

Covid-19 Pandemic – A New Aspect of Social Sustainability

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Abstract

Since the financial crisis recovery scholarly approaches on sustainability have intensified. Organizations feel pressure from various sources to adopt practices of social sustainability. Stakeholders are interested in not only the performance of companies but also in processes and structures that are implemented to back up the performance. Covid-19 became a great global concern impacting environmental and social sustainability together with life quality. In this context, the aim of present research is to understand the impact of the pandemic on social responsibility. The methods used are the review of published literature and policy work and qualitative analysis of annual reports and sustainability reports of the biggest company in energy from Eastern Europe - OMV Petrom, two listed Romanian banks – Banca Transilvania and BRD GSG and one international listed Bank Erste Group Bank. The conclusions of the study can serve professionals and stakeholders who lead social sustainability research in this field and open the path for more extensive research in the future.

Key words: Corporate Governance, COVID-19, Social Sustainability, CSR (Corporate Social Responsibility), ESG (Environmental, Social and Corporate Governance)

J.E.L. classification: G34, M14, Q01, Q56

1. Introduction

Sustainability is a part of the future development of the financial system. It is to be expected that organizations participate in combating climate change, mitigating the negative impact on the environment, and assuming their own sustainability. Companies that fail to adapt will be eliminated from the market either because of climate risk or by competition. Most institutional investors are constantly preoccupied with making sustainability decisions involving companies, which leads to sustainable results for those companies that choose to implement environmental, social, and governance strategies (E&Y, 2020).

With the pandemic, the trust in institutions has declined while political division, nationalism, imminent awareness of ecological disasters, losing trust in corporations, and capitalism has intensified. The Covid-19 pandemic determined people to rethink all aspects of their lives as well as the way companies work and manage employees during the crisis.

Companies feel pressure from a variety of sources to adopt several social sustainability practices. Investors, media, activists, the general public, and regulators constantly put pressure on companies.

Companies Act (441/2006) stipulates that directors are the ones entrusted with the promotion of the welfare of the company and are expected to serve the interests of the company in good faith in the company's interests in the best way. However, it's not enough for a company only to fulfil the legal duties and to pursue only profit-making. It is important that private companies align to the global sustainability objective. To be sustainable, organizations must be financially ensured, minimize and even eliminate their negative impact on the environment and action according to

society's expectations (United Nations, 2021). The European Commission, the United Nations and the Organization for Economic Cooperation and Development defined general principles for companies' activities. The European Commission even announced a complex package of measures promoting sustainability towards creating climatic neutrality in Europe by 2050, as a Directive that will impose reporting requirements that will be more comprehensive compared to the Non-Financial Reporting Directive (NFRD), so that in the long run, both financial and non-financial reporting to be done analogously. The reporting standards will impose providing quantitative and qualitative information regarding both previous and future activity.

2. Theoretical background

Corporate social responsibility (CSR) is a management concept through which companies integrate social and environmental preoccupations in their commercial activities and interaction with the stakeholders. CSR refers to the way a company achieves the balance between the economic, social and environmental requirements following the expectations of shareholders and stakeholders. Social sustainability is about identifying and managing the impact that an organization can have on people, both from a positive and negative perspective. The involvement of the company in the relationship with stakeholders is fundamental. Companies are responsible for whatever happens with the employees, value chain workers, customers, local communities, directly or indirectly. Impact management in a proactive way is crucial.

Social sustainability is a new approach to sustainable development. Actions towards developing social sustainability can open ways to new markets, can improve the relationship with business partners, and contribute to attracting new partners and increasing their employees' loyalty degree. They can also be a source of innovation for new services and products and can improve the relationship between companies and local communities and lead to better management of risks and conflicts. Leaders are responsible for managing their companies sustainably.

Social sustainability is firstly about human rights, especially of those belonging to certain vulnerable categories but it is also about the responsibility towards employees, investments in communities, women and their empowerment, promoting gender equality and the rights of children, of indigenous people, of disadvantaged people, the people with disabilities. Social sustainability is also about the impact of companies towards poverty, the shareholders rights, particularly the minority shareholders, the anticorruption policy, education, health, marketing, creating and promoting responsible products and services. According to Woodcraft (2015) social sustainability refers to places that support wellbeing, relating to social capital and quality of life.

Sudusinghe and Seuring (2020) proved in their research that there is a positive relationship between social sustainability adopted practices and economic dimensions in supply chain management.

Hutchins and Sutherland (2008) argue that companies that are aware of social issues start their sustainability efforts with their employees and develop their practices in the communities they activate, targeting their CSR activities. Employee performance is directly related to economic performance of a business. Employees' satisfaction is directly related with social wellbeing, that is why companies need to put in efforts to assure a safe and pleasant working environment.

The social score is composed of 4 elements, workforce, human rights, community and product responsibility. First one, *workforce* refers to how effective a company is in terms of job satisfaction, a work environment that is safe and healthy, promoting diversity and equal rights and opportunities for the employees. (Eikon Reuters ESG, 2021)

Human rights represent the effectiveness of a company in meeting the human rights requirements and conventions.

Community score is about the company's engagement in being a good corporate citizen, protecting the public health and obeying the business ethics.

Product responsibility measures a company's ability to deliver good quality products and services, respecting customers health and safety, integrity and privacy.

For the analysis, there were first compared the ESG combined score and the three pillars' scores, environmental, social and governance. Further on, there were chosen for the social score elements only a few indicators, for which the authors could find reported results. For the Workforce dimension,

18 dimensions were selected, for human rights 9, Community 15 and 3 elements for Product Responsibility.

3. Research methodology

This research aimed an examination of the impact of the Covid-19 pandemic on companies' social sustainability processes and synthesize the scientific literature on strategies regarding social sustainability, using scientific electronic databases like ScienceDirect, Web of Science, Emerald, Scopus,

We proceed to analyze companies' annual reports for 2020 to identify the social sustainability measures and policies they adopted last year and compare their social score. From Romanian companies, we found only four that have reported scores on social pillar, according to ESG criteria. Data was gathered from Eikon Reuters platform. The analyzed companies are the energy company, OMV Petrom, and three banks: Banca Transilvania, BRD Societe Generale and ERSTE Bank.

4. Findings

At first glance, it can be noticed Erste Group Bank has higher scores overall.

Table no. 1 Environmental, Social, Governance Scores for the four analyzed companies

REFINITIV ESG Statement View 2020	OMV Petrom SA	ERSTE Group Bank AG	Banca Transilvania SA	BRD Groupe Societe Generale SA
ESG Combined Score	B+	A-	A-	
	68	80	79	56
Environmental Pillar Score	B+	A-	A	
Social Pillar Score	A-	A-	A-	
	82.59	80.94	80.02	61.92
Governance Pillar Score	C-	A-	A-	
ESG Controversies Score	A+	A+	A+	100

Source: Authors' selection from ESG Eikon Reuters Database, 2021

For the workforce element of the Social Pillar score, the selection of indicators is following below.

Table no. 2 Workforce scores for the four analyzed companies, in 2020.

REFINITIV ESG Statement View, 2020	OMV Petrom SA	ERSTE Group Bank AG	Banca Transilvania SA	BRD Groupe Societe Generale SA
	Weight 12.2%	Weight 19.2%	Weight 19.2%	
Health & Safety Policy	TRUE	TRUE	TRUE	TRUE
Policy Employee Health & Safety	TRUE	TRUE	TRUE	TRUE
Policy Supply Chain Health & Safety	TRUE	TRUE	FALSE	TRUE
Training and Development Policy	TRUE	TRUE	TRUE	TRUE
Policy Skills Training	TRUE	TRUE	TRUE	TRUE
Policy Career Development	TRUE	TRUE	TRUE	TRUE
Policy Diversity and Opportunity	TRUE	TRUE	TRUE	TRUE

Targets Diversity and Opportunity	TRUE	TRUE	FALSE	TRUE
Employees Health & Safety Team	TRUE	FALSE	TRUE	TRUE
Health & Safety Training	TRUE	TRUE	TRUE	TRUE
Employees Health & Safety OHSAS 18001	TRUE	TRUE	TRUE	FALSE
Net Employment Creation	-12.85%	-3.37%	3.29%	-6.74
Number of Employees from CSR reporting	10,761	48,516	9,623	6938.00
Women Employees	24.03%	62.00%	74.76%	76.00
Women Managers	25.56%	43.50%	61.64%	69.00
Flexible Working Hours	TRUE	TRUE	TRUE	FALSE
Day Care Services	TRUE	TRUE	FALSE	FALSE
Management Training	TRUE	TRUE	TRUE	FALSE

Source: Authors' selection from ESG Eikon Reuters Database, 2021

From all the analyzed companies, it can be noticed that Banca Transilvania (BT) doesn't have a Policy for Supply Chain Health & Safety and a policy targeting Diversity and Opportunity, while Erste Bank omits to install an Employees Health & Safety Team. BRD GSG does not implement the occupational health and safety management system according to OHSAS 18001.

Only BT has a positive net employment creation for the last fiscal year and for the percent of women employees, the banking companies have a majority women staff and managers, due to its specific. OMV Petrom, being a technical company has a majority of men employees and for 2020 had over 25% women managers and targets for 2030 a 30% for managerial positions for women.

Concerning the flexible working hours, excepting BRD GSG, the other companies adapted their schedule to pandemic, developing part of their activities remotely, adopting online meetings and installing cyber security policies in accordance (OMV, ERSTE, BT, BRD 2020 sustainability reports).

Table no. 3 Human Rights scores for the four analyzed companies, in 2020.

REFINITIV ESG Statement View	OMV Petrom SA	ERSTE Group Bank AG	Banca Transilvania SA	BRD Groupe Societe Generale SA
2020				
Human Rights	(Weight 15.7%)	(Weight 9.6%)	(Weight 9.6%)	
	B+	B	B	
Human Rights Policy	TRUE	TRUE	TRUE	TRUE
Policy Freedom of Association	TRUE	TRUE	TRUE	TRUE
Policy Child Labor	TRUE	TRUE	TRUE	TRUE
Policy Forced Labor	TRUE	TRUE	TRUE	TRUE
Policy Human Rights	TRUE	TRUE	TRUE	TRUE
Fundamental Human Rights ILO UN	TRUE	FALSE	FALSE	TRUE
Human Rights Contractor	TRUE	TRUE	TRUE	TRUE
Ethical Trading Initiative ETI	FALSE	FALSE	FALSE	FALSE
Human Rights Breaches Contractor	FALSE	FALSE	FALSE	FALSE

Source: Authors' selection from ESG Eikon Reuters Database, 2021

Regarding the human rights component, all analyzed companies have installed social objectives and policies with respect to human rights, health, education, safety, diversity, product safety and marketing ethics.

Table no. 4 Community scores for the four analyzed companies, in 2020.

REFINITIV ESG Statement View	OMV Petrom SA	ERSTE Group Bank AG	Banca Transilvania SA			BRD Groupe Societe Generale SA
	2020	2020	2020	2019	2018	2020
Community	Weight 7.8% A	Weight 12.0%A	B+	B-	C-	
Policy Fair Competition	TRUE	TRUE	FALSE	FALSE	FALSE	FALSE
Policy Bribery and Corruption	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Policy Business Ethics	TRUE	TRUE	TRUE	FALSE	FALSE	TRUE
Policy Community Involvement	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Improvement Tools Business Ethics	TRUE	TRUE	FALSE	FALSE	FALSE	FALSE
Whistleblower Protection	TRUE	TRUE	FALSE	--	--	TRUE
OECD Guidelines for Multinational Enterprises	TRUE	FALSE	FALSE	FALSE	FALSE	TRUE
Donations / Million in Revenue	1,594.34		7,953.90	7,513.00	7,380.78	3293.27
Donations Total RON	31,435,668		39,795,000	38,139,000	32,932,000	102000.00
Employee Engagement Voluntary Work	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Corporate Responsibility Awards	TRUE	TRUE	TRUE	TRUE	FALSE	FALSE
Diseases of the Developing World	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
Crisis Management Systems	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

Source: Authors' selection from ESG Eikon Reuters Database, 2021

As per Covid-19 situation, all companies made investments in local communities and health awareness area taking strong pandemic responses and donated money as it can be seen in the above table.

The highlight of the analysis remains the yearly evolution of Banca Transilvania on most of the elements measuring Community score. They donated more than 2 million euros for 38 hospitals in Romania.

Banca Transilvania spent 15 million lei for protective equipment and anti-Covid-19 fight and took special measures to support its customers by according special conditions for credit cards and loans customers. They also organized campaigns to support local entrepreneurs and granted over 100.000 loans.

OMV Petrom made donations to hospitals, schools, continued its renowned programs for helping children, environment, etc.

Erste Group made donations to Austrian Red Cross, Croatian and Romanian Hospitals, Czech Republic call centers and educational Slovakian centers and instituted special loans and donations programs to health care workers in Hungary.

BRD invested in 2020 in social projects about 10 million Ron. Their report is not describing all the actions completed.

Table no. 5 Product Responsibility scores for the four analyzed companies, in 2020.

REFINITIV ESG Statement View	OMV Petrom SA	ERSTE Group Bank AG			Banca Transilvania SA			BRD GSG SA
Product Responsibility	Weight 6.3%	Weight 8.8%			Weight 8.8%			
	A 2020	B+ 2020	A- 2019	B+ 2018	B+ 2020	A- 2019	B 2018	2020
Policy Customer Health & Safety	True	False	False	False	False	False	False	False
Policy Data Privacy	True	True	True	True	True	True	False	True
Policy Cyber Security	False	True	True	False	True	True	False	True

Source: Authors' selection from ESG Eikon Reuters Database, 2021

OMV Petrom respects the United Nations Sustainable Development Goals and have product responsibility measures in force specially because their object of activity. The banks, as financial services providers obey to specific requirements. For all companies analyzed cyber security policy needs to be top priority and product responsibility policies have to be developed more in the future.

5. Conclusions

Covid-19 pandemic raised awareness of the risk occurred from systemic problems and serious threats like climate change, natural catastrophes, the financial system potential failures. It emphasized particularly the bond between people, planet and profits, highlighting the Social in the ESG and pointed towards reassessing the E of the Environment, Social and Governance (Adams & Abhayawansa, 2020). Measures taken between and after the pandemic crisis need to focus towards inclusive, sustainable and more equal economies that would be better prepared in case of climate change, pandemics and other challenges. Businesses need to assimilate sustainable development in their strategies, management and governance and assume the responsibility for them (Guterres, 2020).

In Romania companies need to develop their sustainability practices and take more seriously their corporate citizenship behavior as it is not enough to obey the laws but for being competitive and economic performant in the contemporary market it is important to take responsibility for own footprint, create work environments that promote wellbeing and involve in community life by making investments that lead to raising the standard of living.

Further studies might analyze companies from different industries on their actions taken towards social sustainability and the relationship between economic and social performance.

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