



SESE the “Academy of  
Financial Management”



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# REPORTING ON SUSTAINABLE DEVELOPMENT: CHALLENGES AND WAYS TO OVERCOME THEM

## *the case of Ukraine*

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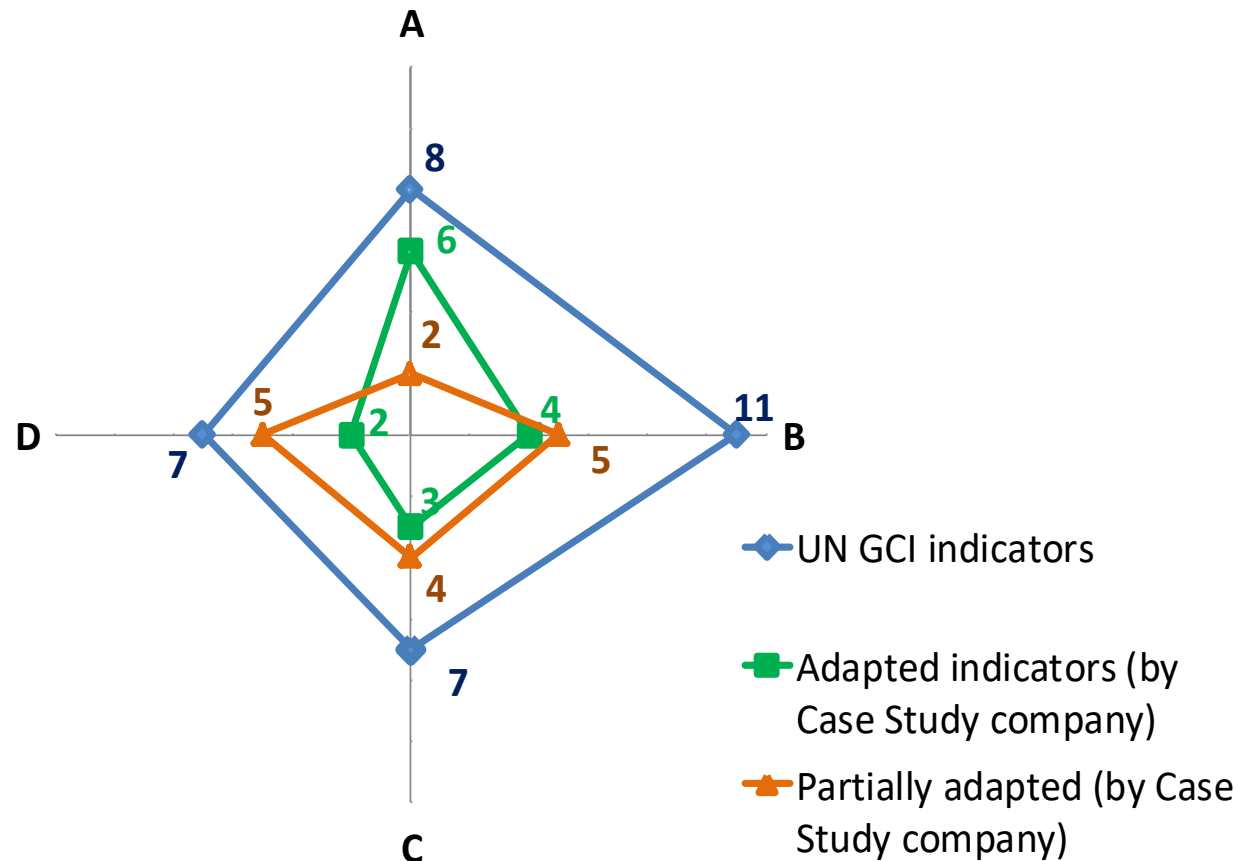
- harmonization of sustainability reporting with SDGs reporting at the national level
- elimination of the asymmetry of information support in order to create conditions for harmonization and comparability of sustainability reporting
- institutional support for the administration of companies' reporting 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

# CASE STUDY RESULTS: A STUDY OF THE PRACTICE OF SUSTAINABLE DEVELOPMENT REPORTING BY SELECTED COMPANY, CONDUCTED BY EXPERTS OF SESE THE “ACADEMY OF FINANCIAL MANAGEMENT”

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## One of Case Study companies data (2017):

14% of the State Budget revenues  
6-7% of Ukrainian GDP  
71,9 thous. employees



A. Economic area B. Environmental area  
C. Social area D. Institutional area

## Partially adapted GCI indicators by selected Case Study company

### 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 by selected Case Study company

### B. Environmental area

B.4.1. Ozone-depleting substances and chemicals  
B.5.1. Renewable energy

# ECONOMIC AREA: THE CASE OF UKRAINE

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| Disclosure elements according to Methodology for SDG indicator 12.6.1* | Minimum Requirement :<br>Direct measure of economic performance (revenue, net profit, value added, payouts to shareholders) |                                |   | Minimum Requirement :<br>Indirect measure of economic performance (community investment, investment in infrastructure or other significant local economic impact) |  |   | Advanced Level Requirement:<br>Sustainable public procurement policies and practices;<br>Percentage or proportion of local suppliers/procurement;<br>Charitable donations |  |
|--|---|--------------------------------|---|---|--|---|---|--|
| UNCTAD ISAR Indicators**   | A.1.1. Revenue<br>A.1.2. Value added<br>A.1.3. Net value added  |                                |   | A.2.1. Taxes and other payments to the Government   | A.3.1. Green investment                                    | A.3.2. Community investment                         | A.3.3. Total expenditures on research and development   | A.4.1. Percentage of local procurement                     |
| Relevant SDG Indicators***   | 8.2.1.  | 9.b.1.                         | 9.4.1.  | 17.1.2  | 7.b.1.   | 17.17.1.  | 9.5.1.  | 9.3.1.   |
| Adapted in Ukraine SDG Indicators****                                  | 8.1.1.  | 9.4.1<br>9.4.2                 | Partially adapted                                   | Partially adapted   | Partially adapted  | Partially adapted                                   | 9.5.1.  | 8.6.2.   |
| Available Sources of Information*****                                  | State statistical observations  | State statistical observations | Need further statistical observations               | Companies' tax reporting, reports on payments to government   | State statistical observations, companies' accounting data | Companies' accounting data                          | State statistical observations, companies' accounting data  | State statistical observations, companies' accounting data |
| VNR data gathering   | Adapted, to be implemented  | Adapted, to be implemented     | Requires methodology adaptation, can be implemented | Requires methodology adaptation, can be implemented   | Requires methodology adaptation, can be implemented        | Requires methodology adaptation, can be implemented | Adapted, to be implemented  | Adapted, to be implemented                                 |

\*Methodology for SDG indicator 12.6.1: Draft from the Custodian Agencies / UNCTAD. 2019. 28 p.

\*\*UNCTAD ISAR (2019). Guidance on Core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals. URL: [https://unctad.org/en/PublicationsLibrary/diae2019d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/diae2019d1_en.pdf).

\*\*\*SDG Indicators : Metadata repository / United Nations Department of Economic and Social Affairs. Statistics Division. URL: <https://unstats.un.org/sdgs/metadata/>

\*\*\*\*Sustainable Development Goals: Ukraine / National Report. Ministry of Economic Development and Trade of Ukraine, 2017. URL: [http://www.un.org.ua/images/SDGs\\_NationalReportUA\\_Web\\_1.pdf](http://www.un.org.ua/images/SDGs_NationalReportUA_Web_1.pdf).

\*\*\*\*\*Indicators for monitoring the achievement of the Sustainable Development Goals: methodology for data collection and calculation / UNDP. 2017. 232 p. URL: <http://www.ua.undp.org/content/ukraine/uk/home/library/sustainable-development-report/Mapping-SDG-indicators-report.html>

# SOCIAL AREA, HUMAN CAPITAL DEVELOPMENT: THE CASE OF UKRAINE

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| Disclosure elements according to Methodology for SDG indicator 12.6.1* | Minimum Requirement :<br>Employee training             |  |   |   | Minimum Requirement :<br>Occupational health and safety, reporting as injuries, fatalities, and/or training and interventions |  |   |
|--|--|--|---|---|---|--|---|
| UNCTAD ISAR Indicators**   | 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 |   | C.3.1. Expenditures on employee health and safety as a proportion of revenue  | C.3.2. Frequency/incident rates of occupational injuries |   |
| Relevant SDG Indicators***   | 4.3.1.   |  | 8.5.1.  | 10.4.1.   | 3.8.1   | 8.8.   | 8.8.1   |
| Adapted in Ukraine SDG Indicators****                                  | 4.5.1.   |  | Partially adapted   | Partially adapted                                   | Partially adapted   | Partially adapted  | Partially adapted                                   |
| Available Sources of Information*****                                  | State statistical observations                         | State statistical observations                               | State statistical observations  | State statistical observations                      | Companies' accounting data  | State statistical observations                           | State statistical observations                      |
| VNR data gathering   | Adapted, to be implemented                             | Adapted, to be implemented                                   | Requires methodology adaptation, can be implemented   | Requires methodology adaptation, can be implemented | Requires methodology adaptation, can be implemented   | Requires methodology adaptation, can be implemented      | Requires methodology adaptation, can be implemented |

\*Methodology for SDG indicator 12.6.1: Draft from the Custodian Agencies / UNCTAD. 2019. 28 p.

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# INSTITUTIONAL AREA: THE CASE OF UKRAINE

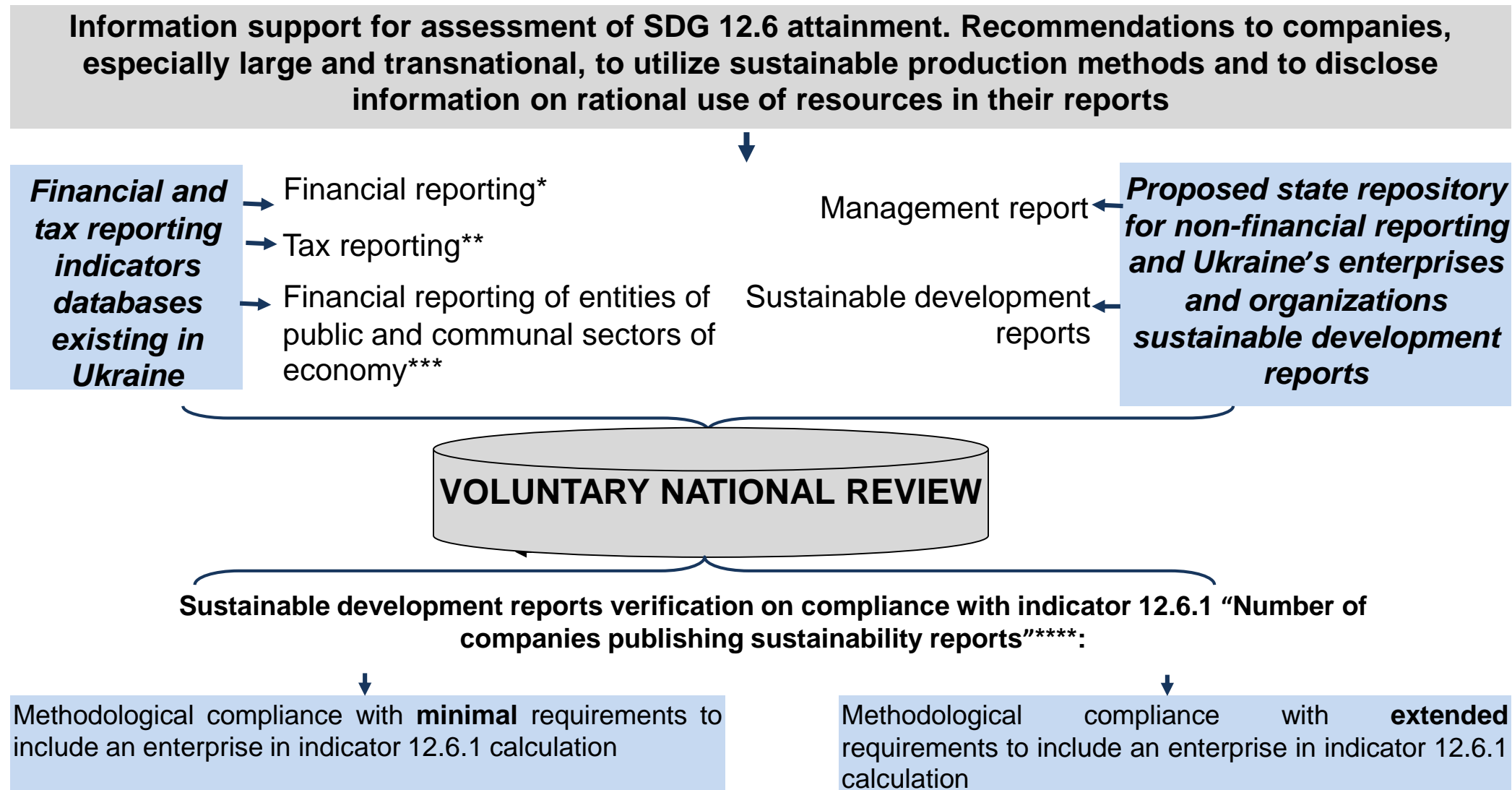
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| Disclosure elements according to Methodology for SDG indicator 12.6.1* | Minimum Requirement :<br>Governance structure, including for economic, environmental and social issues |  |   |  |  | Minimum Requirement :<br>Anti-fraud, anti-corruption and anti-competitive behavior practices |  |
|--|--|--|---|--|--|--|--|
| UNCTAD ISAR Indicators**   | D.1.1. Number of Board meetings and attendance rate  | D.1.2. Number and percentage of female board members | D.1.3. Board members by age range                   | D.1.4. Number of meetings of audit committee and attendance rate | D.1.5. Compensation: total compensation per board member | D 2.1. Amount of fines paid or payable due to settlements                                    | D 2.2. Average hours of training on anti-corruption issues per year per employee |
| Relevant SDG Indicators***   | 16.6   | 5.5.2  | 16.7.1  | 16.6   |  | 16.5.2   |  |
| Adapted in Ukraine SDG Indicators****                                  | Partially adapted  | 5.4  | Partially adapted                                   | Partially adapted  |  | 16.6.1   |  |
| Available Sources of Information*****                                  | Companies' data  | State statistical observation                        | Companies' data                                     |  |  | Companies' accounting data   |  |
| VNR data gathering   | Requires methodology adaptation, can be implemented  | Adopted, to be implemented                           | Requires methodology adaptation, can be implemented |  |  | Requires methodology adaptation, can be implemented  | Adopted, to be implemented   |

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 \*\*\*\*\*Indicators for monitoring the achievement of the Sustainable Development Goals: methodology for data collection and calculation / UNDP. 2017. 232 p. URL: <http://www.ua.undp.org/content/ukraine/uk/home/library/sustainable-development-report/Mapping-SDG-indicators-report.html>

# NATIONAL INSTITUTIONAL MODEL OF INFORMATION SUPPORT FOR DISCLOSING INDICATOR 12.6.1 AND PROPOSALS FOR ITS IMPROVEMENT

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\* Issuers database of the National Securities and Stock Market Commission. URL: <https://stockmarket.gov.ua/>

\*\* WEB-portal. State Fiscal Service of Ukraine "Single window for financial reporting submission". URL: <http://sfs.gov.ua/elektronna-zvitnist/spetsializovane-klientske-program/>

\*\*\* Open state database. URL: <https://data.gov.ua>

\*\*\*\* Methodology for SDG indicator 12.6.1: Draft from the Custodian Agencies / UNCTAD. 2019. 28 p.



# RESPONSES TO CHALLENGES RELATED TO TAX INFORMATION ASYMMETRY

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## INTERNATIONAL LEVEL



### Attaining the SDG 16 by 2030



### Implementation of the BEPS Action Plan in Ukraine\*

\* BEPS (Base Erosion and Profit shifting)

- OECD Convention on Mutual Administrative Assistance in Tax Matters
- EU Directive on Administrative Cooperation
- Multilateral Competent Authority Agreement
- Standard for Automatic Exchange of Financial Account Information (The Common Reporting Standard)

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

- Receipt of tax information from inspections, respective databases of competent authorities without request
- Receipt of tax information from taxpayers on request in accordance with Art. 73 of Tax Code of Ukraine
- Reports of banks, financial institutions, insurance, leasing companies
- Bank transaction information
- Data from initial financial monitoring entities
- Information on the issue and circulation of securities

### 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

**A 2.1 indicator.** Institutional and governance disclosure elements for the Minimum Requirement: Anti-fraud, anti-corruption and anti-competitive behaviour practices

## NATIONAL LEVEL



# MAJOR GAPS AND NEEDS IN BUILDING THE CAPACITY OF COMPANIES' SUSTAINABLE DEVELOPMENT REPORTING AND COLLECTING RELEVANT DATA IN UKRAINE

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## 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



COMPANY

## 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



## 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



*\*UNCTAD ISAR (2019). Guidance on Core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals. URL: [https://unctad.org/en/PublicationsLibrary/diae2019d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/diae2019d1_en.pdf).*

# PROPOSALS FOR DISCUSSIONS ON IMPROVING THE MONITORING AND REPORTING SYSTEM ON THE CONTRIBUTION OF THE CORPORATE SECTOR OF COUNTRIES TOWARDS THE ATTAINMENT OF THE SDGs

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## UNCTAD

- 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:**

## COUNTRY LEVEL

- 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



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# THANK YOU FOR ATTENTION

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