

## SUSTAINABLE REPORTS IN UKRAINE: EVALUATION OF THE SITUATION

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The amount of sustainable (non-financial) reports increases in Ukraine from year to year. It's the way for national and international enterprises to show their social responsibility to the employees, community and society.

Despite of that the quality of these reports is still a serious question. Some of the reports are verified by audit companies but most of them are not. Nonfinancial reports are not mandatory in Ukraine and verification services are not cheap, so no need to use money.

International practice also states that quality of nonfinancial reports should be better. That companies are making false sustainability claims isn't the scandal – it's that nobody noticed, says Mallen Baker (2013) in his article in "Ethical corporation". Elaine Cohen claims in her research (2012) that: 86% of companies claim labor indicators of GRI in their report and only 11% actually do. The same situation with Human Rights: 62% of companies claim they report and only 20% actually do.

So, are sustainable reports in Ukraine enough reliable to trust them or they are just part of international problem.

To evaluate the situation we used 31 reports presented by NGO "CSR center". These are the reports of the companies that are ready for evaluation their job. Among these reports 12,9 % belong to the banks, 19,35 % of food industry, 19,35% of heavy industry, 9,67% audit companies and the same amount present telecommunication companies, 3,2 % agriculture, 3,2% education, 22,58% other kind of services. Such situation about the quantity of reports is quite equal to the whole situation in Ukraine. The given sample can be considered representative within enterprises that publish non-financial reports.

The unique methodology of evaluation non-financial reports is absent. Despite of CSR Report competitions and awards that occur each year every of them have own panel of evaluation. For instance the only global annual awards for corporate responsibility (CR) reporting (CRRRA) present such awards: Best report, Best 1st time report, Best integrated report, Best Carbon Disclosure Creativity in Communications, Innovation in Reporting, Relevance & Materiality, Openness & Honesty, Credibility through Assurance. So seems its means that if enterprise have innovation in reporting but the report is not Open & Honest let's give them 1st place in one of the nominations. Seems like nonsense.

Methodic of evaluation non-financial reports used by E. Cohen are quite subjective despite of the popularity. My "methodology", she states in 2010 [5] is mostly based on the presence (or

absence) of specific reporting elements, for which I award points, with a small portion of the overall points kept for a more "qualitative" assessment based on how I assess the report design and whether it has succeeded in getting over a credible message. In 2011 and 2012 she looked for three things that was called the AIM Reporting Model: Authenticity, Impacts and Materiality [6, 7].

Usage the wildly spread standards as a basis for evaluation is impossible because presented reports are prepared according to the various principles. Evaluated reports can be divide in such categories:

- 1) free format report (according to the own view of the enterprise)

- 2) communication on Progress (COP) (prepared by the UN Global Compact Participating companies. The annual posting of a COP is an important demonstration of a participant's commitment to the principles of UN Global Compact)

- 3) reports prepared according to GRI

We would like to evaluate the quality of report, so comparison base or subject to analysis should be the quality of the submitted reports.

Quality of the report we understand as a set of properties, which determine the level of suitability for its intended use. As far as the main purpose of non-financial reporting - providing to stakeholders information about the company for decision making on future activities, we believe that the quality of non-financial reporting is determined by the ability to assess the performance of the company based on information presented in non-financial report and use it for decision-making process.

Reporting quality is determined by the quality of information that appears in it. Quality of information is a set of properties that reflect the degree of suitability of specific information or data about objects and their relationship to achievement faced by users. In order to minimize consumers information overload all the information of non-financial statements must meet certain requirements.

Three of its semiotic aspects of information have been reviewed to determine these requirements: semantic, pragmatic and syntactic according to the theory of information. According to this qualitative information should have next characteristics:

- 1) value (focus on the user);

- 2) reliability (focus on management decision);

- 3) adequacy (connection with primary data);

- 4) appropriate format (consistency with other information about the company).

The most complete requirements of reporting information are specified by Global Reporting Initiative. These requirements are also called "principles of preparation" or "principles of quality assurance of the information". The essence of these principles meets the requirements of information.

1. Balance - the report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance

2. Comparability - issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations

3. Accuracy - the reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance

4. Timelines - reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions

5. Clarity - information should be made available in a manner that is understandable and accessible to stakeholders using the report

6. Reliability - information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information

Grouping these principles according to their accordance to qualitative information requirements we can state that: 1) value of the information provided by accuracy, timelines and clarity; 2) reliability is mainly means materiality of the information; 3) comparability means adequacy to the primary data; 4) balance means consistency with positive and negative information about the company.

These requirements that ensure effective transparency of non-financial reports we analyzed in the study.

Additional two features "accuracy" and "timelines" we were determined visually based on the availability of digital information due to the limited amount of data and the inability of the comparison.

We believe that the quality of the information does not affect, but determining the qualifications of persons who made reports and features of enterprises: language of the report (Ukrainian, Russian or English), misspellings, the volume of reporting, use of colors etc.

These characteristics were not subject to evaluation.

The evaluation was made by usage of comparative analysis as well. The basis of comparison was the information of stakeholders, including consumers, the media, employees - and the company that is available online. Some cases of negative online criticism were not taken in consideration.

The a result of our study was identification of violations of the quality information.

1. Unclarity of the information (for instance, information in reports submitted in the form of links (2 reports, or 6.5%), which raises questions about the feasibility of preparing such reports.

2. Unreliability of the data (for instance, illustrations in reports does not correspond to the content of the report (number not analyzed because separate reports contain both relevant and irrelevant illustrations).

3. Reports avoided negative information contained in the Internet: not refuted or not confirmed (4 or 13% of reports contain such information and 1 contains negative information that does not directly can be apply to the enterprise, 4 reports, or 13% do not contain negative information and there is no negative information for the rest);

4. Incomparability (data that contains non-financial reports are not comparable and therefore to evaluate better or worse company do this year compared with the previous periods is impossible (22 cases or 71% of reports)).

So, just 19.35% of non-financial reports in Ukraine are fully meet with the principles of the information quality. The companies that represent such reports follow ethical norms, make search of universal values, independent of situation and do promotion of business ethics. To the group of such companies in Ukraine belongs “Ernst & Young”, “Tetra Pak”, “ArcelorMittal”, “Galnaftogaz”, “Carlsberg Ukraine” and the insurance company “Oranta”.

#### Literature

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