



Corporate Reporting Quality in Light of the New Sustainability Standards.

Content Analysis based on Environmental, Social, and Governance Factors

*Paul-Gheorghe BAHNEAN, Ph. D.,
West University of Timișoara, Faculty of Economy and
Business Administration, Timișoara, Romania,
e-mail: paul.bahnean93@e-uvt.ro*

*Univ. Prof. Ovidiu Constantin BUNGET, Ph. D.,
West University of Timișoara, Faculty of Economy and
Business Administration, Timișoara, Romania,
e-mail: ovidiu.bunget@e-uvt.ro*

*Lecturer Alin Constantin DUMITRESCU, Ph. D.,
West University of Timișoara, Faculty of Economy and
Business Administration, Timișoara, Romania,
e-mail: alin.dumitrescu@e-uvt.ro*

Abstract

In recent decades, more and more researchers and practitioners have expressed their interest in sustainable development and sustainability. Since it was introduced in 1987, the concept of sustainable development has been treated by the United Nations in various ways, which are of reference not only to countries but also to companies. However, a clear understanding of how organizations should address sustainability is still missing, despite all efforts to encourage companies to improve their triple balance sheet. Today, sustainability reporting has become a common practice among the world's leading companies as individuals are increasingly taking environmental, social, and governance (ESG) factors into account in their investment decisions. Nevertheless, adapting to a business environment where responsible investment becomes the rule poses several challenges to organizations. Even though transparency and non-financial reporting are gradually gaining ground and receiving more and more attention in Europe, there is still considerable emphasis on financial reporting in the eastern part of the continent. Consequently, in this paper, the authors are looking to identify how several selected companies listed on BVB (Bucharest Stock Exchange) (from different industries) take into account ESG values. They achieved their goal by conducting a content benchmark analysis, which emphasized the similarities and differences between the reports of the companies included in the analysis, issued over different periods. Last but not least, there were highlighted the standards and the non-financial reporting tools considered in the analysis carried out.

Key words: *sustainability; corporate reporting; non-financial reporting; Bucharest Stock Exchange;*

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1. Introduction

Sustainability is one of the greatest challenges of the present time. Issues such as poverty, climate change, and excessive use of resources are of interest to an increasing number of individuals, governments, and organizations. As a result, companies began to feel pressured to report their performance in this regard to all stakeholders.

In the business environment, sustainability is the integration of strategies and activities that allow to meet the current needs of the company and its stakeholders, without prejudice in the future to the natural and human capital that the company needs (IISD et al., 1992). Stakeholders, therefore, expect better products and services with a minimal negative impact on society and the environment. Such requirements apply not only to all branches of business but also to business partners.

2. Relevant literature

Sustainability reporting has been increasingly adopted by corporations around the world given the demand from stakeholders for greater transparency on both environmental and social issues. The popularity of such reporting is proved by the development of a range of tools over the past two decades, such as the Global Reporting Initiative (GRI), AA1000, and the Carbon Disclosure Project (CDP), among others. These tools, collectively referred to as Corporate Sustainability Reporting Tools (SRTs), are important as they serve to inform corporations' progress toward reaching sustainability goals (Renard, 2015). At the European level, more and more importance is being attached to the legislation governing sustainability and sustainable development issues. In this regard, the European Parliament adopted in 2022 the new sustainability directive amending the current non-financial reporting directive, the scope of which is considerably expanded in response to the accelerated environmental degradation (Bunget et. al., 2022). On the other hand, however, for the implemented sustainability practices to be successful, they must be part of the organizational culture and not be used only to improve the image in the market (Kam and Kim, 2022).

In an ideal world, analysts and individuals, in general, would always have access to financial reports based on sound financial reporting standards, such as those from the International Accounting Standards Board (IASB) and

the Financial Accounting Standards Board (FASB). But, in practice, the quality of financial reports may vary considerably. **High-quality financial reporting** provides information that is useful in evaluating a company's performance and prospects. On the other hand, low-quality financial reporting contains inaccurate, misleading or incomplete information (CFA Institute, 2022).

Shortcomings in the quality of financial reporting have given rise to large-scale **scandals** that have led not only to investor losses but also to a decrease in confidence in the financial system. In this case, those who were able to accurately assess the quality of financial reporting were better positioned to avoid losses. Such shortcomings illustrate the challenges facing analysts (but not only), as well as the potential costs of not recognizing practices that lead to misleading or inaccurate financial reports. Examples of misreporting can provide insight into various signals that may indicate poor financial reports. Let us recall the Enron case, where James Chanos was the one who had admitted the errors within the company as early as November 2000 (CFA Institute, 2022) – more than a year before Enron filed for bankruptcy protection (in December 2001).

On the opposite end, high-quality reporting provides information that is useful for decision-making, is relevant, and represents the economic reality of the company's activities during the reporting period, as well as the company's financial situation at the end of the financial year.

The quality of financial reporting can be considered as a **continuum**, which ranges from the highest quality (containing relevant, accurate, complete, and unbiased information) to the lowest quality (containing information that is not only biased or incomplete, but can also be fabricated).

One aspect of the quality of financial reporting is the degree to which accounting choices are conservative or aggressive. The term "aggressive choices" refers to those choices that aim to improve the reported performance and financial position of the company by exacerbating the revenues, earnings, and/or operational cash flows reported during that period, or by decreasing the expenses related to the period and/or the amount of liabilities reported in the balance sheet.

The motivations behind issuing low-quality financial reports include hiding low performance, increasing/maintaining stock prices, or increasing personal compensation.

Mechanisms that discipline the quality of financial reporting include the free market and the incentives offered to companies to minimize auditor costs, or provisions/policies that are specifically tailored to avoid misreporting.

To support the quality of financial reporting, **institutional efforts** have also been made, through the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In Romania, a growing number of companies are adopting the International Financial Reporting Standards (IFRS), either as a basis for accounting or as parallel reporting – voluntarily or as a result of legal requirements (KPMG, 2022). The benefits of IFRS include increased comparability, as well as better transparency of financial reporting.

3. Sustainability and non-financial reporting

For companies, sustainable development and sustainability mean adopting activities and strategies that meet the needs of the company and its stakeholders, protecting the human and natural capital needed for the company in the future (IISD et al., 1992). Since 2000, the United Nations (UN) has encouraged companies around the world to adopt sustainable practices and policies and to report their results following their implementation. This was made possible by the United Nations Global Compact. A few years later, in 2016, the UN set up the SDG Business Forum that addressed the Sustainable Development Goals (SDGs) to better understand the links between social values and the efforts of enterprises to enhance the quality of life in their respective communities and beyond. Moreover, the UN has even developed an indicative guiding tool for companies, aimed at providing support in implementing the SDGs (United Nations, 2015). The guide aims to assist companies in aligning their strategies to sustainable development and to help them measure and manage their results. It also addresses five steps as follows: (1) understanding the SDGs, (2) defining and setting priorities, (3) setting targets, (4) integrating SDGs and (5) reporting results.

As global sustainability is based on sustainable development at the micro level, organizations are increasingly expected to contribute to SDGs, regardless of their size. Technological progress and innovation are indeed necessary to harness sustainable development,

but they are not enough to change the course of organizations toward sustainable development (Anadon et al., 2016). As a result, there is a need to find and develop new business solutions (that are both competitive and integrative).

Currently, several active organizations are working to help companies with sustainable development. The World Business Council for Sustainable Development (WBCSD) is one of them, operating internationally and bringing together more than 200 leading companies from around the world and across multiple sectors. WBCSD aims to collaborate with businesses on sustainable development issues and also seeks to create solutions that impact business in this regard. Such efforts also come from the Global Reporting Initiative (GRI), which is another international organization focused on understanding and communicating the impact of enterprises on sustainable development through the GRI standards. These standards provide how companies can understand their triple balance sheet and measure it by universal standards (GRI 101, GRI 102, GRI 103) or specific standards (GRI 200, GRI 300, GRI 400). The GRI standards are considered public goods free of charge and are used in over 90 countries by thousands of entities (Global Reporting Initiative, 2019).

Furthermore, working with the WBCSD and the United Nations Global Compact, GRI has issued a reporting guidance tool called SDG Compass, which assists in addressing the SDGs. SDG Compass aims to help organizations align their strategies to sustainable development and understand and measure their contribution thereto.

In today's business environment, more and more leaders adhere to the principles of sustainable development (Bonini, 2012), while many companies refer to sustainable development as a strategic component of their business. A McKinsey study of $n = 2,904$ (2014) revealed that 43% of companies seek to align their mission, values, and goals with those of sustainable development.

Corporate responsibility reporting has become a common practice for the world's largest companies, and their actions toward sustainability seem to be a good predictor of company practices in the industry in general. According to KPMG (2017), about three-quarters of the companies included in a study ($n = 4900$) issue corporate responsibility reports. Other results indicated that, in 2017, each sector in the industry reached a reporting rate that exceeded 60%. The reporting rate of the top 250

companies in the Fortune 500 in 2016 has remained stable since 2011 when it reached a historic peak at 95% (KPMG, 2017).

In Europe, despite a growing reporting trend, there are notable differences between Western and Eastern Europe. Many companies in Eastern Europe are still focused on achieving satisfactory financial results, at the expense of the triple balance sheet (KPMG, 2017). In Romania, an increase of six percentage points was recorded in the 2017 reporting compared to the one in 2015, which can be explained by the transparency levels of multinational companies operating in the country. However, Romania is among the countries that recorded a corporate responsibility reporting rate above the global average, of 68% in 2015, and 75% in 2017 (KPMG, 2017).

Although analysts encourage the flexibility granted by the directive to governments in adopting corporate reporting regulations, they believe that the business environment should move toward an international model that ensures consistency between reports (KPMG, 2017). Of the 250 companies included in the KPMG study, 89% use a guide and model for reporting. The GRI model is found in most companies (75% of respondents said they apply the GRI standards). Moreover, the UN-proposed SDGs have strongly resonated with companies, given that this happened less than two years after they were launched (KPMG, 2017). As a result, four out of ten reports included in the study relate to SDGs, suggesting the importance that SDGs will gain in the years to come.

Since 2004, after UN Secretary-General Kofi Annan called on businesses to implement universal principles, investors have started turning their attention to measuring performance in areas such as environmental, social, and governance (ESG). Today, ESG has become an important criterion for investors, being increasingly integrated into organizations' practices. In 2017, ESG investments reached USD 23 billion, representing a 25% increase from 2015 levels and accounting for a quarter of global investments (Bloomberg, 2017).

The growth was also supported by the leaders' interest in responsible investment. Currently, an increasing number of investors are following ESG data, in addition to the financial performance of companies (KPMG, 2019). In addition, studies indicate that the implementation of ESG policies does not only translate into efficiency but also into better financial results. Therefore, companies that actively engage in sustainable practices achieve better results than those that do not integrate the ESG aspects into their

operations. According to a study conducted by Morgan Stanley (2019), out of a total of 1000 investors surveyed, 75% expressed an interest in investing in sustainability, while 71% felt that companies that focus on social and environmental objectives were achieving better results.

The increasing impact of ESG on the business environment is taking place as the legislative environment improves, which imposes increasing demands on aspects relating to ESG and reporting transparency. However, industry leaders understand that these demands only act as a starting point of the trend and that, to deliver satisfactory long-term results, they must maintain a proactive attitude so that they go further than just conforming to an ESG model (KPMG, 2019).

4. BVB non-financial reporting. Content analysis based on ESG factors

Having presented the theoretical application method in terms of corporate responsibility reporting, we would like to present an analysis of the content of the non-financial reports issued by the top ten companies listed on the Bucharest Stock Exchange (depending on the traded value recorded by these companies in the period 2019 – 2020) on how they incorporate sustainability considerations into their reporting. It is obvious that this top of the first 10 traded companies according to the traded value will change in 2023 (the year of drafting this paper), but the reference of the analysis will be the top companies in the period 2019 to 2020.

The main objective of the analysis is **to identify how these companies listed on BVB take into account the ESG values**, by examining their non-financial reports for 2019 and comparing them with the reports published in 2023 for the previous year.

To have a better understanding of the investment options they have, investors often take into account ESG (environmental, social, governance) data in their decision-making process. The reason for this consideration revolves around material risks and growth opportunities. Today, although ESG values are voluntarily addressed by companies in their mandatory financial reporting (or, separately from it, in the board of directors' reports or supervisory boards' reports), companies have started to use them more and more.

The definition of materiality is still ongoing and notable institutions, such as the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB), are working to clarify how ESG can be incorporated into reporting. Therefore, to date, there is no universally accepted list of ESG examples, especially since these factors are often interconnected. However, a general classification includes the following: (1) Environmental factors, i.e. addressing the preservation of the natural world through variables such as carbon emissions, water/air pollution, deforestation, energy efficiency, or waste, (2) Social factors, involving consideration of people through diversity, community relations, human rights, labour standards or customer satisfaction, (3)

Governance, which refers to standards of enterprise management, such as bribery and corruption, involvement in politics, board of directors composition, or mechanisms for reporting unethical behaviour (Hayat and Orsach, 2015).

5. Research Methodology

The study is based on the methodology of content analysis. The criterion for choosing the top ten companies was based on the total value traded and the period considered was one year, from October 2019 to October 2020 (Table no. 1).

Table no. 1. Top ten companies listed on BVB according to the value traded between October 2019 and October 2020

Company	Value (RON)	Industry
Banca Transilvania S.A.	2,899,164,080.23	Banking
Fondul Proprietatea	1,423,325,765.62	Investment management
S.N.G.N. Romgaz S.A.	1,005,202,015.30	Energy
OMV Petrom S.A.	935,439,064.85	Oil and gas
BRD – Groupe Societe Generale S.A.	930,893,396.18	Banking
Societatea Energetica Electrica S.A.	545,468,079.57	Energy
S.N. Nuclearelectrica S.A.	406,161,807.62	Energy
Erste Group Bank AG	360,850,726.17	Banking
S.N.T.G.N. Transgaz S.A.	285,762,774.00	Energy
C.N.T.E.E. Transelectrica	215,937,802.70	Energy

Source: BVB (2020)

This top of the first 10 companies traded between 2019 and 2020 was updated in 2023 with the migration of investors' interest to other areas that thrive for various reasons over a certain period (e.g.

the energy industry). Therefore, the first 10 companies listed on BVB according to the value traded in the period 2022-2023 are presented in Table no. 2.

Table no. 2. Top ten companies listed on BVB according to the value traded between June 2022 and June 2023

Company	Value (RON)	Industry
OMV Petrom S.A.	2,480,595,910.80	Oil and gas
Fondul Proprietatea	1,993,276,311.45	Investment management
Banca Transilvania S.A.	1,494,806,004.95	Banking
S.N.G.N. Romgaz S.A.	553,354,971.75	Energy
S.N. Nuclearelectrica S.A.	387,788,751.40	Energy

Company	Value (RON)	Industry
BRD – Groupe Societe Generale S.A.	374,343,153.46	Banking
ONE UNITED PROPERTIES	217,527,355.95	Real estate
Evergent Investments S.A.	186,088,313.02	Investment management
Erste Group Bank AG	159,255,033.90	Banking
Med Life S.A.	149,458,569.98	Medical

Source: BVB (2023)

As we can see from the data extracted in the two tables, in 2023, the companies S.N.T.G.N. Transgaz S.A. and C.N.T.E.E. Transelectrica left the top and were replaced by Evergent Investments S.A. and Med Life S.A. At the same time, the banking sector fell in 2023 from the first position; thus, Banca Transilvania has recorded this year a traded value lower by more than 1.4 billion RON. It is also worth noting that, in 2023, investors concentrated their monetary resources in the top 3 companies in different sectors of activity, while in 2020 investments were distributed more homogeneously.

Further in the analysis, we will use as reference the data recorded between 2019 and 2020, although the top of the 10 companies has changed, because we are looking to see if the approach of the ESG factors present in the company reports has any impact on the transactions recorded by these companies.

Due to the partially immeasurable or qualitative content of the analysed elements, we were unable to perform a more detailed statistical analysis of the data. The main purpose of the study is to understand the evolution of non-financial reporting in Romania, without any intention to generalize the obtained results.

6. Analysis results

Starting with **Banca Transilvania** (BT), it is noted that the bank issued a report for 2019 entitled “Non-Financial Environmental, Social and Governance Report”, the content of which was based on the GRI guide (Banca Transilvania, 2019). The environmental factors considered were reforestation actions, noting that the bank was given as an example in financing environmental projects at the Global Climate Forum. However, the report did not accurately indicate which other variables were measured and monitored in this respect. The social factor revealed that the bank reports

aspects such as investments in community projects (RON 25 million), staff turnover (15.6%), employee diversity (85% women in management positions), training and development programs for employees, and internship programs for students.

Regarding the governance factor, it was noted that BT chooses its suppliers and partners according to the way they comply with the bank’s principles, does not tolerate bribery, corruption, influence peddling, and money laundering, and ensures the monitoring of transactions. In 2023, the bank dedicated a well-defined chapter to sustainability in its annual report; thus, the information contained in “Chapter 6 – Sustainability & ESG” (BVB, 2023) is much better structured and presented compared to the 2019 report. Regarding environmental protection, BT brings to the forefront the green loans granted: “In 2022 Banca Transilvania took an important step toward intensifying the efforts of sustainable financing of its clients by setting up the Green and Sustainable Loans Department, specially created to coordinate and mark the sustainable lending activity addressed to companies.” In 2022, 371 green loans were granted by BT, amounting to RON 790 million, with a considerable increase in this type of loans granted to companies. Although, at the level of the banking financial system, the environmental impact is largely indirect, generated by the projects that the Bank chooses to finance, the administrative activity in the day-to-day operations also generates a negative impact on the natural environment, especially through the consumption of materials and generated waste. Proper waste management and a low rate of waste that ends up in landfills or is incinerated without energy recovery contribute to the reduction of the negative impact (BVB, 2023). For this purpose, the consumption of paper, fuel, energy, etc. is presented.

Regarding the social factor in 2023, the bank reports the structure of the team that totals over 12,000 employees and brings to the forefront the specialized training that exceeds 77 hours of training/employee. Regarding the

governance factor, comparing the sustainability reports from the two analysed periods, we cannot notice any new differences or trends from this perspective.

Fondul Proprietatea is one of the analysed companies that does not report its non-financial activity. However, some information on the governance factor has been extracted from the Sole Director's Annual Report (2019). The findings indicate that Fondul Proprietatea fully complies with the BVB Governance Code. It also has in place a transparent decision-making process and clear rules and policies for the prevention of conflicts of interest, insider trading, money laundering, and terrorist financing.

Last but not least, the company has a distinct department for managing its relationship with investors (Fondul Proprietatea, 2019). In 2023, Fondul Proprietatea has not published any report on non-financial activity, but in the annual report (of 2023) aspects related to the EU regulation on the establishment of a framework to facilitate sustainable investment are dealt with superficially under Chapter 7 "Environment, Social and Governance". Although these EU regulations in force are mentioned, in the report we find that Fondul Proprietatea does not take into account EU criteria: "Investments undertaken by Fondul Proprietatea do not take into account EU criteria for environmentally sustainable economic activities, including facilitation or transition activities, within the meaning of the Taxonomy Regulation" (Fondul Proprietatea, 2023).

For **Romgaz**, the Sustainability Report issued for 2019 is the third such report. The company has implemented the Environmental Management System ISO 14001: 2015, as well as the Energy Management System ISO 50001: 2011. The total consumption of gas from renewable sources increased compared to the previous year, while the total consumption from conventional sources decreased (Romgaz, 2019). As mentioned in the report, Romgaz is concerned with biodiversity management (however, how it is concerned is not quite clear). As regards other variables relevant to the environmental factor, Romgaz monitors its activity and reports information on water management (lower consumption levels in 2019 compared to 2018), greenhouse gas emissions (lower direct emissions, but higher indirect emissions compared to 2018), and waste disposal (higher volumes of waste in 2019 compared to 2018), for which it also has in place a prevention policy (reuse/preparation for re-use/recycling). As a disadvantage, Romgaz has no approach to managing climate change risks, according to the report.

Regarding the social factor, Romgaz implemented the health and safety at work management system ISO 45001: 2018, and, in 2019, its health and safety targets were achieved at a rate of 100% (mainly involving legal requirements). Moreover, accidents and occupational diseases, sick leave, and absenteeism rates fell in 2019 compared to the previous year. The company has made progress in closing the gap between men's and women's pay levels, which are now slightly disproportionate in favour of men; the company also offers a higher minimum wage level compared to the amounts granted in the sector. 75% of the persons employed in senior management positions come from the local community, but out of a total of 5738 employees, 85% are men.

The company provides training and development programs for its employees and does not tolerate discrimination based on age, sex, disability, ethnicity, race, sexual orientation, political or religious opinions, or trade union affiliation. For the local community, Romgaz has shown its support by financing projects in the fields of health, education, sport, culture, or environment (with a budget of over RON 19 million). In terms of governance, Romgaz reports on the compliance with and application of its Code of Ethics adopted in 2018 and promotes values and principles regarding conflicts of interest, trading, compliance with competition law, corruption, and fraud prevention. It also requires suppliers to have minimum environmental criteria.

In structuring its non-financial report, Romgaz referred to the GRI and SASB standards.

The sustainability report published in 2023 is similar and comprehensive. We can easily see that, during the analysed period, the company has achieved its social environment and governance objectives. Therefore, the social factor represents an important matter for Romgaz; as a result, there were no increases in the number of accidents at work, and sponsorship expenses exceeded RON 24 million in 2023, most of these amounts being redirected to the medical and educational field (education, schooling, social and sports). As expected, the environmental targets are to reduce greenhouse gas emissions from current operations (a decrease of up to 10% by 2030 compared to 2020 is estimated). Regarding the use of water in the current activity, the company states that the volume of water recycled and reused increased 8 times from 2019 to 2022 (over 80 million m³ of water recycled for reuse in 2022). At the end of the 2023 sustainability report, all indicators of the GRI 2022 standards are presented as being met.

OMV Petrom has the most comprehensive non-financial reports in the analysed period. For 2019 it published a sustainability report that followed the SDGs and the GRI standards. It also developed a sustainability strategy for 2019-2025, with measurable targets in the following areas: (1) Health, Safety, Security, and Environment (HSSE), (2) Efficient CO₂ Emission Management, (3) Innovation, (4) Employees and (5) Business Principles and Social Responsibility (OMV Petrom, 2019).

In 2023, OMV Petrom is included in the list of ESG companies with the best rates of 2023, established by Sustainalytics. For the environmental factor, the company reports its CO₂ emissions (which have fallen by 22% since 2010), energy consumption (consumption levels lower than in 2018), environmental spending (higher than in 2018), water management (consumption volumes lower than in 2018), number and volume of substance leakage (lower than in 2018), waste management (higher amount generated than in 2018). OMV Petrom has implemented the Environmental Management System ISO 14001: 2015 and the Energy Management System ISO 50001: 2011. According to the report, its environmental spending was directed to energy efficiency in Romania (EUR 4 million), the implementation of innovative technologies (EUR 65 million), and the company's operational infrastructure (EUR 50 million). Regarding biodiversity, OMV Petrom manages its activities to generate minimal impact on the flora and fauna of protected areas and even developed an application that helps identify protected species in its operational areas. In terms of the social factor, OMV Petrom has developed the 2021+ People Strategy, which includes five principles (team spirit, responsibility, passion, pioneering, and performance). The company promotes diversity and inclusion (68.23% Gen X employees; 20.47% Baby Boomers; 10.68% Gen Y; 0.62% Gen Z; 26.3% women in managerial positions). Approximately 11,000 employees received more than 272,403 hours of training in professional development, ethics, or human rights in 2019. More than 25,443 medical examinations of employees were carried out, while the rate of work-related incidents fell since 2018.

The company has focused on providing community support, that reached 170,000 beneficiaries (EUR 13 million); it also supports the vocational training system in Romania through educational programs, scholarships, internships, and more. Moreover, in 2019, OMV Petrom settled 809 of a total of 906 complaints (mainly related to environmental protection). Regarding the governance

factor, the company complies with most of the requirements of the BVB Governance Code. It also complies with its code of business ethics through zero tolerance for corruption, rules on conflicts of interest, or compliance with competition laws. To enable reporting of non-ethical conduct, it has established an anonymous reporting mechanism. Its suppliers must also address sustainability principles (e.g. reduce associated risks along the value chain in terms of forced labour, human trafficking, or corruption), while strategic suppliers are assessed based on ESG values. Finally, to identify the main sustainability topics addressed in the reporting, OMV Petrom worked with internal and external stakeholders.

BRD, the company occupying the fifth position in the top (in 2020), reported its non-financial activity through a statement included in the annex to its annual report both in 2020 and in 2023, and its content was the most satisfactory among those of the companies in the analysed banking industry, especially because of how it reported progress through a variety of indicators. BRD is committed to aligning its financial portfolio with climate change issues, in line with the International Energy Agency (IEA).

In 2019, it launched two environmental initiatives: (1) the BRD Forest Fund, through the financing of forest protection in Romania, and (2) an educational and ecological program for schools in urban areas that aims to transform their outdoor spaces into green spaces (BRD, 2019). Moreover, in 2017 it committed to raise EUR 100 billion for the energy transition between 2016 and 2020, for which it achieved 69% of the target by 2020. Moving to the current year, BRD aims to accompany its customers in the energy transition toward a more sustainable future, and, following the achievement in advance of its targets, in 2022, Societe Generale strengthened its commitments to contribute EUR 300 billion to sustainable financing by 2025. As part of this commitment, BRD aims to contribute to this collective effort with sustainable financing transactions worth EUR 1 billion, which will be concluded by the same date, under its Horizon 2025 program. The company's results for 2019 show that it succeeded (compared to 2018) to reduce its CO₂ emissions, reduce the amount of paper used, reduce the amount of gas consumed, but maintained the amount of waste generated, while the levels of electricity used, the amount of non-recycled waste produced, water consumption and the distances of business travel increased. BRD policies include those that seek to exclude oil exploration and

extraction projects in the desert and Arctic areas. It also applies the Equator principles, according to which it assesses environmental and social risks for projects exceeding EUR 10 million. Regarding the social factor, BRD registered a staff turnover rate of 17.4% in 2019, with 68% women in managerial positions. Its employees have benefited from development programs (e.g. on personal development or the company code of conduct) and corporate volunteering (2300 volunteers involved in 50 projects), while the company maintains permanent communication with the trade union. BRD also cooperates with the public education system in Romania, integrating financial courses into the curricula of various institutions. In addition, the company invests in society in areas such as education, technology, culture, sports, solidarity, environment, and communities (over RON 10 million that reached over 50,000 beneficiaries).

Regarding the governance factor, BRD applies the BVB Code of Corporate Governance principles, in addition to its governance code. This code regulates the management of conflicts of interest and ethical and lawful operation. The company seeks to combat corruption through ABC (Anti-Bribery and Corruption) Governance, for which it has trained more than 400 persons, and established dedicated anti-fraud structures, for which it has trained more than 600 persons. Last but not least, BRD aims to maintain a close relationship with shareholders through constant, honest, and fast communication.

The next company in the top is **Electrica**, which since 2015 has issued annual sustainability reports. The report complies with the GRI and European Union (EU) standards and incorporates objectives and strategies for the period 2019-2023 (Electrica, 2019). It follows from its examination that the report has several strengths, such as addressing new concepts. For the environmental factor, Electrica implemented the ISO standard regarding the environmental management system and continued to implement the Lean methodology. The company aligned its operations with the European Green Deal to contribute to the continent's goal of becoming carbon neutral (e.g. investments for distribution and operational efficiency in the modern infrastructure). The company has diversified its service portfolio to help reduce CO2 emissions (based on renewable energy through the inteGRIDy project).

Other investments relate to biodiversity (for example, about RON 3 million for reforestation and isolation of infrastructure harmful to birds). By monitoring its waste

generation activity, Electrica reported that, in terms of hazardous waste, 48% were recycled, 42% were temporarily stored for further recycling (or disposal), 8% were safely stored and less than 2% were incinerated.

The data published in the 2023 report on waste management do not look as good, since only 6.14% were recycled, 0.3% incinerated and almost 90% are landfills. Of the total waste produced during the reporting period, only 0.3% is hazardous waste. As regards the social factor, Electrica has implemented ISO 45001: 2018. Currently, the company follows a human resources strategy that aims to provide qualified personnel. According to the report, there has been a 4% increase in the number of employees since 2018, and currently, 98% of the 8300 employees are trade union members. On December 31, 2022, 7,907 employees were reported, fewer by 1.66% than in 2021. As this sector is generally dominated by men, 28% of Electrica employees are women, however, they hold 35% of the management positions. In 2022, the company offered its employees benefits of over RON 600 million, as well as about 77,000 hours of training (on technical and communication skills and safety and security at work). The "Zero accidents" target of the company saw a reduction by more than 30% in the number of work-related accidents since 2018. Moreover, to combat discrimination in the workplace, the company has implemented an anonymous reporting system. For the progress of the community, Electrica provided financial support (almost doubling its budget to EUR 540,000 in 2019 compared to 2018) in various fields, reaching 25,000 direct beneficiaries.

In terms of the governance factor, the company fully complies with the BVB Corporate Governance Code. To structure its non-financial report, Electrica worked with several stakeholders. Its objectives include obtaining the certification for the anti-corruption management system ISO 37001 and, for this purpose, the company updated its policies on conflicts of interest, money laundering, and corruption.

Nuclearelectrica reported its non-financial activity in the annex to its annual report for the period under review. Among the drawbacks of how it disclosed information is focusing on how it met legal requirements, in addition to the fact that the information is not sufficiently structured and repeated.

Regarding the environmental factor, Nuclearelectrica implemented ISO 14001: 2015 and monitors several indicators such as radioactive waste (78.5% of legally

authorized emissions), workplace radioactivity levels, or radioactive contamination of land surface (Nuclearelectrica, 2019). However, it does not provide any other clear information on other indicators. In terms of the social factor, it is noted that the company implemented ISO 45001 and that it has in place radiation protection programs for employees, aiming to record the levels of controlled radioactivity. The company has a low turnover rate (3.8% in 2019) and provides training for its employees, especially in the field of nuclear safety and risk management. At the same time, Nuclearelectrica developed for its employees a set of principles on equality, health security, and freedom of expression. The company became a UNICEF partner in 2019 and supported humanitarian as well as educational, health, environmental, and cultural projects.

Despite having defined a CSR strategy, the company did not set clear, or SMART, goals. However, as regards the governance factor, Nuclearelectrica implemented the anti-corruption management system ISO 37001: 2016, as well as the BVB Governance Code. Thanks to its integrated management system, the company managed to reduce hazard events to zero.

Surprisingly, **Erste Group Bank** did not report on its non-financial activities in Romania. The last report on corporate social responsibility (which followed the GRI guidelines) was published in 2010. However, we have collected some information from its corporate governance framework and Code of Ethics (Erste Group, 2023). For the environmental factor, no information was disclosed in the documents examined. Regarding the social factor, we have noted a “zero tolerance” policy regarding discrimination and harassment, while diversity is encouraged. Corporate volunteering is encouraged within the company, as well as the employee's proposals for social projects. For the community, the company shows its support by establishing educational and cultural partnerships. At the governance level, it states its “zero tolerance” for corruption and acts against conflicts of interest.

The next company in the analysed ranking is **Transgaz**, which disclosed its non-financial information in a chapter of the Directors' Report (Transgaz, 2023). However, it has shown an interest in sustainability by setting goals in this respect. For the environmental factor, Transgaz implemented ISO 14001: 2015, as well as a supply chain program to procure environmentally friendly materials. The company constantly surveys its compliance with the law,

especially with industry-specific laws, monitoring relevant indicators. It also reports measurements of polluting sources and manages waste (both hazardous and non-hazardous).

For 2019, Transgaz managed to achieve higher levels of energy efficiency compared to the previous year, while reducing its technological consumption, and, on 8 December 2022, it signed the agreement to participate in the Work Program of the European Hydrogen Backbone (EHB) for 2023, thereby continuing the activities launched as part of this initiative. For the social factor, Transgaz operates in accordance with ISO 45001 and reports that, in 2019, it hired more persons than those who left the company. At the same time, 95% of its employees are members of trade unions. The company provided 139 training courses for its personnel, with 1619 participants in 2019, for which the report provides detailed data. The social factor remained equally important for the company in 2022, therefore the organizational structure of SNTGN Transgaz SA includes the Employee Representation Office, which represents the interests of employees in the relationship with the employer, aiming to comply with the legal provisions in the field of labour relations and social protection. In addition, the employees benefited from training and development opportunities: in 2022, 201 vocational training courses were conducted, attended by 2915 employees, and the TransGasDigital project, co-financed from European funds, was completed with the aim to improve the level of knowledge and digital skills of the employees of the company.

Transgaz was also engaged in financing community projects in areas such as health, education, social, and sport (allocating over RON 4 million). In terms of governance, the company operates in accordance with the BVB Corporate Governance Code and its integrity plan for 2016-2020. It, therefore, condemns corruption, manages conflicts of interest, discloses its contracts, and considers the fight against fraud to be a priority. The company also monitors the news published about the company's activity and examines them to check whether they are neutral, positive, or negative.

Last but not least, **Transelectrica** has only issued two sustainability reports since it is listed on BVB, for 2017 and 2018. The company followed the GRI standards (Transelectrica, 2019). Moreover, the company was granted a recognition award from Romania CSR Index for its activity in 2019.

For the environmental factor, the company operates according to ISO 14001: 2015. The company works to identify the environmental aspects and the risks associated with its activity but does not report on them. However, we can see from the report that the company managed its waste 84% more efficiently compared to 2018. Currently, the company is working on various projects to prevent and limit its environmental impact and achieve energy efficiency. However, some indicators have only legal limits as reference limits (e.g. noise pollution or electromagnetic field).

Regarding the social factor, Transelectrica has implemented a policy that promotes equality and women in leadership roles and fights against discrimination (income differences between men and women are decreasing; there are 35.8% more women in senior positions than in 2018; there were no discrimination incidents in 2019). In the reporting year, more persons left the company than those who joined it. Most employees are members of trade unions. Transelectrica has provided

professional training for over 1000 employees in various fields, as well as safety and security training. For 2019, no work-related accidents or occupational diseases were reported. The company encourages employees to practice corporate volunteering and is involved in community projects (for which it has set several goals that are not SMART).

Regarding the governance factor, Transelectrica collaborates with stakeholders in addressing non-financial issues. The company complies with the BVB Corporate Governance Code. At the same time, the company developed in 2019 an integrity plan which mentioned the anti-corruption strategies as well as the behaviour guidelines according to its code of ethics and conduct.

We have compiled below, according to **Table no. 3**, the standards and the non-financial reporting tools considered in the analysis carried out. Their variety once again highlights the need for tools that can be used consistently and easily by the business environment.

Table no. 3. Non-financial reporting standards/tools considered in the analysis carried out

Item no.	Non-financial reporting standard/tool
1.	Global Reporting Initiative (GRI)
2.	Sustainable Development Goals (SDGs)
3.	SDG Compass
4.	ISO (International Standardization Organization) Standards
5.	Sustainability Accounting Standards Board (SASB)
6.	AA1000 (Stakeholder Engagement Standard)
7.	Carbon Disclosure Project (CDP)
8.	BVB Corporate Governance Code
9.	European Green Deal
10.	ABC (Anti-Bribery and Corruption) Governance

Source: Own processing

After examining the non-financial reports of the analysed companies, we compiled a list of the ESG aspects that

were most frequently encountered, as can be seen in **Table no. 4**.

Table no. 4. Common ESG aspects from the non-financial reports of the top ten companies listed on BVB

Environment	% companies	Social	% companies	Governance	% companies
ISO 14001	60%	CSR funding	70%	Anti-corruption policy	70%
Waste	60%	Diversity	60%	BVB Corporate Governance Code	60%
Emissions	60%	Development programs	50%	Communication with stakeholders	30%
Energy	40%	ISO 45001	40%	Partners who adhere to their principles	20%
Water	20%	Corporate volunteering	30%		

Source: Own processing

Most of the ESG aspects addressed by the analysed companies included the ISO 14001 environmental management system, waste, and emissions (which were considered in the analysis only if the reporting provided measurement information for those indicators) for the environmental factor. Regarding the social factor, CSR funding and employee diversity were most often mentioned, while for the governance factor, it was found that anti-corruption was mainly addressed, followed by compliance with the BVB Governance Code.

Conclusions

Although non-financial reporting is still voluntary, it can be considered a common practice among large companies. As seen in the case of the top ten companies listed on BVB (according to the classification in **Table no. 1** – Top ten companies listed on BVB according to the value between October 2019 and October 2020) 40% of them follow the GRI guidance in their reporting. At the same time, 10% mention the SDGs and 10% consider the SASB standards. While SDGs have only recently started to appear in non-financial reporting due to their novelty, we can anticipate that they will gain considerable ground in the future. Following the review, it can be concluded that OMV Petrom had the most comprehensive non-financial report, making commitments to sustainability and setting clear objectives. Moreover, the company complies with the SDGs and the GRI standards, covering a wide range of variables and monitoring their dynamics. From the banking sector, BRD appears to have the clearest report, in particular because it has reported on the progress achieved on the targets set, despite the inclusion of its non-financial statement in the annex section. Regarding Banca Transilvania, although its sustainability report covered all three aspects of ESG and followed the GRI guidelines, it was largely descriptive, without providing a clear picture of how it monitors the relevant indicators. In the energy sector, Electrica and Romgaz have issued reports covering a variety of materiality issues, monitoring performance, and referring to well-known tools such as GRI

(both companies), EU standards (Electrica), and SASB (Romgaz). As for Erste Group Bank and Fondul Proprietatea, investors are most likely eager to have the opportunity to reflect on their non-financial activity. Therefore, although these companies have made progress in reporting on their non-financial activities, there is still a long way to go. There is no doubt that stakeholders are calling for more transparency and, nowadays, one of the challenges facing companies is to determine how and what to measure to contribute to sustainability. However, in this regard, scientific research also needs to progress to provide companies with the right tools, which can further contribute to the development of an appropriate legislative framework on how non-financial reporting (in general) and the ESG aspects (in particular) are to be operationalized.

Limits and future research directions

Any research study has certain limits that can influence the results obtained, and this paper is no exception. However, we believe that these limits can be translated into future research directions. In connection with theoretical research, the limits are determined by the breadth of the literature on the subject being treated and the multitude of empirical research conducted by researchers from all over the world.

This paper provides an overview of corporate reporting criteria and methodology. As we have shown, one of the existing shortcomings in sustainability reporting and the quality of these reports consists of the lack of standardization that makes comparability difficult.

We believe that these companies that resort to the publication of the sustainability report can more easily attract capital from investors and earn their confidence by ranking more easily in the trading tops. On the other hand, companies that do not publish this sustainability report transparently may be suspected to intend to conceal their real practices. These ideas are the subject of future research directions.

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