



საუკეთესო წლიური
ანგარიშის და
გამჭვირვალობის ჯილდო

BARTA 2021

ANALYSIS OF SCRES AND
TIPS ON
IMPROVING SCORES



BARTA 2021: Analysis of Scores and Tips on Improving Scores

This article analyses the results from BARTA 2021 and provides tips to companies on how they can easily improve the quality of their reporting and, in turn, their BARTA score. Companies were scored using a scorecard that assigned weights to different types or aspects of reporting (see Table 1).

Table 1: Summary of Scorecards



Overview of 2021 Results

COMPANIES	CATEGORY	CATEGORY RANK	A	B	C	D	TOTAL	2020	2019
Bank of Georgia JSC	Large Financial Companies (Winner)	1	32.0	17.0	18.0	20.0	87.0	79.3	78.4
TBC Bank JSC	Large Financial Companies (Best Sustainability Report)	2	34.4	13.5	19.0	20.0	86.9	80.4	81.1
MFO Crystal JSC	Large Financial Companies (Honorary Award)	3	27.0	14.0	14.0	19.0	74.0	68.1	67.5
TBC Leasing JSC	Small and Medium Companies (Winner)	1	26.4	10.8	10.0	18.5	65.7	39.3	-
Telasi JSC	Large Non-Financial Companies (Winner)	1	23.8	12.8	11.0	16.0	63.6	51.9	66.2
Silknet JSC	Large Non-Financial Companies (Honorary Award)	2	26.3	13.0	11.0	12.0	62.3	31.6	44.1
VTB Bank Georgia JSC	Large Financial Companies	4	18.5	09.0	15.0	19.0	61.5	-	65.8
Liberty Bank JSC	Large Financial Companies	4	18.8	12.7	11.0	19.0	61.5	48.1	57.7
Georgian Railway JSC	Large Non-Financial Companies	3	21.4	06.5	13.0	17.0	57.9	-	-
MFO MBC Capital JSC	Small and Medium Companies (Honorary Award)	2	20.3	10.3	08.0	16.5	55.1	33.5	-
Georgian Leasing Company Ltd	Small and Medium Companies	3	17.0	09.3	06.0	15.5	47.8	40.2	59.5
Tegeta Motors LLC	Large Non-Financial Companies	4	15.8	06.0	08.0	17.0	46.8	33.5	47.8
Evex Hospitals JSC	Large Non-Financial Companies	5	08.5	07.7	07.0	15.5	38.7	29.0	-
Lisi Lake Development JSC	Small and Medium Companies	4	11.1	09.0	08.0	10.5	38.6	-	55.2
Georgian Beer Company JSC	Small and Medium Companies	5	11.2	08.0	06.0	11.5	26.7	33.3	44.5
Metro Euphoria Hotel Batumi JSC	Small and Medium Companies	6	11.0	07.7	04.0	10.0	32.7	20.0	-
United Airports of Georgia LLC	Small and Medium Companies	7	10.8	05.3	05.0	11.0	32.1	26.5	-
Georgia Property Management Group LLC	Small and Medium Companies	8	10.3	05.3	05.0	05.0	25.6	26.1	-

As one can see from Table 2 scores, both overall and by section, were significantly better in 2021 than in prior years. TBC Leasing JSC and Silknet JSC recorded the biggest improvements over 2020. MFO Crystal JSC continues to excel. While its 2020 Annual Report lacks the depth of disclosure provided by Bank of Georgia JSC and TBS Bank JSC its reporting is innovative, concise, and 'reader friendly'. TBC Leasing JSC was the highest scoring small company and hence award winner. Furthermore, TBC Leasing JSC were the highest scoring small company across all aspects of reporting – management reporting, corporate governance reporting, non-financial reporting, and other transparency measures.

Tips for improving score:

- Prepare annual report in Georgian language and then translate it into English
- Avoid 'boilerplate' disclosure and 'cut and paste' of text from other sources.
- Combine financial statements and non-financial disclosures into one document called 'Annual Report'.
- Include graphics, tables, charts, and pictures – and, if possible, employ a digital designer - to help improve visual appeal and readability of the report.
- Aim to be as concise, avoid repetition, and cross reference within the annual report where necessary: for most companies their annual report ought to in the range of 50-75 pages.
- For an example of best practice see MFO Crystal JSC 2020 Annual Report.

Section A: Management Reporting

TBC Bank JSC logged the highest score for this type of reporting. Silknet JSC and TBC Leasing JSC were the highest scoring large non-financial and small companies respectively. This year's highest scoring companies in management reporting stood out for their effective use of graphics and a well-structured narrative of the company's activities and achievements. These reports also focused on sharing with the readers detailed information about strategy and key projects in the future.

Tips for improving management reporting score:

- Listen to this video 'How to Improve Management Reporting'.
- Disclose information about:
 - existing business lines and future strategy, focusing on targets and how to meet them
 - non-financial risks facing the company, preferably company specific, and their financial impact together with measures being taken to mitigate these risks
 - achievements rather than activities
 - market/sector analysis and brief assessment of regulatory environment and possible changes
 - segment analysis if applicable
- For an example of best practice see TBC Leasing JSC 2020 Annual Report pages 4-60

Section B: Corporate Governance Reporting

Bank of Georgia JSC logged the highest score for this type of reporting. Silknet JSC and TBC Leasing JSC were the highest scoring large non-financial and small companies respectively.

Corporate governance reporting is required for companies admitted to trading on the Georgian Stock Exchange. However, PIEs voluntarily participating in the BARTA competition are also expected to include a corporate governance statement in their annual report. The corporate governance statement must be part of the annual report but presented under a separate section and can be organized as the company sees fit.

Tips for improving corporate governance reporting score:

- Listen to this video 'How to Improve Corporate Governance Reporting'.
- Disclose information about:
 - the applicable corporate governance code and an explanation of any deviations from it and the reasons - voluntary compliance with a relevant code is encouraged.
 - internal control and risk management systems related to the financial reporting process including roles and responsibilities of staff and bodies in this process.
 - the functioning of the general meeting of shareholders, the rights of shareholders and the ways of their implementation.
 - the composition and functioning of the governing body and the supervisory board – list the members, their biodata, responsibilities, and meeting attendance; the chairman of the board and their tenure; the functions of the board, evaluation of the Board's performance and attendance at meetings; and committees including their role, membership, and attendance.
 - the diversity policy of the governing body and the supervisory board and its implementation – diversity of age, gender, background, education, and experience on the board is encouraged.
- For examples of best practice see Bank of Georgia JSC 2020 Annual Report pages 152-214 and Silknet JSC 2020 Annual Report pages 91-107.

Section C: Non-Financial Reporting

TBC Bank JSC logged the highest score for this type of reporting. Georgian Railway JSC and TBC Leasing JSC were the highest scoring large non-financial and small companies respectively. Going forward in the European Union this type of reporting will be called 'sustainability reporting' (see the section below).

Tips for improving non-financial reporting score:

- Disclose information about:
 - the effectiveness of the enterprises' activities development, results achieved and position of the company on issues related to environment, social, and governance (ESG), employment, human rights protection, and anti-corruption, etc. including:
 - a brief description of the company's business model.
 - a description of the policies pursued in relation to those matters, including due diligence processes implemented and the outcome of those policies.
 - the principal risks related to those matters linked to the undertaking's operations including its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks.
 - non-financial key performance indicators.
- For examples of best practice see TBC Bank JSC 2020 Annual Report pages 58-83 and TBC Leasing JSC 2020 Annual Report pages 30-41.

Section D: Other Transparency Measures

Bank of Georgia JSC and TBC Bank JSC logged the joint highest score for other transparency measures. This was due to timely submission of their annual report, uploading the annual report to their website, and well-presented financial statements. Georgian Railway JSC and Tegeta Motors JSC were the joint highest scoring large non-financial companies while TBC Leasing JSC was the highest scoring small company.

Tips for improving other transparency measures score:

- Timely submission and uploading of the annual report and related documents to www.reportal.ge.
- Upload annual report to company website.
- For an example of best practice see MFO Crystal JSC's Investor Relations webpages.

მდგრადი განვითარება

TBC Bank JSC was the inaugural winner of this award with its Sustainable Development Report 2020.

Sustainability reporting is in its infancy in Georgia. There is a significant variation in sustainability reporting quality across size of company as well as industry. Perhaps not surprisingly financial sector companies and companies from environmentally sensitive industries such as construction and real estate disclose the most on sustainability matters. Since BARTA was founded in 2019 there appears to have been a slight improvement in the quality of sustainability reporting. However, much of the reporting is 'boiler plate', the same one year to the next. Companies preparing their annual reports in the English language as well as Georgian tend to have better quality sustainability reporting quality. In a few cases the sustainability report is verified by an auditor though this verification seems more symbolic than substantive.

Among the three pillars of sustainability reporting – Environmental, Social and Governance (ESG) – reporting on the environment is the least popular and least detailed followed by reporting on governance and social matters. Foreign stock exchange listed entities, perhaps due to higher pressure from international investors and familiarity with the international practices, provide much more information than those that are only locally listed.

While many Georgian companies say they are against human rights violations and support gender equality, they typically do more make a policy declaration on adherence to human rights and diversity but do not provide evidence of implementation of these policies such as KPIs related to the prevention or mitigation of identified human rights-related risks or gender balance on the board. On governance matters there is better disclosure on fight against corruption and bribery, customer relationships and internal control mechanisms but little information on political engagement and lobbying activities. Sustainability matters like climate change are very rarely discussed by the supervisory bodies' risk mitigation committees.

The BARTA judges also assessed disclosure according to certain criteria - conciseness, reliability and completeness, and consistency and comparability. Some companies include sustainability information in their annual report, others in a separate stand-alone report, some merged Georgian and English language versions, some reports were scanned and others pdf, and some had verification. This variety of practice and the lack of conciseness makes it difficult for readers to understand and assess the information.

In late 2022 the European Union looks likely to adopt the Corporate Sustainability Reporting Directive. This will mandate publication from 2023 of comprehensive sustainability reports, prepared using a new suite of European sustainability reporting standards (ESRS), and which will be subject to assurance. Georgian companies stand to be impacted through the value chain as well as pressure from EU investors to demonstrate good practice. The BARTA 2022 competition may be adapted to reflect this development.

Tips for improving sustainability reporting score:

- Listen to this video 'The Future of Corporate Reporting in Europe: What are the Implications and Next Steps for Georgian Companies?'.
- Support policy with explanation of actions and achievements using KPIs.
- Disclosure should exemplify following general attributes:
 - conciseness - the sustainability report should be concise.
 - reliability and completeness - the sustainability report should include all material matters, both positive and negative, in a balanced way and without material error.
 - consistency and comparability - the information in the sustainability report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations.
 - basis - the sustainability report should be prepared using internationally recognized frameworks and standards.
- For examples of best practice see TBC Bank JSC Sustainable Development Report 2020 and Evex Hospitals JSC for their policy description.