

Benefits and Barriers of Openness: Evidence on Sustainability Reporting of Ukrainian companies

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Abstract

The global economic crisis displays ecological imbalance in the traditional models of economic growth and it has activated the search of instruments, which allow the realization of ecologically oriented growth strategy. This new strategy needs commitment to openness in corporative governance and encouragement of disclosure requirements by government regulators. Non-financial/sustainability reporting as a transparency tool is intended for the increasing the awareness of stakeholders about three-dimensional (economic, social and environmental) result of company.

The aim of the paper is to investigate the approach to sustainability reporting of Ukrainian companies. The study focuses on the two aspects: trends and barriers. The study indicates the following characteristics of Ukrainian companies' sustainability reporting: temporary dynamics, industry and corporate features, sustainability reporting standards and guidelines, which firms have adopted (Global Reporting Initiative - GRI, Global Compact Network, AA1000).

Sustainability reporting practice of 39 Ukrainian companies during the period 2005 - 2010 was examined in comparison with the Russian and international companies. Data from the Sustainability Reports of Russian and Ukrainian companies was collected from the Russian Union of Industrialists and Entrepreneurs (RSPP) database and corporate reports. The necessary analytic information was obtained from reports of Ernst & Young, KPMG, The Economist Intelligence Unit.

The analysis shows that mostly spread features of non-financial reporting in Ukraine are labor conditions and human capital development, environment preservation and recovery, charity, cooperation with local communities. Theme of charity auctions and projects is dominant.

The study highlights that the advantages of sustainability reporting which Ukrainian companies mark out are the following: reputation and managerial benefits (for instance, the improvement of cooperation with stakeholders, attraction of the capital and/or facilitation of the access to it).

The results show that the main challenges, which prevent more wide spreading of the disclosure requirements in Ukraine are the following: not formed need in non-financial reporting and absence of culture of its using, high price of the full report preparation, non corresponding of the inter-firm accounting data with international practice requirements, lack of the competent staff, ability to prepare non-financial report.

Keywords: Commitment to openness, Corporate Social Responsibility, Stakeholder relationship, Sustainability reporting