

ADAPTING TO ESG TRENDS: SUSTAINABILITY REPORTING AND ASSURANCE PRACTICES IN ROMANIA

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Abstract

In today's challenging world, companies need to increasingly develop their ability to adapt to new challenges, while also maintaining their motivation to communicate with a broader audience, such as different stakeholders. This paper's goals are to highlight the key elements of a sustainability report published by the companies and to outline the procedures undertaken by the auditors in their sustainability assurance engagements. Thus, this study seeks to underline the importance of reporting on sustainability matters and to illustrate how companies from Romania have adapted their reporting package to the current trend.

To illustrate how companies address the relevant subject matters related to their activities, an analysis has been conducted on the sustainability reports, as well as the limited assurance reports provided by an independent third party. The selected companies are OMV Petrom S.A., Kaufland Romania S.C., Transilvania Bank S.A. and Coca-Cola HBC Romania S.R.L. As can be seen, the fields of activity are different, revealing which topics and subtopics from the European Sustainability Reporting Standards are material and relevant for each company.

The results of this research paper show that for the upcoming years, a gradual transition from limited assurance to reasonable assurance can be identified throughout the literature review. The conclusion of this research paper aims to highlight the positive impact that a company creates in the business environment at the moment when it publishes a sustainability report. Nevertheless, the key elements of this study consist of useful information on material subject matters for four different fields of activity in Romania, as well as the steps that an assurance practitioner has to follow during the engagement.

Keywords: sustainability assurance, limited assurance, ESG (environmental, social, governance), sustainability report.

JEL Classification: M41, M42, Q01, Q50

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Introduction

In today's challenging world, companies need to increasingly develop their ability to adapt to new challenges, while also maintaining their motivation to communicate with a broader audience, such as various stakeholders. Moreover, the users of the sustainability report need a certain level of assurance over the presented information that usually comes from an experienced third party, the auditor. The objective of a limited sustainability assurance engagement is to express a relevant conclusion regarding the outcome of the measurements underlying the subject matters presented in the published report.

The main subject of this research project is the analysis of the current and future trends of sustainability reporting, as well as the evolution of assurance engagements from limited assurance to reasonable assurance. This topic has been chosen for its dynamics and ongoing challenges that may occur in the near future. As can be seen, there is a noticeable increase in the need for information regarding environmental, social and governance factors that underlie the preparation of non-financial statements.

Through this research paper, we aim to illustrate how companies address the relevant subject matters related to their activities and how they choose to present the material topics in the sustainability report, following the new framework provided by the Corporate Social Responsibility Directive (CSRD). The research methodology incorporates an analysis of four Romanian companies which are from different industries, precisely to demonstrate that one topic can be very important to a business, while less relevant to another one. Alongside the sustainability report, we studied the limited assurance report that was available on each of the companies' websites.

This research paper is structured as follows: the literature review which is split through three sections, the data and methodology used in this research paper and the results and discussions chapter which covers the approach that Romanian companies have applied when reporting on ESG matters. The potential contribution of this study is to help develop the literature on the matter of sustainability topics and illustrate how a limited assurance engagement will transform into a reasonable engagement in the near future.

1. Review of the scientific literature

1.1. The importance of non-financial reporting

Non-financial reporting consists of a series of public disclosures that do not follow the traditional financial statement format, providing a broader view for all interested parties of the value a business can bring to society. In addition, non-financial reporting can also be defined as how the hierarchy or the top management is concerned with key issues that go beyond the financial aspects, but which may have a major impact on the entity itself (Bourgoin, 2023). Moreover, the term 'sustainability' can be understood as the ability to create and maintain a balance between the needs of a certain business industry and the stakeholders' needs to improve the companies' activities while preserving natural resources. Corporate social responsibility (CSR) policy is a management strategy that involves applying the principles of sustainability in the activities that entities carry out, both in the short term and especially in the long term. (Ortiz-Martinez et al., 2022)

Traditional reporting is no longer sufficient to cover the demand for information about a company's business that stakeholders may need in their decisions. In this respect, to cover environmental, social and governance aspects, companies have started to publish either sustainability or integrated non-financial reports. (Rossi & Candio, 2023) Precisely because of this indispensable commitment to transparency, according to 2022 statistics by (KPMG, 2022), 96% of the world's top 250 most profitable companies have voluntarily published a sustainability report in which they present as transparently as possible key aspects of their ESG strategies.

The Directive 2013/34/EU specifies the topics that a sustainability report should cover:

- Social responsibility;
- Environment;
- Bribery and corruption;
- Respect for human rights;
- Diversity and inclusion.

These topics are of great interest especially to investors, as companies need to gain their trust. Using such non-financial information, stakeholders could:

- assess both the opportunities and risks that are associated with a business's practices about the environment and the society of which it is part;
- allocate a greater proportion of capital to companies that responsibly manage their corporate social responsibility;
- partner with firms that have a strong reputation and brand, built on non-financial reporting that communicates aspects of environmental responsibility or corporate social responsibility;
- assess the transparency and accountability with which a company manages its impact (Fometescu & Hategan, 2024).

For this reason, many companies have voluntarily adopted non-financial reporting on key aspects of their corporate governance policies, such as contributions to reducing environmental pollution, diversity in governance structures or various other practices that lead to a sustainable future. (Pizzi et al., 2024) According to the comparison made by (Permatasari & Narsa, 2021) on investors' preferences regarding the type of non-financial reporting, sustainability reporting ranks first. It is more accepted by the users due to its more candid, yet streamlined nature of presenting non-financial information. Sustainability reporting is more likely to help potential investors make rational decisions, leading to an increase in the value of the business in both monetary and social terms. The main reason why integrated reporting was not chosen as the first method is due to the fact that there is a possibility that by linking the two types of reporting in one document, non-financial information may influence the financial information negatively or positively. By being included in the same publication, the separate interpretation of the two pieces of information becomes more difficult.

On the other hand, an integrated report consists of financial and non-financial data summarized in a concise manner, in just a single document. According to (Cortesi & Vera, 2019), the information provided through a financial stand-alone report is no longer relevant enough for the stakeholders. Unlike the usual reporting package, the integrated report discloses the data in a more coordinated and comprehensive manner.

The information presented demonstrates how ESG matters are integrated in a company's strategy and governance. Based on the research performed in the article, the conclusions lead to expected positive benefits of choosing integrated reporting. Nevertheless, shareholders can:

- count on more accurate and reliable accounting numbers for their investments;
- benefit from an increase in the companies' market value.

However, as mentioned in the introduction, the field of sustainability reporting is in constant change. In the previous years, there have been several frameworks that companies have applied to prepare a non-financial report referring to environmental, social and governance topics. Research showed that more than 85% of the companies were using the framework provided by the Global Reporting Initiative (GRI). Other frameworks in use were Integrated Reporting (IR), Sustainability Accounting Standards Board (SASB) or other non-GRI reports. (Landrum & Ohsowski, 2017) Starting from 1 January 2017 or during the financial year of 2017, the EU adopted the Non-Financial Reporting Directive (NFRD), which required the disclosure of non-financial data by public interest entities (PIEs) large entities that had an average number of more than 500 employees. Nevertheless, after seven years of being applicable, NFRD has been criticized for several deficiencies, such as a lack of consistency and comparability. Starting from 1 January 2024, there is a new reporting framework has been published by the European Commission: the Corporate Sustainability Reporting Directive (CSRD). (Hummel & Jobst, 2024) As per Directive (EU) 2022/2464, the reporting timeline is:

- first reporting will be in 2025, covering the financial year 2024 by companies that are already subject to the NFRD;
- reporting in 2026 will cover the financial year 2025 by other large companies;
- reporting in 2027 will cover the financial year 2026 (with the ability to opt-out for another two years) by small and medium-sized enterprise, listed on EU regulated markets, as well as small and noncomplex credit institutions or captive (re)insurance undertakings, but excluding microenterprises.

Another relevant aspect of the sustainability topic is related to greenwashing. In the later studies, it has been stated that the concept of greenwashing has lack an operant definition which could mislead to interpretation of problems. Following the analysis (Spaniol et al., 2024), there are six essential attributes of the concept of greenwashing:

1. Environmentally Related: Words in this category include "environment-(-t, -tally, -tal), "sustainab-(-le, -ility), "green", "ESG". 61,6% of the selected articles consider that greenwashing is dealing with environmental issues.
2. Made by a Firm: Words in this category include "company-(-y, -ies), "organization"(-'s, -s), "corporate", "CSR". Usually, the progenitor of the claim comes from the private sector.
3. Marketing a Product/Service Towards Consumers: Words in this category include "information", "communication", "product". The definition of greenwashing is primarily focused on the marketing of goods/services to private consumers, not business-to-business (B2B).

4. Unsubstantiated: Words in this category include “without”, “false”, “behavior-“(-r, -rs), “claims”. Usually, this may happen when a claim can’t be proven with substantial evidence or it remains unresolved.
5. Deceptive: Words in this category include “misleading”, “selective”, “symbolic”, “deceptive”. The focus in this case is on the progenitor’s intent to mislead the consumer to convincing that something is not in order or true.
6. Pursuing a Competitive Advantage: Words in this category include “performance”, “positive”, “image”, “socia-“(-l, -lly), “benefits”. When reporting on climate topics, it is important to signal to the consumer that environmental concerns are a priority of the company. This may lead to a significant competitive advantage on the market.

1.2. Global sustainability initiatives

The pioneering global sustainability initiative is the "Paris Agreement", adopted on the 12th of December 2015 and which became applicable on the 4th of November 2016. This agreement is an international accord involving 196 countries whose target is to achieve three long-term goals to combat the negative effects of climate change. The three pillars underpinning the agreement are:

- Adaptation: substantially reducing greenhouse gas emissions to limit the global average temperature increase to no more than 2 degrees Celsius above pre-industrial levels. Significant efforts are being made to limit and keep to 1.5 degrees Celsius this average temperature variation;
- Collective commitment: regular checks towards the collective progress of achieving the purpose of this agreement and its long-term objectives;
- Financing: providing sufficient funding to developing countries to mitigate and adapt to climate change.

Another global initiative is the European Green Deal, adopted on the 11th of December 2019 by the European Union. The aim of this agreement is driven by Europe's desire to become the first continent to reach climate neutrality by 2050. The main objectives of the European Green Deal are closely linked to the Paris Agreement:

- Greenhouse gas emissions to reach net-zero by 2050;
- Economic growth to be decoupled from resource usage;
- No person or place to be left behind. (Coşman, 2022)

According to the European Green Deal, to achieve the proposed targets on time, there is a demand of the reorganization of green energy supply policies in all industrial and economic sectors. Furthermore, a rigorous change in the supply and consumption chain is needed regarding infrastructure projects, transportation, food, agriculture, construction, taxation and social aid. It is also important to protect and restore natural ecosystems, the use of natural resources, the sustainable use of resources and improving the healthcare system. As per the European Green Deal, the measures stipulated in the agreement, which prepare countries to achieve climate neutrality, are the followings:

1. Increasing the EU’s climate ambition for 2030 and 2050;
2. Supplying clean, affordable and secure energy;
3. Mobilising industry for a clean and circular economy;

4. Building and renovating in an energy and resource efficient way;
5. Accelerating the shift to sustainable and smart mobility;
6. From 'Farm to Fork': designing a fair, healthy and environmentally-friendly food system;
7. Preserving and restoring ecosystems and biodiversity;
8. A zero pollution ambition for a toxic-free environment.

1.3. Sustainability Assurance Engagements

The basis framework for conducting sustainability-related engagements is the International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. It covers assurance engagements on non-financial matters, but also includes information on the reporting of social, environmental and governance elements. Engagements under ISAE 3000 are performed by an independent practitioner, who will set out the exact regulatory framework applied, using the phrase 'in accordance with ISAE 3000'. At the same time, it should be outlined that these engagements provide a limited level of assurance, not a reasonable level of assurance such as engagements over financial statements. Under the umbrella of ISAE 3000, but more specifically for the environmental part, auditors can use ISAE 3410 - Assurance Engagements for Greenhouse Gas Assertions. This standard stipulates useful information on environmental sustainability applicable to both companies and assurance professionals. In addition, this standard takes a risk-based approach, while not imposing a specific type of assurance engagement. Last but not least, by applying Standard 3410, a conclusion is drawn on the impact that industries have on the environment through the emission of greenhouse gases (CECCAR, 2022).

To make the transition from limited to reasonable assurance engagements easier, the International Auditing and Assurance Standards Board (IAASB) has proposed a new standard entitled "General Requirements for Sustainability Assurance Engagements" (ISSA 5000). This standard will not only be used in isolation from others but is also independent of the intended users of non-financial statements. ISSA 5000 reflects the growing need for robust mechanisms in assurance engagements in response to the evolving landscape of non-financial reporting. Thus, this standard is focused on delivering relevant and concrete results rather than explaining steps or procedures (Venter & Krasodomska, 2024).

However, with respect to the upcoming ISSA 5000, there are also practitioners who commented on the released draft. For example, (Hay et al., 2024) considers that the standard does not provide a clear differentiation between the work effort for a limited assurance engagement and a reasonable assurance engagement. If the differences between limited assurance and reasonable assurance are not clarified by ISSA 5000, users will continue struggling to understand the inherent distinctions, as well as the level of audit effort and quality of evidence gathered to support the audit opinion. Usually, the users who read a limited assurance report tend to perceive it as a lower assurance over the reporting package. In this case, the study mentioned above suggests that

auditors should provide a reasonable assurance opinion based on their designed risk procedures.

(Bentley-Goode et al., 2024) is using data from 32 countries to demonstrate the impact an assurance provider has towards the quality of the sustainability report. The assurance providers are split into two categories: accounting firms and non-accounting firms. From a sample of 1781 ESG reports, a percentage of only 49% were assured. From this, a proportion of 65% of reports are assured by accounting experts. To add up, 59% of the accounting experts are conducting both financial and sustainability engagements for the companies. The study provides evidence that companies that are audited by accounting firms tend to have a positive change in metrics. Based on the analysis conducted, the conclusion is that the sustainability reporting quality is substantially higher among assurance clients of accounting firms, rather than non-accounting firms.

2. Research methodology

As highlighted above, the importance of non-financial reporting is beyond doubt in today's world, as the best decisions are made only in full knowledge of the facts. Based on a number of social and environmental indicators, the success of a company can be appreciated through sustainability reporting. However, this requires that the information presented in these reports must be verified. This should be carried out by qualified financial experts who have knowledge of sustainability topics and who conduct a limited assurance engagement. After all procedures are performed, a limited assurance report is issued and it gives the end-users the confidence they need to make the best possible decision on the company's performance.

For this research paper, we analyzed four sustainability reports published by companies in different business areas, together with the assurance reports prepared by independent auditors:

- OMV Petrom S.A. - energy industry
- Kaufland România S.C.S. - food industry
- Transilvania Bank S.A. - banking
- Coca-Cola HBC Romania S.R.L - beverage industry

As common elements of the four sustainability reports analyzed, we can mention the themes that includes social, environmental and governance (ESG) issues. Also, these reports are published in English to be useful to as many users as possible and are written in a manner that is understandable to any interested party. The chosen reporting year is 2022 due to the comprehensive information that could be found on both the sustainability report and the conclusion issued by the auditors. Last but not least, the analysis in the case study is based on the non-financial performance reporting of companies that are representative of the sectors in which they operate in Romania.

3. Results and discussions

3.1. OMV Petrom S.A.

OMV Petrom S.A. is one of the largest energy companies in Romania and it is present alongside the entire energy value chain, with oil and natural gas wells. Currently, according to the Bucharest Stock Exchange, the company is 51.15% owned by OMV

Aktiengesellschaft, 24.63% by legal entities, 20.69% by the Romanian state and 3.5% by individuals. In the sustainability report published by OMV Petrom, which covers its activity during the financial year 2022, we could find information on all of the six capitals: Human, Productive, Social, Intellectual, Natural and Financial. Analyzing all the information contained in the report, we focus on the most relevant aspects that were the subject matters of the opinion issued by the independent auditors from Ernst & Young Romania, who carried out a limited assurance engagement on the report published by OMV Petrom.

In 2022, 12.48% of OMV Petrom's CapEx was considered eligible for taxonomy, and 0.41% was aligned according to taxonomy requirements. The activities that are part of the aligned percentage are:

- Installation, maintenance and repair of energy technologies from energy sources (e.g., installation of photovoltaic panels and heat pumps)
- Road transport and public transport that have low carbon emissions (e.g., electric charging points).

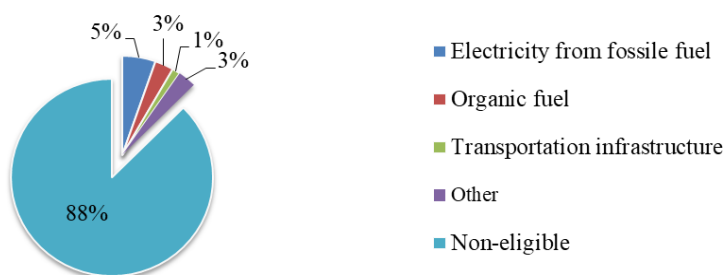


Figure no. 1 – CapEx proportionality

Source: OMV Petrom S.A. Sustainability Report, 2022, p. 13.

The limited assurance report prepared by the EY team lists the main procedures that were performed and on the basis of which the opinion was issued. One of these procedures is the investigation of the extent to which the company has properly addressed the EU Taxonomy Regulation and the assessment of the correctness of the indicators aligned to the taxonomy. Thus, the assets that were part of the aligned CapEx were analyzed in terms of value and disclosure.

A second procedure carried out by the auditors was to interview staff from several hierarchical levels in order to gain a better understanding of all the company's activities and the process of gathering the information presented in the report. In doing so, the auditors found knowledgeable and well-trained staff who were able to provide clear answers on sustainability governance policies. This is due to the fact that OMV Petrom pays great attention to human capital, involving its employees in events and training programs, mentoring, networking etc. Also in 2022, the company started the "Strategy for People and Culture", ending in 2030, which rests on four pillars: new ways of working, talent development, organizational evolution and a focus on employee experience.

Another procedure performed by the auditors as part of the assurance engagement was the physical inspection of sites at OMV Petrom's refineries in Petrobrazi, as well as production in the Moldova and Oltenia areas to ensure compliance with environmental standards, obtaining performance indicator evidence, observing the process flow or checking the extent to which pollution decreasing activities have been implemented.

Based on the information presented by OMV Petrom in its sustainability report and performing the limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Review of Historical Financial Information", the Ernst & Young Romania provides an Independent Verification Statement to the management of OMV Petrom S.A. The conclusion is an unqualified opinion on the sustainability report of OMV Petrom, which highlights the alignment of the company with Romanian terms of sustainability.

3.2 Kaufland România S.C.S.

Kaufland is a retail company that is part of the German-based Schwarz Group, alongside Lidl, Schwarz Produktion and PreZero. The chain first appeared in Romania in 2005 and today Kaufland has more than 170 stores open in the country and more than 16,000 employees. The turnover recorded at the end of the 2022 financial year amounted to approximately 884 million RON, reflecting an increase of 14.66% compared to the previous year. At the end of the financial year 2022, Kaufland Romania published a sustainability report which focuses on the main activities undertaken by the company to improve its sustainability strategy: recycling projects, use of renewable energy, diversity and inclusion. Also, in order to increase users' confidence in the information presented in the sustainability report, the independent auditors of PricewaterhouseCoopers Audit SRL issued an independent limited assurance report on selected information in the document published by Kaufland.

One of the first procedures undertaken by the auditors was to interview the company's management, together with the sustainability team. In terms of human capital, Kaufland focuses on the resources available at national level. The proportion of those in charge of governance is as follows:

- 66.66% - four Romanian managers;
- 33.33% - two German managers.

Furthermore, in 2022, Kaufland Romania had a total of 16,612 employees, of which 12,166 were women and 4,446 were men.

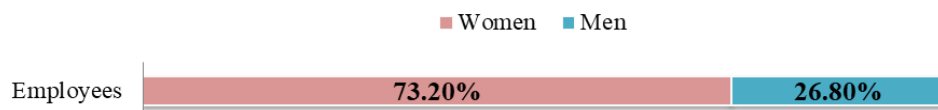


Figure no. 2 – Proportion of employees

Source: Kaufland Romania S.C.S. Sustainability Report, 2022, p. 91.

Human capital is valued in all aspects, and equal opportunities are another value that Kaufland promotes within the A.C.C.E.S. program, dedicated to people with

disabilities. Initially, this project aimed to employ 500 people with disabilities by 2021, and in 2022 the target was exceeded by 1.16%:

Tabel no. 1. – Employees with disabilities

Hierarchy	2020		2021		2022	
	Men	Women	Men	Women	Men	Women
Non-management	189	258	220	312	223	356
Management	1	0	1	0	1	0
Total	448		533		580	

Source: Kaufland Romania S.C.S. Sustainability Report, 2022, p. 99.

In line with the European Green Deal, Kaufland aims to achieve neutrality in terms of greenhouse gas emissions by 2025. The total energy consumed by Kaufland through its stores and warehouses in Romania in the financial year under review consisted of: 4.77% fuel, 14.04% natural gas, and 81.19% electricity. To obtain electricity from sustainable sources, Kaufland has six stores and a warehouse in its portfolio that are supplied with electricity using photovoltaic panels. The company has also invested 15 million EUR to equip 62 more stores with more than 39,900 photovoltaic panels. Last but not least, Kaufland has also set up parking stations in 84 parking lots charging stations for electric vehicles, worth 12,897,630 RON, thus stimulating the utilization of electric vehicles.

At the national level, Kaufland is recognized for its collection and recycling initiatives. According to its published sustainability report, 90% of waste produced is recovered through reuse or recycling, or is sent for composting or fermentation. The "Frog" collection system, implemented in 2020, is one of the most accessible forms of collection and recycling shampoo cans, shower gels cans, cleaning solutions, creams, etc. Kaufland customers can find a special place in each store for depositing this waste, and for every 3 bags filled with products, customers are rewarded with a 35% discount coupon. This project was implemented for 312,581 RON and has collected over 15 million boxes by 2022.

Following the procedures performed by PricewaterhouseCoopers, the independent auditors confirmed the accuracy of the data published by Kaufland Romania in the sustainability report. Of course, the assurance engagement was a limited one, but the opinion was published in the report for an additional value in terms of the retail company's business.

3.3. Transilvania Bank S.A.

Transilvania Bank (BT) was founded in 1993 in Cluj-Napoca by a group of local businessmen, but its activity only started in 1994. In 2018, Transilvania Bank became the largest bank in Romania. It covers all categories of customers, from private customers to corporate companies of various sizes, as well as all business lines in the banking sector. In 2022, Transilvania Bank had a market share of 19%, recorded over 4 million customers and operated in over 500 branches in 180 locations. Listed on the

Bucharest Stock Exchange, the bank's shareholder structure is as follows: 10.11% NN Group, 6.87% European Bank for Reconstruction and Development, 22.20% Romanian individuals, 43.11% Romanian commercial companies, 1.05% foreign individuals and 16.66% foreign companies.

In order to strengthen confidence of stakeholders in the information from the sustainability report, independent assurance professionals from KPMG conducted an assurance engagement on a selection of sustainability topics presented by BT. The auditors' conclusion did not relate to the entire sustainability report, but only to information selected by KPMG. Furthermore, according to their conclusion, the legal framework applied for the engagement was ISAE 300.

An important aspect included in the sustainability report relates to human capital. In the Board of Directors it could be identify a Chairman and 6 members, 4 of which have Romanian origins. 57% of the Board members are Romanian, which means that BT supports local businesspeople, giving them the opportunity to add value to the economic and social environment in which they operate. The structure in terms of age and gender indicates that inclusion and equal opportunities are values that Transilvania Bank maintains as a core element of its governance.

Table no. 2 – The structure of the Board of Directors

BT Board of Directors by gender and age	Men		Women		Total	
	No.	%	No.	%	No.	%
30y – 50y	1	14,28%	0	0	1	14,28%
> 50y	4	57,14%	2	28,58%	6	85,72%
Total	5	71,42%	2	28,58%	7	100%

Source: Transilvania Bank S.A. Sustainability Report, 2022, p. 25.

Among employees, the number of women working at the bank is higher than that of men, by more than 50%: 7,839 women and 2,872 men. BT also supports people with disabilities, employing a total of 51 women and men as specialists - head office, specialists - branch or in middle-management positions.

The human capital aspect was also audited by KPMG, through a series of tests to confirm the numbers presented in the sustainability report, together with interviews with management. They reviewed employment contracts, addendums or termination of employment contracts and spoke with HR staff. In addition, they interviewed top management in order to learn more about governance policies based on inclusion and diversity, as well as future strategies to reduce staff turnover.

For the social responsibility campaign, BT allocated a budget of 34.25 million RON in 2022 for the sponsorship of various national projects, sports, cultural events, community actions in support of refugees from Ukraine etc. Transilvania Bank supported a number of 150 projects and collaborated with 135 partner organizations.

Tabel no. 3 – Corporate social responsibility by BT

Projects	Sports	Cultural Events	Support of refugees from Ukraine
- Remesh Atelier (30.000 EUR); - Cultural Center Cluj (35.000 EUR); - Popular Cluj Center (30.000 EUR).	- Semi-marathon Iași (15.000 EUR); - Apuseni Marathon (10.000 EUR); - Brasov Marathon (10.000 EUR).	- International Theatre Festival from Sibiu (10.000 EUR) - Festivals: Untold, Electric Castel, Tiff, Hungarian Cultural Days etc.	- Hopes and Homes for Children (25.000 EUR); - Humanitarian Hub of Association Tășuleasa Social (60.000 EUR).

Source: Transilvania Bank S.A. Sustainability Report, 2022, p. 170.

The professionals from KPMG also selected this social component to be checked, inspecting several documents underlying the donations, such as a series of formal management decisions on the selection of projects to be supported, the setting of the amounts, the signing of the donation documents and the reconciliation with bank statements showing the amounts transferred to the accounts of the chosen associations. The independent limited assurance report that the professionals at KPMG issued on selected information presented by Transilvania Bank, concludes with an unqualified opinion. We can appreciate that although BT is a non-producing entity, it presents concern for creating a sustainable future. Appreciating the nature of the activities undertaken and identifying potential risks to society and the environment, Transilvania Bank adapts its governance policies so that it can add value in terms of sustainability.

3.4. Coca-Cola HBC Romania S.R.L.

Coca-Cola HBC is part of The Coca-Cola Company and is a strategic partner in Europe, producing and bottling the company's products which are then distributed both locally and exported to 10 countries. Coca-Cola HBC currently has a 30% share of the export of alcoholic and non-alcoholic beverages. Coca-Cola's portfolio includes several well-known brands such as Fanta, Sprite, Cappy, Dora and Poiana Negri sodas, Fuztea iced tea and Burn and Monster energy drinks. In Romania, Coca-Cola HBC started its operations in 1991 and it currently produces and bottles its beverages in three factories spread across the country: Timisoara, Ploiesti and Poiana Negri. It also has 30 warehouses in Romania.

In 2022, Coca-Cola published a sustainability report detailing all activities that have a major impact on the social, natural or governance environment. To provide stakeholders and interested shareholders with a view on the veracity of the information presented in the report, independent professionals from PricewaterhouseCoopers Audit SRL issued a limited assurance report on a number of sustainability indicators that are explained by Coca-Cola.

A first selected indicator, and certainly the most relevant given the nature of Coca-Cola HBC's business, is the generation of waste and the methods of waste recovery or disposal. The company's waste priorities include:

- Developing and testing packaging made from renewable materials;
- Recovering large quantities of packaging from the market;
- Reducing the weight of packaging;
- Involvement in various campaigns to encourage a circular economy or empower consumers to recycle.

The biggest source of waste comes from the end-users, namely bottles that consumers throw away after finishing their drinks. In this regard, Coca-Cola has adopted several more sustainable alternatives to prevent the accumulation of plastic that could not be recycled by:

- Reducing packaging weight: using smaller amounts of materials to create a beverage package, while maintaining the same liquid-holding efficiencies.
- Using already recycled materials to produce beverage packaging. Compared to the previous year, 2021, Coca-Cola HBC is seeing a slight increase in the use of recycled materials to make packaging.
- Bottling in rPET: the entire Dorna water portfolio is bottled in 100% rPET packaging. Coca-Cola HBC has invested around 55 million RON in the implementation of a new plastic processing and decontamination technology to generate new packaging, called rPET. The equipment is located in the Ploiești plant, which has the capacity to transform 20,000 tons of PET bottles per year into new rPET bottles in which to bottle liquids.
- Recovery of packaging put on the market after final consumption of the products: 56.37% of the total amount of packaging created for bottling beverages was recovered back from the market.

The auditors from PwC carried out a number of procedures to ensure the correctness and accuracy of the data presented in the report. According to the audit opinion, the procedures they undertook included a series of interviews with senior management to understand the company's waste management policies, future prospects or methods that will be prioritized for recycling in the coming years. Interviews were also conducted with responsible persons in the sustainability department. They provided the auditors with all the supporting documents related to waste management (contracts with recycling suppliers, statements, statistics, calculations and reasoning behind the percentages included in the report) as well as the primary documentation that formed the basis for the sustainability report. Thus, invoices, contracts, annexes, commissioning minutes or other relevant documents were selected.

A second indicator on which the auditing professionals performed tests is related to productive human capital. The proportionality of employees by gender and age group was considered, along with staff turnover and diversity in management. According to the data in the sustainability report, the situation of employees by age and gender, compared to the average number of staff in 2022, is as follows:

Tabel no. 4 – Hires and leavers

Category	Hires		Leavers	
	No.	%	No.	%
<u>Gender</u>				
Women	81	19,42%	41	10,4%
Men	126	11,97%	119	11,6%
<i>Total</i>	<i>207</i>	<i>14,09%</i>	<i>160</i>	<i>11,2%</i>
<u>Age group</u>				
< 30y	81	29,24%	50	19,5%
30y – 50y	117	13,14%	94	10,8%
> 50y	9	3,69%	16	5,4%
<i>Total</i>	<i>207</i>	<i>14,09%</i>	<i>160</i>	<i>11,2%</i>

Source: Coca-Cola HBC Romania S.R.L. Sustainability Report, 2022, p. 75.

As part of the assurance engagement, the independent auditors talked to people in the HR department to better understand the criteria for hiring in the company, the reasons why staff leave, the methods of rewarding employees for their work, the methods of determining remuneration by department and position etc. Detailed tests were carried out by checking relevant documents. For example, the employment contracts of a sample of men and women from different age groups were documented to verify the employment salary and the transparency of the information in the sustainability report. Also, another example would be to check a sample of termination decisions to see the main reasons why some employees choose to leave: termination of contract duration, personal reasons, reasons related to company policies and work environment etc.

However, an important aspect for the company and on which Coca-Cola HBC Romania has a major impact is related to the environment, namely greenhouse gas emissions. On this topic, the auditors from PwC do not express a conclusion, although the carbon footprint is one of the key factors in creating a sustainable future, and the calculation of tons of carbon dioxide emitted into the atmosphere is complex to determine.

Following the research undertaken, we can identify a growing demand for information on ESG factors in order to support the stakeholders' decisions. Each of the analyzed companies has specific material subject matters that are strongly correlated with the industry in which they operate. For OMV Petrom S.A., the main targets are related to lowering the carbon footprint through replacing fossil fuels with more green alternatives, such as renewable energy from solar panels or generated through wind power. In terms of retail companies, Kaufland Romania S.C.S. focuses on implementing several recycling policies, especially for its downstream value chain. As the customers are usually the end users of multiple products that can harm the environment, Kaufland aims to collect as many recyclable packaging as possible. In the banking sector, the goal of Transilvania Bank S.A. is mainly related to the social aspects, such as inclusion and diversity, lowering the payment gap between the employees, and financing different social projects. Last but not least, Coca-Cola HBC Romania S.R.L. also has focused on reducing the waste generated from its bottles. The recycling campaigns are spread

throughout the country to collect the used bottles from the consumers. Furthermore, Coca-Cola has implemented a production line to manufacture new bottles from collected and recycled bottles.

Table no. 5 – SWOT analysis on implementing the CSRD

<u>Strengths</u>	<u>Weaknesses</u>
Increase transparency and credibility Standardized and comparable reporting Alignment with EU sustainability goals	Additional implementation costs Lack of experience in preparing the report Risk of omission of material topics
<u>Opportunities</u>	<u>Threats</u>
Competitive advantage on the market More investments from stakeholders Innovation and transformation of the business	Legal penalties and reputational damages for being non-compliant with the CSRD Limited resources for medium and small companies

Source: Created by the authors.

As we can observe, there are some major positive factors regarding the implementation of the new CSRD framework, especially for the larger companies. Starting from 1 January 2024, at the global level, there will be several companies that will report on ESG material topics using the European Sustainability Reporting Standards. Using the double materiality assessment provided by the ESRS, companies will be able to reflect a more accurate report on both their positive and negative impacts on the environment and the communities.

Conclusion

In conclusion, limited assurance engagements have been performed to verify the sustainability reports of the four companies under review, during which ESG professionals from Big Four audit firms undertook a series of tests to validate the information presented in the official documents. As stipulated in the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", they issued an independent limited assurance report on a range of sustainability subject matters relevant to each of the Big Four companies' business sectors. Most of these indicators are part of the GRI (Global Reporting Initiative) framework, but other activities that support sustainable development are also investigated. As can be seen from the four different business sectors, retail, energy, banking and beverages, the companies present in their own light the impact on different non-financial aspects. Thus, each of the four companies is placed in a particular capital category, also taking into account the value chain to which they belong. However, a number of similarities can also be observed, such as diversity among employees, support for equal opportunities or investment in culture, sport and education initiatives.

Sustainability reporting plays an increasingly important role in the decisions of external users, but it is already highly necessary for those charged with governance to make the best decisions. However, every company should not use sustainability reporting as a marketing tool or to promote only the positive aspects for the planet. Compared to

previous years, in 2022 there is a trend towards more effective non-financial reporting by concentrating relevant information and reducing the number of pages of the official document. At the same time, their credibility is supported by more and more quantifiable data: statistics, graphics, values of different indicators.

The word of an external specialist is being sought to strengthen or regulate sustainable activities, with the profession experiencing a boom in recent times. Therefore, thanks to the relevance of an independent auditor's report on non-financial information, the assurance process is becoming mandatory for a large proportion of companies. While the audit engagement currently provides only limited assurance, as non-financial reporting becomes regulated, the assurance engagement will also be able to provide a higher level of assurance. Certainly, non-financial audit engagements will come to provide reasonable assurance, just as financial reporting.

The utility of this research paper is given by the centralization of the current trend in the sustainability reporting, highlighting the transition from the GRI framework to the ESRS framework. However, all reporting frameworks have the same purpose: disclosing the most relevant ESG topics that a company has. One of the limitations of this study is represented by the small sample that has been analyzed. Even if the research addressed four industries, it is not compulsory for other companies in the same field to report on different material subject matters that they consider relevant. Another limitation is given by the fact that the research has been conducted only on Romanian companies. It does not show an overall global picture of the sustainability reporting approaches. Future research directions may include an analysis of sustainability reporting from multiple countries and multiple industries to emphasise the characteristics of each perspective. Moreover, as we are transitioning to the ESRS, a comparative study between the ESRS and GRI (or other applied frameworks) could accentuate the positive impact of the CSRD and the increase in the transparency of the data.

To conclude, this topic of non-financial reporting remains a topical one and will continue to undergo permanent changes due to today's dynamic environment. ESG issues will evolve towards new and new horizons, inevitably creating new challenges that need to be addressed to continue to enjoy a sustainable future.

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