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Standards of Accounting and Reporting
(ISAR)**

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Morning Session

Agenda Item 3.

**Enhancing comparability of sustainability reporting:
Selection of core indicators for entity reporting on the
contribution towards the attainment of the Sustainable
Development Goals**

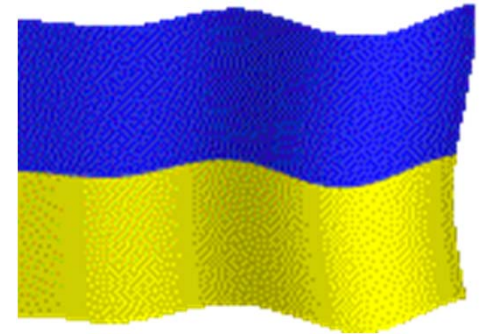
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Entity's reporting on the contribution towards the attainment of the Sustainable Development Goals: Counteractions to information asymmetry

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POSSIBLE REASONS FOR INFORMATION ASYMMETRY IN REPORTING ON SDGs IN TRANSITION ECONOMY COUNTRIES

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Some issues of information support

1. Different level of quality of output data, depending on industry, level of collection and processing of information *
2. Insufficient comparability of reporting data between countries, geographic regions, industries and enterprises is due to:
 - non-compliance with legislation
 - unstable dynamics of the exchange rate *
3. Low level of entities' awareness of international initiatives in the area of corporate social responsibility and other non-financial reporting. The level of awareness of Ukrainian companies is 15.5%**
4. Low level of reliability and comparability of data at the country and interstate levels due to non-compliance with the requirements of non-financial reporting standards by entities, including reporting on contributions towards the attainment of SDGs

Some issues of entity reporting administration on the contribution towards the attainment of the SDGs

1. Complete or partial lack of coordination, exchange or cooperation between the entities involved in the preparation, collection and processing of reporting that is the basis for monitoring the SDG. Such entities include: government, international organizations, public organizations and private sector entities*
2. Imperfection or lack of clarification of existing national and international CSR initiatives and other non-financial reporting by regulators entrusted with CSR development**

*European Parliament. (2016). *Monitoring the implementation of the Sustainable Development Goals – The role of the data revolution*. URL: [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578020/EXPO_STU\(2016\)578020_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578020/EXPO_STU(2016)578020_EN.pdf)

** Дослідження Експертної організації Центр «Розвиток КСВ» за 2017 рік: «Розвиток КСВ в Україні». URL: <http://csr-ua.info/csr-ukraine/>

IDENTIFICATION OF INDICATORS TO AVOID INFORMATION ASYMMETRY IN COMPLIANCE WITH THE EU LEGISLATION

THE LIST OF INDICATORS FOR DISCLOSURE IS NOT DEFINED

International frameworks

- ✓ UN Global Compact
- ✓ UN Guiding Principles on Business and Human Rights implementing the UN 'Protect, Respect and Remedy' Framework
- ✓ OECD Guidelines for Multinational Enterprises
- ✓ International Organisation for Standardisation's ISO 26000
- ✓ International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy

European Union-based frameworks

- the Eco-Management and Audit Scheme (EMAS) and the related Sectoral Reference Documents
- Directive 2013/34/EU
- Directive 2014/95/EU
- Guidelines on non-financial reporting Communication from the Commission 2017/C 215/01

INTERNATIONAL INITIATIVES ON DEFINING THE LIST OF INDICATORS FOR DISCLOSURE

- Consolidated set of GRI sustainability reporting standards (2018)
Universal Standards – 56 disclosures;
Topic-specific Standards (Economic, Environmental, Social) – 85 disclosures
- Draft UNCTAD document "Guidance on Core indicators for entity's reporting on the contribution towards the attainment of the Sustainable Development Goals" **includes 33 indicators**

PREREQUISITES FOR THE IMPLEMENTATION OF THE MANAGEMENT REPORT AND SDG REPORTING: UNIFIED METHODOLOGICAL AND INFORMATION BASES

4

The draft UNCTAD Guidance on core sustainability reporting indicators

The objective of the Guidance:

- to provide practical information on how these indicators could be measured in a consistent manner and in alignment with countries needs on monitoring the attainment of the SDG agenda
- to assist governments to assess the private sector contribution to the SDG implementation and to enable them to report on SDG indicator 12.6.1
- to assist entities to provide baseline data on sustainability issues in a consistent and comparable manner that would meet common needs of many different stakeholders of the SDG agenda – **chapter 1, paragraph 9 ***

**UNCTAD draft “Guidance on Core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals”. URL: <http://isar.unctad.org/isar-35-documents/>*

***Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN>
Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095>
Communication from the Commission Guidelines on non-financial reporting (methodology for reporting non-financial information) (2017/C 215/01). URL: http://ec.europa.eu/anti-trafficking/sites/antitrafficking/files/guidelines_on_non-financial_reporting.pdf*

Directive 2013/34/EU**

Directive 2014/95/EU**

European Commission Guidelines on non-financial reporting**

Aim: to help companies disclose high quality, relevant, useful, consistent and more comparable non-financial (environmental, social and governance-related) information in a way that fosters resilient and sustainable growth and employment, and provides transparency to stakeholders. These non-binding guidelines are proposed within the remit of the reporting requirements provided for under the Directive 2014/95/EU – **Chapter 2 «Purpose»****

GOAL AND OBJECTIVES OF MANAGEMENT REPORT IMPLEMENTATION

The main objective is to facilitate the unification of entity reporting to ensure a monitoring mechanism of the Sustainable Development Goals to assess the private sector contribution to the implementation of the Sustainable Development Agenda 2030

Objectives that were reached

↓

At the interstate level – to create conditions for providing information on Ukrainian entities which prepare sustainability reporting, that is one of the requirements for monitoring the attainment of SDGs

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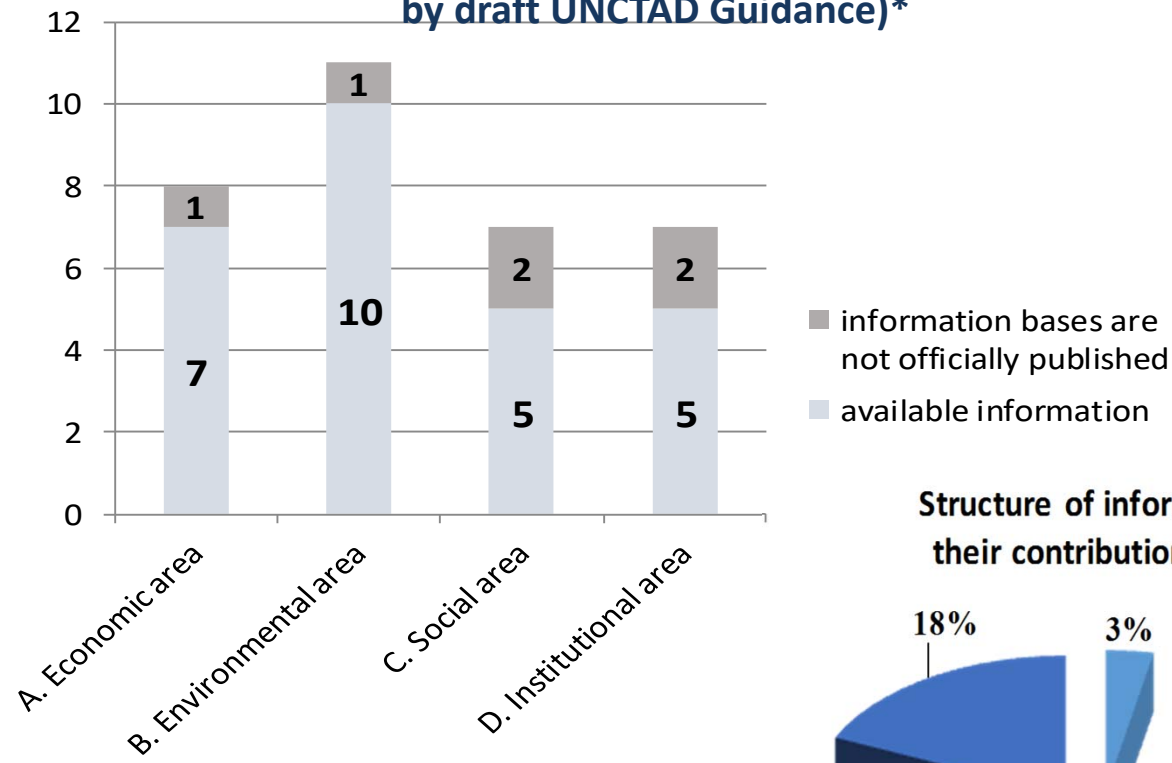
At the national level – give assistance to companies to disclose high-quality, relevant, useful, more comparable non-financial information (ecological, social, managerial) through the harmonization of the indicators of the management report at the state level and the methodology for their calculation, which are universal in nature

DISCLOSURE OF INFORMATION ON THE OUTCOME AND IMPACT OF ENTITIES PERFORMANCE UNDER THE EUROPEAN COMMISSION GUIDELINES ON NON-FINANCIAL REPORTING, DRAFT UNCTAD GUIDANCE AND DRAFT METHODOLOGY FOR COMPILATION OF THE MANAGEMENT REPORT

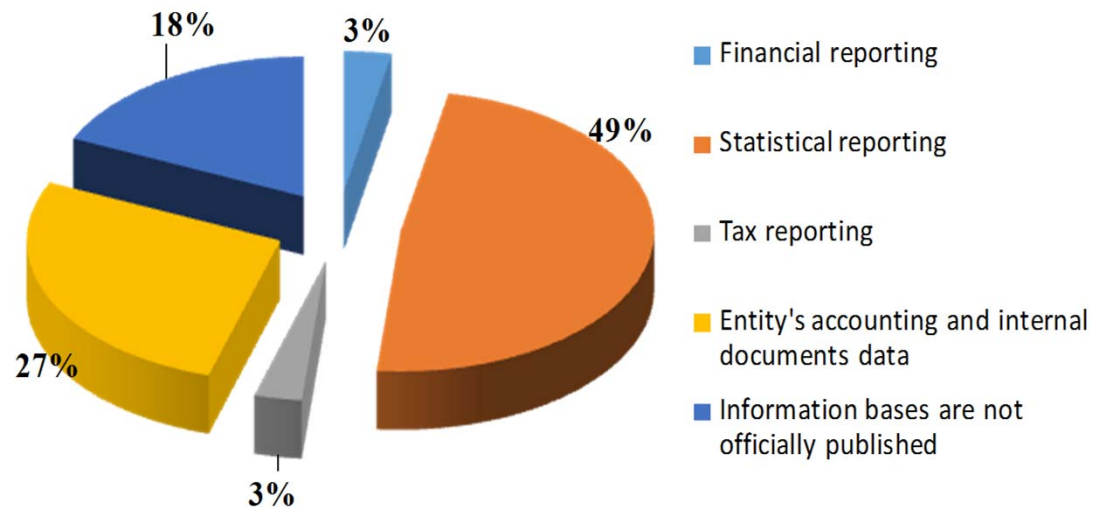
| European Commission Guidelines on non-financial reporting | Draft UNCTAD Guidance | Draft Methodology, developed in accordance with Directive 2013/34/EU* |
|---|---|--|
| Chapter 4. Content 4.1. Business Model 4.2. Policies and due diligence 4.3. Outcome 4.4. Principal risks and their management 4.5. Key Performance Indicators 4.6. Thematic aspects | Chapter III. Core SDG indicators for entities A. Economic indicators B. Environmental indicators C. Social area D. Institutional area | Chapter III. Disclosure of information in the management report Section of the report "Economic area" (Disclosure of economic impact information on) Section of the report "Ecological area" (disclosure of environmental impact information) Section of the report "Social area" (disclosure of social impact information) Section of the report Corporate Governance IV. Submitting and public disclosure of the management report |
| - Chapter 5. Reporting Frameworks Chapter 6. Board diversity disclosure | D. Institutional area | Section of the report Corporate Governance |
| <i>*developed by experts of the SESE "Academy of Financial Management", approved by Accounting Methodology Council under the Ministry of Finance of Ukraine (dated 12.09.2018)</i> | Annex I: Table of selected core SDG indicators | Annex I: Management Report Form |

STRUCTURE OF THE INDICATORS ON SDG REPORTING UNDER DRAFT UN GUIDANCE AND INFORMATION SUPPORT OF ITS COMPILATION BY UKRAINIAN ENTITIES

The number of indicators by which the information in entity reporting of Ukraine is available or absent (according to the list of indicators, defined by draft UNCTAD Guidance)*



Structure of information bases for entities reporting on their contribution towards the attainment of the SDG



*total number of indicators under draft UNCTAD GUIDANCE: 33

INFORMATION SUPPORT OF COMPILATION OF SDG REPORTING BY UKRAINIAN ENTITIES BY INDICATORS A. ECONOMIC INDICATORS DEFINED IN THE DRAFT UNCTAD GUIDANCE

Directive 2014/95/EU and European Commission Guidelines on non-financial reporting



Disclosure nonfinancial information is a key element that ensures financial sustainability

of

CORE INDICATORS ACCORDING TO DRAFT UNCTAD GUIDANCE

INFORMATION BASES IN UKRAINE AND RISKS OF INFORMATION ASYMMETRY

A.1.1. Revenue



Financial reporting: Statement of profit and loss and other comprehensive income

A.1.2. Value added



Require additional calculations according to statistical reporting: No 1-entrepreneurship (annual) "Structural survey of the enterprise"

A.1.3. Net value added



Require additional calculations according to statistical reporting: No 1-entrepreneurship (annual) "Structural survey of the enterprise"

A.2.1. Taxes and other payments to the Government



Tax reporting

A.3.1. Green investment



Statistical reporting: No1 - environmental costs "Report on the costs of environmental protection and environmental payments" (annual)

A.3.2. Community investment



Information is not included in official and published information bases for disclosure in the entities' reporting

A.3.3. Total expenditures on research and development



Statistical reporting: No 3-science "Report on providing of scientific development and investigations"

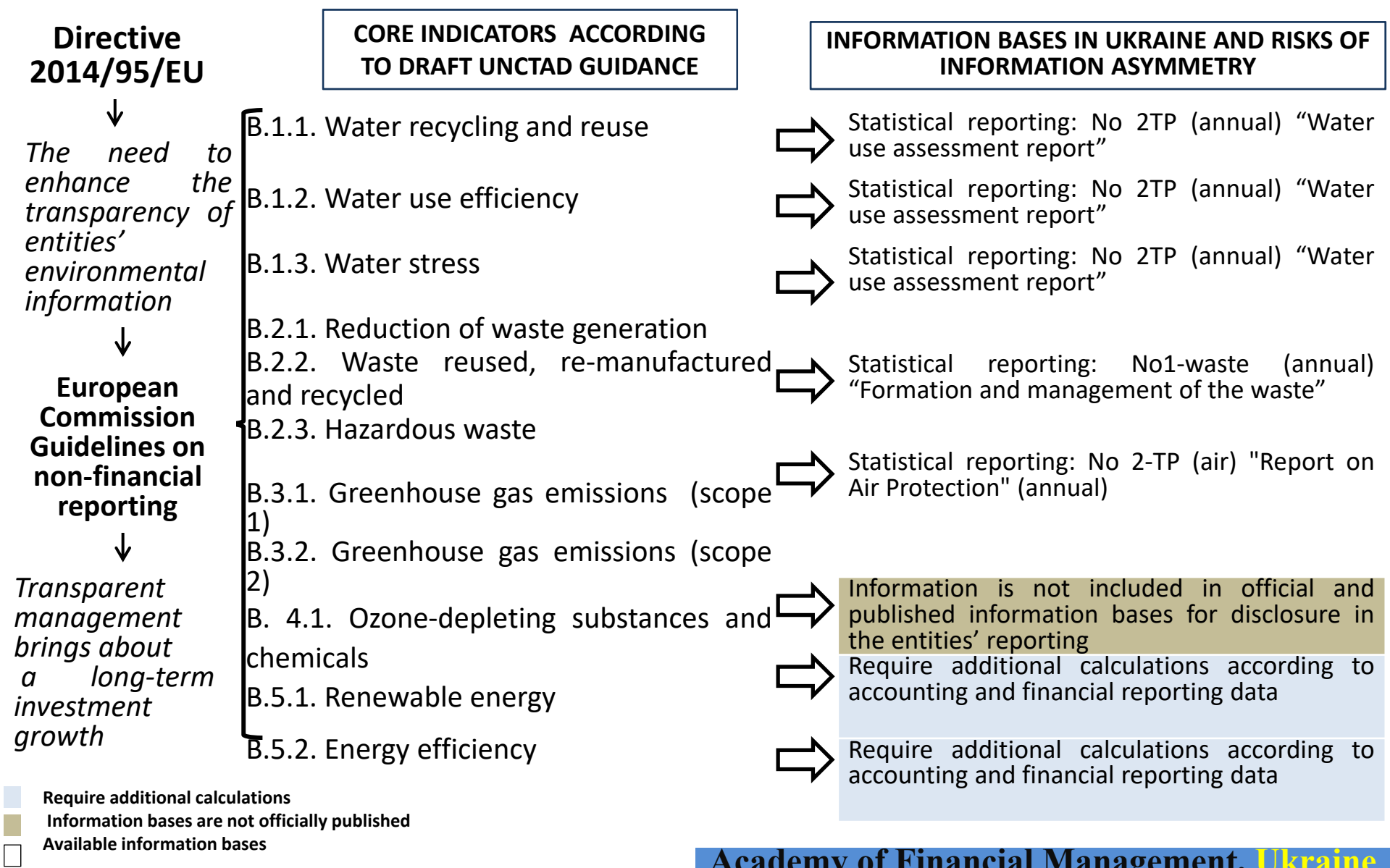
A.4.1. Percentage of local procurement



Require additional calculations according to accounting and financial reporting data

- Require additional calculations
- Information bases are not officially published
- Available information bases

INFORMATION SUPPORT OF COMPILATION OF SDG REPORTING BY UKRAINIAN ENTITIES BY B. ENVIRONMENTAL AREA DEFINED IN THE DRAFT UNCTAD GUIDANCE



INFORMATION SUPPORT OF COMPILATION OF SDG REPORTING BY UKRAINIAN ENTITIES BY C. SOCIAL AREA DEFINED IN THE DRAFT UNCTAD GUIDANCE

| CORE INDICATORS ACCORDING TO DRAFT UNCTAD GUIDANCE | INFORMATION BASES IN UKRAINE AND RISKS OF INFORMATION ASYMMETRY |
|---|---|
| C.1.1 Proportion of women in managerial positions | Require additional calculations according to statistical reporting |
| C.2.1. Average hours of training per year per employee | Information is not included in official and published information bases for disclosure in the entities' reporting |
| C.2.2. Expenditure on employee training per year per employee | Statistical reporting: No (quarterly) "Report on labor" 1-PV |
| C.2.3. Employee wages and benefits, by employment type and gender | Statistical reporting: No (quarterly) "Report on labor" 1-PV |
| C.3.1. Expenditures on employee health and safety | Information is not included in official and published information bases for disclosure in the entities' reporting |
| C.3.2. Frequency /incident rates of occupational injuries | Statistical reporting: No 7-tnv (annual) "Report on incident rates of occupational injuries" |
| C.4.1. Percentage of employees covered by collective agreements | Require additional calculations according to statistical reporting: No 1-PV (quarterly) "Report on labor" |

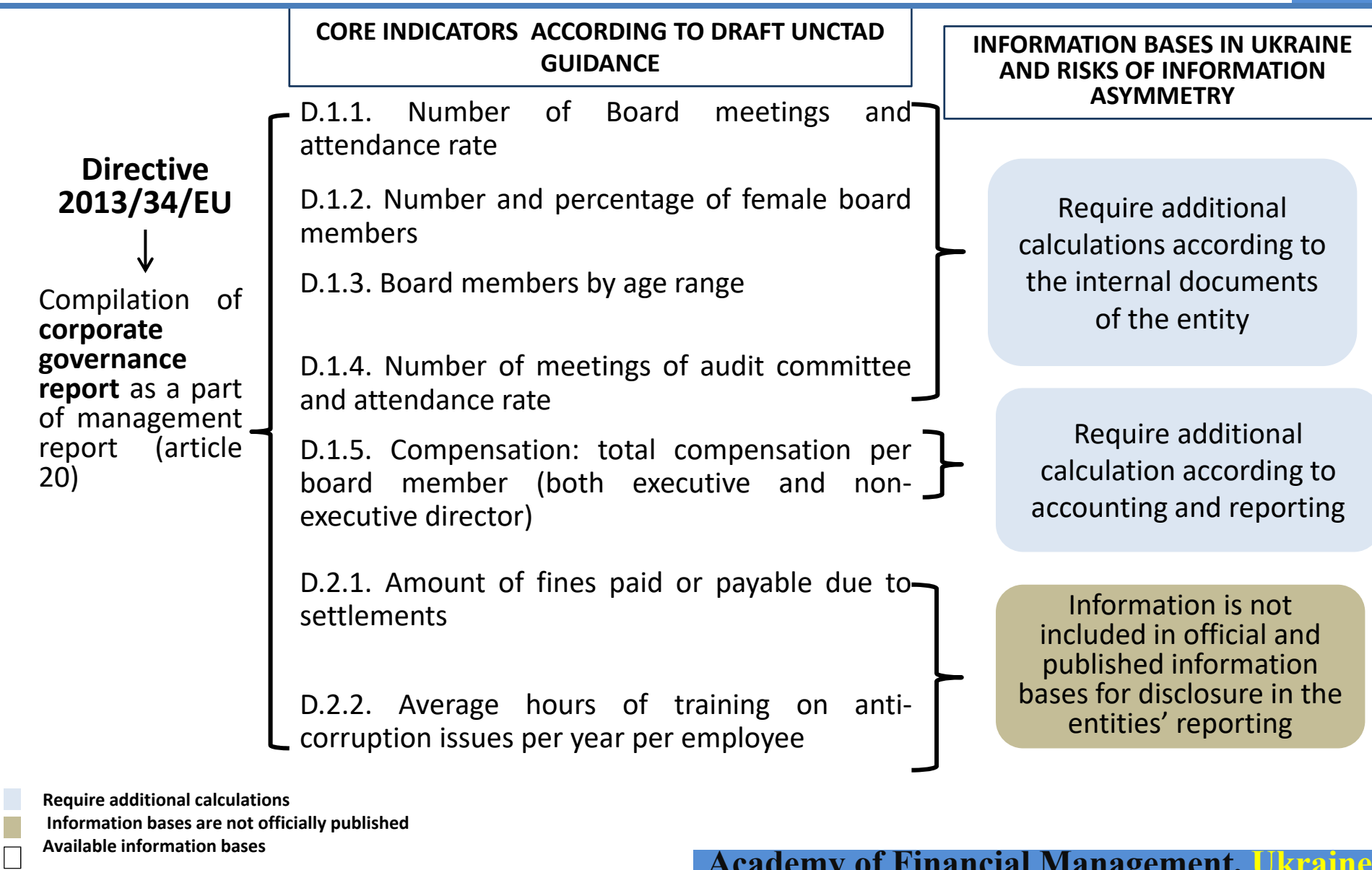
Directive 2014/95/EU



The need to enhance the transparency of entities' social information

- Require additional calculations
- Information bases are not officially published
- Available information bases

INFORMATION SUPPORT OF COMPILATION OF SDG REPORTING BY UKRAINIAN ENTITIES BY D. INSTITUTIONAL AREA DEFINED IN THE DRAFT UNCTAD GUIDANCE



CONCEPT OF DISCLOSURE OF NON-FINANCIAL INFORMATION IN THE MANAGEMENT REPORT

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**the draft UNCTAD ISAR
“Guidance on Core indicators
for entity reporting on the
contribution towards the
attainment of the Sustainable
Development Goals”**



**Directive 2013/34/EU
Directive 2014/95/EU
European Commission
Guidelines on non-financial
reporting**



Draft Methodology for compilation of the Management Report, approved by the Methodological Accounting Board under the Ministry of Finance of Ukraine*

**developed by experts of the SESE “Academy of Financial Management”, approved by Accounting Methodology Council under the Ministry of Finance of Ukraine (dated 12.09.2018)*

CONCEPT OF DISCLOSURE OF NON-FINANCIAL INFORMATION IN THE MANAGEMENT REPORT

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DIRECTIVE 2014/95/EU

a brief description of the undertaking's business model (*article 1, paragraph a*)

a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented (*article 1, paragraph b*)

the outcome of those policies (*article 1, paragraph c*)

the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks (*article 1, paragraph d*)

non-financial key performance indicators relevant to the particular business (*article 1, paragraph e*)

thematic aspects (additional non-financial aspect, need to be disclosed by companies) (*article 1*)

a description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period (*art. 1*)

European Commission Guidelines on non-financial reporting

Business Model (paragraph 4.1, Chapter 4)

Policies and due diligence (paragraph 4.2, Chapter 4)

Outcome (paragraph 4.3, Chapter 4)

Principal risks and their management (paragraph 4.4, Chapter 4)

Key Performance Indicators (paragraph 4.5, Chapter 4)

Thematic aspects (paragraph 4.6, Chapter 4)

Board diversity disclosure (Chapter 4)

Draft Guidance

-key indicators which show significant economic, environmental and social impacts of the entity (according to the list of indicators defined in the Draft UNSTAD Guidance)
-other essential information, disclosed with regard to such aspects as the size and complexity of business

**developed by experts of the SESE "Academy of Financial Management", approved by Accounting Methodology Council under the Ministry of Finance of Ukraine (dated 12.09.2018)*

CAPACITY AND POSSIBILITIES

USE OF THE DRAFT MANAGEMENT REPORT

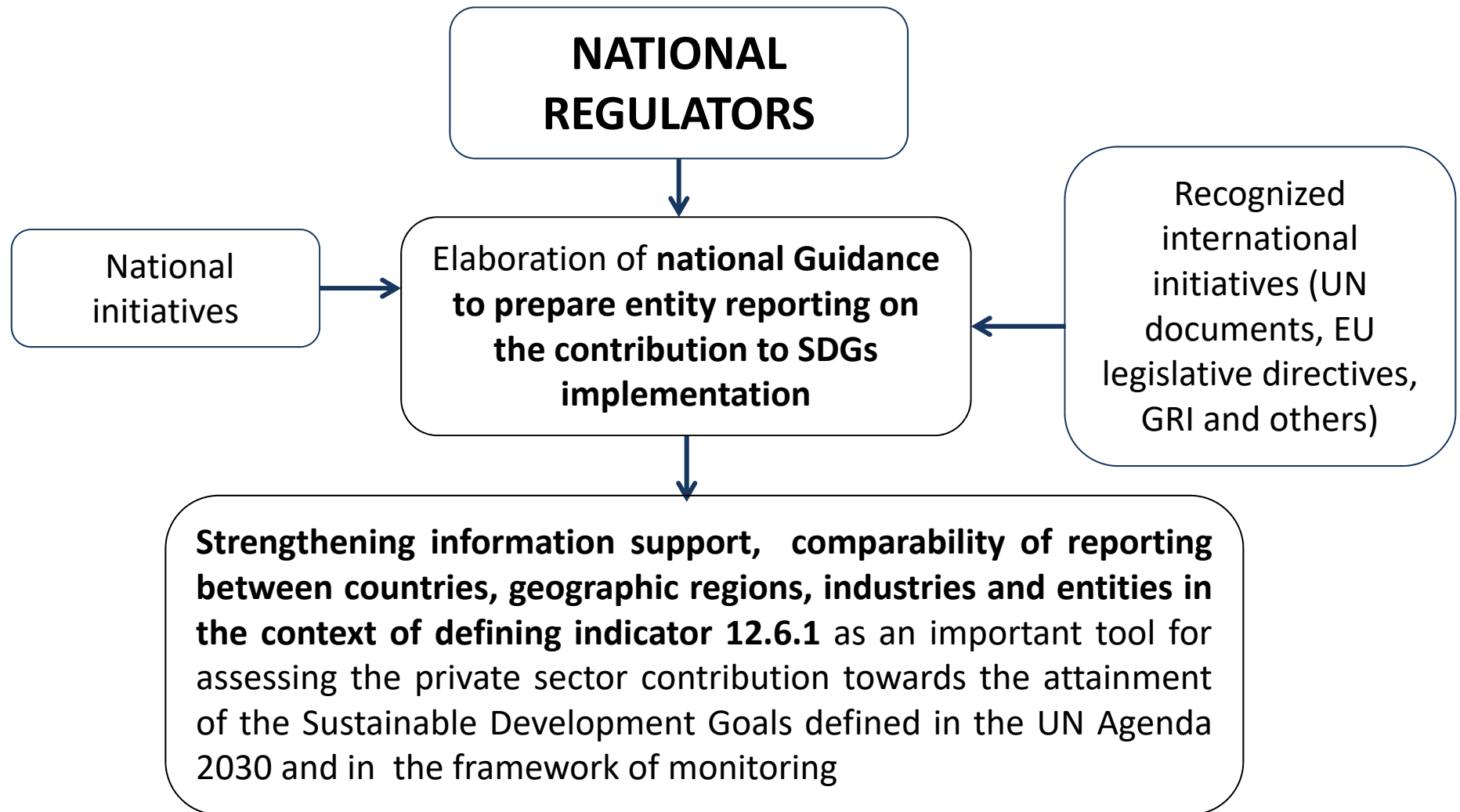
The proposed initiatives will enhance the usefulness and comparability of information provided by entities of Ukraine, its consistency with existing standards of financial reporting and reliability of making management decisions on sustainable investments



Strengthening reporting by domestic enterprises to provide a monitoring mechanism for attaining the Sustainable Development Goals to assess the private sector contribution to the implementation of the Sustainable Development Agenda 2030

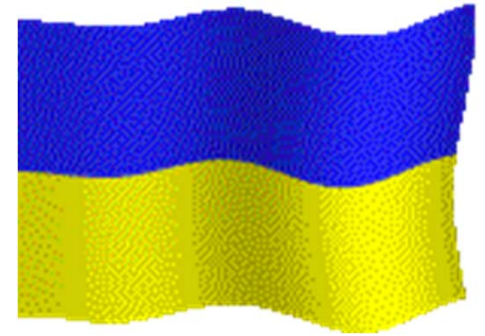
PROPOSITIONS ON STRENGTHENING THE COMPARABILITY OF ENTITY REPORTING ON THE CONTRIBUTION TO SDGs

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Thank you for attention!

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