
The adoption of integrated reporting principles by the Romanian companies listed at the Bucharest Stock Exchange

Ioana SOFIAN,
Bucharest University of Economic Studies,
E-mail: ioana.sofian@yahoo.com

Abstract

This paper aims to identify a company with Romanian capital that has potential to implement the integrated reporting principles, with real benefits in attracting investors and/or building an international reputation. To achieve this goal, we performed a study on companies listed at the Bucharest Stock Exchange that operate in different sectors. We analysed the investment opportunity, the reports published currently by the companies and their compliance with the International Integrated Reporting Framework in the view of preparing an integrated report. The case study revealed a high potential for the implementation of integrated reporting within Antibiotice Iași S.A. As compared to all the selected companies, this company's reporting practices are currently the most similar to the integrated reporting. However, for the other companies, the option to publish an integrated report is viable under certain conditions, particularly in order to build a business card that is internationally recognized and universally comparable.

Keywords: *Integrated reporting, Romania, value creation, listed companies.*

JEL Classification: *M14, M41*

To cite this article:

Sofian, I. (2016), The adoption of integrated reporting principles by the Romanian companies listed at the Bucharest Stock Exchange, *Audit Financiar*, vol. XV, no. 12(144)/2016, pp. 1335-1348, DOI: 10.20869/AUDITF/2016/139/1335

To link to this article:

<http://dx.doi.org/10.20869/AUDITF/2016/144/1335>

Introduction

The “Integrated Reporting” concept fits the modern vision of a performant entity, a vision that goes beyond the economic sphere. Thus, a company reinforces its market brand if it is involved in actions related to environmental protection and societal development. The relevance of an integrated report comes from how the description of the value creation process for all stakeholders really leads to attracting investors and shapes a clearer and more comprehensive image for any user of this mix of financial and non-financial information.

In 2010, the International Integrated Reporting Council (IIRC) was founded in order to create an international framework of integrated reporting. Thereby, it brought a contribution to the development of a new type of reporting that shows in a unique, concise and comparable format the aspects linked to the past or future impacts or an entity’s performance (IIRC, 2010). In the next year, the organization started a pilot programme that had an important role in the development of the integrated reporting framework, an approach that led to the involvement of over 100 entities worldwide (IIRC, 2011).

Integrated reporting is concerned with the process of creating value for all stakeholders over the medium and long-term, through a mixed approach or, more specifically, through one report accessible to all stakeholders that shows how social and environmental performance and good governance contribute to a higher financial performance (Eccles and Serafeim, 2011). The concept of integrated reporting as defined by the IIRC in the International Integrated Reporting Framework (IIRF) proposes the creation of integrated thinking within an entity, directing the disclosures towards its true development power. Moreover, the idea of integrated reporting is not related to the reporting itself, but to the appropriate communication of a company’s responsible behaviour (Almond, 2015). It can also be considered that integrated reporting is a marketing tool. An entity which chooses such reports shows an additional involvement that increases the investors’ interest and guarantees the reading of the report (Giuclea, 2013).

In addition to a holistic approach of the business and the satisfaction of investors’ informational needs through environmental, social performance and governance, the

literature has found that integrated also reporting brings internal benefits such as a lower reputational risk and a better allocation of resources and worldwide regulatory benefits, building a universally accepted language that facilitates the comparison of the communicated information (Eccles and Saltzman, 2011).

The communication of non-financial aspects was voluntary for the large European companies until the adoption of the Directive 95/2014/UE, applicable from 1st January 2017. More specifically, large public interest entities with over 500 employees are required to add a nonfinancial declaration to the board’s report or to publish a separate report describing the business model and the environmental, social and personal policies, human rights, combating corruption and bribery, as well as the analysis of the results and risks associated to these policies. This regulation comes to make the companies in Europe, Romania included, aware of the importance of maintaining a communication that is adequate in relation to all the stakeholders’ interests and informational needs.

In fact, integrated reporting is a practice based on achieving harmony between the world of the financial statements and the one of the sustainability reports (Van Bommel, 2014). Most large companies already publish sustainability reports. Given the fact that 49% of entities that publish integrated reports in compliance with the IIRF are from Europe (Chersan, 2015), this directive represents the first impulse to the implementation of this practice in more companies, including the ones with Romanian capital that operate in Romania.

The IASB conceptual framework places the investors and the creditors at the top of the information users’ classification, with the argument that their informational needs are similar and cover the interests of all other categories. Furthermore, the users cannot require directly the disclosure of the information, being forced to rely on the reports published by the companies (Dima and Șărămăt, 2011). Thus, although the information presented in the financial statements are useful to all users, the presentation focused on the investors’ and creditors’ informational needs is privileged, a fact from which we can deduce the importance granted to the financial markets around the world (Ristea, Olimid and Calu, 2006).

Therefore, apart from the idea of creating value, integrated reporting becomes a bridge between the companies and the capital markets. It facilitates the

understanding of their business strategy and how they obtain performance and create value (KPMG, 2011).

The 2015 integrated report of the IIRC mentions that 71% of the investors consider that integrated reports are important for the decision-making process (IIRC, 2016). However, the factors that affect the investment decision in a company are not limited to the company's reporting, but also to the sector's attractiveness or even to the investor's personality. Understanding the sector in which companies operate and the associated risks allows the companies to improve their non-financial reporting practices, which ultimately leads to greater transparency on the capital markets (Eccles et. al., 2012).

The company should be the first to benefit from all the costs involved in the preparation of an integrated report: compliance with the IIRF, with the requirements of all interested parties, continuous innovation, the amount of work and time devoted by the people who participate at the preparation of the report. Thus, we consider that a company's listing on the stock exchange does not only mean obtaining financial resources (for the business) and dividends (for investors), but it also involves a different type of connection to the international environment, greater comparability of the published information, and even a positioning among the largest companies in the world, which is why the company should be more motivated to publish higher quality reports.

According to the IIRF, an integrated report presents the value creation process along with the contribution to this process of all the capitals (financial, manufactured, natural, human, social and relationship, intellectual), in such way as to comply with the seven integrated reporting guiding principles: strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability.

The objective of this paper is to identify the potential of listed companies in Romania to adopt integrated reporting and the benefits that come with this decision. To this end, we performed a case study type analysis of Romanian companies listed at Bucharest Stock Exchange (BSE).

The importance of this research lies in the fact that integrated reporting is a relatively new practice and almost non-existent within Romanian companies. Romania can become a favourable place for the implementation of integrated reporting through the companies listed at BSE, which already have an image and a market of interest for the different categories of users.

The paper is structured as follows: the second section represents the research methodology. The third section briefly presents the selected companies and the industry in which they operate. Section four includes the study of the reports published currently by the selected companies. Section five examines the entities in terms of their potential to adopt integrated reporting. The last part includes the conclusions and limitations of the study, as well as future research opportunities.

1. Research methodology

The objectives of this paper are (i) to analyse the potential of Romanian companies listed at BSE to adopt integrated reporting and (ii) to identify some possible benefits arising from this decision.

To achieve this goal, we realized a case study regarding the Romanian companies listed at the BSE. There were selected 12 companies from different industries, all having Romanian capital. The selection process consisted of choosing, from the components of the BetPlus index, the companies with Romanian capital and with an average number over 500 employees. To calculate the percentage of Romanian capital, the value of the field *others* from the subcategory *Shareholders' structure* on the *Summary* page of each company available on the BSE website was not considered.

We analysed the industry in which the selected companies operate in terms of the impact of the decision to invest in such companies. We studied the reports and the information published currently by these companies, and then we determined which company has the potential to adopt integrated reporting and any related benefits based on a qualitative research.

More specifically, this study aimed to find answers to the following questions:

- Does integrated reporting help to attract investors?
- To what extent do the characteristics (attractiveness) of the sector determine a company to adopt a superior form of reporting?
- Does integrated reporting allow companies to become international?

This research is important for auditors too, because the need to present non-financial information brings with it the need to verify their credibility and the assurance of integrated reports is performed by auditors (Dumitru and Gușe, 2016).

2. Listed companies at the Bucharest stock exchange

This research is based on the study of reports and information published by the selected companies on their own website. In the BetPlus index there are included 28 companies, but only 18 of them have a majority of Romanian capital. 12 out of the 18 companies have an average number of over 500 employees. Thus, the characteristics of the 12 companies listed at BSE that were selected for this study are presented in Table 1.

Table 1. Companies with Romanian capital listed at the BSE

No.	Company	Sector	Romanian capital	Number of employees
1	Aerostar	Industrial (aircraft and spacecraft)	86,17%	1.600
2	Antibiotice	Pharmaceutical	66,57%	1.465
3	Artego	Industrial (rubber products)	84,82%	1.176
4	Compa	Industrial (auto parts and accessories)	54,60%	1.660
5	Conpet	Services (pipeline transport)	58,72%	1.709
6	Electromagnetica	Industrial (instruments and devices for measuring, testing, control and navigation)	54,90%	626
7	Nuclearelectrica	Utilities (electricity)	82,50%	2.051
8	Oil Terminal	Services (manipulations)	59,62%	1.016
9	Romgaz	Utilities (natural gases)	70,01%	6.233
10	Transelectrica	Utilities (electricity)	58,69%	2.180
11	Transgaz	Utilities (natural gases)	58,51%	4.854
12	Vrancart	Industrial (paper, paperboard and paper packaging)	74,72%	903

Source: Author's processing.

In the following, we will present the characteristics of each industry in terms of the investment opportunity in a company that operates in a specific industry.

The **pharmaceutical sector** is characterized by an inelastic demand, the consumption of pharmaceuticals being independent of changes in its price, regardless of the stage of the economic cycle. In the context of aging population and declining birth rates (INS, 2015), in Romania it occurs an increase of the demand for pharmaceutical treatments (Cealera, 2014). This situation leads to the allocation of a larger proportion of the consumers and State's financial resources to this type of expenditure and, thereby, to the increase of the manufacturing companies' earnings, with a direct and positive effect on the market price of their securities.

Also, the demand in this sector is atypical, most of the pharmaceuticals being offered under prescription. Therefore, the decision factor is the medical professional who prescribed it or the pharmacist, and the treatments are usually covered by the national system of health insurance (European Commission, 2009). Thus, this sector has a long cash conversion cycle due to the delay in refunds and repayments in the health insurance system. This can become a problem through the increase of the debt ratio caused by the lack of liquidity and can lead, on the long term, to the insolvency of the producers or distributors of pharmaceutical products. Therefore, the pharmaceutical sector presents favourable investment perspectives because it is characterized by a low risk, being one of the best regulated industries in the world (IPE, 2011).

The public utilities sector is also an area characterized by an inelastic demand because consumers will continue to require utilities, regardless of their price. It is a sector with an oligopoly type of competition, with only few companies providing such services in Romania. In theory, the prices are formed freely, based on supply and demand, but in practice they are dictated by international political and economic circumstances and the interests of natural gases and electricity suppliers. In addition, the price of natural gases is closely connected to the evolution of the oil price; the recent dynamics of the oil price has also influenced the price of the natural gases. The investment in this sector is considered to be favourable because natural gases are the most used energy resource¹ and Romania has the largest market of natural gases in Central and Eastern Europe². However, it should be taken into account the seasonality of natural gases consumption, with a maximum in the cold season and a minimum in the warm season.

Regarding the Romanian industrial sector, the latest available Statistic bulletin of industry states that industrial production increased by 5.3% in August 2016 as compared to August 2015. Among other reasons, this variation was due to an increase of 23.9% of the motor vehicles, trailers and semi-trailers manufacturing, an increase of 27.1% of the electrical equipment production, a reduction of 16.8% of activity in the field of machines and equipment's repairing, maintenance and installation and an increase of 12.7% of the paper and paper products manufacturing (INS, 2016).

It can be observed that most of the companies selected for this study operate in the industry or the public utilities sectors. We believe that their listing on the BSE is an asset and another reason for which it may be considered that the option for a superior form of reporting signals an additional involvement, therefore a redefinition of the already achieved successful image.

As examples of benefits derived from the implementation of integrated reporting we can mention: attracting new investors (financial resources), strengthening consumers' confidence, contribution at the community welfare and environment protection. All these features may have an important contribution to the

choice of the products and services offered by one of these companies over others in the same sector. In the case of a potential responsible investor (concerned of non-financial aspects), integrated reporting can significantly influence its decision to invest in a listed company.

3. Analysis of the reports published by the companies listed on BSE

We analysed the annual reports published by each of the selected companies by consulting the documents available on the BSE's website and on each company's website. We used 2015 as a reference financial year.

Apart from the Accounting reporting in compliance with the Ministry of Public Finance Order no. 123/2016, the Budget of Income and Expenses, the Independent Auditor's Report and the financial statements prepared in accordance with the IFRS, the selected companies publish the Regulation/Code of Corporate Governance and other reports, as shown in Table 2.

The annual reports (sometimes called Annual Directors' Report or Board of Directors' Report) published by all of these companies are, in fact, drawn up in accordance with the Regulation no. 1/2006 of the National Securities Commission (Comisia Națională a Valorilor Mobiliare – CNVM, currently the Financial Supervisory Authority). Thus, these include aspects related to the activity of the company in the last financial year (including the financial statements), social responsibility and environmental protection, risk management, perspectives of the business, information about the management of the company and its securities' market.

In addition, many companies publish on their websites some presentations addressed to the investors which contain brief information about the activity carried out in that year.

In this part of the paper, there will be presented other useful information about the content of a potential integrated report, available on the companies' websites. All entities have a separate section describing briefly the mission, vision and the set of values that form the company's business philosophy.

¹ https://ro.wikipedia.org/wiki/Industria_energetic%C4%83_%C3%AEn_Rom%C3%A2nia#Gazele_Naturale

² <http://www.anre.ro/ro/gaze-naturale/informatii-de-interes-public/piata-gazelor-naturale>

Table 2. Other reports published by the selected companies listed at BSE

No.	Company	BSE symbol	Additional reports published
1	Aerostar	ARS	Annual report
2	Antibiotice	ATB	Annual report
3	Artego	ARTE	Board of Directors' Report
4	Compa	CMP	Annual report
5	Conpet	COTE	Annual report regarding the awarded sponsorship Quarterly report on environmental performance Directors' Report
6	Electromagnetica	ELMA	Directors' Report
7	Nuclearelectrica	SNN	Annual Report (of the Directors from 2013)
8	Oil Terminal	OIL	Annual report
9	Romgaz	SNG	Directors' Report Social Responsibility
10	Transelectrica	TEL	Annual Report Environmental Report (latest version of 2007) Impuls Journal (latest version of 2009)
11	Transgaz	TGN	Annual Directors' Report Corporate Social Responsibility (CSR) Brochure (latest revision in 2014)
12	Vrancart	VNC	Board of Directors' Annual Report

Source: Author's processing.

The annual report published by **Aerostar**, **Artego**, **Oil Terminal** and **Vrancart** are strictly aligned with the requirements of the CNVM Regulation no. 1/2006, presenting aspects related to environmental protection in the section that measures the business's impact on the environmental factors. At the same time, there are presented issues related to corporate governance, risk management and a summary of the financial results of the last year. In addition, their webpages do not contain any other non-financial information. The annual report published by Aerostar presents, in a more interactive and comparative manner, the company's plan at the beginning of the year, the results obtained during the year and future perspectives. There is a focus on sustainable development and environmental protection. Oil Terminal's annual report is composed of several reports and statements, out of which the Directors' Report gives a black and white image of the company. Vrancart publishes a brief annual report, well-structured, with an interactive format, including the impact of the company's activity on water, air and soil and the CSR actions carried out in support of the local community.

The annual report published by **Antibiotice Iași** is interactive and mixes financial concepts with progresses in the social and environmental fields. It starts with the Board's messages, business description and the

presentation of the company's strategic orientation. The bulk of the report is the description of the performance obtained in various fields during the year: actions and results of the research, the quality of the manufacturing process, investment policy, marketing policy, export policy, the relationship with interested parties, human resources policy.

In the chapter entitled *Social responsibility*, there are presented the social, educational and cultural projects in which the company is involved and their results, showing Antibiotice's involvement in the community's welfare. Examples of such CSR programs: Foundation *Antibiotics – Science and Soul*, *Donate blood! Save a life!*, *The power of action*. Environmental aspects are presented in the same chapter, in the section *Promoting environmental protection*, where the company describes its policy in relation to water quality, air pollution, energy use, soil protection and waste management. Examples of environmental programs: *Be pro nature*, *Involve!* and the participation at the *Earth Hour* initiative.

The company's involvement continues beyond the report, through the section *Partnerships in education* on its webpage. The company sponsors patients' treatment and medical research, showing a list with real beneficiaries. Moreover, in *News* section there are presented the A+ Summer School or the *Perform a+*

project, and in *Sport's partnerships* section, the company states that it supports the volleyball team *Penicilina*.

Compa S.A. includes in the annual report a brief section entitled *Social responsibility* presenting the principles and rules in this area applicable within the company and a few actions of community support. This entity does not draw up environmental or social reports, but it offers some information on its website regarding its philosophy in terms of environmental protection, human resources and social responsibility. The section *About COMPA* contains the following categories:

- *The concern and care for the environment* – the brief description of the environmental policy, quarterly briefings for the stakeholders (still in progress) or the environmental announcements for a certain period of time;
- *Social responsibility* – reference to the principles of ethics and transparency respected within the company and the results of its involvement in community life;
- *COMPA principles* – brief presentation of the company's philosophy in terms of clients, performance, law, respect of the environment and investment in people;
- *European projects* – the company has implemented European projects in order to develop the human resources, energy efficiency and to increase the competitiveness of its research and its innovation capacity.

Conpet S.A. publishes a quarterly report on environmental performance to briefly describe how the company's activity affects the environment (water, air, soil), the waste management policy and legislative issues regarding environmental protection. The entity also publishes a sponsorship report, offering transparency for its actions regarding the development of the local community and showing details of the sponsorships granted. Its website contains information related to social responsibility and environmental protection within the *Policies*, section where there are summarized information concerning:

- *Social responsibility* – the company provides sponsorship for cultural and artistic events, national health campaigns, sports clubs, competitions and school competitions (all detailed in the annual report on sponsorships);

- *Environmental responsibility* – development of an environmental management program, detailing the commitments for the environment and the existence of an environmental management system continuously improved (detailed in the report of the environmental performance).

Electromagnetica also presents on its webpage a section entitled *Social responsibility* and there are mentioned actions like *Small joys from Electromagnetica*, ecological activities and students' support activities.

Nuclearelectrica describes on the website its CSR actions in the section with the same name. There is presented a statement of corporate social responsibility, the projects implemented in this area (example: *Receive a tree in your family*) and the work performed to support the local community in Cernavodă.

The **Romgaz** webpage has a section entitled *CSR* which contains the following categories: environment, community, education, health, culture, sports and sponsorship guide. Within each one of them, the company briefly describes its policy of environmental protection, social involvement programs to which it takes part, the projects through which the entity invests in education, health system, sports and cultural events. All these issues are centralized in a report named *ROMGAZ social responsibility* available on the company's website. Examples of CSR projects: participation in Earth Hour initiative, the program *Offer a book, create a library*, *Cinema-edu* project, *Green Hospital* project, sponsoring cultural events in Sibiu, involvement in the sporting community.

The annual report of the company **Transelectrica** is a combination of several reports and it has a colourful and interactive content. Among these reports, lies the Report on Corporate Governance and Social Responsibility. In this report, there are also included the results of the CSR projects in which the company was involved, matters related to the employees' treatment and actions and results regarding the environmental protection.

Also, the Environmental report (last edition from 2007) is a document that improves the company's image and that is available both in Romanian and English. It describes the environmental policy, the actions and results obtained during the year. It is probable that the information contained in this report will be included, in part, in the next years' annual reports. Furthermore,

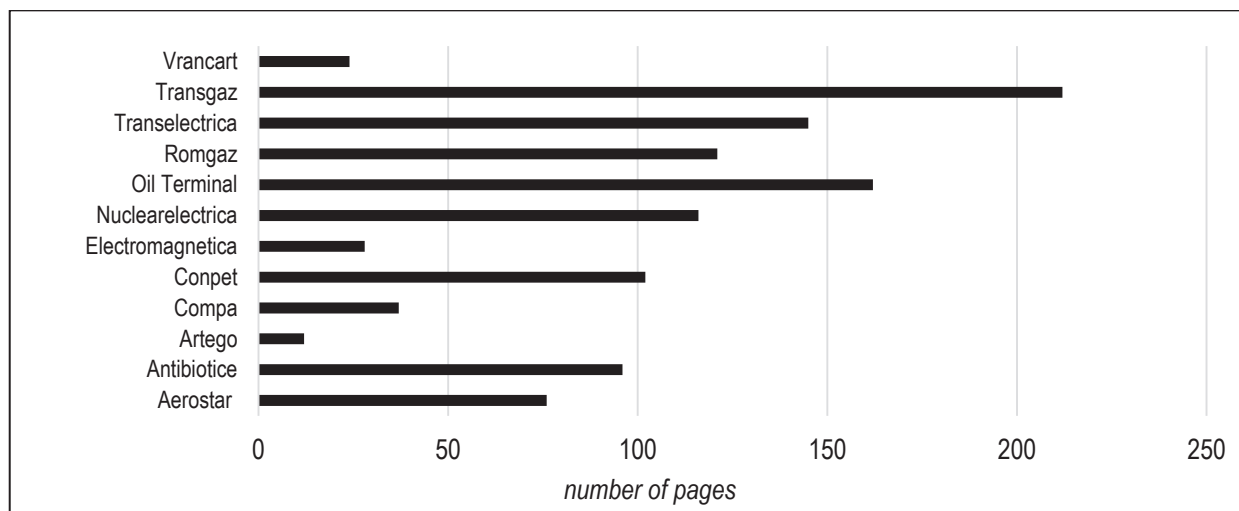
Transelectrica published, until 2009, the Impuls Journal as a statement of the main news from the field, so it also offered information related to the sector.

With regard to **Transgaz**, using the motto *A responsible company is a company of the future*, the company creates the CSR Brochure entitled *People and facts*, the last available edition being from 2014. This document summarizes the company's social responsibility and volunteering actions and the projects proposed for the future. The entity presents its philosophy regarding social responsibility and justifies the option to engage in this type of actions. CSR areas in which this company declares to operate are: community development, education, sports, arts and culture, humanitarian actions, health, environment, while the policy adopted in each one of these areas is presented briefly. Examples of CSR projects: *The green Olympics*, *We invest in the*

future, *Hand in hand*, *People to people*. All these programs are described in the brochure, including the results of their implementation. Other voluntary or charitable projects are: *Give a smile*; *Donating blood, you can save a life!*; *Next to you*. In addition, the company presents within the brochure the impact of these projects by disclosing the feedback received from the organizers. There are presented a series of anniversary achievements and then participants' opinions of the persons responsible for the projects are quoted. The document appears as a magazine with pictures and famous quotes, in accordance with the philosophy declared. CSR policy is detailed on the webpage, in the *CSR* section.

Therefore, like any other large company, each one of the selected entities shows its more or less intense involvement in the welfare of the society as a whole, in the most appropriate way at the time of reporting.

Figure 1. Number of pages of the selected companies' annual reports



Source: Author's processing.

From a structural point of view, as it can be seen in **Figure 1**, the most complex report belongs to Transgaz with over 200 pages, followed by Oil Terminal, and third, the company Transelectrica.

The average number of pages of an integrated report in 2015 was 148 pages, a decrease as compared to the previous years (EY, 2016). Analysts argue that an integrated report should be concise and, at the same

time, comprehensive. Thus, the option for 200 pages or more is not the best choice thinking that a user will get tired reading the reports of several companies at once, which would decrease the investor's interest in the companies (PwC, 2016). Therefore, the analysis will proceed with the study of the quality of these reports in terms of the image of the company they represent.

4. The potential to adopt integrated reporting principles

In order to determine the potential of adopting integrated reporting principles, we analysed the possibility of the these companies' reports compliance (considered as one document) with the IIRF, more specifically by observing the following requirements:

- Compliance with the seven principles of integrated reporting;
- Presentation of the business model;
- Description of all types of capitals contributing to value creation;
- Presentation of the items related to corporate governance and risk management;

- Strategy and performance obtained in the area of social activities and environmental protection;
- Business focus to sustainable development.

As noted in the third part of this paper, each one of the selected companies presents aspects related to governance due to a specific requirement resulting from their status as BSE listed companies, publishing a document for this purpose. Therefore, all companies currently have the informational resources to potentially prepare this content element of an integrated report.

Table 3 presents a summary of the compliance with the IIRF requirements for each selected company. In order to complete this table, there was considered all the information contained in the additional reports published by the selected companies and mentioned in Table 2.

Table 3. The compliance with the IIRF of the additional reports of the selected companies

Company	ARS	ATB	ARTE	CMP	COTE	ELMA	SNN	OIL	SNG	TEL	TGN	VNC
IR principles	5/7	7/7	5/7	5/7	5/7	5/7	7/7	5/7	5/7	5/7	5/7	5/7
Capitals	4/6	6/6	4/6	4/6	4/6	4/6	6/6	4/6	4/6	5/6	4/6	4/6
Business model	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Sustainable development	Yes	Yes	No	No	No	No	Yes	No	Yes	Yes	No	No
Social activities	No	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes
Environmental protection	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Author's processing.

Artego and **Aerostar** are listed at the BSE since 1998; the *News* section on Artego's website provides the annual reports since 2010. On the Aerostar's webpage there are available the annual reports starting with 2012. Regarding Aerostar, the description of the business model is included in the sections *Mission, present and future* and *Aerostar's business* within the annual report. There have not been significant changes in the structure or content of the reports available for these two companies.

Antibiotice is listed at the BSE since 1997 and the company's website provides annual reports starting with 2003, the first significant content change being in 2009. The presentation of the business model is made in the section *Company's profile*, and the strategy and performance are based on several programs which were

improved and multiplied over time. A simple review of these reports points to a clear evolution of the interactive way to present the business and the achieved performance. The report is quite concise and presents a relatively ascending trend in the number of pages (as a result of the multiplication of the projects undertaken). We consider that Antibiotice Iași can benefit from the Takeda model (Japan), which was analysed by Dumitru and Jinga (2015) in the idea of a potential implementation of integrated reporting.

Compa is also listed at the BSE since 1997 and it has available on its website the annual reports since 2008 until present day. A continuous increase of the document's number of pages and an image improvement starting with 2010 has been noticed. The company chooses to use its webpage in order to provide

details regarding the non-financial aspects. The international activity performed by Compa allows it to be included, from the standpoint of integrated reporting, into the category of the regulatory benefits mentioned previously. The company's international activity can also represent a motivation for choosing the practice of integrated reporting, based on the transparency and the reliable and responsible image which it would bring. We believe that, depending on the impact of the non-financial statement that must be prepared starting with January 1st, 2017, this company may consider the implementation of integrated reporting, having as a model the approach of the Volvo Group, member of the Pilot Programme initiated in 2011 by the IIRC.

Conpet is listed at BSE since 2004 and the users can find on the company's website the annual reports starting with the same year. It has been noted a continuous increase of this document's volume and, in terms of content, the presentation is still made in black and white and follows the same structure.

Electromagnetica is listed at BSE since 1996 and its webpage provides annual reports since 2013. The Directors' Reports do not show present changes of format or content in the period 2013-2015. In order to choose integrated reporting, this company has the example of Showa Denki from Japan, also a member of the Pilot Programme initiated by IIRC.

Nuclearelectrica is listed at the BSE since 2013. On its website, the annual reports are available for the period starting with 2000. The report for 2000 is in Romanian, in black and white and it is very brief, with only 16 pages. From 2001 until 2007, the report is presented in English and shows improvements both in terms of structure (since 2004 it is presented in colour) and content (larger and more interactive). From 2008 until 2012, the document has a new structure, with an average length of 41 pages, and continuous improvement are made to its appearance. From 2013, the report changes its name from Annual Report to Directors' Annual Report and its structure and quality are reconfigured. The 2014 report is the result of a continuous improvement process, the company presenting the best version of the annual report and getting closer to the concept of integrated reporting. This entity has also an international example in the company State Nuclear Energy (Rosatom) from Russia who was a member of the IIRC Pilot Programme.

Transelectrica is listed at BSE since 2006 and its website provides annual reports starting with 2002. Between 2002 and 2005, the annual report contains the financial statements prepared in accordance with the IFRS. Since 2006, the annual report completes its structure with other information in addition to the financial statements, with a continuous improvement until 2011. In 2012, the *CNVM Report* and *Directors' Report* are published as annual reports: the first is prepared in accordance with the CNVM Regulation no. 1/2006 and the second presents, in an interactive manner, the company's activity during the year and its impact on the society and environment. From 2013 to the present, the annual report is a unique document including all the previous reports, with an improved content and structure, with an average length of 143 pages. A model of integrated reporting for this company is Enel from Italy, also part of the IIRC Pilot Programme.

With regard to **Transgaz**, this is listed on the BSE since 2008 and provides annual reports published since 2004. If during the period 2004-2011, the annual report consisted only of financial statements according to IFRS, starting 2011, this document is called the Directors' Annual Report and has a new structure. In 2012, the report started to become increasingly bulky, reaching a number of 212 pages in 2015. From 2013, the report is presented in colour, except for 2015 the company published a scanned black and white report.

In addition, it cannot be said that the only report on corporate social responsibility (last update in 2014) aligns with any IIRF requirement because it deals with only one part of a potential integrated report. However, there are presented the actions and the results of the humanitarian and voluntary programs, the development of the society and environmental protection. The document is interactive, concise, reliable and shows a focus towards the future, but it represents only a part of a potential whole. We believe that, through this document, Transgaz has a starting point in preparing the statement required by the Directive 2014/95/EU and, of course, the potential to choose integrated reporting in the future. A comparison with a company from the same sector which was a member of the Pilot Programme initiated by IIRC, respectively Enagás from Spain, reveals that the Romanian company must keep making steps towards the idea of an integrated report. Meanwhile, although it has a model, the decision to implement integrated reporting depends on the extent to

which this State-owned company considers relevant the efforts to attract foreign investors or prefers to remain in the national community already built and enjoy the responsible image already formed; more specifically, the adoption of the integrated reporting principles depends on the extent to which this company is interested in becoming an international brand.

Vrancart is listed at the BSE since 2005 and its webpage provides the annual reports prepared according to the CNVM Regulation no. 1/2006, starting with the same year. The structure of the report is maintained between 2005 and 2011, with an average length of 17 pages. In 2012 the report is presented in a new structure and in a new colour and interactive form. A possible example of integrated reporting for Vrancart could be Fibria Cellulose from Brazil, a global producer of eucalyptus pulp and a member of the Pilot Programme initiated in 2011 by the IIRC.

As for the types of capitals, most of the companies selected for this study do not present in their reports aspects related to the intellectual or social and relationship capital.

Within the integrated reporting principles, there was considered the information contained in all the reports published by each entity. Most of the companies do not comply with the materiality principle, given that they are required to have a list of content elements through the CNVM Regulation. Also, few companies explain how they understand and answer the informational needs of all stakeholders, which is why the principle regarding stakeholders relationships is not fulfilled by most of the companies. Meanwhile, the compliance with every guiding principle can be improved for each company because there were not analysed any integrated reports. The results presented in **Table 3** are determined with a relevant level of tolerance.

After analysing all of these aspects, we consider that, from the selected companies, Antibiotice Iași S.A. has currently the greatest potential to adopt the integrated reporting principles. The annual report published by Antibiotice complies with most of the IIRF requirements and, in addition, its image is very close to the idea of an integrated report. The company is considered to have the greatest potential because of how it explains its business philosophy and value creation process and due to the reduced volume of work that the implementation of these principles would entail. Thus, the company is recommended to approach a superior reporting model,

especially since the company operates on the international market (exports) and integrated reporting can make a difference in outlining its international business card.

Significant changes for the implementation of the integrated reporting are also attributed Nuclearelectrica, as its annual report fulfils most of the IIRF specifications. But the document is still focused on the structural elements mentioned in CNVM Regulation no. 1/2006. Nuclearelectrica receives second place in the hierarchy of companies with the potential to adopt the integrated reporting principles for the continuous improvement of the report's content, especially after being listed.

Among the other companies, due to the fact that have successful models to follow and a sector favourable to investment, to the extent to which they consider it is a good option, the companies that can choose integrated reporting are the following: Romgaz, Transelectrica, Aerostar, Vrancart and Transgaz.

Conclusions

Integrated reporting is a practice under development and it becomes more and more popular because a lot of companies discover its multiple benefits. The conclusions will be summarized in relation to the papers' objectives.

With regard to the first objective, the last IIRC annual report points that 71% of the investors use integrated reporting in the decision-making process. Thus, beyond the idea of supporting a new trend in the area of reporting, this practice is actually desired by investors.

With regard to the second objective, understanding the sector in which a company operates helps it to draw a better orientation of the reporting towards the non-financial aspects.

From all the industries in which the companies selected for this study operate, the pharmaceutical sector is the best regulated, although companies can have liquidity problems due to the delayed payments in the health insurance system. However, Antibiotice presented a superior reporting model, maybe trying to compensate the possible industry-specific risks and to gain the confidence of the potential investors. This company published in 2015 a report that is the closest one in the sample to the idea of an integrated report: it is concise, interactive, it presents the business model, the value

creation process, the strategy and the results of the environmental and social responsibility policies, with an approach towards sustainable development.

Also, the utilities' industry, particularly the one of natural gases, is characterized by seasonality and questions concerning the free formation of the price. However, four companies that operate in utilities' sector are mentioned on the list of companies with potential for integrated reporting. Out of these, Nuclearelectrica is emphasized, due to proof of a continuous improvement of the reporting quality.

As for the third objective, it can be considered that integrated reporting helps a company to build an international name, primarily due to the comparability of the information. Antibiotice Iași performs exports and, within the companies from the utilities' sector, the decision to implement this practice is linked to the desire and need to become international. It should also be taken into account that participating in international databases and greater comparability of information add to a company's image, but also bring a greater responsibility in the competitive area.

Although it is an EU member since 2007, Romania is still unable to easily adapt to this status (Gușe et. al., 2016). However, through the power of the example, Romania can become a favourable field for the development of

integrated reporting. We believe that the first tool for this purpose is represented by the companies listed at the BSE, which are motivated to become international and to attract more investors. Another impetus in this regard is the implementation of the Directive 2014/95/EU, which will determine large companies to approach non-financial aspects within their reports.

A limitation of this research is that the number of the sectors resulted from the application of the selection criteria is quite small in order to formulate a general view on Romanian listed companies. A solution would be to identify all Romanian companies listed at the BSE and to study their reports. Another impediment was the impossibility to identify a model of an existing integrated report for all companies included in the study. Another limitation is the lack of a discussion with people inside of each company in order to see the entity's position concerning the potential publication of an integrated report.

This study is a starting point, an idea aimed to promote and to grow businesses built on Romanian capital. Issues such as the global trend to approach integrated reporting and the many benefits which were described theoretically and confirmed practically are the incentive for this initiative. The paper aims to widen these companies' (and others') vision on reporting.

REFERENCES

1. Almond S. (2015), *Tell your value creation story using the Integrated Reporting Framework*, [online] Available at: <http://integratedreporting.org/news/tell-your-value-creation-story-using-the-integrated-reporting-framework/> [Accessed on November 12, 2016].
2. Autoritatea Națională de Reglementare în Domeniul Energiei (2016), *Piața gazelor naturale*, [online] Available at: <http://www.anre.ro/ro/gaze-naturale/informatii-de-interes-public/piata-gazelor-naturale>, [Accessed on November 12, 2016].
3. Cealera (Magaritti) D. (2014), *Dezvoltarea industriei și pieței farmaceutice în România în corelație cu performanțele firmelor din domeniu (rezumat teză doctorat)*, Universitatea Dunărea de Jos, Galați, [online] Available at: [http://www.arthra.ugal.ro/bitstream/handle/123456789/3252/Rezumat_%20Teza_doctorat_Cealera\(%20Magaritti\)_%20Doina_2014.pdf?sequence=1&isAllowed=y](http://www.arthra.ugal.ro/bitstream/handle/123456789/3252/Rezumat_%20Teza_doctorat_Cealera(%20Magaritti)_%20Doina_2014.pdf?sequence=1&isAllowed=y), [Accessed on November 12, 2016].
4. Chersan, I.C. (2015), Study on practices and tendencies in integrated reporting, *Revista Audit Financiar*, vol. XIII, no. 9(129)/2015, pp. 25-36.
5. CNVM (2006), *Regulamentul nr. 1/2006 privind emitenții și operațiunile cu valori mobiliare*, [online] Available at: <http://www.asfromania.ro/files/capital/regulamente/2006/Regulamentul-01-2006.pdf>, [Accesat pe 25 martie 2016].
6. Comisia Europeană (2009), *Executive Summary of the Pharmaceutical Sector Inquiry Report*, [online] Available at: http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/communication_en.pdf, [Accessed on November 12, 2016].
7. Dima (Cristea), Ș. and Șărămăt, O. (2011), *Studiu privind evoluțiile recente ale cadrului contabil*

- conceptual al IASB, *Audit Financiar*, vol. IX, no. 1(),/2011, pp. 3-10.
8. Dumitru, M. and Gușe, R.G. (2016), Assurance of integrated reports: The state of the art, *Audit Financiar*, vol. XIV, no. 2(134).2016, pp. 172-180, DOI: 10.20869/AUFFIN/2006/134/227 .
 9. Dumitru, M. and Jinga, G. (2015), Integrated reporting practice for sustainable business: A case study, *Audit Financiar*, vol. XIII, no. 7(127)/2015, pp. 40-48.
 10. Eccles R.G., Krzus M.P., Rogers J. and Serafeim G. (2012), The need for sector-specific materiality and sustainability reporting standards, *Journal of Applied Corporate Finance*, vol. 24, no. 2, pp. 65-71, DOI: 10.1111/j.1745-6622.2012.00380.x.
 11. Eccles, R.G. and Saltzman D. (2011), Achieving sustainability through integrated reporting, *Stanford Social Innovation Review*, vol. 9, no. 3, pp. 55-61.
 12. Eccles, R.G. and Serafeim G. (2011), *Accelerating the Adoption of Integrated Reporting*. In *CSR Index*, editat de Francesco de Leo și Matthias Vollbracht, pp. 70-92. InnoVatio Publishing Ltd.
 13. EY (2016), *EY's Excellence in Integrated Reporting Awards 2016*, [pdf] Available at: [http://www.ey.com/Publication/vwLUAssets/ey-excellence-integrated-reporting-awards-2016/\\$FILE/ey-excellence-integrated-reporting-awards-2016.pdf](http://www.ey.com/Publication/vwLUAssets/ey-excellence-integrated-reporting-awards-2016/$FILE/ey-excellence-integrated-reporting-awards-2016.pdf), [Accessed on November 12, 2016].
 14. Giuclea, A. (2013), Interviu Philippe Peuch-Lestrade despre raportarea integrată, [online] Available at: <http://www.responsabilitatesociala.ro/editoriale/interviu-philippe-peuch-lestrade-despre-raportarea-integrata.html> [Accessed on November 12, 2016].
 15. Gușe, R.G., Almășan, A., Circa, C. and Dumitru, M. (2016), The role of the stakeholders in the institutionalization of the CSR reporting in Romania, *Accounting and Management Information Systems*, vol. 15, no. 2, pp. 304-340.
 16. IIRC (2010), *IIRC Newsletter December 2010. Why we need Integrated Reporting*, [online] Available at: <http://iirc.newsweaver.co.uk/newsletter/1ja775usz5l eq5jjkzjymy>, [Accessed on November 12, 2016].
 17. IIRC (2011), *IIRC Announces Selection of Global Companies to Lead Unique Integrated Reporting Pilot Programme*, [pdf] Available at: <http://integratedreporting.org/wp-content/uploads/2011/10/Pilot-programme-26october2011cmr.pdf>, [Accessed on November 12, 2016].
 18. IIRC (2013), *IIRC Pilot Programme Business Network backgrounder*, [pdf] Available at: <http://integratedreporting.org/wp-content/uploads/2013/11/IIRC-Pilot-Programme-Business-Network-backgrounder-October-2013.pdf>, [Accessed on November 12, 2016].
 19. IIRC (2016), *IIRC Integrated Report 2015*, [pdf] Available at: <http://integratedreporting.org/wp-content/uploads/2014/12/IIRC-Integrated-Report-2015.pdf>, [Accesat pe 12 noiembrie 2016].
 20. IPE (2011), *Industria farmaceutică din România: principale tendințe și impactul asupra societății și a economiei*, [pdf] Available at: <http://www.lawg.ro/files/assets/userfiles/files/Industria%20Farmaceutica%20din%20Romania.pdf>, [Accessed on November 12, 2016].
 21. INS (2015), *România în cifre*, [pdf] Available at: http://www.insse.ro/cms/files/publicatii/Romania_in_cifre_2015final.pdf, [Accessed on November 12, 2016].
 22. INS (2016), *Buletin statistic de industrie nr. 8/2016*, [pdf] Available at: http://www.insse.ro/cms/sites/default/files/field/publicatii/buletin_statistic_de_industria_nr8_2016.pdf, [Accessed on November 12, 2016].
 23. Jurnalul Oficial al Uniunii Europene (2014), *Directiva 2014/95/EU de modificare a Directivei 2013/34/UE în ceea ce privește prezentarea de informații nefinanciare și de informații privind diversitatea de către anumite întreprinderi și grupuri mari, L330*, [online] Available at: <http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32014L0095&from=RO>, [Accessed on November 12, 2016].
 24. KPMG (2011), *KPMG Integrated Reporting: performance insight through better business reporting*, [pdf] Available at: <https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/road-to-integrated-reporting.pdf>, [Accessed on November 12, 2016].

25. Ministerul Finanțelor Publice (2016), ORDIN Nr. 123/2016 din 28 ianuarie 2016 privind principalele aspecte legate de întocmirea și depunerea situațiilor financiare anuale și a raportărilor contabile anuale ale operatorilor economici la unitățile teritoriale ale Ministerului Finanțelor Publice, Monitorul Oficial al României nr. 81 din 4 februarie 2016, [online] Available at: https://static.anaf.ro/static/10/Anaf/legislatie/OMFP_123_2016.pdf, [Accessed on November 12, 2016].
 26. PwC (2016), *It's not just about the financials. The widening variety of factors used in investment decision making*, [pdf] Available at: http://integratedreporting.org/wp-content/uploads/2016/08/Its-not-just-about-the-financials_the-widening-variety-of-factors-used-in-investment-decision-making_FINAL.pdf, [Accessed on November 12, 2016].
 27. Ristea, M., Olimid, L. and Calu, D. A. (2006), *Sisteme contabile comparate*, București: CECCAR.
 28. Van Bommel, K. (2014), Towards a legitimate compromise?, *Accounting, Auditing & Accountability Journal*, vol. 27, no. 7, pp. 1157 – 1189, DOI: 10.1108/AAAJ-04-2013-1309.
 29. Wikipedia (2016), *Industria energetică în România*, [online] Available at: https://ro.wikipedia.org/wiki/Industria_energetic%C4%83_%C3%AEn_Rom%C3%A2nia#Gazele_Naturale, [Accessed on November 12, 2016].
- Webpages:**
30. <http://www.bvb.ro/>
 31. <http://compa.ro/>
 32. <http://www.antibiotice.ro/>
 33. <http://new.transgaz.ro/>
 34. <http://www.artego.ro/>
 35. <http://aerostar.ro/>
 36. <https://www.romgaz.ro/>
 37. <http://transelectrica.ro/web/tel/home>
 38. <http://vrancart.ro/>
 39. <http://electromagnetica.ro/>
 40. <http://www.nuclearelectrica.ro/>