

The Environmental Reporting Practices in Romania

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Abstract

The aim of this paper is to present the merit of voluntary environmental information in the sustainability reports of the Romanian companies on the Global Reporting Initiative (GRI) website (year 2018). The paper is based on a qualitative research on Triple Bottom Line Reporting (TBL) the initial structure of non-financial information. The research method is expected to be based on scoring, thus showing the level of conformity of reports based on literature analysis and the influence of the three types of isomorphism mechanisms. This paper reveals the level of conformity of Romanian companies using the sustainability reports in accordance with the conceptual framework of TBL and GRI.

Key words: environmental reporting; sustainability reports; TBL; isomorphism; GRI

J.E.L. classification: M14

1. Introduction

In the last decade, the TBL reporting is gradually gaining importance worldwide, being the result of economic factors based on the company's performance. It is defined as a sustainability balance for three different aspects: environmental, social and economic (Newport et al., 2003). Thus, environmental reporting plays an important role in business costs and in the perception of stakeholders on the business. The focus of this paper is to show if the Romanian entities, are adapted to publish sustainability reports with the TBL framework. On the other hand, the paper is formed as follows: in the second part, we presented the literature and the research methodology. The fourth part reveals the qualitative disclosure of information on the natural environment, followed by a part of findings. The last part presents the conclusions and limitations along with future research directions.

2. Literature review

Globalization has challenged the traditional accounting profession, the reporting model and the business model, arguing that it does not adequately meet the information needs of stakeholders for assessing the past and future performance of a company (Flower, 2015).

TBL is a reporting concept which derives from the Brundtland Report (Sridhar, 2012) and environmental reporting is one of the key parts of TBL reporting. Sustainability reporting represents the loyalty and confidence and for the stakeholders represent an item of quality and efficiency (Schaltegger and Csutora, 2012, Herold et al., 2016).

As a response we intend to use as a theory, the institutional theory which their objective is to increase the profits. The institutional theory involves to adopt practices (Carpenter and Feroz, 2001) and to explain accounting choices and the interaction between practices (Dillard et al., 2004). Unusually, the reporting practices are influenced of the three types of isomorphism mechanisms (DiMaggio and Powell, 1983): coercive, normative and mimetic. The coercive isomorphism is the result of pressures imposed by authority of organisations (DiMaggio and Powell (1983), Jennings and Zandbergen, (1995), Milstein et al. (2002), Delmas and Peng (2002)). Normative isomorphism

represents the pressures exerted by the profession. (DiMaggio and Powell, 1983) and the last isomorphism, the mimetic represents the tendency to imitate best practices.

3. Research methodology

We used an initial sample of 4 companies (see Table no. 1) of Romanian companies listed in GRI Standards and on the websites of these entities.

In our study on used three criteria: the companies make part from large Romanian companies; the companies must publish the sustainability reports for the year 2018 consistent with GRI 4 standards and the environment information of reports must be available for the stakeholders.

Table no. 1. Initial Sample of Romanian companies indexed in the database of the GRI

Companies	Countries	Section	Year	Sustainability report	Scores	Indicators
Adrem	Romania	Energy	2018	X	1	Yes
Distributie Energie Oltenia SA	Romania	Energy	2018	X	1	Yes
KMG International	Romania	Energy	2018	X	1	Yes
Petrom	Romania	Energy	2018	X	1	Yes

Source: Own processing

For to analyse the degree of qualitative conformity of the Romanian companies, we formulated the following hypotheses: **H1:** *The companies listed in the GRI respect the TBL framework;* **H2:** *Using the TBL reporting framework the companies have performance;* **H3:** *The companies present environmental information as a result of action caused by an institutional isomorphism.* The analysed reference year is 2018 with a total of 4 sustainability reports resulted. On the other hand, to show the relevance of sustainability reports, we can use a dichotomous variable and the Guide to Non-Financial Reporting developed by the European Commission (2017) and OMFP 1938/2016, therefore to determine whether information is presented about the environment in which it is presented, we adopt methodology based of scores by Dalvadi and Gandhi (2012).

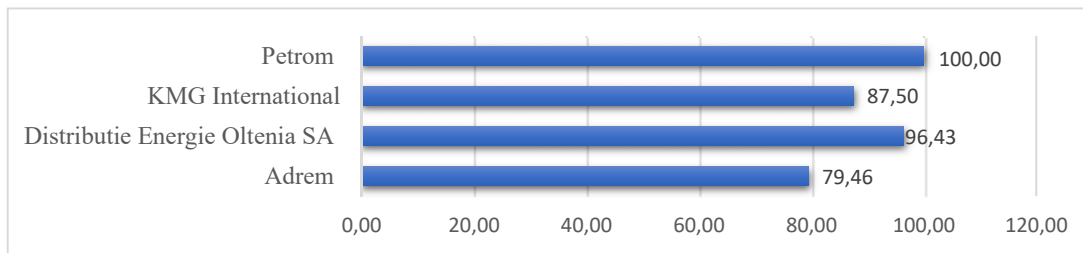
Qualitative analysis of the disclosure of information on the natural environment

To determine the conformity with the requirements of GRI 4 standards, we used the sustainability reports of the sample, on the website of the GRI. The conformity of the sustainability reports of the analysed companies was evaluated by giving scores from 1 to 7 on the quality disclosure of information of the natural environment. In order to make the charts, we calculated the scores in relative values.

Chart no. 1 (see Chart no.1) shows the degree of conformity of the sustainability reports with the natural environment items on the quality of disclosure information (as measured). The highest score required by the TBL framework is 112. The 8 natural environment indicators regarding the quality of disclosure information, we have given scores from 1 to 7 are: **Indexes; Profiles, Performance Management, Policies, External Relations, Occupational Health and Safety, Product Performance and Sustainability.**

In Chart no. 1, we can see that the highest relative score was obtained by PETROM with a score of 100%, followed by the companies Oltenia Distribution and we can notice that the lowest percentage was achieved by Adrem. The score of 79,46% by Adrem.

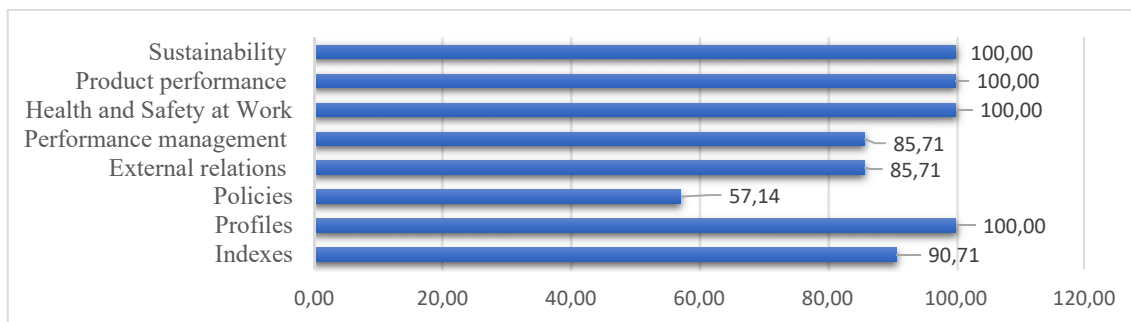
Chart no. 1 The level of conformity of the quality disclosure of information as measured



Source: Own processing

In consequence, the level of conformity (how much is measured) of the quality items of the disclosure information on the natural environment according of GRI 4 standards is demonstrated in Chart no. 2 (see Chart no. 2), in which we calculated the total of items distinctly in relative values.

Chart no. 2 The elements of quality disclosure information on the natural environment like how much is measured



Source: Own processing

4. Findings

Presently, the disclosure of information on reporting, is a tool for the commitment of stakeholders and also is a common practice. The disclosure of information on reporting is mandatory or voluntary to reduce information asymmetries. The companies in the sample are oriented to reduce the asymmetry of the reports. In our study, most Romanian companies had an average score of 100% in both analyses, but in terms of quality, the maximum score of 100% have obtained from PETROM. This fact of conformity of sustainability reports is due to the fact that the company Petrom have experienced since 2011 regarding the disclosure of non-financial information. In Romania it is highlighted that two types of isomorphism were used voluntarily: mimetic, and normative and the coercive isomorphism emerges since 2017, when it is adopted the Directive 2014/95 This shows the commitment to openly communicate to all our stakeholders the actions concerning the natural environment taken in order to better meet their expectations. This high degree of conformity is due to fines and penalties amounting to EUR 0.090 million (2017: EUR 0.076 million). These sanctions were a consequence of environmental incidents, including discharges and exceeding the limit values for the elimination of pollutants in the environment. The low degree of Adrem company in terms of quality of disclosure of information of natural environment is due to the fact it is the first report and indicates that for the Adrem the sustainability report respects the protection norms of environment, complies with the laws and rules of the communities where it operates and also with the GRI G4 supplement, resulting in a coercive, normative and mimetic mechanism.

5. Conclusions

As a result of globalization and the need to comprehend the principles of reporting by stakeholders and the entities. Companies are concerned about increasing sustainability goals and taking into account the notion of TBL derived from the definition of sustainable development in the Brundtland Report (Elkington, 1999). This study reflects the response of stakeholder pressure and the three types of isomorphism mechanism. The latent limitation of the research is the small sample used, resulting only 4 companies and subjectivity of the coding the reports. As future research directions, we proposed to large the sample and include in the analyses other sector.

To conclude, the paper intends to expand the reporting vision of Romanian companies also we showed that the Romanian companies are open to understanding the TBL applying the principles of framework.

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7. References

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