

## Audit of Sustainability Reporting and SDGs 1, 2, 12 Disclosure: Case of Top Ukrainian Agroholdings

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**Abstract:** *Strengthening the role of the agricultural sector in achieving Sustainable Development Goals (SDGs) 1, 2 and 12 requires high-quality and comprehensive disclosure of the progress of agricultural holdings for these purposes and adequate assurance of such disclosure to stakeholders by auditors. The level of SDGs disclosure and its verification is estimated on the example of the 100 largest agricultural holdings of Ukraine. The necessity of strengthening the transparency of Ukrainian agricultural companies, their incorporation of the SDGs into corporate strategies and reporting, as well as wider involvement of auditors in the process of guaranteeing the quality of disclosed information has been proved.*

**Keywords:** *SDG, SDGs disclosure, audit, assurance, verification, agroholding*

*JEL codes: M42, Q14*

### 1 Introduction

The agricultural sector is developing dynamically in modern conditions, creating a basis for ensuring food security of mankind, overcoming hunger, introduction of circular technologies of production and consumption of agricultural products and the formation of sustainable value chains. Its role is especially significant for the least developed countries of the world. The share of this industry in the GDP of such countries reaches 26% (The GIIN, 2020).

For companies operating in the agricultural sector, Sustainable Development Goals (SDG) 1 'No Poverty', SDG 2 'Zero Hunger' and SDG 12 'Sustainable Consumption and Production' are significant. Monitoring progress towards these goals and their key targets is certainly important not only for the companies themselves, but also for a significant cohort of diverse stakeholders. The quality of information disclosure in the sustainability reports of agricultural companies indicates the level of their food security, support of the most vulnerable, introduction of waste-free and organic production technologies, elimination of environmental pollution, soil restoration, support of local communities.

Academic literature modestly describes the content, role and features of the disclosure of SDGs and its audit in agricultural companies, focusing mainly on criteria of accounting and audit in the censorship of agricultural activity to achieve the SDGs (Abdel-Hassani, Hamdan, 2017).

Ascui F., Farmery A. K. Gale F. (2020) underline the existence of assurance in organic agriculture. Authors propose the strengthening verification in sustainability disclosure within standards; and/or by employing new agricultural information and communication technologies to support claims outside the certification process.

The issue of information disclosure by agricultural companies in the light of ensuring sustainable supply chains and socio-economic transformations is widely considered: (Topp-Becker, Ellis, 2017; Kravchenko et al., 2020), progress towards SDG 2 (Plastun et al. (2021), the impact of such disclosure on the firms' performance (Hawaj, Buallay 2021; Kassem et al., 2017), satisfaction needs of stakeholders (Sukhonos et al., 2018), the decision-making process on sustainable development and CSR (Brin & Nehme, 2021) or individual cases of disclosure of sustainability information by leading agricultural companies (Jindřichovská, Kubíčková, Mocanu, 2020).

The need to highlight the features of the audit of SDGs 1, 2, 12 disclosure in agroholdings determined the relevance of this study.

## 2 Methodology and Data

To conduct the research SDGs disclosure and its audit in Ukrainian agroholdings in the context of SDGs 1, 2, 12 a sample of leading Ukrainian companies in the agricultural sector was formed.

The website <https://latifundist.com/rating/top100#315> was used to select Ukrainian companies, which presents the top 100 agricultural holdings of Ukraine in terms of land bank.

The content analysis was based on English-language versions of the sites and the most recent published sustainability reports. In case of their absence, sites and reports in Ukrainian were analyzed. The study was conducted during March 2021.

An author's questionnaire on SDGs disclosure and its audit was developed for content analysis.

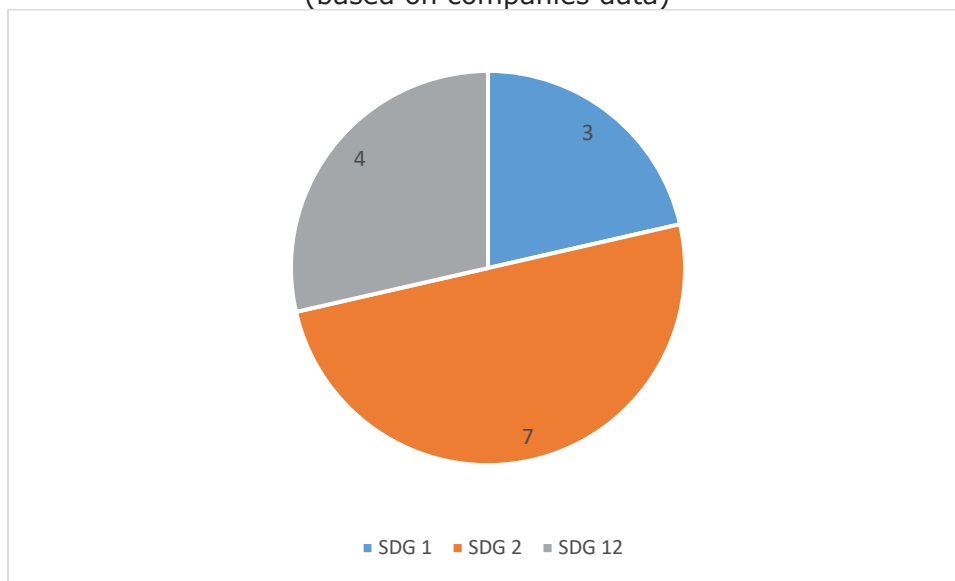
It provided for the analysis of sustainability information in Ukrainian agricultural holdings according to a similar methodology (Makarenko et al., 2020). In terms of audit verification) on such parameters as:

- Level of incorporation and disclosure of SDGs 1, 2, 12 by Ukrainian agricultural holdings;
- The overall level of assurance regarding such disclosure;
- Type of assurance provider (audit firm);
- Applied confirmation standard;
- Declared level of assurance;
- The opinion expressed by the auditors.

## 3 Results and Discussion

Characterizing the level of incorporation and SDGs 1, 2, 12 disclosure by Ukrainian agricultural holdings, it should be noted that out of 100 top companies, only 14 companies in their sustainability reports describe information relevant to these goals (Fig. 1). The largest number of reports covers the SDG 12 - 7 reports. However, such disclosure indicators cannot be considered satisfactory, but rather episodic given the volume of companies surveyed.

**Graph 1** Distribution of Ukrainian agroholdings by SDGs, disclosed in sustainability reporting (based on companies data)

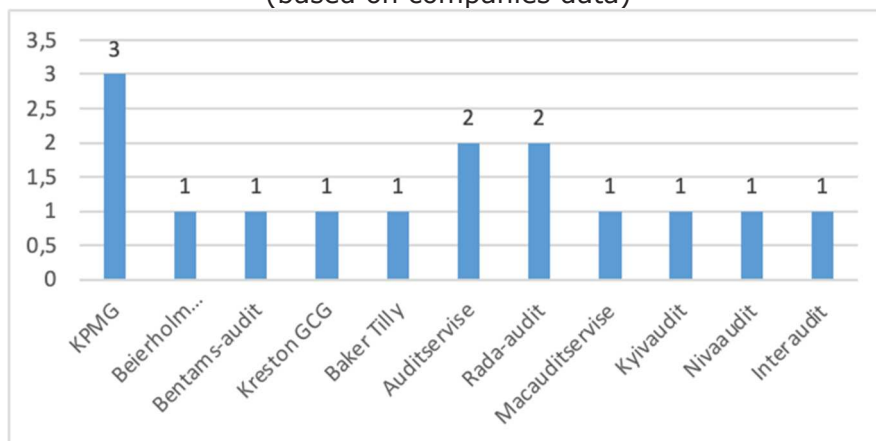


Source: author's elaboration

The overall level of assurance about such disclosure among the 100 companies is also catastrophically low: only 15% of sustainability reports of agroholdings have independent confirmation from auditors. Among them, in particular, such companies as Kernel, Western Bug, Agromino, Dnipro Agro Group, Ukraine-2001, APK-Invest, A.G.R. Group, SAT, Ecoprod, Volyn-Grain-Product, Cygnet Agrocompany, Custo Agro, Aurum Group, Agroprosperis and Panda They are listed in descending order of land bank volume. However, we can't find any connection between this indicator and the level of SDGs disclosure. A positive aspect for the surveyed companies is the presence of developed policies in the field of sustainability and CSR. Only Agroprosperis and Panda did not have such a policy. And only Kernel, as the leader of the ranking among these companies, has documented indicators of progress on SDGs 1, 2, 12.

The type of assurance provider (audit company) is distributed in the surveyed companies fairly evenly. 7 reports were verified by international audit companies (3 of which were by B4) and 8 reports by Ukrainian companies (Figure 2).

**Graph 2** Distribution of accountant companies, verified sustainability reporting of Ukrainian agroholdings (based on companies data)



Source: author's elaboration

Prevailing standards of assurance include ISAE 3000 and other standards of the International Board of Assurance (International Standards for Quality Control, Auditing, Review, Other Assurance and Related Services). The application of certain auditing standards for sustainability reporting, in particular AA series, is not common in the audit of Ukrainian agroholdings. That is because the SDGs disclosure is within the annual reports of companies, which are confirmed by audits in general. At the same time, the level of assurance is limited, not reasonable as for financial reporting.

Characterizing the type of opinion expressed by the auditors, it should be noted that the quality of information disclosure is not high enough. Half of the audited reports (7 out of 15) indicated an opinion with a caveat, which is evidence of a conditionally positive level of agricultural companies' compliance with the established standards.

## Conclusions

Agricultural companies play a significant role in making progress on such important SDGs as SDG 1 'No Poverty', SDG 2 'Zero Hunger' and SDG 12 'Sustainable Consumption and Production'. The basis for monitoring such progress for companies and their stakeholders is proper SDG's disclosure, verified by independent auditors.

A review of the scientific literature shows that the audit of SDG's disclosure is insufficiently covered, which is mainly focused on the role of such disclosure in global value chains or the features of sustainability reporting by agricultural companies.

Based on the reporting and analytical information of the 100 largest agricultural holdings in Ukraine, the level of SDGs disclosure and its verification was assessed. The evaluation parameters were the level of incorporation and disclosure of SDGs 1, 2, 12, the general level of assurance on such disclosure, the type of assurance provider (audit firm), the standard of confirmation used, the declared level of assurance, the opinion expressed by the auditors.

In general, both the level of disclosure of information by agricultural holdings on SDGs 1, 2, 12, and the level of confidence in such disclosure are quite low. They concern a small number (15% of Ukrainian agricultural holdings) in the absence of clear links between the volume of their land bank and the quality of disclosure and verification.

This leads to increased transparency of Ukrainian agricultural companies, their incorporation of SDGs into corporate strategies and reporting, as well as wider involvement of auditors in the process of ensuring the quality of information disclosed.

Current research strengthens basic approaches to auditing SDG's disclosure of companies in the agricultural sector and increasing their transparency for stakeholders.

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