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QUALITY ASSESSMENT OF REPORTING ON SUSTAINABLE DEVELOPMENT OF INDUSTRIAL ENTERPRISES

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The practice of applying non-financial reporting by Russian companies has a relatively short history but the number of companies entering into the process, is constantly increasing. Since the quality reports can not do without analytical data interpretation, tracking dynamics of achieving the goals, response to the wishes of the parties concerned the methods and tools for making these reports must be chosen carefully. These criteria are developed by such different official and public organizations as World Bank, UNO, European Commission, World Wildlife Fund etc. Furthermore, this issue is being an object of many research works, but they generally tend to reflect the state of economic, environmental and social spheres of life in a static state. However, sustainable development is essentially a dynamic process, therefore, it requires development of a system of dynamic indicators which will take into account not only the balanced state of environmental, economic and social spheres, in a particular period of time, but also help to reflect the positive changes through the development process. We consider such dynamics indicators as growth rates of key performance indicators of enterprises as the most appropriate for this approach; they are grouped in three areas: social, economic and environmental. This dynamic model represents a procedure for the relative arrangement of indicators, the observance of which in a long time prospective will allow to assess the level of enterprise progress on the path of sustainable development. A distinctive feature of the proposed system is the possibility of measuring instruments to reflect the changes in each of the areas of sustainable development, as well as their interrelation in terms of balance and emerging imbalances.

Keywords: sustainable development, sustainability reporting standards, GRI, the measurement of sustainable development indicators to measure sustainable development.

The main problem faced by any company starting to report on sustainable development is the choice of a common approach which would be based on the principles of reasonable disclosure, meaningful set of indicators that reflect the simplicity and clarity of data, frequency of report generation and etc.

Today the main guidelines for the Russian enterprises in reporting are a guide to reporting on sustainable development of the Global Reporting Initiative (GRI) and the Social Charter of Russian business. For example, JSC "Gazprom Neft" when preparing the report on sustainable development follows the GRI version G3.1, JSC "NK" Rosneft - the GRI Guidelines version 3.0, as well as individual indicators in GRI Sector Supplement for the oil and gas industry. Along with these instruments the company follows the recommendations of international standard ISO 26000: 2010. "Lukoil" uses the GRI Guidelines version 3.1, the recommendations of the standard AA1000 (1999), the Global Compact and the Social Charter of Russian business. In general we can say that more than 70% of Russian companies of the total number of companies releasing non-financial reports

use to one extent or another the GRI reporting system [12].

The number of companies entering the non-financial reporting process is constantly expanding while, unfortunately, the problems of correct use of existing guidelines and reporting systems remain, that does not increase the credibility of non-financial reports. In this regard, we consider to be more detailed the examination of approaches and principles underlying the enterprises non-financial reporting and the identification of key issues and challenges that arise not only when creating the reports but also in their use for scientific and practical purposes.

Reporting Guidelines GRI G3 is a tool for generation of the reports reflecting economic, environmental and social performance of companies. The basic and additional aspects are defined within each of them, they are characterized with one or more components, each of which includes a number of parameters (see. Table 1). Economic performance is characterized by nine aspects (8 basic, 1 additional), environmental performance is presented by thirty aspects (16 basic, 14 additional) and social performance includes fifteen aspects (10 basic, 5

additional). Thus, the allocation of these aspects is conditional and they should be considered in reference

to each other in reporting generation.

Table

Indicators recommended by Reporting Guidelines GRI G3

Index GRI	Aspect	Components	Recommended indicators
Economic performance results			
Economic performance			
EC1 (basic)	Created and distributed direct economic value, including revenues, operating costs, employee compensation, donations and other community investments, retained profit, and payments to capital providers and governments.	a) Profit	Net sales
			Income from financial investments
			Revenue from sales of assets
		b) Operating costs	Cash payments made to counterparties
			c) Wages and other payments and benefits to employees
		Total payments	
		d) Payments to providers of funds	Dividends to all categories of shareholders
Interest paid to creditors			
Interest on any debts and loans			
e) Payments to governments	All taxes of organization		
f) Community investments	Voluntary community contributions and investments		
etc.			
Presence on the market			
EC5 (add.)	Range of ratios of entry-level wage and minimum wage at significant locations of the company		Correlation of entry-level wage and minimum wage in company For the accountant forms of remuneration - hourly wage
etc.			
Indirect Economic Impacts			
EC8 (basic)	Development and impact of infrastructure and services investments provided primarily for public benefit through commercial, natural, or charitable engagement	The scale of development	The size of investments
etc.			
Ecological performance results			
Materials			
EN1 (basic)	Materials used with weight or volume specified	Data on the total weight or volume (raw materials, natural resources)	Use of non-renewable materials
			Use of basic materials
etc.			
Energy			
EN3 (basic)	Direct energy use with primary energy source specified		The total direct energy consumption in joules or multiples divided by primary renewable energy source (biofuel, ethanol, hydrogen)
			The total direct energy consumption in joules or divided by primary non-renewable sources of energy (coal, natural gas, fuel oil, etc.)
etc.			
Water			
EN8 (basic)	Total derived water divided by source	Total derived water divided by:	surface water
			groundwater
			rainwater
			wastewater of other organizations municipal and other water systems
etc.			
Biodiversity			
EN11 (basic)	Location and size of land owned, leased, managed by the organization and located in protected areas and areas with high biodiversity value outside their borders, or bordering with such areas		The area of the active object in km ²
etc.			
Emissions, Effluents, and Waste			
EN16 (basic)	Total direct and indirect greenhouse gas emissions by weight		The sum of direct and indirect emissions in tons of CO ₂ - equivalent

Index GRI	Aspect	Components	Recommended indicators
etc.			
Products and Services			
EN26 (basic)	Initiatives to mitigate impacts of products and services on the environment and extent of impact mitigation	Reduction of the negative impacts on the environment	Initiatives details
etc.			
Compliance			
EN28 (basic)	Monetary value of significant fines and penalties, the total number of financial sanctions for failure to comply with environmental legislation and regulations		The total amount of penalties
Transport			
EN29 (add.)	Significant environmental impacts of transportation of products and other goods and materials used for the organization's operating activities, and labor transportation		Transportation details
General			
EN30 (add.)	Total expenditure and investment for environmental protection, by type		Costs associated with emissions and effluents cleaning and elimination of environmental damage The costs of preventing environmental impacts and environmental management
Performance Indicators in the Field of Labor			
Employment			
LA1 (basic)	Total workforce, by employment type, gender, employment contract, and region		Total number
etc.			
Management – Subordinates Relations			
LA4 (basic)	Percentage of employees covered by collective bargaining agreements		% proportion employees covered by collective bargaining agreements
etc.			
Health and Safety in the Workplace			
LA7 (basic)	Rates of injury, work-related diseases, lost days, and absentee rate, as well as the total number of deaths related to work, by region and by sex of employees	Rates	Accident frequency rate
			Work-related disease rate
			Lost day rate
		Absolute values	absentee rate
			Accident rate
			Number of injured
etc.			Number of fatal accidents
Training and Education			
LA10 (basic)	Average hours of training per employee per year, by category and sex of employees		Average hours of training per employee per year, broken down by category and sex of employees
etc.			
Diversity and Equal Opportunities			
LA13 (basic)	Composition of governing bodies and personnel of the organization divided by sex and age group, etc.	% proportion of persons belonging to the governing bodies	Women Men
etc.			

From a developer's point of view, the report on sustainable development should represent a balanced and valid of performance picture of organization prepared this report in part of sustainable development including both positive and negative contributions [13, C.3].

Apart from indicators of environmental, economic and social performance selectively presented in Table 1 GRI Guidelines also recommend to assess the performance indicators in the field of human rights (HR), the performance indicators in the area of product liability (PR) and indicators of interaction with society (SO). Furthermore, the GRI Reporting Framework

includes applications for the following sectors: power generation, financial services, mining and metals industry, NPOs, food industry, airports. Currently, the guides for such sectors as construction and real estate, organization of events, the media and the oil and gas sector are in process. For each sector additional indicators may be provided. Thus, the Reporting Guidelines for the financial services sector includes performance indicators on the impact of products and services (PS), for the NPO sector - indicators of program effectiveness (PE) [11].

According to the authors, the reports may be used for these purposes [14]:

- Comparison and effectiveness evaluation in the field of sustainable development with respect to laws, norms, codes, performance standards and voluntary initiatives.

- Demonstration of the influence of the organization on expectations with regard to sustainable development, as well as the effect of these expectations on the organization.

- Comparison of operating results of the various organizational units and organizations, as well as operating results of activities at different times.

However, even at superficial consideration of indicators presented in Table 1 we can conclude that these goals are difficult to achieve. Firstly, GRI Reporting Framework uses a set of diverse and disparate indicators. Secondly, the quantitative assessment of some of them is difficult or even impossible, for example, the activities when employee rights to use freedom of association or collective bargaining may be at risk, etc. The reason is not always being possible to give an economic assessment of the effectiveness of social activity of the companies and to show the effectiveness of some shares, etc. Meanwhile, a qualitative report, which is essentially an analytical product, should use indicators reflecting effectiveness. The use of non-constituted indicators complicates the assessment of the degree of advancement of the enterprise on the path of sustainable development.

The aspect specified is of concern for other researchers engaged in sustainable development. Thus, E. Shamaeva in her works notes that 50% of GRI indicators are measured in cost units, 20% - in natural units, 10% - in terms of dimensionless parameters and 20% of them have no units, and that "tons and kilometers put together" are scientifically incorrect and generate a false assessment, unnecessary risks, poor design and management [15, p.46].

Along with correctness of data correlation of internal corporate reports there is a problem of comparing the operating performance of different organizations as companies use different units of measurement for the same indicators, different ways of describing similar events and different performance indicators for the same aspects, such as the level of industrial injuries is characterized by a number of accidents per 1000 employees, or by the number of injured employees per 1 million of hours worked (LTIFR), or by average moving value of the cases with temporary loss of capacity to labor per 200,000 man-hours (TRIFR), etc.

In order to identify the principal possibility to compare companies activities in the field of sustainable development we analyze a non-financial reporting of oil and gas companies such as "Lukoil", JSC "Novatek", JSOC "Rosneft", OJSC "Gazprom Neft", JSC "Tatneft", JSC "Gazprom", JSOC "Bashneft", JSC "Tamanneftegas", OJSC "Surgutneftegas", "BP" company, "Shell" company and others. It is worthwhile to note that the oil and gas industry is a leader in the field of non-financial reporting in Russia. The analysis showed that for complex evaluation of sustainable development companies often use a limited number of indicators (50% of the total recommended in

Guidelines), 6 to 73% of them have the quantitative estimation, and are therefore useful for an objective comparison of companies performance results. Thus, the GRI reporting has certain advantages and disadvantages that in no way should be an obstacle to the development of social reporting. Non-financial report generation is a complex and time-consuming process, nevertheless it has a number of advantages, for example, economic evaluation of social programs facilitates reporting to shareholders when it requires justification of non-productive, non-core expenses, etc. Consequently, non-financial reporting has significant growth opportunities. The Global Conference on the Sustainable Development and Public Reporting - 2013 presented the final version of the Guide GRI G4. As planned by the developers, that new version of the guide GRI G4 was aimed at simplifying the process of non-financial reporting preparation. However, during its implementation even in companies having extensive experience in this area, some difficulties may appear in relation to the need to absorb a new approach proposed by GRI. The most important difference between G4 and the previous version of the guide is the abolition of the levels of compliance with GRI Guidelines assigned to the reports depending on the amount of included GRI Guidelines indicators. Now when levels of compliance are removed, the companies will have more freedom of choice in deciding on the inclusion of any information in the report. In other words, companies are invited to focus on the most important and critical issues that directly affect their activity [14]. Thus, on the one hand the emphasis moved from presenting of as many indicators as possible to the qualitative analysis and on the other hand, since each company may specify completely different indicators as the key ones, the evaluation and comparison becomes even more difficult.

All this determines the need for a new approach to the development of systems for measuring sustainable development. We should note that in the world practice universal commensurate indicators of sustainable development have been being searched for a long time [16; 17; 18]. The development of such criteria is made by various official and non-governmental organizations such as the World Bank, the UN, the European Commission, the World Wildlife Fund, and many others. [2, pp. 74-121]. Moreover, the works of many researchers are devoted to this issue [3; 4; 5; 6; 7; 8; 9; 10]. However, all of them tend to reflect the state of economic, environmental and social spheres of life in a static state. Meanwhile, sustainable development is essentially a dynamic process, therefore, it requires development of a system of dynamic indicators which will take into account not only the balanced state of environmental, economic and social spheres, in a particular period of time, but also help to reflect the positive changes through the development process.

Considering the sustainable development as a dynamic process [1, p.51], we believe it necessary to take into account this aspect when developing a new technique. As the most appropriate for this approach we see such dynamics indicators as growth rates of key

performance indicators of enterprises; they are grouped in three areas: social, economic and environmental. This dynamic model represents a procedure for the relative arrangement of indicators, the observance of which in a long time prospective will allow to assess the level of enterprise progress on the path of sustainable development. A distinctive feature of the proposed system is the possibility of measuring instruments to reflect the changes in each of the areas of sustainable development, as well as their interrelation in terms of balance and emerging imbalances.

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ОЦЕНКА КАЧЕСТВА ОТЧЕТНОСТИ В ОБЛАСТИ УСТОЙЧИВОГО РАЗВИТИЯ ПРОМЫШЛЕННЫХ ПРЕДПРИЯТИЙ

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Практика применения нефинансовой отчетности российскими компаниями имеет относительно короткую историю, однако число компаний, вступающих в этот процесс, постоянно расширяется. Поскольку качественные отчеты не могут обходиться без аналитической интерпретации данных, отслеживания динамики достижения поставленных целей, реакции на пожелания заинтересованных сторон, необходимо с особой тщательностью подходить к выбору методик и инструментов их составления. Разработкой подобных критериев занимаются различные официальные и общественные организации, такие как Всемирный Банк, ООН, Европейская Комиссия, Всемирный фонд дикой природы и мн. др. Кроме того, данной проблеме посвящены труды многих исследователей, однако все они, как правило, отражают состояние экономической, экологической и социальной сфер жизни в статичном состоянии. Между тем устойчивое развитие по своей сути является процессом динамичным, следовательно, необходима разработка системы динамических показателей, учитывающей не только сбалансированное состояние экологической, экономической и социальной сфер в конкретный момент времени, но и позволяющая отражать позитивные изменения, происходящие в процессе развития. Наиболее подходящими для этого, с нашей точки зрения, являются такие показатели динамики, как темпы роста ключевых показателей деятельности предприятий, сгруппированных по трем направлениям: социальному, экономическому и экологическому. Данная динамическая модель представляет собой такой порядок относительного расположения показателей, соблюдение которого в длительном интервале времени позволит оценить степень продвижения предприятия по пути устойчивого развития. Отличительной особенностью предлагаемой системы измерителей является возможность отражать как изменения в каждой из сфер устойчивого развития, так и их взаимодействие между собой с точки зрения сбалансированности и возникающих дисбалансов.

Ключевые слова: устойчивое развитие, стандарты нефинансовой отчетности, GRI, измерение устойчивого развития, показатели оценки устойчивого развития.

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