
Internal Audit from ESG Perspective. Pharmaceutical Industry Experience

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Abstract

In a continuously changing global context, adaptation and innovation are fundamental to the existence and sustainability of companies. The importance of climate change and the increased interest of investors and other stakeholders in environmental, social and governance (ESG) information require companies to adopt ESG-focused business strategies. Therefore, internal audit takes a dynamic role in promoting an organisational culture that values transparency, accountability and commitment to sustainability. The research approach is at two dimensions. The first dimension considers the literature review of specific conceptual approaches to internal audit from the perspective of environmental, social, governance factors. The second dimension is quantitative research and consists in identifying the degree of compliance of companies in the pharmaceutical industry listed on the Bucharest Stock Exchange with the social requirements of good corporate governance in the pandemic and post-pandemic periodic. This is complemented by the development of a framework for internal audit from a social perspective. The results of the research revealed the convergence towards more value generated by internal audit in the ESG context, but also the imperative need for companies to adopt and implement pro-active environmental, social and governance-oriented strategies. The results also revealed that both in the pandemic and post-pandemic period, the companies analysed in the pharmaceutical industry maintained and improved their social reporting.

Key words: internal audit; ESG (Environmental, Social, Governance); corporate governance; pharmaceutical industry; Bucharest Stock Exchange; disclosure index;

JEL Classification: M42, M48, M48, G38

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Introduction

The global and dynamic economic environment, the socio-economic impact of the COVID-19 pandemic period, climate change, rising stakeholder interest in ESG information and its transparency, innovative approaches to assessing company performance have generated increased attention and identification of sustainability-oriented strategies.

Companies, by focusing efforts on integrating ESG principles at all levels of the organisation, demonstrate not only a commitment to sustainability, but also a deep understanding of how these values contribute to long-term adaptability and innovation. As society faces unprecedented global challenges such as climate change and social disparities, the importance of integrating sustainability principles into the corporate framework has become an undeniable priority.

Also, against the background of the dynamism of the current period, the function and responsibility reporting are taking on a new scope, reflecting a significant evolution in stakeholder expectations and corporate governance requirements.

In this context, the objective of the research is to identify the degree of compliance of companies in the pharmaceutical industry listed on the Bucharest Stock Exchange (BVB) with the social requirements of corporate governance, as well as to develop a framework for internal audit from a social perspective. Through this approach, internal audit, corporate governance and sustainability are interlinked to shape a more equitable and sustainable future.

The research carried out reflects the vital role of internal audit in promoting and organisational culture that values transparency, accountability and sustainability, highlighting the need for continuous adaptation of internal audit practices to meet the demands and challenges of the contemporary ESG era. An approach such as this, is believed to, on the one hand improves the social and financial performance of companies and, on the other hand, strengthens their relationship with stakeholders, marking the importance of adapting to the needs and challenges of corporate sustainability.

The research paper is structured as follows: the first section presents the literature review; the second section is devoted to the research methodology, followed by data analysis and processing. Results and discussion are presented in the fourth section, and the last section is devoted to conclusions, research limitations and future research directions.

1. Literature review

In the literature, internal audit approaches are varied and in line with global and socio-economic trends. The results of the research conducted by Harashes and Provasi (2022), based on information from companies listed on the Milan Stock Exchange from 2016 to 2019, revealed that the purpose of internal audit is to provide an objective analysis of internal controls and processes in order to determine the effectiveness and efficiency of governance and risk management.

In the context of the growing importance of corporate social responsibility (CSR) and consumer demands for greater transparency, research by Idowu and Rahim (2014) based on agency theory highlights the importance of social auditing as an essential tool for promoting accountability within companies. Also, for organisations, social audit is a way to assess the effectiveness of CSR initiatives and determine future investment directions. In the face of today's global challenges, such as mass species extinction and climate change, the strategic use of social auditing is essential to mobilise the innovative capacity of businesses to address these issues, thereby contributing to a sustainable and equitable future.

At the same time, research by Dineva (2019) reveals the fundamental function of internal audit in supporting and evaluating social responsibility strategies, emphasising the need to align its objectives with those of the organisation and to continuously improve auditors' CSR expertise.

Prodanova et al (2023) address the importance of internal audit from an ESG perspective in the context of sustainable corporate development. ESG auditing, grounded in the environmental, social and business risk management pillars, is important for assessing and improving the performance of organisations. The authors believe that such audits are a vital tool for identifying a company's strengths and weaknesses in the area of social responsibility and sustainability, helping to develop strategies for improving market position and meeting stakeholder expectations.

Eulerich et al (2022) bring to the fore the role of internal auditors in ESG disclosure and assurance. Therefore, the results of their research show a significant link between the maturity of the organization and the internal audit function in ESG matters and the level of reporting and assurance of ESG information.

Lee et al (2022) develop a broad perspective on internal auditors' perceptions of their role in relation to ESG. They highlight the discrepancy between the skills currently held

by internal auditors and future demands, emphasising the need for skills development to anticipate and respond to emerging stakeholder needs related to ESG.

For the integration of ESG criteria into internal audit Soh and Martinov-Bennie (2018) believe that executive management support and transparent communication of sustainability information is necessary. They also identified factors that motivate internal auditors' participation in sustainability-related assurance and need for internal auditors to continuously adapt to the dynamics and requirements of the ESG context.

In another perspective, Lenz and Hoos (2023) recommend a model for internal auditors that includes a development of the new audit work component in addition to assurance and consulting work. With this new vision, the traditional barriers to internal audit will be overcome and internal auditors will be encouraged to become active builders in organisations' ESG strategies.

Rakipi and D'Onza (2023) discuss the role of internal audit in ESG by integrating the impact of the organisation's ESG maturity and the importance of the relationship between the audit committee and the Chief Executive Officer (CEO). The results of the study, based on interviews with professionals in 15 large Italian companies, indicate that internal audit's involvement in ESG differs according to the level of ESG maturity and the actor perceived as most important: the audit committee or the CEO. In companies with high ESG maturity, the focus is on ensuring ESG practices, while in companies with low ESG maturity, the focus is on legal compliance and preventing unethical behaviour. The results also highlight the need for internal audit to adapt to the organisation's ESG priorities, thus contributing to transparent and accountable corporate governance.

DeSimone et al (2020) explore factors associated with internal audit involvement in sustainability-related audit engagements, such as country of origin, listing status, sustainability reporting and age, highlighting a trend of resistance from entities in Anglo-Saxon countries (United Kingdom, Ireland, United States, Canada, Australia, New Zealand, South Africa, India) to integrate the internal audit function into these processes, in contrast to a greater receptiveness from listed organisations.

Based on the theory of internal control and audit quality, Suyon (2023) studied the relationship between the accounting experience of internal control managers, internal audit directors and audit quality in the context of

ESG for Korean companies. It highlighted the importance of an integrated and in-depth approach to assessing and improving internal audit practices in the area of sustainability. Thus, it outlines the need for a focused effort on developing and adapting internal auditors' skills to meet the complex requirements generated by ESG factors, marking an important milestone in the evolution of responsible and forward-looking corporate governance.

In terms of ESG, considered as pillars of corporate sustainability, Wang et al (2021) and Simpson et al (2021) emphasize the need for symmetry between corporate activities, environmental protection and collective/social well-being by applying structure, agency, legitimacy, stakeholder and institutional theory. These principles, which include green management practices, ethical interactions with employees and communities, and transparent governance, go beyond strengthening the market position and reputation of economic entities, developing an important framework for combating global issues such as climate change and social disparities.

Given that internal audit is an important player in corporate governance and corporate social responsibility, Chan et al (2020) analyse the correlation between corporate social responsibility exposures and corporate governance structure and highlight the characteristics of strong corporate governance, such as high quality audit, competent audit committees, extended tenure periods for auditors, and low frequency of auditor turnover in contrast to entities that do not pay attention to this dynamic.

The research conducted reveals that the conceptual approaches presented converge towards the added value generated by internal audit in the context of ESG, robust corporate governance architectures and pro-active internal audit, which highlights the key function of internal audit and the internal audit committee in catalysing sustainability and corporate responsibility.

2. Research methodology

In order to achieve the objectives of the research, which aims to identify the degree of compliance of pharmaceutical companies listed on the BVB with corporate governance requirements from a social perspective, as well as to develop a framework for internal audit in this dimension, I used quantitative research methodology. I also used the disclosure index based on content analysis.

In order to identify the degree of compliance of pharmaceutical companies listed on the BVB with corporate governance requirements from a social perspective, according to the ESG Reporting Guidelines issued by the BVB, I investigated the Annual Sustainability Reports and the information available on the official websites of pharmaceuticals companies for the period 2020-2022. In the data selection process, I considered only the social component of the ESG criteria, as per the requirements specified in the BVB ESG Reporting Guidelines.

European ESG legislation includes several key initiatives, such as the Corporate Sustainability Reporting Directive (CSRD), which proposes to bring sustainability reporting to the same level as financial reporting, and the Sustainable Corporate Due Diligence Directive (SCDD), which proposes to promote sustainable and responsible corporate behaviour along global value chains. The implementation of mandatory non-financial reporting in Romania brings the country in line with European sustainability standards, applying to large companies with more than 500 employees or companies listed on the stock exchange. They must report annually on ESG details, including environment impact and social practices, respecting reporting criteria that refer to transparency and continuity, compliance with EU regulations and adoption of ESG standards such as the Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB).

The option for this period is argued by identifying the impact of the COVID-19 pandemic and post-pandemic on the degree of compliance of pharmaceutical companies listed on the BVB with corporate governance requirements from a social perspective. As for the choice of the industry typology, argue it, on the hand, by the social importance it has at local and global level, and, on the other hand, by providing a complex perspective on the pharmaceutical industry in Romania, presenting diverse business models, adapted to both local and international market needs.

The companies in the pharmaceutical industry listed on the BVB included in the analysed sample are the following: Biofarm S.A, Remedias S.A, Antibiotice S.A, Ropharma S.A, Zentiva S.A.

Biofarm, a long-established company founded in 1921 is focused on the production and marketing of generic medicines, supplements and dermato-cosmetic products, responding to the diverse needs of patients through innovation and quality. Before the shares of this company

were listed on the BVB, they were traded on the RASDAQ market (formerly the Bucharest electronic stock exchange) in the basic category. The shareholding structure as at 31.12.2023 is dominated by an Alternative Investment Fund for retail investors (F.I.A.I.R), which holds more the half of the shares, illustrating majority control, as and closed-end, diversified Alternative Investment Fund for retail investors holds almost 37% of the company. Individuals and other legal entities complete the shareholder base (almost 12%) contributing to the diversity and stability of investors in the company.

Farmaceutica REMEDIA, established in 1991 and specialising in the distribution of pharmaceutical products and with its own network of pharmacies, focuses on innovation and adaptability, reflecting the dynamics of the market. Almost 82% of the company's shares as at 31.12.2023 are held by the Chairman of the Board Directors, with the difference up to 100% distributed to individuals (13.8%) and legal entities (4.7%).

Antibiotice, founded in 1955, is nationally and internationally recognized for the production capacity and the diversity of its portfolio, and is also export-oriented to reach wider markets. As of 31.12.2023, 53% of the shares are held by the Ministry of Health and almost 30% of the shares are held by a closed-ended, diversified alternative investment fund, with the remainder allocated to individuals and companies. In December 2023, the company achieved Gold Level Recognition with 90 points (out of maximum of 100) in the most important Sustainability ranking in Romania, and in May 2023 it was awarded at the Gala of Sustainable Companies in Romania for its campaigns in 2022.

Ropharma, with its origins in the state enterprise "Oficiul Farmaceutic Iași", established in 1952, brings to the forefront the production and distribution of medicines and supplements, with a focus on research and development to bring innovative pharmaceutical solutions to the market. In terms of shareholding structure, three companies originating from Cyprus hold 62.2%, while individuals hold 18.6% and legal entities 18.2%.

Zentiva, founded in 1930 is now part of the Zentiva Group as its parent company; originally known as Sicomed and eventually acquired by the Sanofi Group, and eventually acquired by Advent International, it focused on the production and marketing of generic medicines, facilitating patient access to effective and affordable treatments. Approximately 96% of the shares are held by the Zentiva Group, with the remaining 4% held by individuals.

The disclosure index was constructed in a dichotomous manner, scoring 1 if social information is disclosed in the Annual Sustainability Reports and 0 if it is not. Accordingly, the disclosure index can take values between 0 and 1. Thus, the closer the scores are to 1, the more social information is presented in the Integrated Reports published by companies in the pharmaceutical industry and, therefore, the higher the company's compliance with the BVB ESG Reporting Guidelines.

From a mathematical point of view, the information disclosure index is calculated according to the following formula (Giner de los Rios, 1995):

$$DI = \frac{\sum_{j=1}^m di}{\sum_{i=1}^n di}$$

DI = disclosure index;

di = 1 if relevant information is identified, 0 otherwise;

m = number of items actually disclosed;

n = maximum number of items that can be disclosed.

The content analysis was based on integrated reports published by pharmaceutical companies on their official websites for the period 2020 – 2022. This is the latest date for which the sampled companies had published their integrated reports at the time of our analysis, as those for FY 2023 had not yet been published. The criteria considered for this were: staff turnover freedom of association and collective negotiation, employee health and safety and human rights.

Staff turnover: companies must report staff turnover expressed as a percentage. This is calculated by dividing the number of employees who left the organisation in one year by the average number of employees in the same

year. A high percentage may indicate problems with employee satisfaction of working conditions.

Freedom of association and collective negotiation: companies must provide information on the percentage of employees covered by collective agreements. In addition, a description of initiatives taken to promote the right to free association and collective negotiation is required.

Workplace health and safety: information reported by companies should include details of the implementation of a health and safety management system, its component elements and the proportion of operations that are covered. Specific performance indicators, such as the number of workplace accidents or fatalities, over a three-year period are also needed to allow performance to evolve over time.

Human rights policy: companies must provide information related to the official human rights policy that extends to suppliers and business partners.

Human rights due diligence: companies must provide information on the assessment of risks of human rights violations in their operations and in the value chain.

Based on these, developed a checklist of information disclosed by companies according to these criteria mentioned.

3. Data processing and analysis

Following the research methodology presented above, I developed a checklist of information disclosed by companies according to the criteria: staff turnover, freedom of association and collective negotiation, employee health and safety, human rights policy and human rights due diligence (**Table no. 1**).

Table no. 1. Checklist of information disclosed by companies and their disclosure

ESG criteria according to the BVB ESG Reporting Guidelines	2020	2021	2022	2021	2022	2020	2021	2022	2020	2021	2022
	Biofarm			REMEDIA		Antibiotice			Zentiva		
Staff turnover	1	1	1	0	1	1	1	1	0	0	0
Liberty of association and collective negotiation	1	1	1	0	1	1	1	1	1	1	1
Health and safety of employees	1	1	1	1	1	1	1	1	1	1	1
Human rights policy	1	1	1	1	1	1	1	1	1	1	1
Due diligence for human rights	0	1	1	1	1	1	1	1	1	1	1

Source: own projection

The Disclosure Index (DI), which measures the degree of disclosure for each company and

each year, is presented in **Table no. 2** and **Figure no. 1**.

Table no. 2. Social disclosure index of pharmaceutical companies listed on the BVB

Biofarm			REMEDIA		Antibiotice			Zentiva		
2020	2021	2022	2021	2022	2020	2021	2022	2020	2021	2022
0,8	1	1	0,6	1	1	1	1	0,8	0,8	0,8

Source: own projection

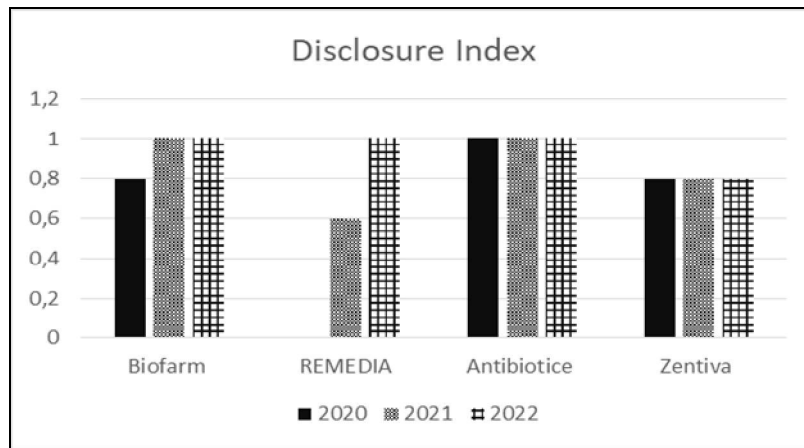
The results show differences between companies in the extent of social disclosure. The disclosure index ranges from 0.6 to 1, reflecting the fact that all companies analysed comply with the social criteria specified in the BVB ESG Reporting Guidelines.

Antibiotice S.A has maintained a perfect level of social disclosure in each of the three years under review, reflecting consistent and comprehensive transparency. Biofarm S.A and Remedia S.A improved their disclosure index from 0.8 and 0.6, respectively, in 2020, reaching full

disclosure in 2021 and 2022. The upward trend in the disclosure index could be explained by the COVID-19 prevention measures adopted by companies during the pandemic period, but also by increased investor interest in the social component and long-term performance of companies.

At the other end of the scale, Zentiva S.A maintained a relatively constant level of disclosure over the three years, with a disclosure index of 0.8. The sticking point in the company's social disclosure is staff turnover.

Figure no. 1. Social disclosure index for pharmaceutical companies listed on the BVB



Source: own projection

The average value for the social disclosure index at the level of the analysed sample shows an upward trend, suggesting that the compliance of the analysed

companies with the social criteria specified in the BVB ESG Reporting Guidelines has improved in the post-pandemic period (Table no. 3).

Table no. 3. Average value of social disclosure index for companies in the pharmaceutical industry, listed on the BVB

Period	Average value of the social disclosure index
2020	0,80
2021	0,85
2022	0,95

Source: own projection

In the context of increasing relevance of social information for investors and other stakeholders, internal audit is becoming the main player in corporate governance, in assessing and improving the performance of companies in the pharmaceutical industry, in developing strategies for improving market position and meeting stakeholder expectations.

4. Results and discussions

The analysis shows a diversity of initiatives and approaches among these companies, from implementing protective measures for employees in the context of the COVID-19 pandemic, to promoting education and sport as part of community commitments.

A comparative analysis of the social information in the ESG Reporting Guidelines issued by the BVB with the information disseminated by companies shows discrepancies between the guidelines' recommendations and actual reporting in terms of the social dimension of ESG. This is the context in which internal auditing comes into play, whose approach from a social ESG perspective is important to reflect how companies in the pharmaceutical industry address and integrate the social dimension into their strategies, processes and activities. Each company, through specific initiatives, demonstrates a commitment to social responsibility, highlighting a proactive approach to health risk management, employee development and community support.

It is therefore imperative that entities provide detailed information on staff turnover rates and describe the measures taken to improve employee retention, including specific information on the training programmes offered and their impact on company and employee performance. Establishing clear performance appraisal processes, including evaluation criteria and the effects of these evaluations on employee development, will contribute to the continuous improvement of social performance and increase competitiveness in the capital market. Implementing these recommendations will strengthen stakeholder and investor confidence, demonstrating a strong commitment to social responsibility and sustainability. This, at the same time, will facilitate a more structured and consistent approach to improving and reporting on practices related to the social dimension of ESG.

Additionally, assessing and reporting on the specific impact of the company's activities on local communities

will highlight social and environmental initiatives, thereby improving the companies' connection with the environment and society. This extended engagement will highlight not only the contribution of companies to sustainable development, but also their active role in promoting a better future for all members of the community.

As well as improving the transparency and specificity of reporting, companies should prioritise ongoing dialogue with all stakeholders, including employees, customers, suppliers and local communities. This dialogue will help identify expectations and adjust ESG strategies accordingly, enabling companies to respond more effectively to emerging challenges and opportunities in the area of corporate social responsibility.

Considering that, from a social perspective, internal audit adds value to the company, supports it in achieving its objectives, and becomes an essential factor in companies' strategies to effectively navigate and respond to ESG requirements, we propose a general framework of internal audit from this perspective. Thus, by focusing on the social aspects of ESG based on the results obtained on the degree of compliance of companies in the pharmaceutical industry listed on the BVB and by using the Internal Auditing Standards, the general framework of internal audit from a social perspective could be articulated on the following sections:

A. Objective: internal audit on ESG analyses the impact of the organisation in social areas, providing recommendations to improve performance and increase sustainability. The objective is to present a consistent picture of the risks and opportunities related to the social component and the operability of internal systems to manage them.

B. Scope: social engagement looks at how the company takes social responsibility, including the treatment of employees, relations with local communities, working conditions, workplace health and safety, diversity and inclusion. It also assesses the company's contribution to the social and economic development of the communities in which it operates.

C. Users of the internal audit framework from a social perspective:

- Senior Management and Board of Directors – uses information to embed sustainability and social responsibility into corporate culture and business tactics, rectifying the debt to ethical and sustainable

practices. At the same time, this information is used to recognise social risks that may alter the company's reputation and to take steps to mitigate them to an acceptable level or to eliminate them;

- Shareholders and investors – use the data to assess the company's social performance, making responsible investment decisions more accessible. At the same time, the information contributes to transparency issues, which build investor confidence;
- Employees – information that relates to ethical applications, training and development programs and sustainability assurance can advance employee satisfaction and have a positive impact on employee retention;
- Supervisory authorities – data are used to observe compliance with legislation relating to labour and social practices;
- Partners and suppliers – data on social principles allows partners and suppliers to evidence issues related to social risks present in the supply chain, but also other issues related to labour and employee rights;
- Community – information is used to develop a framework for positive dialogue between the company and the community, thus promoting civic engagement.

D. Internal audit principles:

- Transparency: this requires clear, complete and timely communication of significant information about the audit purpose, objectives, methodology and results to stakeholders, ensuring understanding of the approach, process and results, thereby supporting accountability and trust;
- Comparability: a principle that ensures that audit methods, procedures and reporting are consistent across audits or time periods to allow comparison of the organisation's results;
- Relevance: a component that involves focusing the audit on issues of key importance to all stakeholders, allowing for the efficient placement of resources and the aggregation of information that is significant to decision making, thereby providing the information needed to assess performance against their objectives.

E. Internal audit criteria: more than compliance with international standards, internal audit criteria on ESG must

also reflect compliance with industry-specific requirements: the pharmaceutical industry faces a number of unique ESG challenges and responsibilities, including research ethics, access to medicines, customer safety and the environmental impact of manufacturing. Audit criteria should reflect these specific issues, assessing how pharmaceutical companies manage their social and environmental responsibilities in accordance with the highest ethical and professional standards.

F. Internal audit methodology: to measure the performance of the social component of ESG, it is recommended to apply dedicated assessment tools that include well-defined sustainability indicators. These indicators should be aligned with international reporting standards such as the Global Reporting Initiative (GRI) Guidelines, the Sustainability Accounting Standard Board (SASB) and Sustainability Standards on the Task Force on Climate-related Financial Disclosures (TCFD) Frameworks. Indicators may include board diversity, employee retention rate and transparency in financial reporting.

G. Internal audit process: involves preparing for the audit, including selecting an audit team with diverse expertise and creating a detailed plan setting out the audit objectives and methodology. In the execution phase, data collection and analysis is carried out using a variety of methods, from interviews to documentation review, to assess the company's compliance with the principles of the social component of ESG. The end of the process is the drafting and presentation of an internal audit report containing findings, recommendations and action plans, providing a solid basis for continuous improvement of the company's social practices.

H. Monitoring and continuous improvement: involves creating a structured process to ensure effective implementation of internal audit recommendations. This includes the development of a detailed action plan with deadlines and designated responsible parties, and the implementation of a system to monitor progress. To promote continuous improvement, companies should conduct regular performance reviews of the social component of ESG, integrate stakeholder feedback and adjust social objectives and strategies according to the results and new challenges.

I. Communicating results: a feature that ensures transparency and prompts action for improvement. It aims to produce a preliminary audit report presenting views, analysis and guidance in a clear and procedurally

bounded process. The communication procedure should include internal guidance to management and teams, as well as external information to investors, clients and other stakeholders, using communication methods that ensure a consistent spread.

Conclusions

The literature review revealed the growing trend of internal audit approaches in the context of ESG. The conceptual issues addressed converge towards the value generated by internal audit in the ESG context, the role of internal audit in assessing and improving the performance of organisations, the need for internal auditors to continuously adapt to the dynamism and requirements of the ESG context, the importance of the relationship between the audit committee and the CEO, and internal audit as an important player in corporate governance and corporate social responsibility.

The research carried out highlights the interest of pharmaceutical companies listed on the BVB to integrate social principles into their corporate strategies and to conform to the social criteria specified in the BVB ESG Reporting Guidelines. Also, the social initiatives related to the pandemic period have generated an upward trend in companies' compliance with the social criteria specified in the Guidelines. In this regard, Biofarm S.A and Remedia S.A improved their disclosure index from 0.8 and 0.6, respectively, in 2020, reaching full disclosure in 2021 and 2022. Studies in the literature (Pozzoli et al, 2022) have shown an increase in ESG disclosure activities in the context of the pandemic.

Antibiotice S.A maintained a perfect level of social disclosure throughout the period analysed, while Zentiva S.A, maintained a relatively constant level of disclosure throughout the three years, with a disclosure index of 0.8.

In view of the role of internal audit, which is to add value to the company, and the importance of the social component of ESG in the companies analysed, we considered it appropriate to propose a general framework of internal audit from a social perspective, which, through its coordinates, could substantiate in an understandable, exhaustive, relevant and transparent manner, the way in which these companies approach and integrate the social dimension in their strategies, processes and activities. A strong internal audit function from a social ESG perspective contributes to improving the company's reputation, attracting investment, preventing risks and thus indirectly impacting financial performance.

In terms of research limitations, one of these is the limitation of companies to the pharmaceutical industry. However, although the research only reported on companies in the pharmaceutical industry listed on the BVB, the research results are not affected.

As future research directions, the analysis will be extended to companies from other industries, listed on the stock exchange, but also to other ESG factors.

Although quantifying the direct impact of internal audit from a social perspective on company earnings is difficult, due to the diversity of variables influencing financial performance, effective implementation of ESG practices can contribute to improving company reputation, attracting investment and reducing risk, thus indirectly impacting financial performance.

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