Audit Financiar, XXII, Nr. 1(173)/**2024**, *177-188*
ISSN: 1583-5812; ISSN on-line: 1844-8801

Paper presented at VIII[th] Congress of the Romanian Financial Audit Profession

The Non-Financial Information Contribution to Value Creation for Companies

Drd. Adelina FOMETESCU,
e-mail: adelina.fometescu97@e-uvt.ro

Prof. univ. dr. Camelia-Daniela HAȚEGAN,
East-European Center for Research in Economics and Business, West University of Timişoara, Romania,
e-mail: camelia.hategan@e-uvt.ro

Abstract

Non-financial information plays an increasingly important role in creating value for companies and has become an essential factor in modern business strategies. While financial information provides insight into a company's past financial performance, non-financial information provides a more comprehensive and contextualized view of how the company interacts with its environment, employees, customers, society and other stakeholders. The objective of the paper is to identify the contribution of non-financial information to the value creation for companies. The studied population represents the companies listed on the Bucharest Stock Exchange that were evaluated from the point of view of the transparency of non-financial reporting for the financial year 2021. The indicators used are represented by: evaluation scores made by two specialized entities, the communication indicator - Vektor, the inclusion of companies in the BET index, return on equity, return on assets, profitability and the number of employees for the period of 2021. The results of the study showed that the analyzed companies were evaluated with acceptable scores by the evaluation entities and positive and negative correlations were found between the evaluation scores and the profitability indicators. In general, non-financial information provides critical insights to understand the social, environmental and economic impact of companies' activities and can significantly contribute to value creation, especially in the long term for companies and society as a whole.

Key words: *non-financial information; value creation; transparency; ESG;*

JEL Classification: *M40, Q56*

To cite this article:
Fometescu, A., Hațegan, C.-D. (2024), The Non-Financial Information Contribution to Value Creation for Companies, *Audit Financiar*, vol. XXII, no. 1(173)/2024, pp. 177-188, DOI: 10.20869/AUDITF/2024/173/007

To link this article:
http://dx.doi.org/10.20869/AUDITF/2024/173/007
Received: 22.07.2023
Revised: 7.08.2023
Accepted: 31.01.2024

Introduction

Non-financial reporting has become increasingly important in recent years as companies have recognized that their performance cannot be measured solely through financial data. According to Yongkui (2013), there are two major limitations of financial statements, namely: they only reflect the result of value creation, and not the process, and the focus is mostly on tangible assets and on the tangible elements than on the intangible ones.

These reports provide transparency and accountability, allowing stakeholders to better understand a company's impact on the environment and society and make informed decisions about it. Sustainability can be defined as the ability to create long-term value, both for society, the environment and the economy (Ben-Amar et al., 2017). This concept assumes that the needs of the present are met in such a way that future generations are not affected in meeting their own needs.

The importance of non-financial reporting on investor confidence is extremely significant for several reasons:

1) Transparency and accountability. Investors are interested not only in a company's financial performance, but also in how it manages its social and environmental impact. By providing non-financial reporting, companies demonstrate transparency and accountability in addressing these issues, which helps to increase investor confidence.

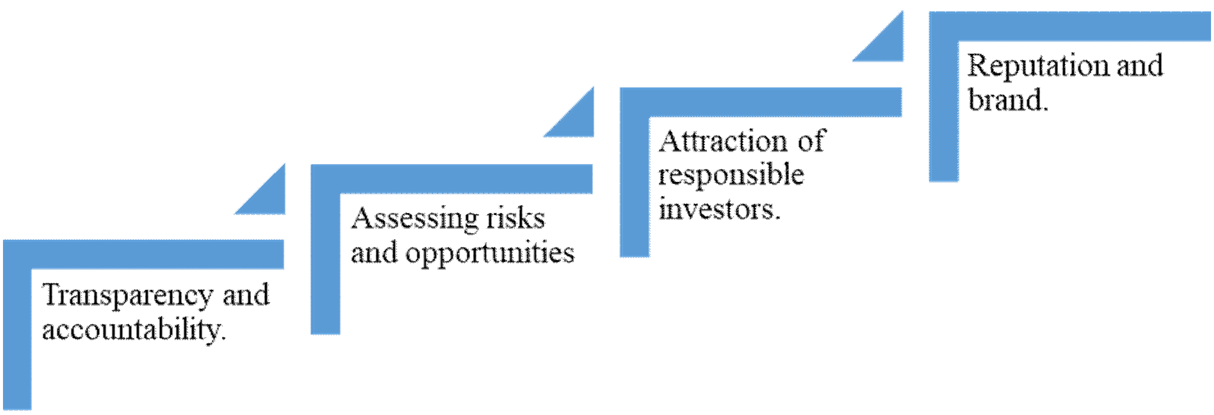
2) Assessing risks and opportunities. Non-financial reporting allows investors to assess the risks and opportunities associated with a company's sustainability and social responsibility practices. This includes risk analysis related to changing regulations, climate change, changing consumer preferences and other relevant factors. Investors can consider this information to adjust their investment strategies and avoid potential losses or to identify sustainable and profitable investment opportunities.

3) Attraction of responsible investors. Many institutional investors and investment funds have committed to allocating capital only to companies that responsibly manage their impact on the environment and society. Non-financial reporting provides these investors with the information they need to assess whether a company complies with their responsible investment principles and criteria. Thus, non-financial reporting can increase a company's attractiveness to such investors and generate an increase in sustainable capital flows.

4) Reputation and brand. Companies with a positive social and environmental responsibility image can benefit from a stronger reputation and brand. Non-financial reporting provides a platform through which these companies can communicate their commitment to sustainability and social responsibility to the public and investors. This can strengthen investor confidence and increase customer and employee loyalty.

The previously mentioned aspects are illustrated in ***Figure no. 1***.

Figure 1. The importance of non-financial reporting on investor confidence



Source: own representation

The objective of the paper is to identify the contribution of non-financial information to the creation of value for companies. Therefore, the proposed objective is based on the following research questions:

1) What is the degree of transparency of non-financial information in the reports of companies listed on the Bucharest Stock Exchange (BVB)?
2) Does the reporting of non-financial information contribute to the creation of value for companies?

In order to answer these research questions, the companies listed on the BVB were studied, which were evaluated by indicators in the field of Economic, Social and Governance (ESG), by a series of specialized entities, being analyzed the last available indicators, which in the most of it relates to the reporting of non-financial information in 2021. Also, in order to identify the companies' value creation, a series of financial performance indicators will be analyzed for the year 2021.

The paper is structured as follows: in the first section the literature is reviewed in order to identify the conceptual basis of the studied topic. Next, the methodology used and details regarding the chosen sample will be presented. In the third section, the obtained results will be described. At the end of the paper, the conclusions of the study and its managerial implications, as well as limitations and future research directions, will be drawn.

1. Literature review

In the knowledge economy, material wealth is no longer sufficient to calculate the value of companies, so that new sources of value creation called immaterial or intangible are difficult to estimate based on old accounting methods (Cheikh and Noubbigh, 2019). Therefore, financial statements in their form do not represent the entire value of a company and do not provide information about its value creation potential (Gibassier et al., 2016).

There are several theoretical approaches to the concept of value creation within a company.

Shareholder Value Theory claims that the main objective of a company is to maximize the value of its shareholders. According to this theory, value creation consists of generating profits and cash flows that provide an attractive return to shareholders. Emphasis is placed on operational efficiency and maximizing short-term profits (Rappaport, 1986).

Customer Value Theory argues that entities that adopt this perspective focus their efforts on understanding and satisfying customers' needs and wants by offering superior, innovative, and personalized products and services. Value creation consists in the ability to offer customers a competitive advantage and a special experience (Levitt, 1965).

Stakeholder Value Theory argues that entities should create value not only for shareholders, but also for other stakeholders such as employees, customers, local communities, suppliers and the environment. Value creation consists of balancing and satisfying the needs and expectations of all stakeholders, with a focus on sustainability and social responsibility (Chang and Lee, 2022).

Network Value Theory focuses on value creation within business networks and ecosystems. Companies recognize that interactions and collaborations with other entities in the network can generate added value. Value creation consists in optimizing relationships and interconnectivity with partners, suppliers and customers within the network (Moore, 1991).

Innovation and Creativity Theory emphasizes the importance of innovation and creativity in value creation. Companies that adopt this perspective focus on generating new ideas, developing innovative products and services, and finding unconventional solutions to meet customer needs and gain competitive advantage (McInnes,1995).

These approaches are not necessarily exclusive and can be integrated to varying degrees into companies' strategies and practices. There are also other theories and concepts associated with value creation, and their application may vary depending on the specifics of the industry, business strategies and the context in which a company operates.

Overall, non-financial reporting can significantly contribute to creating value for companies by strengthening relationships with stakeholders, improving reputation, identifying and managing risks and opportunities, and attracting investment and talent. By addressing and reporting on ESG issues, companies can promote sustainable development and gain a long-term competitive advantage.

The notion of value has been oversimplified and reduced to focus on economic returns, but can be defined as "anything that has the potential to be useful to stakeholders" (Harrison and Wicks, 2013). Also, the concept of value creation is complex and multifaceted (Laursen and Svejvig, 2015), thus, value creation is "the process that results in increases, decreases or transformations of capital caused by the activities and business results of the organization".

Although there is no absolute consensus on the direct relationship between ESG factors and financial performance, there are studies and research that suggest that companies that manage ESG factors well can benefit from better financial performance in the long term. More and more investors are integrating ESG considerations into their investment decision-making process, as it is believed that companies with better ESG performance can achieve a higher financial return and are less exposed to risk.

Studies on company ESG values are fewer in number than individual E (environmental), S (social) and G (governance) studies, but have recently been conducted by more researchers. The concept of ESG and its consequences have been extensively researched in the sustainability and business ethics literature. Previous studies have provided strong evidence on the positive link between ESG factors and financial value of companies. Eccles et al. (2014) analyzed 180 companies and found that those with a strategic and integrated approach to sustainability achieved better financial results than those that did not give the same importance to ESG factors. El Ghoul et al. (2018) analyzed the relationship between environmental responsibility and the cost of equity capital in the case of over 2,000 companies from 30 countries at an international level, between 2002 and 2011. The results obtained showed that companies with a high level of responsibility had a higher cost of capital reduced.

In another study, Khan et al. (2016) analyzed the link between ESG reporting and financial performance of companies. Those companies with superior performance in ESG aspects were found to have a higher market value as well as better long-term financial performance. In addition, Friede et al. (2015) conducted a meta-analysis of 2,200 research papers in which they studied the relationship between ESG indicators and corporate financial performance indicators published after 1970. As a result of the study, almost half of the analyzed papers highlighted that the relationship between ESG and the financial performance was positive, almost a quarter of the papers identified a neutral relationship and in over 10% of the papers a negative relationship resulted.

Deng et al. (2015) found that ESG indices have a positive effect on earnings per share (EPS) as an indicator of stock market performance, in the case of Chinese companies. It was also verified that the impact was remarkable in the case of private companies compared to state companies. For the implementation of sustainable development policies, it would be necessary to provide subsidies and fiscal incentives to entrepreneurs by the government. Xie et al.Yu et al. (2019) used a large sample of companies worldwide and found a positive relationship between ESG and financial performance. Kaspereit and Lopatta (2016) conducted a study that analyzed 600 large companies in Europe from 2001 to 2011 and found a positive relationship between corporate sustainability and market value. Weber's (2014) study found a positive effect of ESG on the financial performance of large Chinese companies and a significant impact of ESG performance on the market value of post-merger company acquisitions.

These researches and reports provide a solid evidence base supporting the positive impact of ESG factors on the financial value of companies. Investors and stakeholders are increasingly aware of this relationship and are integrating ESG factors into their investment and business decisions, recognizing that a sustainable approach can bring competitive advantage and long-term value.

However, it is important to note that there are also studies that provide negative or neutral results regarding the relationship between ESG factors and investment performance.

Previous research (Hamilton et al., 1993; Humphrey and Tan 2014; Revelli and Viviani, 2015) has shown that there are different perspectives and methods for assessing the impact of ESG on financial performance. Below are some important points to consider.

- **Differences in research methodology**. Studies differ in the design and methods used to assess the impact of ESG on financial performance. Variations in the definition and measurement of ESG factors, as well as financial performance, may contribute to different results.
- **Time period and investment horizon.** ESG impact can be seen over the long term and may require a long-term investment horizon to be fully assessed. Thus, the results of short-term studies or studies that look at limited time periods may provide different results than long-term ones.

- **Market conditions and context.** Financial performance can be influenced by a variety of factors, including general market conditions, business cycles and other industry or company-specific events. These can impact study results and generate variability in the ESG-financial performance relationship.
- **Financial performance measurement.** There are multiple ways to measure financial performance such as stock return, revenue, net profit, etc. Results may vary depending on the measure used and the reference period. It is important to critically evaluate and interpret the results of ESG studies, taking all these aspects into account and recognizing that there is variability in the results and conclusions of the studies. Overall, however, much of the research points to a positive link between ESG factors and long-term financial performance.

Recent years have seen a significant increase in ESG investments and responsible investment funds. Companies that can demonstrate that they take ESG into account can have easier access to finance and benefit from lower costs of borrowing and bond issues. Also, a better ESG rating can facilitate access to capital markets and increase the value of the company in the eyes of investors (Naeem et al., 2022).

Corporate ESG activities for environmentally friendly management have become a crucial tool for ensuring business competitiveness in a global business environment. However, there is still much disagreement about whether ESG activities can improve a company's financial performance (Duque-Grisales & Aguilera-Caracuel, 2021).

Research studies and a growing number of reports show that companies with strong ESG performance tend to achieve superior long-term financial results. Investors and stakeholders are increasingly turning their attention to companies' ESG performance in their investment and business decision-making. Integrating ESG factors into a company's strategies and operations can bring significant long-term financial benefits, in addition to positive impacts on the environment, society and governance.

It is important to note that each company has its own particularities and specific context, and the relationship between ESG factors and financial performance can be affected by several factors, including the business strategy adopted, the size and structure of the company, energy demand, government policy, market conditions, etc. Therefore, it is recommended to analyze each company in detail to understand how ESG factors can influence their financial performance.

In practice, there are a number of institutions that evaluate companies from various points of view, the major differences being given by the methodology for evaluating non-financial information (Dow Jones sustainability index, MSCI ESG, Refinitiv ESG scores, Carbon Disclosure Project-CDP, Global Initiative for Sustainability Ratings-GISR etc.).

2. Research methodology

The case study is based on the research of the relationship between non-financial indicators and financial performance of companies. The methodology used is qualitative, based on the description of information taken from public sources, but also quantitative through statistical data analysis.

The population consists of companies listed on the Bucharest Stock Exchange (BVB), which have been assigned ESG scores by specialized entities in this type of assessment. The analyzed period mainly refers to the latest available data on ESG indicators, namely the financial year 2021, which is why the financial performance indicators studied also refer to the same period.

The data used in the analysis were collected from the information posted on the websites of the companies and the evaluating entities, as well as from the annual financial statements of the companies. Thus, for the ESG indicators, two entities were chosen that published ESG scores, respectively BVB, through the BVB Research Hub platform, and Cometis AG, a company from Germany, through the Global ESG Monitor research project.

The methodologies used by the two entities are different, but both pursue the same goal, i.e. assigning an ESG score to companies listed on stock exchanges. Thus, the BVB methodology is based on the methodology developed independently by Sustainalytics as an information provider. The following are the indicators used in the case study. The ESG Risk Score "measures the extent of unmanaged ESG risks by the company, thus a lower score is considered to signify a more limited extent of unmanaged ESG risks". The Management indicator "evaluates to what extent the identified ESG risks are managed by the company's management, based on publicly available programs, practices and policies. A higher score indicates a better management performance in managing the identified ESG risks". Momentum Score "indicates the evolution of the ESG Risk Rating parameter compared to the previous period analyzed, thus a negative score represents an improvement in the level of unmanaged ESG risks, the indicator is not available if the issuer was included in the project in the last year or if the report type has changed compared to the previous year". The GEM methodology takes into account six interdependent dimensions related to the transparency of non-financial reporting, namely, mention of positive or negative impact, comparability, accuracy, timeliness, existence of assurance through the auditor's report and relevance. In the methodology, 145 aspects were identified that were scored with 0.5 or 1, so that the maximum score is 100 points, and the other scores are weighted accordingly.

Given that the reporting of non-financial information is part of informing investors, the score assigned to companies regarding communication with investors was also taken into account, this score being also included in previous research (Hațegan, 2020). Starting from 2019, the Romanian Investor Relations Association (ARIR) created the Vektor indicator, which assigns a score to each company, based on a methodology that is revised annually. So that the methodology applied in 2022 related to the analyzed period refers to 12 criteria that were scored with 0.5 or 1, the maximum score being 10 points. The last of the 12 criteria concerns the publication of non-financial reports for which companies are awarded 1 point if the company publishes a separate report. Among the financial indicators, the financial performance indicators most used in the literature were chosen (Coram et al., 2021), namely return on equity (ROE) and return on assets (ROA). For an overview of the companies, information on the field of activity, the financial result (profit or loss) and the number of employees were included in the analysis.

The ESG score assigned to each can be influenced by several factors, but considering the small number of companies analyzed, as well as the limited period of analysis, the data do not allow the validation of an econometric model, so only a descriptive analysis of the data and a correlation matrix.

The indicators used in the analysis are described in **Table no. 1**.

Table no. 1. Description of indicators

	Indicator	Mode of representation
1.	BVB indicators	
a.	ESG Risk Score	According to the methodology carried out independently by Sustainalytics
b.	Management	According to the methodology carried out independently by Sustainalytics
c.	Momentum	According to the methodology carried out independently by Sustainalytics
2.	Scor GEM	0 to 100 according to the GEM methodology
3.	Vektor (V)	0 to 10 according to the ARIR methodology
4.	BET index 2021/ 2022	1 – if the company is included in the Bucharest Exchange Trading (BET) index 0 – if the company is not included in the BET index
5.	Return on equity (ROE)	The ratio between net profit and total equity
6.	Return on assets (ROA)	The ratio between net profit and total assets
7.	Profitability (P)	The net result (profit or loss) reported in the annual financial statements
8.	Number of employees (S)	Average number of employees reported in the annual financial statements

Source: Own processing, 2023

3. Results

In the first stage, the ESG indicators attributed to the companies by the two mentioned entities will be analyzed. Thus, **Table no. 2** shows the situation of the companies according to the ESG score published by the BVB, on the BVB Research Hub platform.

Table 2. ESG scores according to information published by BVB

No.	Name	NACE code	Industry	Report date	ESG Risk Score	Manage-ment	Momen-tum	Evolution Risk Rating Score
1	Alro SA	2442	Aluminum metallurgy	01.09.2022	29.4	49.4	-5.7	positive
2	Antibiotice SA	2110	Manufacture of basic pharmaceutical products	02.09.2022	24.5	53.3	-0.9	positive
3	AQUILA PART PROD COM	4690	Non-specialized wholesale trade	13.04.2023	22.4	37.2	n/a	
4	Banca Transilvania	6419	Other monetary intermediation activities	20.06.2022	17	56.4	n/a	
5	BRD - Groupe Societe Generale	6419	Other monetary intermediation activities	14.12.2022	15.4	66.8	-3.8	positive
6	Bursa de Valori Bucuresti SA	6611	Administration of financial markets	08.11.2022	23.1	28.4	6.1	negative
7	Electromagnetica SA	2651	Manufacture of instruments and devices for measurement, verification, control, navigation	01.09.2022	18.1	23	0.3	negative
8	Farmaceutica Remedia SA	4773	Retail trade of pharmaceutical products in specialized stores	22.12.2021	16.7	28.9	-1.6	positive
9	IMPACT DEVELOPER & CONTRACTOR	4110	Real estate development (promotion).	10.10.2022	18.7	39.3	-2.7	positive
10	Norofert SA	4675	Wholesale trade of chemical products	08.05.2022	35.8	44.2	n/a	
11	NUCLEARELECTRICA SA	3511	Electricity production	02.11.2022	23	63.9	3.6	negative
12	OMV Petrom SA	0610	Crude oil extraction	23.11.2022	22.5	78.6	n/a	
13	One United Properties SA	6420	Activities of holding companies	24.09.2022	20	36.7	n/a	
14	Romcarbon SA	2222	Manufacture of plastic packaging articles	01.09.2022	17.6	44.6	-5	positive
15	Rompetrol Well Services SA	0910	Service activities incidental to the extraction of crude oil and natural gas	01.09.2022	19.2	57.8	-22.6	positive
16	SNTGN Transgaz SA	4950	Pipeline transport	22.12.2021	27.3	43.5	-11.7	positive
17	Societatea Energetica Electrica SA	7022	Business and management consulting activities	02.11.2022	29.9	48.9	-3	positive
18	Sphera Franchise Group SA	7010	Activities of the directorates (headquarters), centralized administrative offices	26.10.2022	18.7	55.2	-10.7	positive
19	TERAPLAST SA	2221	Manufacture of plates, foils, tubes and profiles from plastic material	15.12.2022	22.7	46.6	0.7	negative
20	Transport Trade Services (TTS)	5229	Other activities related to transport	13.04.2023	24.8	33.8	-3.5	positive

Source: Own processing, 2023

Table no. 2 includes all BVB listed companies on the main market for which ESG scores have been published. On 1.07.2023, 21 companies were presented on the website in the ESG Scores section, from which a company that only issued bonds on the BVB was eliminated. For a better picture of the companies, information on the companies' field of activity and the date of publication of the evaluation reports was included in the table.

Regarding the ESG Risk Score indicator, we can say that it provides an overview of the ESG risks that a company may present. The ESG Risk score considers issues such as environmental impact, natural resource management, social policies, employee health and safety, corporate governance issues and more. The lower the ESG Risk score, the better prepared the company is to face ESG risks and manage ESG issues in a sustainable and responsible manner. The ESG Management indicator refers to the actions and strategies a company implements to integrate ESG practices into its operations and manage its social and environmental impact. Effective ESG management means that a company takes ESG concerns seriously and acts accordingly. This may include implementing sustainability policies and practices, transparency in ESG reporting, employee and stakeholder engagement, and more. Table no. 2 shows that in more than half of the number of companies, the ESG risk score has improved compared to the previous period, which shows a growing concern of companies regarding ESG activities and their reporting. Thus, as can be seen, the most prepared company to face ESG risks and manage ESG aspects in a sustainable and responsible way is BRD - Groupe Societe Generale with a score of 15.4, followed by Farmaceutica Remedia which has a score of 16.7 and Banca Transilvania which has a score of 17. At the opposite pole is Norofert with a score of 33.8 which denotes the fact that it is less prepared to face ESG risks, having a higher risk.

For 20% of the number of companies ESG indicators did not improve compared to the previous period, and for a quarter of the number of companies no previous reference base for comparison was reported. Investors use the ESG Risk Score indicator to assess the risk associated with investing in a particular company, taking into account not only financial performance, but also ESG factors. Companies with well-developed ESG management can benefit from competitive advantages, greater attractiveness to investors and a positive image in the eyes of consumers and employees. Both indicators are essential in assessing a company's sustainability and corporate social responsibility and provide valuable information for investors and other decision-making stakeholders.

Table no. 3 shows the GEM score developed by the Cometis AG company, assigned to the companies included in the BET index, which are ordered alphabetically.

Table no. 3. GEM scores

No.	Name	NACE code	GEM score	Ranking	It has a BVB score
1	Alro SA	2442	73	2	Yes
2	AQUILA PART PROD COM	4690	43	9	Yes
3	Banca Transilvania	6419	66	4	Yes
4	BRD	6419	67	3	Yes
5	Bursa de Valori Bucuresti SA	6611	24	16	Yes
6	Conpet SA	4950	32	12	No
7	DIGI communication N.V.	6110	20	18	No
8	FONDUL PROPRIETATEA	6430	13	20	No
9	MedLife SA	8622	16	19	No
10	NUCLEARELECTRICA SA	3511	45	8	Yes
11	OMV Petrom SA	0610	75	1	Yes
12	One United Properties SA	6420	57	6	Yes
13	Purcari Wineries Public Company	1102	34	11	No
14	S.N.G.N. ROMGAZ S.A.	0620	60	5	No
15	SNTGN Transgaz SA	4950	30	14	Yes
16	Societatea Energetica Electrica SA	7022	37	10	Yes
17	Sphera Franchise Group SA	7010	46	7	Yes
18	TERAPLAST SA	2221	29	15	Yes
19	TRANSELECTRICA	3512	31	13	No
20	Transport Trade Services (TTS)	5229	21	17	Yes

Source: Own processing, 2023

The report compiled by GEM refers to all the companies included in the BET index at the BVB. From the data presented, it follows that OMV Petrom was evaluated with the highest score of 75, but compared to other profile companies from other countries, the score is relatively low. The ranking is followed by ALRO, as well as by the two credit institutions. On the last places are DIGI communication, Medlife SA and Fondul Proprietatea, the reasons for these companies can be various, DIGI is an international company, Medlife has not been long since it was listed on the BVB, and Fondul Proprietatea is a financial institution. The companies at the bottom of the ranking have not yet been included in the evaluation on the BVB Research Hub platform.

From the report published by GEM (2022) it follows that 30% of the companies included in the BET index presented reliable and clear data, also in a proportion of 30% of the non-financial reports were audited. The most used reporting standards were the Global Reporting Initiative-GRI standards (60%), followed by the requirements of the United Nations Sustainable Development Goals (45%), but the fulfillment of these goals was described in less than 50 percent %. Also, 60% of the number of companies presented the sustainability objectives that are part of the sustainability strategy. The study carried out by GEM compares the situation of the companies included in the BET index with that of the companies included in the Euro Stoxx European stock index, and unfortunately there are significant gaps in a number of analyzed indicators.

In order to compare the non-financial and financial information in **Table no. 4**, only companies with a non-financial field of activity and listed on the BVB main market were included. Thus, from the 20 companies presented in **Table no. 2**, a number of 4 companies were eliminated (3 from the financial field and 1 company listed on the secondary market), and from the 20 companies presented in **Table no. 3**, there were 6 companies eliminated (4 financial companies and 2 companies listed in the international category). Therefore, only 10 companies were evaluated with both ESG risk score and GEM score, to which are added 4 companies evaluated with ESG risk score and 6 companies with GEM score only.

Table no. 4. Non-financial and financial indicators of BVB listed companies

No.	Name	ESG risk score	GEM score	BET index 2021/ 2022	Vektor 2022	ROE	ROA	Profit (lei)	No. employees 2021
1	Alro SA	29.40	73.00	1	9.00	2.35	0.91	35209984	2479
2	Antibiotice SA	24.50		0	10.00	4.95	3.34	29939404	1410
3	AQUILA PART PROD COM	22.40	43.00	1	10.00	14.64	8.51	63308307	2631
4	Electromagnetica SA	18.10		0	7.50	-4.13	-3.35	-16113467	385
5	Farmaceutica Remedia SA	16.70		0	10.00	10.60	2.88	859155	54
6	IMPACT DEVELOPER & CONTRACTOR SA	18.70		0	10.00	10.99	6.54	64849401	66
7	NUCLEARELECTRICA SA	23.00	45.00	1	10.00	12.39	10.76	1036261626	2002
8	OMV Petrom SA	22.50	75.00	1	10.00	8.37	5.73	2688416594	8271
9	One United Properties SA	20.00	57.00	1	10.00	23.76	13.99	40714517	20
10	Romcarbon SA	17.60		0	8.50	-1.29	-0.59	-1447458	807
11	Rompetrol Well Services SA	19.20		0	5.50	1.17	1.06	2449517	151
12	SNTGN Transgaz SA	27.30	30.00	1	9.50	4.46	2.21	186941472	4097
13	Societatea Energetica Electrica SA	29.90	37.00	1	10.00	7.80	7.47	321819884	104
14	Sphera Franchise Group SA	18.70	46.00	1	10.00	14.13	2.54	29798823	139
15	TERAPLAST SA	22.70	29.00	1	10.00	7.15	4.81	323510441	483
16	Transport Trade Services SA	24.80	21.00	1	8.00	44.03	36.33	81189859	44
17	Medlife SA		16.00	1	10.00	21.37	6.79	55484430	1689
18	Conpet SA		32.00	1	6.00	7.77	6.73	51928770	1511
19	ROMGAZ		60.00	1	10.00	21.32	16.96	1962509237	5340
20	TRANSELECTRICA		31.00	1	7.00	0.04	0.02	449891	2015

Source: Own processing, 2023

Descriptive statistics of the data are presented in Table no. 5.

Table no. 5. Descriptive statistics

Indicator	Observations	Min	Max	Media	Standard error	Standard Deviation
ESG	16	16,70	29,90	22,22	1,0343	4,1373
GEM	14	16	75	42,5	4,8593	18,1818
BET	20	0	1	0,7	0,1051	0,4702
V	20	5,5	10	9,05	0,3283	1,4681
ROE	20	-4,13	44,03	10,59	2,4511	10,616
ROA	20	-3,35	36,33	6,68	1,91112	8,5492
Profit (th. lei)	20	-16113	2688416	347904	162228	725506
No. employees	20	20	8271	1685	476,5218	2131,0705

Source: Own processing, 2023

Table no. 5 shows that the ESG score was on average 22.22, so the range of scores awarded is not very large, from a minimum of 16.70 to a maximum of 29.90. In the case of the GEM score, it is found that the average value is 42.5, below the score of 50 which is considered an acceptable minimum value, which shows that some companies in the BET index have not published reports that satisfy the requirements of the normative acts of information of users. Of all the non-financial companies analyzed, 70% were included in the BET index. Regarding the Vektor indicator, an average score of 9.05 is found, which can be considered a very good score, from a minimum of 5.5 (to a single company) to a maximum of 10 (attributed to 12 companies) which shows that the communication of the companies has improved at the overall level, and less so in some cases regarding the communication of non-financial information. The profitability indicators are influenced by the result obtained by the companies, respectively by the loss in the case of 2 companies, so the average value of the ROE is 10.59%, a good result, considering that it was above the average bank interest rates since 2021, and the average value of assets was 6.68%, up to a maximum of 36.33%. The number of employees of the analyzed companies was on average 1685 people, from a minimum of 20 to a maximum of 8271 in the case of OMV Petrom. It should be noted that the company with the largest number of employees was evaluated with the highest GEM score.

When establishing the correlations between the indicators, the two indicators in absolute value (profit and number of employees) were eliminated because ROE and ROA are calculated on the basis of profit/loss, and the number of employees was eliminated because it takes place over a too large interval between the minimum and maximum.

The obtained correlations are presented in Table no. 6.

Table no. 6. The correlation matrix

Indicator	ESG	GEM	BET	V	ROE	ROA
ESG	1					
GEM	-0,3255	1				
BET	0,5966	x	1			
V	0,1988	0,3072	0,2135	1		
ROE	0,0866	-0,2384	0,4215	0,2761	1	
ROA	0,2215	-0,1884	0,0009	0,1249	0,9303	1

Source: Own processing, 2023

The ESG risk score indicator records the best correlation with ROA and the lowest with ROE. The GEM score is positively correlated with the Vektor indicator (0.31) and negatively correlated with ROE (-0.24) and ROA (-0.19). Among the other indicators, there is a stronger positive correlation between the inclusion of companies in the BET index and ROE. The Vektor indicator is positively correlated with ROE (0.28) and ROA (0.12). The fact that the ESG indicator is positively correlated with ROE and ROA, and the GEM score is negatively correlated can be explained by the different methodology for evaluating the scores, a situation that shows that in the case of the analyzed companies there is no direct statistical link between the scores and the performance indicators profitability that contributes to the value of a company.

The purpose of this study was to identify the level of transparency of non-financial information reported by companies and the existence of a relationship between it and their financial performance that leads to the value creation. The answer to the first research question shows that more than half of the companies evaluated by the BVB Research Hub improved their ESG risk score indicator compared to the previous period. If we take the GEM score as a reference, only 30% of companies were evaluated with a score of over 50 points (out of 100 points), which shows that Romanian commercial companies still need to pay more attention to improving corporate governance, promoting ESG activities and their more detailed reporting. If we refer to the Vektor indicator, we can consider that there is a contradiction between the results, because more than half of the companies were rated with the maximum rating, which shows a concern for the quality of relations with investors, a rating in which aspects regarding non-financial reporting are also included. As previously mentioned, but also based on the literature, it can be appreciated that the existence of differences is mainly based on different evaluation methodologies of each evaluation entity.

Based on the research carried out, in response to the second research question, we can underline that a constant and growing concern of companies to carry out ESG activities contributes to a better financial performance, but we cannot confirm that this is a rule, because in the analyzed sample also included companies that achieved losses but were evaluated with an acceptable ESG score.

Previous studies have shown that more and more large companies in Romania support the development of sustainability processes, most of them publishing more detailed information from one year to the next regarding sustainability and environmental performance (Panait et al., 2022).

4. Conclusions

The subject related to non-financial information is a subject in a continuous debate, the users of this information, along with the financial ones, being interested in future investments being made in socially and environmentally responsible companies. A future integrated reporting of all information about a company's activity can contribute to increasing stakeholders' confidence in their activity.

The objective of the research was to identify the link between non-financial information and the financial performance of companies. To achieve the proposed objective, the literature on the topic was reviewed, from which it emerged that there are studies that show a close connection between the two concepts, but also studies that did not confirm this connection or even revealed a negative relationship. Most studies have shown that there are differences between the various evaluation scores of the degree of reporting of non-financial information, differences based on evaluation methodologies that do not take into account the same parameters, a situation that is also confirmed by the case of the present research.

The results of the study showed that BVB-listed companies were rated with acceptable scores by the BVB Research Hub, but relatively low scores by GEM monitoring. A positive correlation was found between the BVB ESG indicator and profitability indicators and a negative correlation between the latter and the GEM indicator.

The paper may have managerial implications through the comparative study carried out, in which the evaluation differences were identified. Also, the paper can be useful to researchers in the field through the analysis presented based on the latest published information, which can be a source of reference in future research.

The limits of the study are given by the limited size of the studied population, as well as by the limited period for which there is information of the kind analyzed. Another limitation is the fact that the data were collected manually, with the possibility of errors, although the data were checked in other alternative sources. The research can be continued by expanding the sample both by increasing the number of companies and the analyzed period, but also by expanding the analysis with other ESG indicators calculated by other entities specialized in this field. Considerably more data would be warranted to test with an econometric model the factors that influence the various ESG scores assigned to companies, especially those listed on stock exchanges.

BIBLIOGRAPHY

1. ARIR. Metodologia VEKTOR 2022. Available at https://ir-romania.ro/wp-content/uploads/2022/06/Metodologie-VEKTOR-2022-Piata-Reglementata_RO-.pdf (accessed on 15.06.2023)
2. ARIR. Rezultate VEKTOR 2022 Available at https://ir-romania.ro/wp-content/uploads/ 2023/03/Rezultate-VEKTOR-Piata-Principala-pentru-site_RO.pdf (accessed on 15.06.2023)
3. Ben-Amar, W., Chang, M., & McIlkenny, P. (2017). Board gender diversity and corporate response to sustainability initiatives: Evidence from the carbon disclosure project. *Journal of business ethics*, 142(2), 369-383.
4. Bursa de Valori Bucuresti, Scoruri ESG, Available at https://bvbresearch.ro/ReportDashboard/ESGScores (accessed on 15.06.2023)

5. Byun, H.Y (2018). Impact of ESG factors on firm value in Korea. *Trade Res*, 14, 135–160
6. Chang, Y. J., & Lee, B. H. (2022). The impact of ESG activities on firm value: Multi-level analysis of industrial characteristics. *Sustainability,* 14(21), 14444.
7. Cheikh, I. B., & Noubbigh, H. (2019). The effect of intellectual capital drivers on performance and value creation: The case of Tunisian non-financial listed companies. *Journal of the Knowledge Economy*, 10(1), 147-167.
8. Coram, P. J., Mock, T. J., & Monroe, G. S. (2011). Financial analysts' evaluation of enhanced disclosure of non-financial performance indicators. *The British Accounting Review*, *43*(2), 87-101.
9. Deng, X., & Cheng, X. (2019). Can ESG indices improve the enterprises' stock market performance? An empirical study from China. *Sustainability*, 11(17), 4765.
10. Duque-Grisales, E., & Aguilera-Caracuel, J. (2021). Environmental, social and governance (ESG) scores and financial performance of multilatinas: Moderating effects of geographic international diversification and financial slack. *Journal of Business Ethics*, *168*(2), 315-334.
11. Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management science*, 60(11), 2835-2857.
12. El Ghoul, S., Guedhami, O., Kim, H., & Park, K. (2018). Corporate environmental responsibility and the cost of capital: International evidence. *Journal of Business Ethics*, 149, 335-361.
13. Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of sustainable finance & investment*, 5(4), 210 233.
14. Global ESG Monitor Romania 2022. Available at https://globalesgmonitor.com/download-report/ (accessed on 15.06.2023)
15. Hamilton, S., Jo, H., & Statman, M. (1993). Doing well while doing good? The investment performance of socially responsible mutual funds. *Financial analysts journal*, *49*(6), 62-66.
16. Harrison, J. S., & Wicks, A. C. (2013). Stakeholder theory, value, and firm performance. *Business ethics quarterly*, 23(1), 97-124.
17. Hațegan, C. D. (2020). The Evaluation of the Communication of the Romanian Listed Companies with the Investors, *Audit Financiar*, 18(160), 801-811.
18. Humphrey, J. E., & Tan, D. T. (2014). Does it really hurt to be responsible?. *Journal of business ethics*, *122*, 375-386.
19. Kaspereit, T., & Lopatta, K. (2016). The value relevance of SAM's corporate sustainability ranking and GRI sustainability reporting in the E uropean stock markets. *Business Ethics: A european review*, 25(1), 1-24.
20. Khan, M., Serafeim, G., & Yoon, A. (2016). Corporate sustainability: First evidence on materiality. *The Accounting review*, *91*(6), 1697-1724.
21. Laursen, M. and Svejvig, P. (2016), Taking stock of project value creation: a structured literature review with future directions for research and practice, *International Journal of Project Management*, 34 (4), pp. 736-747.
22. Levitt, T. (1965). Exploit the product life cycle, *Harvard Business Review*, 43, 81-94.
23. McInnes, N. (1995). Wrong for Superior Reasons [Review of *Capitalism, Socialism and Democracy*, by J. A. Schumpeter]. *The National Interest*, *39*, 85–97. http://www.jstor.org/stable/42896905
24. Moore, G.A. (1991). Crossing the chasm: Marketing and selling high-tech products to mainstream customers. *HarperBusiness Essentials*, New York.
25. Naeem, N., Cankaya, S., & Bildik, R. (2022). Does ESG performance affect the financial performance of environmentally sensitive industries? A comparison between emerging and developed markets. *Borsa Istanbul Review*, 22(2), S128-S140, https://doi.org/10.1016/j.bir.2022.11.014
26. Panait M.C., Voica M.C., Hysa E., Siano A., Palazzo M. (2022). The Bucharest Stock Exchange: A Starting Point in Structuring a Valuable CSR Index. *Journal of Risk and Financial Management*. 15(2):94.
27. Rappaport, A. (1986). *Creating shareholder value: the new standard for business performance.* Simer and Schuster Publishing Group, New York.
28. Revelli, C., & Viviani, J. L. (2013). The link between SRI and financial performance: effects and moderators. *Management international*, *17*(2), 105-122.
29. Weber, O. (2014). Environmental, social and governance reporting in China. *Business Strategy and the Environment*, *23*(5), 303-317.
30. Xing, X., Liu, T., Wang, J., Shen, L., & Zhu, Y. (2019). Environmental regulation, environmental commitment, sustainability exploration/exploitation innovation, and firm sustainable development. *Sustainability,* 11(21), 6001.
31. Yongkui, Z. (2013). Limitations of Financial Statements and Disclosure of Core Information. *Journal of Applied Sciences*, 13(13), 2505-2511
32. Yu, E.P.y.; Guo, C.Q.; Luu, B.V. (2018) Environmental, social and governance transparency and firm value. *Business Strategy and the Environment.*, 27, 987-1004.