Non-Financial Reporting of Information Within Companies. Case Study OMV Petrom

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Abstract

The purpose of this paper is to analyze the main aspects of non-financial reporting in companies. The main objectives considered were the presentation from a theoretical point of view of the concept of non-financial reporting, the need for integrated reporting at international and national level, the sustainability report. We will analyze the case study on non-financial reporting within OMV Petrom.

Key words: sustenability, non-financial reporting, companies
J.E.L. classification: M41, Q40, Q56

1. Introduction

Under increasing pressure from various factors, more and more entities have been giving increasing importance to environmental issues, although sometimes they can have a significant impact on the performance of the entities, but are of increasing interest to users of financial statements (investors, creditors, suppliers, customers, state institutions and other authorities, employees, the public). The main objective of the paper is to identify the benefits of integrated reporting within companies. A company is not only made up of costs and revenues, but there are aspects that can influence the evaluation of an organization, such as the environment, employees and the relationship with the territory. This explains why, in addition to the traditional form of reporting economic and financial results (financial statements), new external reporting tools are strengthened on their non-financial performance (such as the sustainability report or the non-financial statement). Reporting helps companies protect the environment and improve society, thrive economically by improving governance and stakeholder relationships, builds their reputation and builds trust. "GRI standards are a robust framework, developed with input from many stakeholders and rooted in the public interest. The framework is tailored to meet all sustainability reporting needs, from comprehensive reporting to problem-specific disclosures, and is therefore suitable for use by organizations, regardless of size or industry" (Crisan, 2022).

2. Theoretical background

The middle of the last century has seen the development of a new sensitivity among citizens towards ethical and environmental issues, so much so that they have led companies to consider the strategic set of stakeholder relations and urge them to invest some of their resources in the search for transparency and dialogue with all stakeholders on these issues. This phenomenon therefore leads to the birth of social reporting and the development of the first standardized guidelines for social, environmental and sustainability reporting. Reporting on corporate social responsibility has grown in recent years, making it a widespread, global phenomenon. Among the various reasons for companies to report on corporate responsibility, provided this is not required, the following are worth noting: in the long run, the strategic use of social reporting can prove to be a valid means of corporate promotion, for improving the image and increasing the profit; social reporting is an appropriate response to external expectations for the benefit of stakeholders; contributes to the establishment of a positive climate of dialogue that improves relations with subjects who have resources and skills essential for the management of the company and the achievement of pre-established economic results; it also contributes, through open communication with the outside world, to the protection and improvement of the company's image by strengthening its reputation; reporting is the company's ethical framework, extolling its moral values and ensuring its compliance with the principle of transparency towards all stakeholders. Around 1970, a first social reporting project was born in Germany, where Sozialbilanz-Praxis attached it to the operational one, highlighting three aspects of the company's activity: describing the social objectives and reporting the relative results; determining the added value; analysis of the costs and benefits of social management.

The culture of corporate social responsibility is spreading in Europe, where the Union invites companies to report by taking into account the three key issues: social, environmental and economic. This is in line with the international guidelines and directives of the main organizations dealing with this issue. The same thing is happening on other continents with the introduction, in some states, of social reporting guidelines and obligations. It is worth mentioning the King III Code of Governance Principles (2009) which, in South Africa, obliges companies listed on the Johannesburg Stock Exchange and all other public, private and non-profit bodies to publish a single integrated report containing information on governance. , strategy and sustainability, developed in accordance with GRI guidelines.

The Organization for Economic Co-operation and Development (OECD) guidelines for multinational companies are a set of guidelines that aim to affirm and increase their contribution in the context of economic, environmental and social progress. They consist of an ethical part dealing with human rights, employment, industrial relations, the environment, the fight against corruption and bribery, consumer interests, science, technology, competition, taxation, and a second, operational part, which refers to the national bodies responsible for disseminating and monitoring the correct application of the guidelines.

Romania officially applied to join the OECD in April 2004 and November 2012 in previous enlargement activities and has been updated annually since 2016. By Prime Minister's Decision, an Intermenstrual Committee for the Coordination of Romania's Relations with the OECD was established on September 1. 2016, consisting of representatives of all institutions involved in the activities of the OECD structure or who manage cooperation programs with the organization. The Committee is currently coordinated by the Prime Minister of Romania, and the technical secretariat is provided by the General Secretariat of the Government.

3. Research methodology

The scientific approach is based on information from the national literature, as well as from the practical documentation made through the case study presented. In the elaboration of the paper, we chose to combine quantitative research with qualitative research in order to obtain the expected results. Following the research undertaken, the research tools belong to the two categories of methods, namely: review of the literature, comparison, descriptive analysis, case study method, data interpretation.

In order to support from a practical point of view theoretical aspects presented in the paper, we will present through the case study how to report non-financial information through the sustainability report of OMV Petrom.

4. Findings

4.1. Integrated reporting at international and national level

Integrated reporting has grown due to the recognition of international bodies dealing with it and recognizing the need to develop the process and prepare sustainability reports aimed at merging into a single document that contains in a way, interconnected, factors and economic performance (of the situations with the environmental and social ones (sustainability reports) in an organizational set of integrating social responsibility in the company’s own strategy. The integrated report highlights the relationship between strategy, governance, economic and financial performance and the socio-ecological context as well as the environment in which the entity operates, providing answers to the need to measure and verify the achievement of strategic business objectives. The first integrated report dates from 2002, prepared by the Danish company Novozymes, which operates in the biotechnology sector, followed, two years later, by that of Novo Nordisk, active in the pharmaceutical sector. Integrated reporting has grown since 2008, spreading among large companies in the United States and the European continent, including: United Technologies Corporation, American Electric Power, AXA, BASF, Philips (Crișan Elena, 2022).

In 2013, IIRC published its guide to the integrated report, the International <IR> Framework, as a tool for companies wishing to create a report that promotes economic and financial stability and sustainable development based on the investment decision-making process based on the creation of long-term value. In short, the framework aims to lead companies to connect economic and financial performance with those of sustainability and to highlight to investors and all stakeholders how the company itself can create value through its business model, strategy and use of capital. In Romania, the preparation of non-financial reports is regulated by the Order of the Ministry of Public Finance no. 1938/2016 (adopting EU Directive 95/2014) and Order no. 3456/2018. „The Romanian legislation stipulates that the non-financial reporting should be done in the form of a non-financial statement that should be included in the administrator's report. There are also some requirements for presenting information related to diversity, especially gender" (Fărcaș, T. V, 2020, p. 339).

In 2018, a new point is introduced in Order no. 1802/2014 (492.6), through Order no. 470/2018, “The presentation of non-financial information takes into account the European Commission Communication on Guidance on non-financial reporting (non-financial reporting methodology) (2017 / C 215/01)”, published in the Official Journal of the European Union, C series, no. 215 of July 5, 2017” (Order no. 470 , Art.13 (3)).

Some companies with more than 500 employees whose non-financial reporting obligations first appeared in 2018 were required to provide information for fiscal year 2017. In fact, all Member States set this obligation in the same year, but towards Unlike Romania, they already had a tradition of voluntary reporting on sustainability or corporate social responsibility. In Romania, some listed companies voluntarily submit non-financial reports on social, energy and environmental performance. Non-financial reports help attract new investors, because through them, companies can explain long-term sustainability. Pursuant to art. 1 of Order No. 1938/2016, paragraph 492 ^ 1 ("Non-financial statement") this "non-financial statement" must be sufficiently in-depth to allow a clear understanding of the "development, performance and position of the entity and the impact of its business" (Order no. 1938/2016, Art. 1(2)).

The areas of non-financial reporting relate to the environment, social, personal, respect for human rights, the fight against corruption, and must describe at least: the entrepreneurial model of management and organization of the company's activities; company policies and results; the main risks (generated or suffered) in the context of the company's activities, with reference to products, services and business relationships. Non-financial information should be extended at least to: the use of energy resources (renewable and non-renewable) and water resources; greenhouse gas emissions and other pollutant emissions into the atmosphere; the impact of short- and medium-term corporate policies on the environment, health and safety; social issues related to personnel management; respecting the human rights; anti-corruption methods. Each of these aspects will need to be accompanied by information showing the level of performance in their management (policies and procedures and related results; non-financial risks and how they are managed; non-financial performance indicators). Through this information, stakeholders will know the impact that the company has on the economy, the environment and society.

4.2. Non-financial reporting

Social and environmental reporting focuses on non-economic performance reporting to make organizations more accountable, democratic, and transparent to stakeholders. A number of social and environmental reporting tools and guidelines are available. Internationally, there are several states that are leaders in this type of reporting practice. For example, in the Scandinavian countries and the Netherlands there are mandatory requirements for reporting corporate environmental performance. In the United States, companies must submit data on pollutant emissions to the Environmental Protection Authority, which is then released. The United States Securities and Exchange Commission, the Canadian Securities and Exchange Commission, and the British Company Law require the disclosure of social and environmental information that affects current or future financial performance. The Sustainability Reporting Guidelines (GRI, 2002) are a model in which social and environmental performance indicators will be integrated into an extended performance reporting framework. This initiative aims to combine the reporting of financial, environmental and social performance in the same format, enjoying the active support and involvement of international representatives of key constituencies. However, this process has its limitations. For example, reporting on economic performance under the Sustainability Reporting Guidelines remains largely limited to the elements of traditional financial reporting. The provision of information through intellectual capital models, the balanced reporting form, and the social and environmental reporting models is limited and incomplete. Intellectual capital reporting models and the balanced reporting form do not sufficiently address the non-economic performance of an organization. The interest of shareholders and customers is explicitly recognized, but it is considered that not all stakeholders have the automatic right to occupy a position in the reporting form.

Part B of the "Reporting Principles" guidelines is dedicated to principles and practices that promote rigorous reporting and substantiate their application. The content of the report is addressed in Part C and is divided into five sections: vision and strategy, profile, governance structure and management systems, GRI content and performance indicators. The last section is the main contribution of the Global Reporting Initiative in that it is the basis for the notion of sustainability based on the TBL (Triple Bottom Line) approach. The starting point of the sustainability reporting model proposed by GRI is the conceptual framework of the guidelines. The Global Reporting Initiative (GRI) is the most relevant institution in the context of sustainability reporting. Currently, more than 700 rapporteurs from 43 countries publish a sustainability report based on GRI sustainability guidelines. This is the result of a project by the Coalition of Economically Responsible Economies in partnership with the United Nations Environment Program, which published the first guideline for sustainability reporting in June 2000. Immediately afterwards, GRI set up the Measurement and Review Working Groups to helps to re-examine these guidelines.

This review process had three main objectives:
- widening the stakeholder base of guidelines;
- improving sustainability reporting; -
increasing utility and credibility.

A second version of the guidelines was published in August 2002 at the start of the Johannesburg Summit. The main objective of this new version of the guidelines was "to assist reporting organizations and their stakeholders in formulating and understanding their contributions to sustainable development" (Cioca, 2015, p.112)

The first problem observed is the lack of an explicit definition or a reference to a definition of sustainable development. Although the guidelines contain a glossary that includes many words and phrases, there is no interpretation of sustainable development or sustainability. An indirect reference and interpretation can be found in the Introduction to the Guidelines when describing trends, which is a measure of progress towards sustainable development. The guidelines accept that sustainable development has been widely adopted as a basis for public policy and organizational strategy. Thus, GRI has taken a new turn towards the strategic behavior of organizations, considering the information on sustainability as a unit of measurement, equal to the financial reporting for economic and financial resources. Next, the guidelines better explain their interpretation of sustainability - a TBL approach - when it states the following: GRI guidelines organize "sustainability reporting" in terms of economic, environmental and social performance (also known as "triple bottom line" reporting). This structure was chosen because it reflects what is currently the most widely accepted approach to defining sustainability.

5. Sustainability report - tool for reporting environmental information

The sustainability report examines a company's performance in terms of social, environmental and economic impact. Not surprisingly, there is also talk of "triple bottom line" reporting and reporting (Elkington, 2018).

In addition, the values, policies and governance model of the organization are presented in the sustainability reports, highlighting the points of contact between the corporate strategy and the commitment to a sustainable economy. Stakeholders are increasingly demanding on transparency regarding corporate responsibility issues. Honest and credible communication can greatly contribute to the company's reputation and, consequently, to the results of market performance, increasing its overall value. Involvement in drawing up (or publishing) a sustainability report is also a good way to internalize and improve the organisation's commitment to sustainable development, using a tool that can be useful in demonstrating the commitment of both internal and external stakeholders. and external ones. Reporting causes companies to measure the impact produced or suffered, to set goals and to manage change. In order to draw up a regular sustainability report, regular reporting cycles are established: data collection is planned, communication and internal sharing are established.

In this way, the performance of sustainability is constantly monitored and decision-makers are constantly informed so that organizational strategies and policies can be shaped accordingly. To date, the nature of these sustainability reports is voluntary. In recent years, a debate has developed on the usefulness of promoting the legal obligation, on the one hand, and, or on the opportunity to promote a voluntary context, on the other. The combination of voluntary and mandatory approaches proves to be appropriate, as the number of companies preparing a sustainability report increases from year to year. In Europe, the Non-Financial Reporting and Diversity Directive has recently been approved. This is a relevant legislative initiative for the European Economic Area.

It calls on companies to include information on policies, risks and results in their environmental, social, human rights, anti-corruption and diversity management reports. This will give investors and stakeholders a more complete picture of the company's performance.

There is no law that imposes a uniform method, but there are guidelines that we can refer to: the Global Reporting Initiative (GRI), a non-profit group founded in Boston in 1997, which allows companies around the world to analyze sustainability performance and make the results known in a manner similar to the financial report. The sustainability report is a document - the result of a process - by which an organization reports on choices, activities, results and use of resources (Economic-Social-Environment) over a period of time, to allow stakeholders to know, formulate and to return their own judgment on how the organization itself interprets its mission. It is: A document produced and published by an organization, A communication tool for stakeholders, A statement of activities and results over a defined period, A photo of the organization to monitor transparency with stakeholders, A tool of accountability to increase stakeholder confidence and reputation.

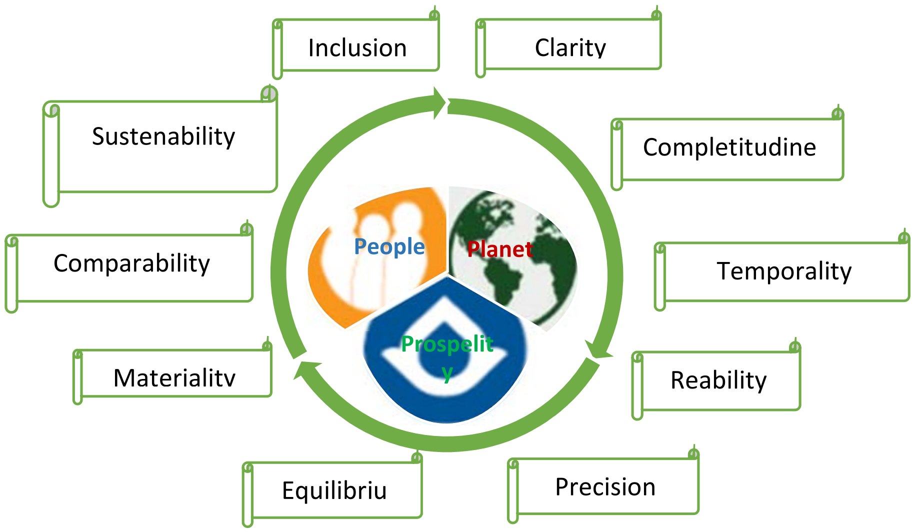
"Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance in order to achieve the goal of sustainable development " (European Court of Auditors, 2009).

Each sustainability report has its own story and the context of each organization is what guides that planning. Therefore, if, in terms of content, sustainability is different, from a procedural point of view, several common steps can be identified. In the first stage of analysis are: • the internal market scenario, current trends, benchmarks of sustainability strategies developed in the market, best practices, regulatory environment (external analysis), and • contingent issues (depending on the moment, sector, company situation, its strategy) relevant in terms of sustainability, objectives, mission and vision of the company, risks (internal analysis). Based on this analysis, the strategy itself is defined and the pillars, areas or guidelines in which one or more material aspects converge are established, in line with the strategic objectives, including those of sustainability (short, medium and long term), in line with the calendar of the business plan, through direct involvement.

According to the GRI Sustainability Reporting Guidelines: it is the tool for monitoring, reporting and communicating the responsible management process undertaken by the organization, which tends to make visible the environmental, social and economic performance of the company; In addition, it is a planning and control tool that analyzes the activities and services carried out by the company, evaluating them according to the logic of economic efficiency, environmental protection and social protection.

The principles for defining the content of non-financial statements as well as the principles for defining the quality of the report are defined in GRI 101 (GRI 101, p.7-16). The principles of the content and quality of the sustainability report are illustrated in the figure below:

Figure no. 1 Principles of the content and quality of the sustainability report



Source: author's projection

The Principle of Materiality. The information contained in the report relates to topics and indicators that reflect relevant economic, environmental and social impact or that could substantially influence the assessments and decisions of stakeholders. A threshold (materiality) is defined beyond which a certain topic becomes important enough to be included in the report. Principle of Stakeholder Inclusion. The organization identifies its stakeholders and describes how it has responded to and met the expectations arising from their involvement.

Sustainability Context. It illustrates the performance of the organization with reference to the theme of sustainability. how it contributes to improving or worsening economic, environmental and social conditions.

The principle of completeness. The report shall contain information reflecting the relevant economic, social and environmental impact, so as to enable stakeholders to analyze the performance achieved within the relevant scope and period. The Principle of Balance. It reflects the positive and negative aspects of the organization's performance in order to facilitate a correct and up-to-date interpretation, with the most objective, impartial and unquestionable content possible.

The principle of clarity. The available data are presented in a way that is understandable and accessible to the stakeholders who use them.

Principle of Comparability. The preparation of the sustainability report facilitates the interpretation by stakeholders of changes in the performance of the organization over time and allows comparative analysis of other organizations and periods.

Principle of Accuracy. The information included in the report is sufficiently accurate and detailed to enable stakeholders to make an appropriate qualitative and quantitative assessment of their corporate performance.

The principle of temporality. The sustainability report will be prepared on a regular basis and stakeholders will be informed promptly in order to make informed decisions.

Principle of Reliability. The information and processes used for the preparation of the report are collected, prepared, recorded, analyzed and communicated in such a way as to determine the quality and relevance of the information.

6. The case study on non-financial reporting will be conducted by OMV Petrom

Studies show that organizations that operate sustainably perform better on the stock market. Harvard researchers, using the SASB model, found that organizations with a very good environmental assessment have a better profit than those with lower estimates (Khan, Mozaffar et all, 2016, p.1697).

Publishing information on your corporate sustainability strategy can significantly reduce your environmental impact. If each sector shared the green philosophy, we could reduce emissions by 10 billion tons by 2030 (The Business end of Climate Change, 2016). In addition, the dissemination of company reports and environmental initiatives has negligible costs compared to benefits. Unfortunately, the current situation is negative: many companies publish obscure reports or data that are not useful to investors, public and private.

In Romania, corporate social responsibility is regulated by EU Directive 95/2014, a European standard that requires companies to publish ethical information. Entered into force on 1 January 2017, it provides that companies with more than 500 employees or those of public interest to communicate information on environmental sustainability.

Please note that this company is listed on the Bucharest Stock Exchange and thus all financial and non-financial information is public. The sustainability report can be consulted in its entirety on the company's own website: https://www.omvpetrom.com/ro. OMV Petrom is the largest energy company in Southeast Europe. The company is active throughout the energy value chain: from oil and gas exploration and production to fuel refining and distribution, and further to electricity generation and gas and electricity trading. Sustainability for OMV Petrom means focusing on running the business responsibly, efficiently and in an innovative way. We are committed to creating long-term value for the company and its stakeholders, respecting the environment, supporting the communities in which we operate and striving to support the UN goals of sustainable development. The OMV Petrom 2020 Group Sustainability Report, a document published annually (the previous report was published in June 2019), presents the impact of our activities on the economy, the environment and society, as well as how we managed these impacts to strengthen our performance and ensures our long-term sustainable development.

The information included in the report covers 2020 (1 January - 31 December), a challenging year for society and companies due to the COVID-19 pandemic. This report has been prepared in accordance with GRI standards: the Core option, the G4 supplement G4 specific to the oil and gas sector as well as with the Romanian legislation on non-financial reporting - Orders No. 1938/2016 and Nr. 2844/2016 issued by the Ministry of Public Finance. In the process of compiling the report, we also followed industry best practices: IPIECA Guidelines Specific to the Oil and Gas Industry on Voluntary Sustainability Performance Reporting, Accounting Standards for Sustainability for the Oil and Gas Sector issued by the SASB, but also the non-binding EU provisions of the Guide to Non-Financial Reporting. Sustainable business implementation is crucial for OMV Petrom in creating and protecting long-term value, building trustworthy partnerships and attracting customers, as well as the best suppliers, investors and employees.

The 2025 Sustainability Strategy is an integral part of the business strategy and is a sustainable component of OMV Petrom's goals. The strategy defines objectives and targets, incorporated in OMV Petrom's business strategy, in five main areas of interest: Health, Safety, Security and Environment (HSSE); Efficient carbon management; Innovation; Employees; Business Principles and Social Responsibility. For each of these 5 areas: commitments, 2025 objectives, 2020 status, sustainable development objectives supported by 2020 projects.

The strategy includes 15 objectives that are aligned with the production plans, sales and product portfolio established by the Business Strategy and are developed to provide the company with a secure and sustainable energy supply.

Below we present one of the 5 areas of interest Health, Safety, Security and Environment, the other four being found in the sustainability report of OMV Petrom for 2020, available online on the company's website:

Table no. 1 Area of interest and material topics: Health, Safety, Security and Environment (HSSE)

Area of interest and material topics: Health, Safety, Security and Environment (HSSE)	
Commitment	Health, safety, security and environmental protection have the highest priority in all activities
	Proactive risk management is essential to achieving the HSSE vision a OMV Petrom on "No Injuries - No Loss".
2025 Objectives	Fatal accidents: Zero fatal accidents following a work accident
	Stabilize the frequency of incidents with lost working time to less than 0.30 (per 1 million hours worked).
	Process safety: Maintaining the leading position for the rate of events related to process safety (2017: 0.18).
Status 2020	0 fatal accidents following a work accident
	0.15 (per 1 million hours worked)
	0.11 Leading position maintained.

Source: OMV Petrom Sustainability Report, 2020, p.12

The future must also be sustainable for business. Consumers are increasingly aware of climate change and choose products with the least impact on the environment. Being green is not limited to free time, but it is an indispensable lifestyle to have a better future for everyone.

7. Conclusions

Given the intense process of standardization and standardization in the field of accounting, both internationally and nationally, it is expected that in terms of environmental management and its protection, sustained efforts will be made for a common representation of such activities. , in order to achieve a comparability of methods and to identify good practices applicable to several areas of activity. Romania, like other countries in Europe and the world, is facing serious problems of environmental pollution, as a result of the policy of intensive industrialization practiced for years. Permanently, the environmental factors air, water, soil, have been and are subject to anthropogenic aggression, the progressive worsening of their quality has determined social implications with repercussions on the quality of life. Legislative constraints have played a very important role in increasing the number of reports, making them mandatory due to the Directive on the obligation of large companies to report annually on a number of non-financial and workplace diversity issues, adopted on 15 April 2014. by the European Commission.

The European directive applies to companies with more than 500 employees, and SMEs are also encouraged to make these reports. Five years after the Paris Agreement on Climate Change and the formalization of the 2030 United Nations Agenda, sustainability has taken on an even more central role in the development projects of the European institutions and in the pathways of major companies, with the ambitions and goals of the European Green Pact. We are witnessing this evolution in Romania as well, where non-financial information is becoming more and more important, starting with the mandatory reporting, imposed by Order no. 1938/2016 and Order no. 3456/2018.

The integrated report is not only an analysis tool, but a real channel with which to enter the internal dynamics of management, to assess the strengths and weaknesses, to identify any needs (management training, communication improvement, etc.) and to outline the strategy. development. There are two major reasons for adopting reporting methods: they reflect changing social and cultural values; Integrated reporting is the best model for showing a company's long-term ability to create and sustain value. Companies should learn to think more responsibly about their social and environmental impact. Internationally, the most representative guide to environmental reporting is the GRI

Guidelines, which provides a conceptual framework for reporting environmental information. GRI Guidelines include principles, qualitative characteristics of information and a set of indicators that reflect the environmental performance of the entity. Correlating this guide with the implementation of an ISO14001 environmental audit and management system would increase the relevance and credibility of the information provided.

Another tool for reporting environmental issues is the environmental balance sheet, which collects all the costs and financial benefits with environmental impact within the entity, highlighting the fact that environmental protection can lead to positive contributions to the development of the entity. In relation to these issues, we believe that the accounting profession should also be involved in managing environmental issues, because by determining environmental costs, environmental debt and provisions, the environmental issues that an entity may face could be of interest to it. and managers, and this would lead to a reduction in fines and penalties for non-compliance with the regulations in force on environmental protection, but, most importantly, to a better and more judicious management of the environment.

Companies committed to promoting environmental sustainability must be able to produce environmentally friendly products and services. For example, a company that produces a product, or provides a service, needs to pay special attention to its entire life cycle. From the design to its disposal or to the waste generated during its production or supply, which is to be disposed of. This involves using low-impact raw materials or favoring reuse and recycling chains where possible. In fact, in order to be sustainable, products must be made of materials that can be replaced in the event of damage, possibly with regenerated materials or with a low impact on the environment. This is very important because it is essential to minimize waste generation.

The case study presented within OMV Petrom highlighted the reporting of non-financial information that it does annually. This non-financial and financial information is useful to various users of financial statements, being available both on its own website, given on the website of the Bucharest Stock Exchange, this being a company that trades securities.

OMV Petrom attaches special importance to issues related to Health, Safety, Security and Environment; Efficient carbon management; Innovation; Employees; Business Principles and Social Responsibility. The company's sustainability report describes in detail the commitments, the long-term objectives, the current situation, the sustainable development objectives supported by it.

Our hope is that by carrying out this work we will make a modest contribution to the field studied in the context of the new complex challenges that the accounting profession should face successfully in order to strengthen its image and credibility.

8. Acknowledgement

The article is made with financial support from the funds for scientific research of the "1 December 1918" University of Alba Iulia.

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