

# Transparency Degree of Non-financial Information Disclosure

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## Abstract

*Corporate social responsibility (CSR) refers to the strategies of corporations or companies that conduct their business in a way that is beneficial to the environment, employees and community in terms of development. The responsible companies invest in strengthening the trust of their partners, in parallel with the improvement of the economic performances. Credibility and transparency are those impressions we remain with after reading social reports. The consistency, relevance and completeness of the CSR reports are given by the extent to which they cover the relevant topics and the amounts for CSR actions are communicated. The main purpose of this paper is to analyze the degree of transparency of the social responsibility activities of a sample of companies listed on the Bucharest Stock Exchange in terms of non-financial performance indicators for the period 2017-2018. The study shows that each company presents its sustainability activities differently in their reports, with a positive evolution of the social responsibility activities presented.*

**Key words:** non-financial reports, transparency, sustainable business

**J.E.L. classification:** M14, M40, M49

## 1. Introduction

CSR activity involves a number of activities, such as collaboration with partners with local community partners, which may have relationships with employees, customers and implications in activities for environmental preservation and sustainability.

Companies have a significant impact on social development in the areas where they operate. Therefore, these companies have a responsibility that extends beyond a simple algorithm that relates to profit. CSR is a concept that presents the social responsibilities of companies, but also how can be implemented these responsibilities. There are a multitude of companies that are profitable in financial terms but have activities that harm their own employees and the community. Thus, companies are more and more concerned with CSR as they realized that the development of their business depends also on the external environment (Hategan et. al, 2018. a).

The main purpose of this paper is to analyze the degree of transparency of the social responsibility activities of a sample of companies listed on the Bucharest Stock Exchange (BSE) in terms of non-financial performance indicators for the period 2017-2018 based on information presented in the sustainability reports, respectively the annual reports, especially the nonfinancial performance indicators.

The research methodology for this paper starts with a literature review and justifies the second part of the research. The results of case study presented the common points and the differences of reporting of the social responsibility of companies listed on BSE.

Data analysis results in the need for a standardized social reporting report so that the presentation of company activities must reflect a true image of reality, the quality of the information is necessary to present it in a transparent and credible way, the image and value of a company correctly.

The article is organized as follows. The literature review and theoretical framework are described in section 2. The section 3 presents the methodology and database used in this research. The results of the qualitative analysis are described in section 4 and section 5 contain the conclusions.

## **2. Literature review**

Corporate Social Responsibility (CSR) is a term that brings to discussion the contribution that companies need to have on the overall development of modern society. Currently a company involved in corporate social responsibility has a competitive advantage, it contributes to sustainability, strengthens the relationship with investors, customers, suppliers and other stakeholders.

Gallardo-Vázquez et al. (2019) point out that socially responsible behavior offers many advantages, differentiates firms on the market, preferring those that contribute to sustainable development, especially under the increasing pressure of the public to carry out economic activities responsibly. Reporting contributes to the transparency of business activities and investments, which improves their reputation in front of all those interested.

According to the European Directive (Directive 2014/95), companies with more than 500 employees are required to produce a sustainability report to show the impact of the company on the economy, which is its responsibility for its own employees, for society and for the environment. The implementation of Directive 2014/95/EU will contribute to providing more consistent and comprehensive data to improve research in the field of CSR for EU countries (Manes-Rossi et al, 2018).

Under current conditions, competition on the market is not easy for businesses, without critical information or data, even impossible. Currently, for a company, information becomes one of the key factors and, therefore, the enterprise information system is a decisive factor in business competitiveness (Rajnoha et al., 2016).

Organizations report sustainability reports and social responsibility on their official pages. The main objective of the companies is to environmental, economic and social impacts. All these reports include actions and activities, progress and efforts involved. It does not exist but a specific template for these reports (Dumitraşcu and Feleaga, 2019).

Dumitru et al. (2017) consider that in practice, corporate social responsibility are interconnected with sustainability, mission, vision and values of the organization, reporting of statements and of relations with stakeholders

Feleaga et al. (2011) take into account that sustainable development is a highly debated concept in the last decade, both internationally and in Romania. Contemporary society has to face challenges unprecedented, including the reduction of natural reserves and pollution. Companies should be directly interested in promoting the concept of sustainable development.

In order to develop effective CSR campaigns, it is not only the way in which these are achieved but also the themes addressed are important. Thus, the areas of involvement must be meaningful to the public of the company and be in correlation with the field of expertise or the characteristics organization (Habek and Wolniak, 2013).

An important issue for any company doing CSR is public confidence in their transparency. This trust is vital not only to get positive effects on the company's image, but also to attract investors and collaborators.

## **3. Research methodology**

The research methodology proposed for the realization of this article starts with a first stage of scientific documentation, aiming to deepen the existing information in the studied field. Then based on the primary data collected manually, the information presented in the sustainability reports of the companies will be analyzed in order to establish their degree of transparency.

The main indicators that companies must presents in their reporting, based on the Directive requirement are business model of the company, the applied and resulted policies, risks, some key

performance indicators, environment impact, renewable energy, gas emissions, pollution of the air and water, equality of the gender, work conditions, security at the workplace, charitable contributions, human rights, corruption, climate change, discrimination and promoting the diversity (Hategan et al., 2018. b)

The sample consist of eight companies listed on the BSE in the energy and oil field in 2017 and 2018.

#### 4. Results

Table 1 contains the actions and activities of social responsibility that were presented in the non-financial reporting of the companies.

*Table no. 1. Actions and activities of social responsibility*

<b>Employees</b>	<b>Environment</b>	<b>Relationships with the community</b>	<b>Innovation</b>
<ul style="list-style-type: none"> <li>-first aid lessons</li> <li>- private health insurance</li> <li>-training of employees</li> <li>-the relationship with the unions</li> <li>-equal opportunities</li> <li>-fighting discrimination</li> <li>-professional performance evaluation</li> <li>-dialogue with employees</li> <li>-competitions for employees (in order to promote sport, culture, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>-promoting a culture of environmental protection</li> <li>-reducing the extracted water</li> <li>-reducing gas emissions</li> <li>-reuse of waste</li> <li>-waste recycling</li> <li>-planting trees</li> <li>-reducing energy consumption</li> <li>-biodiversity</li> <li>-decommissioning of the operating areas</li> <li>-prevention of soil pollution</li> </ul>	<ul style="list-style-type: none"> <li>-green spaces arrangement</li> <li>-reducing school dropout</li> <li>-managing complaints, notifications</li> <li>-education</li> <li>-infrastructure improvement</li> <li>-partnerships</li> <li>-volunteers</li> <li>-scholarships students</li> <li>-health</li> <li>-courses for promotion</li> </ul>	<ul style="list-style-type: none"> <li>-smart energy networks</li> <li>-modernization / replacement of installations</li> <li>-modernization of technological instruments</li> <li>-implementation of advanced technologies</li> </ul>

*Source:* own processing

Table 2 presented the indicators of corporate social responsibility and their percentage of achievement. The information contained in the reports was determined by an analysis of the material aspects that took into account the opinion of the main stakeholders of the company and focuses on these topics: environment, social, employees and innovation that are necessary for understanding development, performance and of the presence on the market of companies, as well as for understanding the impact of the activities on the company. The percentage determined by relating the number of activities included in the report of each company to the total number of possible activities accumulated from all the analyzed reports.

OMV Petrom S.A., Rompetrol, S.N.G.N. Romgaz S.A., C.N.T.E.E. Trans Electrica and the Energetica Electrica S.A. presents the activities of social responsibility in the sustainability reports (the years 2017-2018), these reports being in accordance with the provisions of Directive 2014/95 / EU regarding the presentation of non-financial information and information on diversity by certain companies and large groups.

Sustainability reports have been elaborated in accordance with the GRI Standards specific to each sector of activity, which shows the commitment of companies to communicate openly, to all stakeholders, the impact of activities on the economy, society and the environment and the actions taken to better meet their expectations. The content of the reports complies with the GRI principles for defining the content and quality of the report, as well as the requirements of Directive 2014/95 / EU. Compared with the countries of the European Union, the number of Romanian companies that have submitted sustainability reports according to GRI standards is low (Arraiano and Hategan, 2019).

Table no. 2. Analysis of sustainability reports

Indicators	Omv Petrom		Romgaz		Trans Electrica		Energetica Electrica	
	2018	2017	2018	2017	2018	2017	2018	2017
Employees (%)	88%	77%	77%	88%	77%	55%	66%	66%
Amounts	x	x		partially			x	
Environment (%)	80%	80%	70%	80%	70%	70%	50%	60%
Amounts	x	x		x	x	x	x	x
Relationships with the community (%)	100%	80%	70%	60%	60%	40%	50%	70%
Amounts	x	partially	x	x		partially	x	
Innovation (%)	75%	50%	75%	75%	100%	50%	50%	50%
Amounts	partially	partially			partially		partially	

Indicators	Transgaz		Nuclearelectrica		Conpet		Rompetrol	
	2018	2017	2018	2017	2018	2017	2018	2017
Employees (%)	55%	44%	66%	33%	77%	0%	77%	88%
Amounts								
Environment (%)	60%	60%	50%	40%	40%	50%	100%	100%
Amounts		x						
Relationships with the community (%)	50%	40%	60%	50%	0%	0%	90%	80%
Amounts	x						partially	partially
Innovation (%)	50%	25%	50%	0%	25%	0%	75%	50%
Amounts								

Source: own representation based on the social responsibility reports published by the companies on the Bucharest Stock Exchange site in 2017-2018(x - the amount for the different CSR activities is fully specified )

S.N.T.G.N. Transgaz S.A. and S.N. Nuclearelectrica S.A. transpose the information regarding the company's social responsibility for the year 2017 in the administrators' report, having a section destined for the non-financial statement. Conpet S.A. is the only company from the ones presented that in 2017 presents its activities regarding environmental protection through quarterly reports.

In the year 2018, the companies mentioned above present the sustainability actions within the annual report, finding a section for non-financial reporting.

From the table 1, it turns out that OMV Petrom proposes a strategy of sustainability having as areas of interest: employees, environment, innovation and community, which shows us that the main objective of the company is to present its ecological, economic and social impact. The sustainability report, like the other companies, is presented on the official website of the company. You can see the evolution of CSR actions and the increasing involvement of the company. In 2018 the company focuses on the relationship with the community.

In 2017 S.N.G.N. Romgaz S.A. presents the first published sustainability report on non-financial performance, then proceeds with the same way of presenting non-financial information. The two reports describe how the company integrates social, economic and environmental aspects into all its activities and operations.

With these reports, Romgaz publishes integrated data on the approach to sustainability, how it operates and the structure of operations, how to recruit team members and how it addresses equality of opportunity and professional development of employees, about the importance it attaches to protection, environment and biodiversity, but also about how local communities in the

areas where they operate are interacting and supporting. In 2018, only the costs generated by the actions with the community are specified in the sustainability report.

For the company C.N.T.E.E. Trans Electrica, the first social responsibility report was published in 2017. As the data presented in the table shows, the company presents in figures only the costs related to environmental activities, the other activities being non-communicated or are partially communicated. In 2018, the company has more social responsibility activities. The lack of a standard reporting report leaves the company's attitude to present its sustainability actions.

The company Energetica Electrica S.A presents through its sustainability report the attention it gives to the employees, the environment, the community and the innovation of the technology. In 2017, the only activity that is counted is the activity with the environment. The year 2018 brings to the company a greater interest regarding the transparency and credibility of CSR actions, this communicating the total costs generated by the activities related to the environment, employees, community and partially innovation.

S.N.T.G.N. Transgaz presents the sustainability information in the administrators' report in 2017, and in 2018 this information is included in the annual report of the company, having a separate section for non-financial information. From table 1 it can be seen that the company is growing in terms of sustainability actions.

S.N. Nuclearelectrica S.A. is the next company that presents the non-financial information in the directors report in 2017, and one year later the CSR shares are included in the year report.

As can be seen the economic indicators are not communicated in no year. In 2018, the company is also focusing on the innovative sector by increasing the reliability of equipment and systems.

In 2017, the Company Conpet S.A. presents the social responsibility activities in the quarterly reports, and in 2018 non-financial information is included in the annual report. Among its activities of social responsibility, in 2017, there are only those with the environment: monitoring of environmental factors: soil and water and the controlled storage of waste. One year later we can see the increasing involvement of the company and it is also involved in the actions regarding the employees, environment and innovation.

It is also noted that most companies do not present the amounts spent or invested in CSR activities, choosing only to describe the actions taken without being able to deduce the financial impact.

Based on the analysis made there are several issues that are highlighted in terms of the differences between financial and non-financial indicators. First, we can see that while the reporting format of the financial indicators included in the financial statements is predefined, the reporting of non-financial indicators does not present a standard form, it is necessary to identify those indicators that are relevant to the business model that the company has.

## 5. Conclusions

Base on the sustainability reports were found major differences in corporate social responsibility reporting, in terms of structure and content of financial and non-financial information that lead to the need for a standardized report on social responsibility activities.

Under the conditions of contemporary civilization in which real progress were recorded in all areas of economic and social life, economic activity implies not only the concern to increase the volume and quality of material goods and services, in conditions of high economic efficiency. Is needed also a permanent preoccupation in terms of environmental protection, which is, in fact, the basic condition of economic growth.

The lack of a standardized report of social reporting leads to the presentation of activities in a disorganized way: both in terms of content and values. None of the seven companies presented fully report the expenses of these activities. Social responsibility activities must be transparent and credible all the expenses presented in the report can be founded in the financial statements.

From the analyzed companies it was found that OMV Petrom is the company that presents the best example of good practices of CSR and reporting, a situation that was also identified in previous studies (Dura and Driga, 2017).

The study contribute to the literature through a comparative analysis in time of the relevance of the financial information provided by the sustainability reports of the companies included in the

sample. The limit of this paper can be consider the small number of companies included in a sample and a future direction of research can include more companies, also from other countries.

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