Agenda item 3. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies

Presented by

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Academy of Financial Management, Ukraine
REPORTING ON SUSTAINABLE DEVELOPMENT: CHALLENGES AND WAYS TO OVERCOME THEM

the case of Ukraine

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KEY CHALLENGES RELATED TO THE REPORTING ON COMPANIES’ SUSTAINABLE DEVELOPMENT IN UKRAINE

- harmonization of sustainability reporting with SDGs reporting at the national level
- elimination of the asymmetry of information support in order to create conditions for harmonization and comparability of sustainability reporting
- institutional support for the administration of companies' reporting on their contribution to the SDGs according to: UNCTAD Guidance on core indicators for entity reporting on contribution towards implementation of the SDGs (GCI); Handbook for the preparation of Voluntary National Reviews (VNR); Methodology for SDG indicator 12.6.1
- practical implementation of monitoring the compliance with the reporting requirements of companies for their contribution to the SDGs
Partially adapted GCI indicators

A. Economic area
A.1.2. Value added
A.1.3. Net value added

B. Environmental area
B.1.2. Water use efficiency
B.2.1. Reduction of waste generation
B.2.3. Hazardous waste
B.3.2. Greenhouse gas emissions (scope 2)
B.5.2. Energy efficiency

C. Social area
C.1.1. Proportion of women in managerial positions
C.2.1. Average hours of training per year per employee
C.2.2. Expenditure on employee training per year per employee
C.2.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender

D. Institutional area
D.1.1. Number of board meetings and attendance rate
D.1.2. Number/percentage of women board members
D.1.3. Board members by age range
D.2.1. Amount of fines paid or payable due to settlements
D.2.2. Average number of hours of training on anti-corruption issues, per year per employee

Non-adapted GCI indicators

B. Environmental area
B.4.1. Ozone-depleting substances and chemicals
B.5.1. Renewable energy
<table>
<thead>
<tr>
<th>Disclosure elements according to Methodology for SDG indicator 12.6.1*</th>
<th>Minimum Requirement : Direct measure of economic performance (revenue, net profit, value added, payouts to shareholders)</th>
<th>Minimum Requirement : Indirect measure of economic performance (community investment, investment in infrastructure or other significant local economic impact)</th>
<th>Advanced Level Requirement: Sustainable public procurement policies and practices; Percentage or proportion of local suppliers/procurement; Charitable donations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relevant SDG Indicators</strong>*</td>
<td></td>
<td>A.3.2. Community investment</td>
<td>A.3.3. Total expenditures on research and development</td>
</tr>
<tr>
<td><strong>Adapted in Ukraine SDG Indicators</strong>**</td>
<td>8.2.1. 9.b.1. 9.4.1. 17.1.2 7.b.1. 17.17.1.</td>
<td>Partially adapted</td>
<td>Partially adapted</td>
</tr>
<tr>
<td><strong>Available Sources of Information</strong>***</td>
<td>State statistical observations</td>
<td>State statistical observations</td>
<td>Companies’ accounting data</td>
</tr>
<tr>
<td><strong>VNR data gathering</strong></td>
<td>Adapted, to be implemented</td>
<td>Adapted, to be implemented</td>
<td>Adapted, to be implemented</td>
</tr>
</tbody>
</table>

***SDG Indicators : Metadata repository / United Nations Department of Economic and Social Affairs. Statistics Division. URL:https://unstats.un.org/sdgs/metadata/
<table>
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<tr>
<th>Disclosure elements according to Methodology for SDG indicator 12.6.1*</th>
<th>Minimum Requirement: Employee training</th>
<th>Minimum Requirement: Occupational health and safety, reporting as injuries, fatalities, and/or training and interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNCTAD ISAR Indicators</strong>**</td>
<td>C.2.1. Average hours of training per year per employee</td>
<td>8.5.1.</td>
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<tr>
<td></td>
<td>C.2.2 Expenditure on employee training per year per employee</td>
<td>10.4.1.</td>
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<tr>
<td></td>
<td>C.2.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender</td>
<td>3.8.1</td>
</tr>
<tr>
<td>Relevant SDG Indicators***</td>
<td>8.8.</td>
<td></td>
</tr>
<tr>
<td>Adapted in Ukraine SDG Indicators****</td>
<td>8.8.1</td>
<td></td>
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### GCI INSTITUTIONAL AREA: THE CASE OF UKRAINE

<table>
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<tr>
<th>Disclosure elements according to Methodology for SDG indicator 12.6.1*</th>
<th>Minimum Requirement : Governance structure, including for economic, environmental and social issues</th>
<th>Minimum Requirement : Anti-fraud, anti-corruption and anti-competitive behavior practices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNCTAD ISAR Indicators</strong>**</td>
<td>D.1.1. Number of Board meetings and attendance rate</td>
<td>D.1.4. Number of meetings of audit committee and attendance rate</td>
</tr>
<tr>
<td></td>
<td>D.1.2. Number and percentage of female board members</td>
<td>D.1.5. Compensation: total compensation per board member</td>
</tr>
<tr>
<td></td>
<td>D.1.3. Board members by age range</td>
<td></td>
</tr>
<tr>
<td>Relevant SDG Indicators***</td>
<td>16.6</td>
<td>16.5.2</td>
</tr>
<tr>
<td>Adapted in Ukraine SDG Indicators****</td>
<td>Partially adapted</td>
<td></td>
</tr>
<tr>
<td>Available Sources of Information*****</td>
<td>Companies’ data</td>
<td>State statistical observation</td>
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<td></td>
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</tbody>
</table>

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Information support for assessment of SDG 12.6 attainment. Recommendations to companies, especially large and transnational, to utilize sustainable production methods and to disclose information on rational use of resources in their reports.

**Methodological compliance with minimal requirements to include an enterprise in indicator 12.6.1 calculation**

- **Financial and tax reporting indicators databases existing in Ukraine**
  - Financial reporting*
  - Tax reporting**
  - Financial reporting of entities of public and communal sectors of economy***

- **Management report**
- **Sustainable development reports**

**Proposed state repository for non-financial reporting and Ukraine’s enterprises and organizations sustainable development reports**

Sustainable development reports verification on compliance with indicator 12.6.1 “Number of companies publishing sustainability reports”****:

- Methodological compliance with **extended** requirements to include an enterprise in indicator 12.6.1 calculation

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* Issuers database of the National Securities and Stock Market Commission. URL: https://stockmarket.gov.ua/
*** Open state database. URL: https://data.gov.ua
RESPONSES TO CHALLENGES RELATED TO TAX INFORMATION ASYMMETRY

Attaining the SDG 16 by 2030

- OECD Convention on Mutual Administrative Assistance in Tax Matters
- EU Directive on Administrative Cooperation
- Multilateral Competent Authority Agreement

Confirmed financial and non-financial reporting according to a defined standard (for MNE)

- Country by Country reports
- Report on controlled operations (transactions)
- Transfert pricing monitoring

Implementation of the BEPS Action Plan in Ukraine*
* BEPS (Base Erosion and Profit shifting)

Institutional and governance disclosure elements for the Minimum Requirement: Anti-fraud, anti-corruption and anti-competitive behaviour practices

Issues concerning tax information exchange system at the global level:
- Internal barriers and practical inadequacy
- Need of various stakeholder groups’ interest harmonization
- Flawed management of databases and opportunities for their coordination

**National competent authorities**

State Fiscal Service of Ukraine
National Bank of Ukraine
State Financial Monitoring Service of Ukraine
National Securities and Stock Market Commission

A 2.1 indicator.
MAJOR GAPS AND NEEDS IN BUILDING THE CAPACITY OF COMPANIES’ SUSTAINABLE DEVELOPMENT REPORTING AND COLLECTING RELEVANT DATA IN UKRAINE

Megalevel

• the need to coordinate indicators at mega, macro and micro levels to attain the SDGs;
• eliminating asymmetries in the disclosure of individual indicators contained in the UNCTAD Guidance* arising from differences in national legislation requirements

Macrolevel

• government institutions need improvement in order to reduce the corruption, legalize the shadow economy and enforce the compliance with legislation
• reporting administration problems and the lack of platforms / data storages where sustainability reporting is published;
• the need to ensure the quality of the companies' reporting on their contribution to the SDGs and the reliability of the information it contains

Microlevel

• limited disclosure by companies of core indicators contained in the Guidance, that does not allow for the private sector's contribution to the SDGs Agenda to be reliably identified and does not allow for the collection of information on the country's progress towards the SDGs

set common objectives for the expert community to address the organization of implementation of UNCTAD core indicators at the countries level and common approaches to summarizing non-financial reporting globally based on VNR;

complete the Accounting Development Tool with the section on non-financial reporting, including reporting on the attainment of the SDGs in order to reach the Millennium Goals, creating a sound basis for further planning of countries’ development and monitoring the status of the SDGs;

prevent information asymmetries in SDGs reporting at the level of individual companies, regions and countries, expand core indicators

**Recommendations to governmental bodies responsible for shaping national policies for the attainment of the SDGs:**

- establish minimum reporting requirements for companies’ sustainability, compliance with which will enable countries to calculate indicator 12.6.1 in accordance with the UN 2030 Agenda and monitor the framework for SDGs attainment;
- approve a list of core indicators to be disclosed by companies that will facilitate the comparability of sustainability reporting across companies, industries, geographies, countries;
- establish requirements for the validation of sustainability reporting that will ensure the quality and reliability of companies’ sustainability reporting information
THANK YOU FOR ATTENTION

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