facility to the realities of the pandemic. They purchased the high-tech equipment for the intensive care unit, which will be able to treat patients with COVID-19. To protect and support doctors, the company donated 2 000 personal protective suits, goggles and non-contact thermometers to four Lviv hospitals.

Nestlé allocated 20 million hryvnias to help Ukrainian medical institutions to purchase life-saving medical equipment. As part of the first step of the initiative, 9 million hryvnias was transferred to hospitals in Lviv, Volyn, Kharkiv and Kyiv oblasts to support them with the necessary equipment (Chaikovska, 2020).

The TNC believes that its role is to improve the quality of life, so the company also helps the most vulnerable and most affected by the pandemic groups. The first 700 food kits were distributed in the Volyn region among the elderly people and large families who have an acute need for nutritious food. There was a goal to help about 12,000 people and families, as well as their pets in 2020. To achieve this goal, Nestlé cooperated with local authorities and regional and district social protection institutions (Chaikovska, 2020).

Another example of CSV strategy implementation is the global social initiative Nestlé Healthy Kids and the program "Abetka kharchuvannia" in Ukraine. The program was launched in 2009 and aims to make children's lives healthier and happier. Every year the program covers 330 000 students, 13 000 teachers and 1 500 schools throughout Ukraine (Nestlé Healthy Kids, n.d.).

"Abetka kharchuvannia" is a curriculum for pupils of 1-4 year of school, which became part of the course "Fundamentals of Health". The main goal of the program is to teach children the principles of proper nutrition and to develop the habit of following these principles in everyday life. To do this, nestle designed workbooks and manuals that are provided to schools free of charge.

As part of the Nestlé Healthy Kids initiative, the company organizes the charitable culinary master class that is held annually for International Chef Day. Children together with professional chefs learn to select products and prepare healthy meals during the event ("*Abetka kharchuvannia*" from Nestlé. *Even more effective - online*, 2021).

Nestle provided so-called Health & Wellness initiatives for its employees, including support for healthy lifestyles and healthy diets, advice about disease prevention, day-to-day childcare, flexible incentive schemes, and flexible working conditions.

The enterprise is also actively developing and introducing various events to ensure the health of employees, increase their well-being, improve conditions and enhance labor safety. Employees are guaranteed a paycheck twice a month and an annual performance review, bonuses, health and life insurance, and a flexible schedule (Boguta et al., 2020).

Mental health and overall corporate atmosphere are very important and influence the work productivity. That is the reason why different trainings, educational webinars, team buildings and travels are held regularly.

The next main area of Nestle CSV is the contribution made **for communities**.

Nestlé promotes the development of young people and helps them build professional skills that will further help them gain benefits in building their own careers. For these purposes, the Nestle needs YOUth initiative was launched (see table 2.8).

Table 2.8

Directions of the initiative Nestle needs YOUth

Get a job	Get a qualification	Get support	Get more opportunities
advantage in hiring young people under the age of 30 in all functions and in all locations	creating internship programs to help young people gain work experience in the specialty and improve their professional development	the program "Readiness to work", which provides career guidance activities (training on how to find a job, career fairs, open days, business events).	creating " Alliance for YOUth " with Nestlé business partners. This opens up even more opportunities to work in Nestlé partner companies, in sectors ranging from logistics and administration to manufacturing and services.

Source: created by author based on (Alliance for Youth, n.d.).

During the implementation of the program in Ukraine, 3801 young and promising

candidates under the age of 30 received jobs, 1350 interns and graduates had the opportunity to do an internship (*Nestlé and the Alliance for Youth will create 300,000 jobs for young people by 2025*, 2020).

Nevertheless, the company still intends to employ 1 200 interns and create 2 000 jobs for young people by 2025.

In order to increase the opportunities of youth and create a value proposition for employment in Ukraine, on March 17, 2016, the Center for CSR Development and the Ministry of Youth and Sports of Ukraine launched the “Ukrainian Pact for Youth 2020” initiative within the European Pact for Youth. The UN Population Fund was the partner of the initiative (CSR Ukraine, 2020).

Nestlé was the first company in Ukraine to sign the Pact. After that, another 148 companies joined by 2020, including leading banks, telecommunications and trading companies, large manufacturing companies, and local small and medium-sized businesses. Within the framework of the program, Nestle Ukraine LLC exchanges experience with other companies, promotes partnerships between business and the education sector, invests in the development of youth skills for employment (creates places for internships, provides mentoring).

Hence, Nestle Ukraine LLC was included in the ranking of the 20 best employers in 2018 according to the research of the Ukrainian business magazine “Dsnews” (Vyshnevsky, 2018).

In the ranking of the best employers from “Focus” magazine, Nestlé was included in the top 3 companies in the FMCG sector in 2020. The rating experts selected the three best companies in each industry, in which the level of wages and career opportunities is balanced (Boguta et al., 2020).

The agricultural sector is one of the main for Ukraine's economy, which has a raw material orientation. That is why it is necessary to develop this industry, increase efficiency for future growth (Duginets, 2019).

FMCG companies are directly dependent on agriculture, which is an important part of production. According to SDGs, Nestlé takes care of the implementation of sustainable agricultural practices together with suppliers.

To achieve these goals, a project for the development of sustainable agriculture "Hospodar" was created. Thanks to this project, the share of Ukrainian raw materials in three factories in Ukraine - "Svitoch", "Mivina", "Torchyn" – is about 75-80% and this indicator is growing.

In the framework of the "Hospodar" program Nestlé provides methodological guidance, involves certified laboratories and quality experts, and teaches best practices in agricultural development and business.

An important point here is the implementation of the RISE program (Responsible Inducing Sustainable Evaluation), which clearly defines the level of agricultural development and ways to improve it. The value of this tool lies in the systematic analysis and obtaining practical conclusions about the impact of the farmer's activities, the level of dependence on energy, the quality of plant protection and land use potential. Sumy National Agrarian University and Bern University of Applied Sciences are partners of Nestle in the implementing RISE programs in Ukraine (*Nestlé and its partners are implementing regenerative agricultural practices, 2021*).

As a result of this project, Nestlé has involved 8 farms in 2020 with a focus on crops such as wheat, mustard and dried herbs.

The company encourages farmers to use techniques such as permanent soil cover, crop rotation and limited tillage. The combination of scientific approach and practical experience helps Nestlé, in collaboration with partners, reduce the carbon footprint and restore biodiversity. Hence, Ukrainian farms improve the quality of their products and become more competitive in the world market (*Nestlé will fight climate change: Zero emissions by 2050, 2021*).

The third main area of Nestle CSV is the contribution made **for the planet**. In addition to the gradual transition to regenerative agriculture, the process of waste disposal and emission reduction is being developed. As a result, three Nestlé plants in Ukraine have already reached the zero level of “landfill waste” generated during production in 2020.

Nestle Ukraine LLC and Veolia invested 57 million hryvnias and launched the **Lighthouse** project in 3 towns of the Kyiv region in 2020: Makariv, Novi Petrivtsi and

Stari Petrivtsi. The main purpose of which is the development of infrastructure for the collection and processing of packaging waste and the formation of sustainable skills of waste management in the population.

Within the framework of this project, an educational program was launched, which aims to develop skills of conscious waste management. Already 80 teachers have joined this program and are conducting lessons on waste sorting for pupils (Crawford, 2021).

Production and logistics of the company are huge and have a negative impact on the environment, so to prevent this trend from continuing, Nestlé has set the ambitious goal of halving carbon emissions by 2030 and achieving zero emissions by 2050. Zero emissions mean reducing them all along production and supply routes, and residual emissions will be offset by soil and forest restoration projects.

Let's analyze the effectiveness of Nestlé's measures to improve the environment on the figure 2.2.

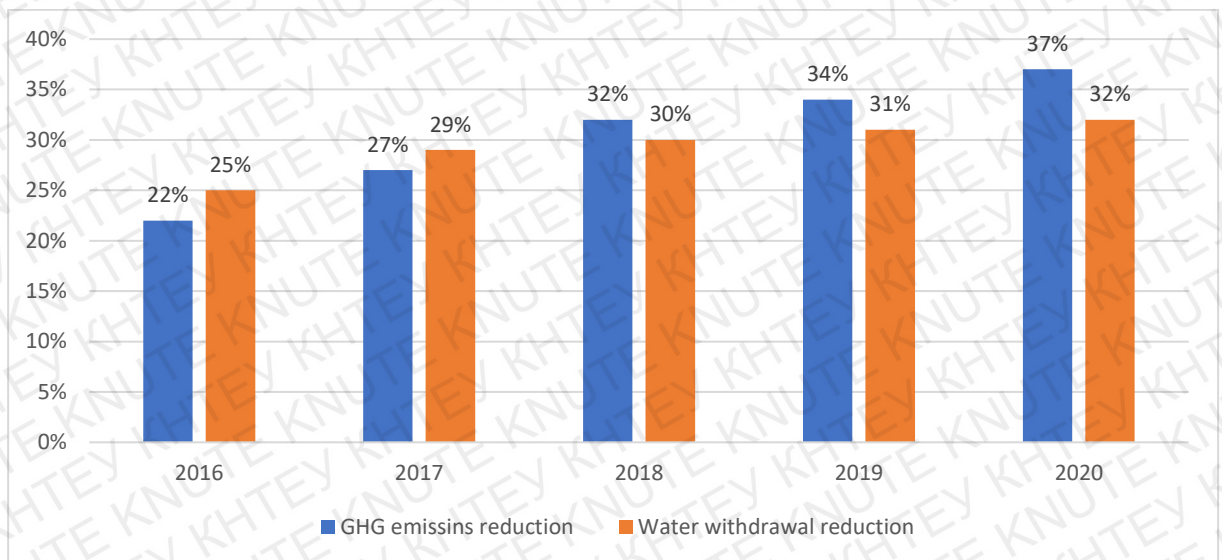


Fig.2.2. Nestlé GHG emissions and direct water withdrawal reduction in 2016-2020, %

Source: created by author based on (Nestlé S.A., 2021).

As we can see, from year to year there is a positive trend. In 2020, water withdrawal reduction was 32% per ton of product in manufacturing operations, compared to the base level in 2010; greenhouse gases reduction was 37% accordingly.

Also, many actions are aimed at transforming the packaging of goods to make it

environmentally friendly. According to the plan, the packaging of all Nestlé products will be reusable or recyclable by 2025.

In 2020, 98% of confectionery packaging in Ukraine was already recyclable, and Svitoch candy packaging was 100% ready for recycling.

In order to accelerate the development of environmental infrastructure and increase the scale of the circular economy in Ukraine, Nestle together with partner companies and the American Chamber of Commerce, promote the introduction of Extended Producer Responsibility (EPR) in 2021 (Laushchenko, 2021).

Thanks to this system, the responsibility of the manufacturer does not end at the time of consumption of the goods, but continues until the disposal or recycling of waste at all stages of the supply chain.

According to Kyriakos Parpounas' study "Step-by-step approach to launching the EPR system in Ukraine", the introduction of the EPR principle in Ukraine will encourage investment in a new packaging waste collection and processing industry and create 20,000 new working places in Ukraine. The system will allow to collect and process 4-5 million tons of packaging during the first five years of implementation. The level of packaging waste collection will be 50-70% of the total volume released on the market (American Chamber of Commerce, 2021).

At the same time, the Parliament of Ukraine voted in favour of the draft Law on Waste Management №2207-1d (2020). The adoption of the Law will be a huge contribution to the introduction of the European system of extended producer responsibility and will lay the foundation in the process of creating the appropriate infrastructure in Ukraine.

Conclusions to part 2

Nestle Ukraine LLC is a subsidiary of the world's largest food producing TNC. In Ukraine, the company's products are represented by such brands as "Mivina", "Torchyn", "Svitoch", "Nescafe", "Gerber", "Purina" and others.

In Part 2 of this paper, we analyzed the financial and economic activities of Nestle Ukraine LLC, examining the dynamics and structure of financial results. A loan from the non-resident in the amount of 3,205 billion hryvnias and a loss on the exchange rate differences of 629 million hryvnias were the main factors that influenced the formation of the company's net loss in 2020 (804 million hryvnias).

In addition, indicators of liquidity, solvency, business activity and profitability were analyzed. Negative dynamics and inconsistency of some indicators with standard values indicate that the company needs to pay more attention to financial and capital management to meet market requirements.

In order to identify the main factors influencing the political, economic, social and technological environments of the enterprise, the PEST analysis was conducted.

We examined the non-financial statements of Nestle Ukraine LLC. Corporate social activity of the enterprise in Ukraine is carried out within the framework of the global strategy of TNC in accordance with the Sustainable Development Goals, legislation and world standards. Due to the Nestle's policy, Creating Shared Value is the basic way of doing business, which contributes to three defined areas: individuals and families, communities, planet.

As part of the chosen strategy, Nestle is implementing a number of initiatives to ensure wellbeing at the internal and external levels: Health & Wellness measures for employees and society, events for youth development and education, improvement of eating habits and public awareness etc.

Nestlé is using its scale to combat climate change, helping to reduce negative emissions into the environment, building partnerships with other companies and organizations to implement elements of Expanded Manufacturer Responsibility and the circular economy in Ukraine.

PART 3

DIRECTIONS FOR IMPROVEMENT CORPORATE SOCIAL RESPONSIBILITY ACTIVITY OF THE ENTERPRISE «NESTLE UKRAINE» LLC

3.1. Development of a complex of measures to improve corporate social responsibility activity of the enterprise «Nestle Ukraine» LLC

Nestlé already has a well-established policy of corporate social responsibility, which is implemented both externally and internally in three specific areas of improving living conditions - individuals and families, communities, the planet. Therefore, we defined a complex of measures to improve the CSR of Nestle Ukraine LLC.

The ways to improve the existing CSR of Nestle Ukraine LLC will be determined by development both at the internal and external levels. To receive key advantages from investing in increasing CSR company will gain advantages defined in the table 3.1.

Table 3.1

Benefits of improving CSR strategy

Name	Description
Increase of employee engagement	Employees increase their productivity realizing the CSR development of Nestle. People are assured that they work for a morally driven company, which tends to result in increased levels of engagement and retention among staff.
Reputation improvement among stakeholders	Consumers would prefer to support companies that prioritize healthy and ethical business practices. By practicing CSR effectively, Nestle would increase brand loyalty with existing customers, suppliers and partners and attract new ones with a positive reputation.

Source: created by author based on (Mindell, 2021)

The first proposal to improve the set of CSR measures is **to make optimal changes in the organizational structure** of the company. Nestle Ukraine LLC carries out its social activities within the framework of TNC's global policy, which determines the strategy and long-term planning of activities for 5 and 10 years.

For a better territorial distribution of priorities, we suggest to create a local CSR unit in the subsidiary Nestle Ukraine LLC. The local department will deal with short-term

planning of social events and analysis of social needs in Ukraine. The new unit will be able to focus on benchmarking other companies engaged in social activities. This will allow to compare current achievements with best practices and set new vectors of development.

Also, researching the CSR activities of Nestlé, we encountered difficulties in the analysis of non-financial reporting: unstructured and inconsistent statistics on social measures and sustainable development. To improve the situation and increase the transparency of CSR activity, Nestle Ukraine LLC should apply the reporting standards of the Global Reporting Initiative (known as GRI).

GRI standards are the most common and reputable in the world among all other non-financial reporting standards. The main requirement is the disclosure of information that is important and takes into account the interests not only of shareholders but also of all stakeholders, demonstrating the economic, environmental and social performance of the company.

There are three series of standards to be used together in the framework of GRI: Universal Standards, Sector Standards, and Topic Standards. These Standards help organizations to understand their outward and inward impacts on the human rights, economy, environment, and society. It would help to increase accountability and enhance transparency on company's contribution to sustainable development (GRI, n.d.).

Only a few companies in Ukraine comply with GRI standards, including DTEK, SCM, Metinvest, and Obolon (Prytula, 2016).

Also, while forming social reporting, it is necessary to maintain transparency via the following actions:

- 1) conduct a survey of stakeholders on whom this reporting is intended, in order to study their comments;
- 2) draw up a plan and make changes to social measures taking into account the specific requests of stakeholders;
- 3) promptly inform stakeholders about the progress of their requests and violations identified.

Improper communication channels are another problem that needs to be addressed

by implementing Nestle's internal corporate social responsibility measures. This problem is common to all TNCs due to the large volume of business activities and complex organizational structure. Problems with communication among employees reduce their efficiency and productivity.

The same issue may be solved in different ways by representatives of one corporation. Employees may not know that the process can be performed more efficiently. Which may be a reason for loss of time and reduced productivity.

That's why there exists a sharp need of **developing and improving a platform for sharing experience and knowledge** between departments both within the Ukrainian market and Nestle's world markets. This measure will reduce the communication gap. Modern IT technologies allow to do it. However, such a platform needs to be unified and brought to the global level of Nestlé, so that at any time the employee can turn to the supervisor for support and quality advice, or find detailed instructions for a particular process.

In addition to internal sources of information, it is also necessary to turn to external and involve trainers from other companies, regions or countries to share experiences of workflow optimization.

Now, let's move on to recommendations for improving external corporate social responsibility, which will improve consumer welfare and the environment. Nestlé invests in technology to use recyclable packaging materials. In 2020, 98% of confectionery packaging in Ukraine was already recyclable. It is important to note that all Nestle drinks and food products sold in Ukraine have recommendations on the daily intake, information on the number of calories, sugar, fat and other substances in one serving of the product. In addition to consumption recommendations, there are labels indicating that the packaging is recyclable.

However, in today's realities, the infrastructure for packaging processing is not widespread in Ukraine. But according to a poll conducted by the Ilko Kucheriv Democratic Initiatives Foundation and the Kyiv International Institute of Sociology, the majority of respondents (69%) do not sort waste during their daily lives due to ignorance and unavailability of infrastructure. At the same time, the vast majority of Ukrainian

citizens (88%) consider the problem of waste management important (*The attitude of the population of Ukraine to waste disposal*, 2017).

The economic downturn is accompanied by a decline in the purchasing power of the population, accompanied by falling demand, which can lead FMCG company to loss. Hence, the issue of studying trends popular among consumers and competitors becomes especially important (Sai et al., 2018).

Therefore, we suggest, in addition to information on the product itself, **to indicate on the package the way of properly disposal or recycling**. This could be, for example, a QR-code indicating the nearest waste disposal and recycling points.

In case of solving this issue in Kyiv, the NGO "Ukraine without Garbage" may be the partner of Nestlé. The organization already has joint projects with companies such as Coca Cola Beverages Ukraine Limited, Fozzy Group. Other similar organizations can also be partners. Currently, there are more than a hundred companies in Ukraine capable of processing paper, metal, glass and plastics. However, without receiving enough properly sorted waste from the population, they have to buy it in other countries (Ratnakar, 2021).

It is necessary to carry on involving the population in responsible waste process, to create more educational programs and activities throughout Ukraine in order to form ecological way of thinking in children, to involve consumers in social actions (PwC, 2020). We have already mentioned the new Lighthouse initiative in Part 2, but its action is aimed only at the Kyiv region. It is necessary to support the existence of such measures in other regions as well.

Creating recyclable packaging is a significant step towards environmental friendliness and sustainable development. However, according to Greenpeace research, recycling will not solve the problem of excess plastic on our planet. After all, a significant part of primary and secondary plastic will still be used to make single-use packaging which will not be recycled. The reason for this is the lack of appropriate infrastructure in most countries (Haigh, 2019).

Shifting to single-use paper packaging is not an appropriate solution too. This decision is not environmentally friendly, because abrupt replacement of plastic with paper

can cause further environmental disaster such as deforestation.

We need Nestlé to innovate away from the single-use model entirely. The company needs to scale up its efforts toward reusable systems, such as glass and metal (Goldsberry, 2019).

The TNC made a collaboration with the Czech start-up MIWA, which was launched in Switzerland. The idea of the project was to install reusable and refillable dispensers in three shops in Switzerland (Upshall, 2020).

Nestle Ukraine LLC should adopt the experience of colleagues from Europe and organize a pilot of the similar reusable system project in Ukraine.

Let's consider the **distribution loop with reusable capsules** to combat plastic packaging waste on the figure 3.1.

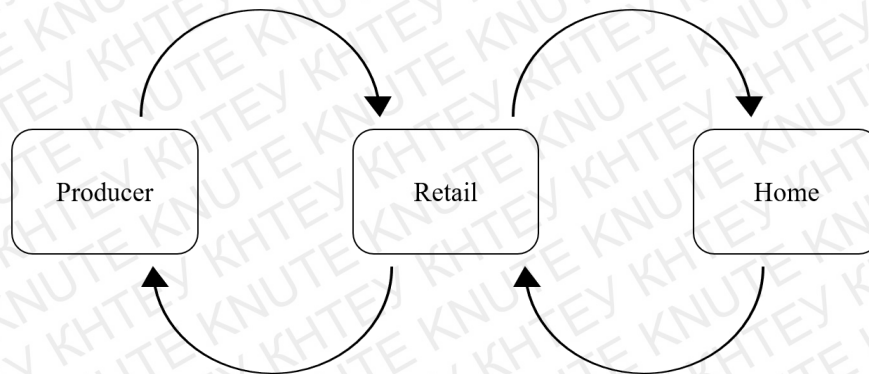


Fig. 3.1. Distribution cycle with reusable capsules

Source: created by author based on (Official website of MIWA Technologies, n.d.).

We offer to launch in the store hall installation with reusable and refillable dispensers for the following Nestlé products: pet food, coffee, cereal flakes.

Consumers would bring reusable containers (of glass or metal) to buy different types of Nescafé coffee, Purina food or CPW cereals from a dispenser system. People would have a possibility to access digitally all product information, and also print labels with price after refilling.

Empty capsules in the store will be returned to the producer, cleaned and refilled. This will form a distribution loop with reusable capsules as shown on the figure 3.1.

The photo of such in-store dispensers is represented in Appendix M. This will significantly reduce the quantity of single-use packages.

3.2. Forecast effectiveness of the proposed measures for «Nestle Ukraine» LLC

There were proposed five complex measures to improve corporate social responsibility activity of the enterprise «Nestle Ukraine» LLC:

- 1) Creation of a local CSR unit in the Nestle Ukraine LLC;
- 2) Applying the reporting standards of the Global Reporting Initiative (known as GRI);
- 3) Developing a platform for sharing experience and knowledge;
- 4) Indication on the package the way of properly disposal or recycling;
- 5) Installation of reusable and refillable dispensers for products.

Let's forecast effectiveness of the proposed measures.

The optimal changes in the organizational structure of the company by creation a local CSR unit in the Nestle Ukraine LLC will be effective thanks to following advantages of such decentralization (Mokhova, 2017):

- 1) the sources of CSR decisions will be closer to the executors;
- 2) greater speed of decision-making will allow flexible and timely response to external influences;
- 3) more targeted use of the budget for local priorities and needs;
- 4) strengthening responsibility for the implemented set of measures of subdivisions at lower levels;
- 5) stimulates the development of professional skills in the field of CSR;
- 6) promotes the accumulation of relevant intellectual capital and management experience in conditions of uncertainty;
- 7) increases productivity through greater influence in the development of CSR planning within the global strategy;
- 8) provides mutual control of local and global levels of CSR in order to function effectively as a whole.

This so-called "decentralization" of corporate social responsibility management and the allocation of a separate unit, which will focus only on social activities and producer responsibility, will significantly increase the efficiency of the whole set of measures.

Let's evaluate the positive impact of non-financial reporting in accordance with the

requirements of the GRI. At the moment, Nestlé compiles the CSR report in free format, which complicates its retrospective analysis and comparison with other market players.

The use of GRI standards will bring the corporate social performance report into a single, internationally understood format. Maintaining non-financial reporting in accordance with the world standard has a number of advantages for the company and helps:

- 1) demonstrate the mission, values and path of development of the company;
- 2) organize and unify information on complex topics of sustainable development and corporate social responsibility;
- 3) introduce and improve the non-financial risk management system;
- 4) establish communication with stakeholders: employees, shareholders, partners;
- 5) establish a dialogue with NGOs and local communities.

This innovation will be effective, because according to a research of the expert organization CSR Ukraine, 67% of the company's reputation is corporate social responsibility, the results of which are published through reporting (CSR Ukraine, 2019).

Also, appropriate reporting allows companies to evaluate their work and better manage the impact on people and the planet. Such a report can identify risks and help reduce them, highlight new opportunities and areas where additional action is needed to become a responsible company that is trusted in a sustainable business environment.

In line with the development of the legal framework towards the implementation of Extended Producer Responsibility and the National Waste Management Strategy until 2030, it is clear that the publication of standardized non-financial reporting may be a mandatory requirement in a few years.

The next proposed measure was developing and improving a platform for sharing experience and knowledge between departments both within the Ukrainian market and Nestle's world markets.

The effectiveness of this measure to improve communication will be determined by: increasing skills, knowledge and productivity, strengthening the motivation of employees to develop and optimize processes. In this way, employees can become more mobile within and outside the market, will feel involved in the global activities of the

company, feel the importance of the influence of each individual. This will have a positive impact on both staff development and the efficiency of the entire TNC.

Also, we suggest to indicate on the package of Nestle products the way of properly disposal or recycling. This could be, for example, a QR-code indicating the nearest waste disposal and recycling points.

To properly assess the effectiveness of such a measure, we will examine the existing waste management infrastructure in Ukraine (see figure 3.2).

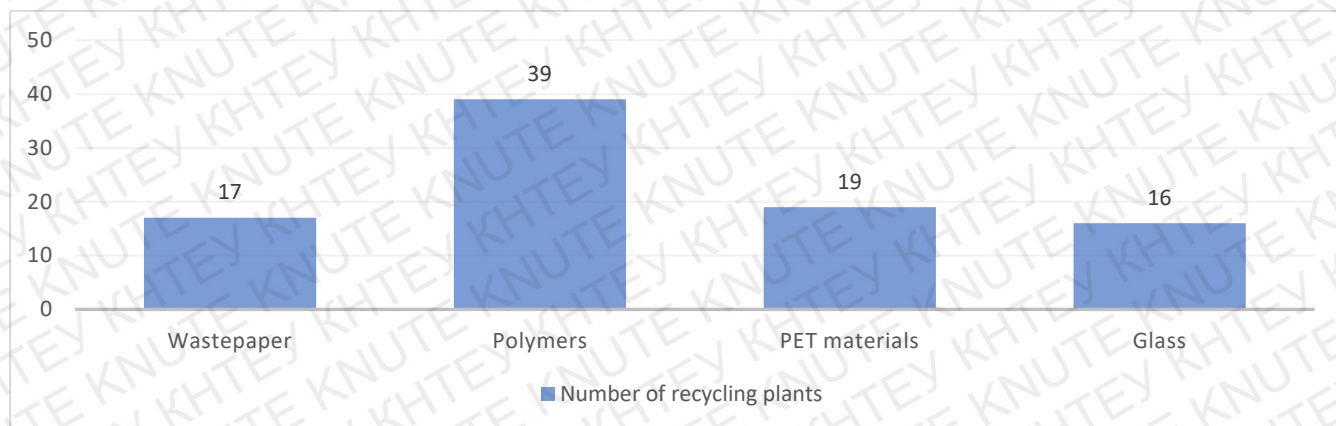


Fig. 3.2. : Waste processing infrastructure in Ukraine

Source: created by author based on (PwC, 2020).

As we can see from the research, there are more than 90 waste recycling companies in our country. However, the average workload of enterprises is only 65%. The reason for this is the lack of properly sorted waste.

As well, 34 sorting lines operating in 28 towns and cities of Ukraine are part of the infrastructure. Sorting complexes are being built in another 17 localities. Also, about 1500 localities are implementing separate collection of household waste nowadays. This indicates that the recycling infrastructure will develop more and more every year.

But the main problem is still the lack of consumer awareness about the possibility of sorting waste properly. Therefore, unlike educational activities, which involve a limited proportion of people, the information on the package can be obtained by all consumers of Nestlé products.

For example, the share of Nestlé products in the confectionery market is 12.8% (AgroReview, 2019).

Accordingly, under ideal conditions, the same proportion of packages will be sorted correctly. In addition, it will encourage the proper sorting of waste products of other market players. Hence, the measure will help increase the workload of recycling companies and the number of waste sorting points. Nestle Ukraine LLC could improve its reputation and consumer loyalty to the brand through such an event.

However, in the future, re-use rather than recycling will be preferred. Therefore, we propose to calculate the efficiency of reusable and refillable dispensers in stores, the idea of which was described in section 3.1.

In order to determine the investment conditions, we simulated the probable situation of launching a pilot project in one of potential Nestle's specialized stores in Kyiv. An assortment of Nescafe coffee from the Svitoch factory in Ukraine was taken for analysis. The input data for calculating the efficiency are given in the table 3.2.

Table 3.2

The implementation conditions of the reusable and refillable dispensers pilot project

Indicator	Value
The amount of investment to launch the project in 1 store	1 000 000 UAH
The average price of packaged Nescafe coffee on the market	750 UAH per KG
The average markup on coffee products at retail	70%
The share of packaging costs in the total cost of coffee products	15%
The average sales volume of coffee in a simulated point of sale	20 kg per day

Source: compiled by the author on the average market indicators

The efficiency of investment in such a project will be measured using the SROI (social return on investment) indicator (Folger, 2021), according to the following formula:

$$SROI = \frac{SIV - IIA}{IIA} \times 100\% \quad (3.1)$$

where:

SIV – social impact value;

IIA – initial investment amount.

In this case, the social impact value will be equal to the savings on packaging costs. According to the table 3.2, The calculated savings on the packaging of the coffee product

would be 675 hryvnias per day, and for 5 years – 1 231 875 hryvnias. Therefore, the calculation of social return on investment will be as follows:

$$SROI = \frac{1\,231\,875 - 1\,000\,000}{1\,000\,000} \times 100\% = 23\%.$$

Accordingly, with a contingent investment of 1 million hryvnias in a pilot project for one store, Nestle Ukraine LLC would receive a profit of 23% from selling Nescafe coffee over a period of 5 years.

It is worth noting that with the implementation of the project in retail networks, the effectiveness of the SROI will increase due to the effect of scale. Also, savings on packaging will ultimately reduce the cost of coffee, respectively, will reduce the price of products, which will be an additional competitive advantage, even without taking into account the increasing reputation of the company and loyalty among consumers.

We calculated the forecast of financial statements for the medium term (2021 - 2023) using the method of exponential smoothing (Excel FORECAST.ETS function). It was taken into account that Nestle Ukraine LLC will gradually cover its liabilities. Good financial management will ensure the predominance of income from borrowed funds over interest on loan repayments.

As we can see from the results obtained in Appendix H, during the 2021-2023 period the positive dynamics of net loss will be restored. The projected figure in 2023 will be 76 million hryvnias, while in 2020 the net loss was 804 million hryvnias.

Also, based on forecasted statements, indicators of liquidity, solvency, business activity and profitability were analyzed (see Appendices I, J, K, L). Due to the obvious coverage of liabilities and income increase, there is a gradual improvement in liquidity, capital and profitability ratios in 2021 – 2023, compared to 2020.

Negative dynamics of asset productivity and accounts receivable turnover ratios indicate that the company needs to pay more attention to financial and asset management to meet market requirements. It is worth noting that increasing the loyalty of stakeholders by increasing the efficiency of social activities will have a positive impact on the financial statements of future periods.

Conclusions to part 3

Nestle Ukraine LCC has determined sustainable development and CSR as the main priority. Ensuring a prosperous future for society and the planet is the part of TNC's global strategy.

Nevertheless, we have identified five main measures that will further improve the corporate social responsibility activity of the enterprise at the external and internal levels.

Creation of a local CSR unit will increase the effectiveness of social activities and initiatives. It will establish short-term planning and better analysis of local social needs.

Also, such measure will facilitate faster transition to GRI reporting, which is considered to be a world standard. In this case, GRI reporting will provide transparency and the ability to analyze the sustainable development of the company more constructively.

In addition, it is worth taking care of the internal needs of employees. In order to increase efficiency and productivity, we proposed to develop a platform for sharing experience and knowledge between departments both within the Ukrainian market and Nestle's world markets.

Also, in terms of environmental protection, there is an urgent need for proper disposal and sorting of waste. That is why Nestle Ukraine LCC should promote the development of appropriate infrastructure and consumer awareness of the proper handling of used packaging.

However, on the way to a regenerative economy, re-use rather than recycling will be preferred. We offered to launch in the store hall installations with reusable and refillable dispensers in order to eliminate single-use package waste. The calculation of the social return on investment based on the simulated situation proved that the project can bring economic and social benefits, which will rise due to the effect of scale.

Calculating the forecast of financial indicators for the next three years (2021 - 2023), we concluded that the dynamics of most financial indicators improved compared to 2020. However, with the help of improved financial management and increasing the efficiency of social activities the company can achieve even better results.

CONCLUSIONS AND RECOMMENDATIONS

In the work, we considered the concept, essence and theoretical fundamentals of corporate social responsibility of subjects of economic activity, transnational corporations, studied the basis and experience of interaction of world market players in the framework of CSR implementation, analyzed the financial and economic activity of the Nestle Ukraine LLC, as well as researched the results of corporate social responsibility of the enterprise. Also, we developed and forecasted effectiveness of improvement measures complex of further sustainable development. The results of the work allowed to formulate the following conclusions and recommendations:

1) Based on the research of the theoretical fundamentals of corporate social responsibility, it is proved that CSR is an integral part of the effective functioning of economic activity subject. Business, society and environment are interconnected - wellbeing of one of these elements causes the conditions for improving the others. That is why the implementation of CSR is the key to competitiveness and long-term survival.

2) Analyzing the corporate social responsibility of TNCs on the international market, we can say that most companies are rethinking their activities in accordance with the Sustainable Development Goals established by the United Nations, international standards and requirements. In addition, the positive changes in the participating in this sphere of business not only improve reputation, but also contribute to the growth of stock indicators (for example, the Dow Jones Sustainability World Index), which indicates that investors are increasingly favoring companies with sustainable development strategies. After all, only the regenerative business mindset will be competitive in the future.

3) Nestle Ukraine LLC is a subsidiary of the world's largest food producing TNC. In Ukraine, the company's products are represented by such brands as "Mivina", "Torchyn", "Svitoch", "Nescafe", "Gerber", "Purina" and others. We examined the dynamics and structure of financial results of the enterprise and analyzed indicators of liquidity, solvency, business activity and profitability. As a result, the reasons of negative dynamics and inconsistency of some financial indicators in 2020 were defined. The

company needs to pay more attention to financial and capital management to meet market requirements and improve financial KPIs.

4) The research of the corporate social responsibility of the Nestle Ukraine LLC showed that the enterprise in Ukraine runs business within the framework of the global strategy of TNC in accordance with the Sustainable Development Goals, legislation and world standards. As part of the chosen strategy, Nestle is implementing a number of initiatives to ensure wellbeing at the internal and external levels: Health & Wellness measures for employees and society, events for youth development and education, improvement of eating habits and public awareness etc. The enterprise contributes to development of Expanded Manufacturer Responsibility and the circular and regenerative economy in Ukraine.

5) We recommend to develop a complex of measures to improve corporate social responsibility activity of the Nestle Ukraine LLC. There are five main advice: creation of a local CSR unit, applying the reporting standards of the GRI, developing a platform for sharing experience and knowledge, indication on the package the way of properly disposal or recycling and installation of reusable and refillable dispensers for products.

6) The forecast of effectiveness of the measures of improvement for Nestle Ukraine LLC showed that the proposed complex is aimed at upgrading and developing the internal and external corporate responsibility of the market player, which will contribute to improving the quality of life and ensure a prosperous future. This will increase consumer loyalty, improve reputation and competitiveness.

It should be noted that all these measures will not be effective without the adoption of relevant laws and regulations, the formation of the correct infrastructure for waste disposal, and support from the government.

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APPENDICES

Appendix A

Barriers to circular economy implementation

Barrier for sustainable transformation	Impediment	Description
Lack of capabilities	Lack of knowledge	Knowledge about available circular economy solutions or how to apply them is missing
	Lack of competence	Competencies, such as process or production capabilities, are lacking
	Lack of circular mindset	Viewing post-consumer products as waste, not considering further stakeholders than existing relations when developing solutions or disregarding the innovation potential behind circular economy can inhibit the development of circular solutions
Lack of economic viability	Prohibitive investment	Up-front investment to develop or implement circular solution exceeds the financial resources of the company
	Lack of cost competitiveness	Circular solutions might be more costly than non-circular practices, or have a different financial profile, leading to a competitive disadvantage
	Lock-in barriers	Asset intensity and long investment cycles in hard-to-abate industries make it difficult and costly to switch to renewable sources and change production processes
Lack of access to material	Insufficient availability of material components on the market	Material is not available at sufficient quantity, quality or at acceptable price level to be reused or recycled
	No access to material components	Materials and components are available but scattered and handled by fragmented collection players
Uncertain feasibility	Changing regulation	Uncertainty about the stability of regulations creates risk around the business case (e.g., carbon tax) and technological viability going forward (e.g., reuse of components)
	Uncertain customer acceptance	Circular solutions can't always replace non-circular practices at the same quality or price level, but the extent to which variations are accepted by the market are not known in advance, creating uncertainty
	Uncertain technical feasibility	Beyond laboratory testing, circular economy innovation needs to be proven to work in real life before they can be implemented at a broader scale, making development more expensive
	Uncertain sustainability effectiveness	Sustainability impacts may not be fully known in advance, as they depend on external factors, which may slow down the project or decrease customer demand
Lack of scale	High transaction cost for consumers	Required behavior change from customers is difficult to achieve if it merely creates additional effort rather than replacing a current behavior
	High operating cost	Operating costs for circular economy solution is prohibitively high at the scale that can be achieved by one company
	Lack of market-wide standards	Standards, e.g., to reduce material variation, only effectively improve circularity if adopted by a large share of the market

Source: created by author based on (World Economic Forum, n.d.).

Legal information of Nestle Ukraine LLC

Full name of the legal entity	Nestle Ukraine Limited Liability Company
Legal entity status	Not in the process of termination
USREOU code	32531437
Registration Date	22.05.2003
Market Head	Zanelli Alessandro
Average number of employees	2 289
The amount of share capital	800 000 UAH
Organizational and legal form	Limited Liability Company
Ownership	Non-state property
Type of activity (main)	46.90 Non-specialized wholesale trade
Legal address	04070, Kyiv, street Verkhniy Val, bldg. 72 "A"
Official website	https://www.nestle.ua/

Source: created based on (Official website of Ministry of Justice of Ukraine, n.d.).

Balance Sheet structure of Nestle Ukraine LLC in 2016-2020, thousand UAH

Name of Balance Sheet line	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020
Intangible assets	130 568	105 961	96 057	72 099	56 862
initial value	516 334	472 560	322 850	334 591	355 354
accumulated depreciation	-385 766	-366 599	-226 793	-262 492	-298 492
Construction in progress	35 068	29 679	56 186	73 596	72 163
Property, plant and equipment	160 578	173 805	188 394	191 091	315 907
initial value	420 865	446 869	499 572	536 390	687 846
accumulated depreciation	-260 287	-273 064	-311 178	-345 299	-371 939
Deferred tax assets	130 748	98 769	35 827	-	-
Other intangible assets	100 842	136 371	165 625	180 471	215 736
Total non-current assets	557 804	544 585	542 089	517 257	660 668
Inventories	580 645	626 873	590 645	572 830	704 325
raw materials	88 546	92 894	71 718	84 534	89 119
goods for resale	492 099	533 979	518 927	488 296	615 206
Accounts receivable	1 051 780	1 110 499	1 123 256	1 303 730	1 346 142
Cash and cash equivalents	85 652	97 918	190 611	285 900	144 778
Deferred expenses	4 582	1 775	121	23	6 626
Other assets	5 236	3 588	3 011	4 150	7 406
Total current assets	1 727 895	1 840 653	1 907 644	2 166 633	2 209 277
Total assets	2 285 699	2 385 238	2 449 733	2 683 890	2 869 945
Statutory capital (equity)	800	800	800	800	800
Retained earnings (uncovered losses)	-4 208 294	-4 000 341	-3 291 450	-2 934 950	-3 808 295
Equity	-4 207 494	-3 999 541	-3 290 650	-2 924 487	-3 807 495
Other long-term liabilities	4 657 426	4 265 626	3 702 050	3 300 886	395 373
Total non-current liabilities	4 657 426	4 265 626	3 702 050	3 300 886	395 373
Accounts payable	1 666 488	1 979 552	1 893 182	2 146 970	2 335 018
Prepayments received	8 527	10 190	9 777	14 805	18 448
Other current liabilities	160 752	120 411	135 374	145 716	3 928 601
Total current liabilities	1 835 767	2 110 153	2 038 333	2 307 491	6 282 067
Total equity and liabilities	2 285 699	2 385 238	2 449 733	2 683 890	2 869 945

Source: created by author based on Financial Statements (Official website of Nestlé in Ukraine, n.d.).

P&L statement structure of Nestle Ukraine LLC in 2016-2020, thousand UAH

Name of P&L Statement line	2016-2017	2017-2018	2018-2019	2019-2020
Revenues	8 452 789	8 690 774	9 417 675	9 503 628
Cost of sales	-5 824 736	-6 133 155	-6 252 241	-6 644 145
Gross profit (loss)	2 628 053	2 557 619	3 165 434	2 859 483
Other operating income	40 642	38 083	56 256	45 451
Admin expense	-641 356	-598 107	-825 553	-750 913
S&D	-1 032 469	-1 138 552	-1 673 732	-1 408 950
Other operating expense	-502 369	-521 532	-580 472	-515 833
Operating income	492 501	337 511	141 933	229 238
Other financial income	50 027	39 817	28 656	18 677
Other income	71 632	66 307	548 364	3 966
Finance expenses	-94 698	-148 683	-261 673	-317 488
Other expense	-56 742	-68 685	-84 017	-735 209
Profit (loss) before tax	462 720	226 267	373 263	-800 816
Income tax expense	-60 154	-62 942	-35 827	-3 336
Net profit (loss)	402 566	163 325	337 436	-804 152

Source: created by author based on Financial Statements (Official website of Nestlé in Ukraine, n.d.).

Formulas for calculating financial performance indicators

1) Absolute liquidity ratio is calculated as follows:

$$\text{Absolute liquidity} = \frac{\text{Cash and cash equivalents}}{\text{Total current liabilities}};$$

2) Current liquidity ratio is calculated as follows:

$$\text{Current liquidity} = \frac{\text{Total current assets}}{\text{Total current liabilities}};$$

3) Intermediate liquidity ratio is calculated as follows:

$$\text{Intermediate liquidity} = \frac{\text{Total current assets} - \text{Inventories} - \text{Bioassets}}{\text{Total current liabilities}};$$

4) Own current assets ratio is calculated as follows:

$$\text{Own current assets} = \frac{\text{Equity} - \text{Total non-current assets}}{\text{Total current assets}};$$

5) Solvency ratio is calculated as follows:

$$\text{Solvency} = \frac{\text{Equity}}{\text{Total equity and liabilities}};$$

6) Debt ratio is calculated as follows:

$$\text{Debt ratio} = \frac{\text{Total equity and liabilities} - \text{Equity}}{\text{Total equity and liabilities}};$$

7) Debt coverage ratio is calculated as follows:

$$\text{Debt coverage} = \frac{\text{Equity}}{\text{Total equity and liabilities} - \text{equity}};$$

8) Current debt ratio is calculated as follows:

$$\text{Current debt} = \frac{\text{Total current liabilities}}{\text{Total equity and liabilities} - \text{equity}};$$

9) Equity maneuverability ratio is calculated as follows:

$$\text{Equity maneuverability} = \frac{\text{Equity} - \text{Total non-current assets}}{\text{Equity}};$$

10) Asset turnover ratio is calculated as follows:

$$\text{Asset turnover} = \frac{\text{Revenue}}{\text{Average total assets}};$$

11) Inventory turnover, times is calculated as follows:

$$\text{Inventory turnover, } t = \frac{\text{Cost of sales}}{\text{Average inventory} + \text{Average biological assets}};$$

12) Inventory turnover, days is calculated as follows:

$$\text{Inventory turnover, } d = \frac{\text{Inventory}}{\text{Cost of sales}} * 365;$$

13) Accounts receivable turnover ratio is calculated as follows:

$$\text{AR turnover} = \frac{\text{Revenue}}{\text{Average accounts receivable}};$$

14) Accounts payable turnover ratio is calculated as follows:

$$\text{AP turnover} = \frac{\text{Cost of sales}}{\text{Average accounts payable}};$$

15) Asset productivity ratio is calculated as follows:

$$\text{Asset productivity} = \frac{\text{Revenue}}{\text{Average total current assets}};$$

16) Accounts receivable turnover, days is calculated as follows:

$$\text{AR turnover, } d = \frac{\text{Accounts receivable}}{\text{Revenue}} * 365;$$

17) Accounts payable turnover, days is calculated as follows:

$$AP \text{ turnover, } d = \frac{\text{Accounts payable}}{\text{Cost of sales}} * 365;$$

18) Return on assets is calculated as follows:

$$\text{Return on assets} = \frac{\text{Net profit(loss)}}{\text{Average total assets}};$$

19) Return on non-current assets is calculated as follows:

$$\text{Return on non – current assets} = \frac{\text{Net profit(loss)}}{\text{Average total non–current assets}};$$

20) Return on current assets is calculated as follows:

$$\text{Return on current assets} = \frac{\text{Net profit(loss)}}{\text{Average total current assets}};$$

21) Return on equity is calculated as follows:

$$\text{Return on equity} = \frac{\text{Net profit(loss)}}{\text{Average equity}};$$

22) Return on borrowed capital is calculated as follows:

$$ROCE = \frac{\text{Net profit(loss)}}{\text{Average total equity and liabilities – Average total equity}};$$

PEST-analysis of Nestle Ukraine LLC

Factor	Factor impact	Expert assessment					Average score	Significance-based assessment
		1	2	3	4	5		
Political factors								
Unstable political situation in the country;	3	5	5	4	5	4	4,6	0,23
Military conflict;	3	5	5	5	5	5	5	0,25
Deterioration of trade relations with Russia;	1	1	2	3	1	2	1,8	0,03
Lack of a legislatively approved program to support enterprises running CSR activity.	1	2	1	1	2	1	1,4	0,02
Economic factors								
High inflation rate;	3	4	4	5	5	5	4,6	0,23
Unstable national currency exchange rate	2	5	4	5	5	4	4,6	0,15
Economic decline caused by the Covid-19 pandemic;	3	5	5	5	5	5	5	0,25
Decline in consumer demand due to lower purchasing power;	3	5	5	5	5	4	4,8	0,24
Lack of own funds for development;	1	4	3	4	2	3	3,2	0,05
Rising prices for raw materials.	2	3	4	3	4	2	3,2	0,11
Social and cultural factors								
Low level of staff motivation;	3	4	3	5	2	4	3,6	0,18
Intellectual migration of personnel;	2	5	3	3	2	4	3,4	0,11
Insufficient development of social infrastructure;	1	1	1	2	3	2	1,8	0,03
Lack of proper waste management culture.	1	2	1	1	3	1	1,6	0,03
Technological factors								
Wear and tear and technological obsolescence of fixed assets;	3	4	3	3	4	3	3,4	0,17
Lack of own financial resources to acquire and implement modern technologies;	3	4	5	5	4	4	4,4	0,22
Lack of state incentives for technological development.	1	3	4	2	4	4	3,4	0,06
Total							59,8	

Source: compiled by author on the average market indicators.

Summary table of Nestle Ukraine LLC PEST-analysis

Political factors		Economic factors	
Factor	Significance	Factor	Significance
Unstable political situation in the country;	0,23	High inflation rate;	0,23
Military conflict;	0,25	Unstable national currency exchange rate;	0,15
Deterioration of trade relations with Russia;	0,03	Economic decline caused by the Covid-19 pandemic;	0,25
Lack of a legislatively approved program to support enterprises running CSR activity.	0,02	Decline in consumer demand due to lower purchasing power;	0,24
		Lack of own funds for development;	0,05
		Rising prices for raw materials.	0,11
Social and cultural factors		Technological factors	
Factor	Significance	Factor	Significance
Low level of staff motivation;	0,18	Wear and tear and technological obsolescence of fixed assets;	0,17
Intellectual migration of personnel;	0,11	Lack of own financial resources to acquire and implement modern technologies;	0,22
Insufficient development of social infrastructure;	0,03	Lack of state incentives for technological development.	0,06
Lack of proper waste management culture.	0,03		

Source: compiled by author on the average market indicators.

Forecast of dynamics of financial P&L statement indicators of Nestle Ukraine LLC for 2021-2023

Name of P&L Statement line	Absolute value, thousand UAH				Rate of growth, %		
	2019-2020	2020-2021	2021-2022	2022-2023	2021/2020	2022/2021	2022/2023
Revenues	9 503 628	9 977 373	10 358 532	10 739 691	5%	4%	4%
Cost of sales	-6 644 145	-6 868 197	-7 129 060	-7 389 923	3%	4%	4%
Gross profit (loss)	2 859 483	3 109 176	3 229 472	3 349 768	9%	4%	4%
Other operating income	45 451	52 382	55 318	58 253	15%	6%	5%
Admin expense	-750 913	-853 063	-906 001	-958 940	14%	6%	6%
S&D	-1 408 950	-1 505 073	-1 410 714	-1 394 135	7%	-6%	-1%
Other operating expense	-515 833	-540 595	-548 501	-556 407	5%	1%	1%
Operating income	229 238	262 828	419 574	498 539	15%	60%	19%
Other financial income	18 677	11 456	7 897	4 378	-39%	-31%	-45%
Other income	3 966	124 515	137 713	150 911	3040%	11%	10%
Finance expenses	-317 488	-405 609	-483 340	-561 071	28%	19%	16%
Other expense	-735 209	-413 393	-234 789	-168 534	-44%	-43%	-28%
Profit (loss) before tax	-800 816	-420 204	-152 946	-75 777	-48%	-64%	-50%
Income tax expense	-3 336	0	0	0	-100%	0%	0%
Net profit (loss)	-804 152	-420 204	-152 946	-75 777	-48%	-64%	-50%

Source: calculated by author based on (Official website of Nestlé in Ukraine, n.d.).

Forecast of Liquidity ratios of Nestle Ukraine LLC for 2021-2023

Indicator	Reference values	31.12.2020	31.12.2021	31.12.2022	31.12.2023
Absolute liquidity ratio	0,2 — 1	0,02	0,07	0,08	0,08
Current liquidity ratio	1 — 3	0,35	0,41	0,43	0,46
Intermediate liquidity ratio	0,7 — 0,8	0,24	0,31	0,33	0,35

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.).

Forecast of Capital ratios of Nestle Ukraine LLC for 2021-2023

Indicator	Reference values	31.12.2020	31.12.2021	31.12.2022	31.12.2023
Own current assets ratio	> 0,3-0,4	-2,02	-1,49	-1,34	-1,21
Solvency ratio (autonomy, financial stability)	> 0,5	-1,33	-1,01	-0,90	-0,81
Debt ratio	< 0,5	2,33	2,01	1,90	1,81
Debt coverage ratio	> 1-1,5	-0,57	-0,50	-0,47	-0,45
Current debt ratio	> 0,5	0,94	0,97	0,98	0,99
Equity maneuverability ratio	> 0	1,17	1,19	1,21	1,23

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.).

Forecast of Turnover ratios of Nestle Ukraine LLC for 2021-2023

Indicator	Reference values	2020 - 2021	2021 - 2022	2022 - 2023
Asset turnover ratio	Increase	4,10	3,77	3,66
Inventory turnover, times	Increase	9,85	10,16	10,22
Inventory turnover, days	Decrease	37	36	36
Accounts receivable turnover, times	Increase	6,92	6,55	6,37
AR turnover, days	Decrease	56	57	59
Accounts payable turnover, times	Decrease	1,09	1,11	1,13
AP turnover, days	Increase	131	124	134
Asset productivity	Increase	3,24	3,06	2,98

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.).

Forecast of Profitability ratios of Nestle Ukraine LLC for 2021-2023

Indicator	Reference values	2020 - 2021	2021 - 2022	2022 - 2023
Return on assets	Increase	-14%	-5%	-2%
Return on non-current assets	Increase	-65%	-24%	-11%
Return on current assets	Increase	-17%	-6%	-3%
Return on equity	Increase	-12%	-5%	-2%
Return on borrowed capital	Increase	-6%	-2%	-1%

Source: calculated based on (Official website of Nestlé in Ukraine, n.d.).

Reusable and refillable dispensers of Czech start-up MIWA



Source: the picture was downloaded from the official website of MIWA.