IV. DISCLOSURE AND TRANSPARENCY

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

№	OECD Principles	Current Legislation of Ukraine
A.	**Disclosure should include, but not be limited to, material information on:** 1. The financial and operating results of the company. .	1. Annual report should contain the following information about the issuer: a) information about results of operations for the previous year; b) annual balance sheet and statement on the financial position certified by an auditor or an audit firm.[1] Issuers financial statements should include: “Balance Sheet,” “Income Statement,” “Cash Flow Statement,” “Statement on Shareholders’ Equity,” notes to these statements and “Statement on Issue, Sale and Circulation of Securities.”[2] Information about financial and business activities published by the issuer in printed media shall include the following principle indicators of its activities: • Net income (proceeds) from the sale of products (goods, work, services) (UAH 000’) • Cost of the products (goods, work, services) sold (UAH 000’) • Net profit (loss) (UAH 000’) • Fixed assets (UAH 000’) • Current assets (UAH 000’)

		• Long term liabilities (UAH 000’) • Current liabilities (UAH 000’) • Portion of net profits used to pay dividends on preferred shares (UAH 000’) • Average annual number of simple shares • Net profit per one simple share (UAH) • Dividends accrued to one simple share (UAH) • Total amount spent by the issuer to purchase shares during the period (UAH 000’) • Number of shares purchased by the issuer during the period • Amount of interest paid on bonds (UAH 000’) • Number of bonds purchased by the issuer during the period.[3] For the financial statements to be user-friendly, they should contain information about: - the company, - the date of the statements and of the reporting period, - currency of the statements and the units of measure, - relevant information about the reporting and prior periods, - accounting policies of the company and changes in those, - consolidation of the financial statements, - termination (liquidation) of some activities, - restrictions on possession of assets, - participation in joint ventures, - identified mistakes in prior years and adjustments made in connection with those, - re-valuation of items in the financial statements, - other information that relevant provisions and standards require to disclose.[4]

		The following information shall be disclosed in notes to the financial statements: - accounting policies regarding the determination of income, - breaking income down into groups: a) income (proceeds) from the sale of products, b) other operational income, c) financial income, d) other income. - amount of income from barter transactions broken down into the above income groups, - a portion of barter income received from related parties.[5]
	2. Company objectives.	2. The Description of Business section in the issuer's financial statements shall include: • plans at least for one year (to expand production, to carry out reconstruction, to improve the financial situation, to describe material factors that may impact issuer's future activities); • description of issuers policies regarding research and development, amount of expenses for research and development in the reporting year.[6]
	3. Major share ownership and voting rights.	3. The Issuer Background section of the issuer's financial statements shall include information about persons owning 5% and more of issuer's shares.[7] The following information shall be included in the Statement on Shareholders' Equity: • a list of the founders and the number of shares they own;

		• the number of shares owned by members of the executive organ and the list of persons whose shares in the char 5%. [8]
	4. Members of the board and key executives, and their remuneration.	4. The Issuer Background section of the issuer's financial statements shall include information about: • number of personnel and the total amount of the payroll; • information about issuer's officials (the CEO and members of the executive organ (management), the head of the audit committee, the chairman and members of the company board of directors and the chief accountant).[9]
	5. Material foreseeable risk factors.	5. The Description of Business section in the issuer's financial statements shall include information about the principal factors (political, financial and economic, production and technological, social and economic) that impact issuer's activities.[10]
	6. Material issues regarding employees and other stakeholders.	6. The Issuer Background section of the issuer's financial statements shall include information about: • number of personnel and the amount of the payroll; • possession of issuer's shares by issuer's officers; • legal entities that provide services to the issuer (information about the registrar, custodian, depositary, the securities brokers with whom agreements have been concluded to place securities issues (information on each one is input separately), legal entities authorized by the issuer to sell (buy) its securities, legal entities authorized by the issuer to pay income on its securities, auditors (audit firms) providing audit services to the issuer, legal entities

	7. Governance structures and policies.	providing legal services to the issuer, legal entities providing insurance services to the issuer).[11] 7. The Description of Business section in the issuer's financial statements shall include information about: • issuer's organizational structure; • subsidiaries, branches, establishements specifying their name and location, their role and development prospects; • changes in the organizational structure; • description of the selected accounting policies (the basis of charging depreciatoin, the basis of valuating inventories, the method of accounting for and valuating financial investments, etc.).[12]
B.	**Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit.**	Principles and methods of accounting and reporting are determined by the national provisions (standards) of accounting approved by the Ministry of Finance of Ukraine that do not contradict international standards.[13] The Chamber of Auditors of Ukraine approves rules and standards of audit. Audit rules and standards approved by the Chamber of Auditors of Ukraine are obligatory for observation by enterprises, institutions and organizations.[14] Accounting and reporting should be based on the following main principles: - discretion, - full disclosure, - independence,

		- consistency, - continuity, - accrual and matching between income and expenses, - prevalence of essence over form, - historical (actual) cost, - single monetary measure, - periodicity.[15] Information in financial statements should be plain and unambiguous for interpretation by its users, provided they have sufficient knowledge and are interested in understanding this information. Financial statements should contain only relevant information, be fair and provide their users with a possibility to compare company's financial statements for different periods and statements of different companies.[16]
C.	**An annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.**	Performing an audit shall be mandatory for: 1) providing assurance on fairness and completeness of the annual balance sheet and statements of commercial banks, funds, exchanges, companies, enterprises, cooperatives, partnerships and other business subjects irrespective of their form of ownership and type of activity, whose financial statements are officially publicized, except for institutions and organizations that are completely supported from the State budget and do not pursue any business activities. Mandatory audit of annual balance sheets and statements of business subjects with the annual turnover less than 250 minimum non-taxable incomes is performed once in three years.

		2) audits of financial positions of commercial bank founders, companies with foreign investments, joint stock companies, holding companies, investment funds, trust funds and other financial intermediaries; 3) issuers of securities; 4) State enterprises on leasing whole pieces of property, privatization, corporatization and other changes in the form of ownership; 5) starting bankruptcy or insolvency proceedings; Audits are also obligatory in other cases provided by Ukrainian laws.[17]
D.	**Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users.**	Not less than once a year the issuer is obligated to inform the public about its business and financial situation and operation results (hereinafter referred to as the "annual report"). The annual report is published not later than 9 months of the year following the reporting year and sent to holders of registered shares and to the registration authority.[18] The issuer publishes its financial statements in one of official printed publications of the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine or SSMSC.[19] Within 2 days the issuer is obligated to send information about changes in its business activities and affect the value of securities or the amount of income from those to the stock exchange and publish it in the official newspaper of the stock exchange.[20]

		Not later than 1 June of the year, following the reporting year, open joint stock companies, bonds issuers, banks, trust funds, currency and stock exchanges, investment funds, investment companies, credit unions, non-State pension funds, insurance companies and other financial institutions are obligated to publicize their annual and consolidated financial statements by publishing those in periodicals or distributing those as separate publications.[21] Company financial statements are not a commercial secret, except for cases stipulated by law.[22]

[1] See Law of Ukraine "On Securities and Stock Exchange," №. 1201-XII, Art. 24.

[2] See Provision on providing regular information by open joint stock companies and enterprises-issuers of securities, approved by Resolution of the Securities and Stock Market State Commission of 9 June 1998 #72 (in a working approved by Resolution of the Securities and Stock Market State Commission of 17 January 2000 № 3), para 2.1.5.

[3] Ibid., Appendix 3.

[4] Accounting Provision (Standard) 1 "Genaral Requirements to Financial Statements," Executive Order # 87 of the Ministry of Finance of Ukraine of 31 March 1999, para 19

[5] Accounting Provision (Standard) 15 "Income ", Executive Order # 290 of the Ministry of Finance of Ukraine of 29 November 1999, para.25.

[6] See Provision on providing regular information by open joint stock companies and enterprises-issuers of securities, approved by Resolution of the Securities and Stock Market State Commission of 9 June 1998 #72 (in a working approved by Resolution of the Securities and Stock Market State Commission of 17 January 2000 № 3), Appendix 4

[7] See Provision on providing regular information by open joint stock companies and enterprises-issuers of securities, approved by Resolution of the Securities and Stock Market State Commission of 9 June 1998 #72 (in a working approved by Resolution of the Securities and Stock Market State Commission of 17 January 2000 № 3), Appendix 4

[8] Accounting Provision (Standard) 1 "Statement on Shareholders' Equity", Executive Order #87 of the Ministry of Finance of Ukraine of 31 March 1999 p. , para 19.

[9] See Provision on providing regular information by open joint stock companies and enterprises-issuers of securities, approved by Resolution of the Securities and Stock Market State Commission of 9 June 1998 #72 (in a working approved by Resolution of the Securities and Stock Market State Commission of 17 January 2000 № 3), Appendix 4

[10] Ibid., Appendix 6.

[11] See Provision on providing regular information by open joint stock companies and enterprises-issuers of securities, approved by Resolution of the Securities and Stock Market State Commission of 9 June 1998 #72 (in a working approved by Resolution of the Securities and Stock Market State Commission of 17 January 2000 № 3), Appendix 4

[12] Ibid., Appendix 6.

[13] See Law of Ukraine "On Accounting and Financial Reporting in Ukraine" of 6 July 1999 № 966-XIV, Art. 1 and 6.

[14] Law of Ukraine "On Audit Activity" of 22 April 1993 № 3125-XII, para. 4 Art. 14.

[15] See Law of Ukraine "On Accounting and Financial Reporting in Ukraine" of 6 July 1999 № 966-XIV, Art. 4.

[16] Accounting Provision (Standard) 1 "Genaral Requirements to Financial Statements,", para 14-17.

[17] Law of Ukraine "On Audit Activity" of 22 April 1993 № 3125-XII, Art 10.

[18] See Law of Ukraine "On Securities and Stock Exchange," №. 1201-XII , Art. 24.

[19] See Provision on providing regular information by open joint stock companies and enterprises-issuers of securities, approved by Resolution of the Securities and Stock Market State Commission of 9 June 1998 #72 (in a working approved by Resolution of the Securities and Stock Market State Commission of 17 January 2000 № 3), para 1.7

[20] See Law of Ukraine "On Securities and Stock Exchange," №. 1201-XII, Art. 25.

[21] See Law of Ukraine “On Accounting and Financial Reporting in Ukraine” of 6 July 1999 № 966-XIV, Art. 14 (3)

[22] See Law of Ukraine “On Accounting and Financial Reporting in Ukraine” of 6 July 1999 № 966-XIV, Art.14 (2)