AN OVERVIEW OF SUSTAINABILITY REPORTING IN ROMANIA AND WORLDWIDE

Veronica Grosu[1], Anișoara Niculina Apetri[2], Irina-Ștefana Cibotariu[3], Ancuța-Anisia Chelba[4*]
[1)2)3)4)] *"Ştefan cel Mare" University of Suceava, Suceava, Romania*

Abstract
Non-financial information from sustainability reports helps to assess the health of the company as it is closely linked to financial information. More information always equals less uncertainty, financial and non-financial information, once put together in the analysis, thus provides a much more accurate and realistic forecast of the company's health. Therefore, a balanced presentation of the two types of information does nothing more than provide a clear picture, so that investors, but also all those interested, can realize the value owned, controlled and maintained by the company. The purpose of this research paper is to analyze data collected through a questionnaire, but also through KPMG reports, to present the degree of application of social responsibility policies and practices for companies in Romania, but also the degree of sustainability reporting in Romania and around the world. The first objective is to review the specialized literature on the topic of sustainability, ESG principles, GRI standards, SASB, ESRS framework, EU taxonomy and the second objective is focused on the analysis of the companies in the research sample. The results consist of providing an overview of companies in Romania and around the world in terms of social responsibility and sustainability reporting.

Keywords
sustainability, reporting, Romania, worldwide, durability.

JEL Classification
M14, M48.

Introduction
Sustainability reporting will soon become a common practice in entities of all sizes and sectors, driven by increasing pressures and evolving stakeholder expectations (Bais et al., 2024). The concept of "corporate social responsibility" has also gained momentum

[*] Corresponding author, **Ancuța-Anisia Chelba** – ancutza_anisia@yahoo.com.

due to the attitude of companies that have understood the importance of the impact of their activity on the environment in which they operate (Socoliuc et al., 2020).
Sustainability reporting is of increasing social and regulatory interest, more precisely, since the late 1990s, sustainability reporting has become an increasingly relevant topic in business and academia (Liu et al., 2024; Hahn & Kühnen, 2013). Non-financial reporting has become a concern of both managers and stakeholders because companies are evaluated both financially and socially (Marinescu, 2020).
It is proven that climate change (global warming, drinking water shortage, etc.) is directly linked to the activities of companies (Emelian, 2023). Therefore, there is a deep need to reexamine, reevaluate and rethink business values, priorities and practices. In this context, business sustainability helps to solve or mitigate ecological, social and economic problems through strategic resource management. It seeks to improve the effect that a company has on the external environment. At the same time, the business generates favorable relations with employees, stakeholders and the community.

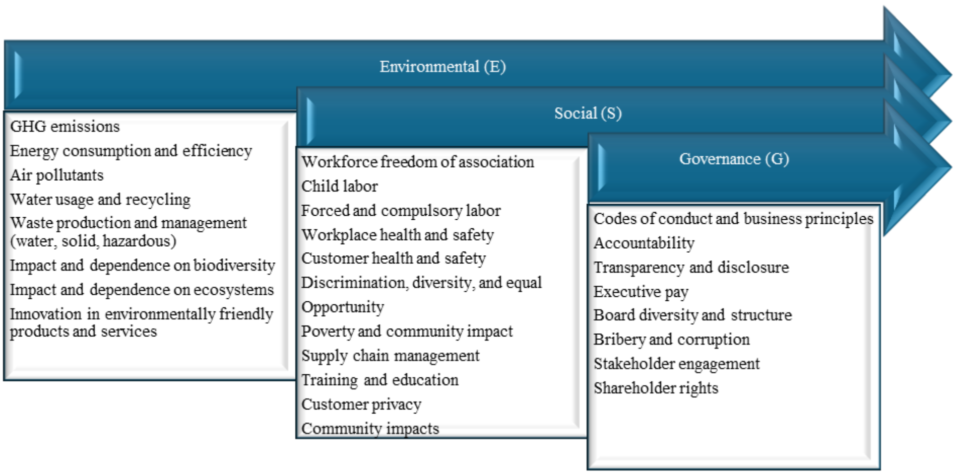

Figure no. 1. Examples of ESG factors included in the International frameworks
Source: own processing based on EBA report (see EBA)

The sustainable development of the global economy and society requires the practice of environmental, social and governance (ESG) principles (Li et al., 2021). Examples of ESG factors included in international frameworks can be seen in Figure no. 1.

1. Review of the scientific literature

The depletion of natural resources and increased pollution represent another important problem that can greatly influence both the well-being of society and the security of its future; in this context, the concept of sustainable and sustainable development is given even greater importance, through regulations that include in their scope more and more companies within which sustainable business models can be implemented and developed (Bunget et al, 2023). Digitalization has led to the development of accounting and auditing organizations and, of course, to the focus of attention on sustainability processes and how their corporate reporting is carried out (Barna et al., 2024). Business sustainability has become a universally accepted concept in the business environment from both the perspective of companies and stakeholders; in recent years, stakeholders have increasingly emphasized the communication of information regarding the sustainability of companies (Tanasă & Cojocaru, 2022).

Sustainability refers to how we should live in harmony with the natural world around us, protecting it from irreparable damage and destruction (Hartea, 2022). Sustainability reporting has become a common practice and is generally considered positive (Boiral & Heras-Saizarbitoria, 2020). The increasing attention paid to sustainability, in all its environmental, social, ethical and economic aspects, has brought non-financial reports into widespread use. There are different frameworks and standards that guide the process of creating and the content of such reports by defining many key principles (Torelli et al., 2020). The concepts of sustainability and sustainable development have gained great relevance in scientific research on environmental issues, policies related to environmental management and industrial and agricultural production, among others (Ruggerio, 2021).

Well-being and sustainable development are current challenges that should be addressed at all economic and social levels through appropriate macroeconomic policies, primarily through standardization and regulation, as well as actions at the local community level and through community awareness and support; the activity of organizations as an integral part of the economy sometimes has a negative impact on society from a social, economic or environmental point of view; as a result, the organization's objectives must align with environmental protection and sustainable development.

The Global Reporting Initiative (GRI) is a network-based organization that pioneered the development of the world's most widely used sustainability reporting framework (Burhan & Rahmanti, 2012). "The GRI Standards enable any organization – large or small, private or public – to understand and report on their impact on the economy, the environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development. In addition to companies, the standards are highly relevant to many stakeholders – including investors, policymakers, capital markets and civil society" (see GRIStandards).

The elements of the GRI framework, divided into the three pillars (Financial, Environmental and Social), can be seen in Table no. 1.

Table 1. Elements of the GRI framework

Financial	Environment	Social	
GRI 102 General Disclosures	GRI 301 Materials	GRI 401 Employment	GRI 410 Security Practices
GRI 103 Management Approach	GRI 302 Energy	GRI 402 Labor/Management Relations	
GRI 201 Economic	GRI 201 Economic	GRI 403 Occupational	GRI 412 Human

Performance	Performance	Health and Safety	Rights Assessment
GRI 202 Market Presence	GRI 304 Biodiversity	GRI 404 Training and Education	GRI 415 Public Policy
GRI 203 Indirect Economic Impacts	GRI 305 Emissions	GRI 405 Diversity and Equal Opportunity	GRI 416 Customer Health and Safety
GRI 204 Procurement Practices	GRI 306 Effluents and Waste	GRI 406 NonDiscrimination	GRI 417 Marketing and Labeling
GRI 205 Anti-Corruption	GRI 307 Environmental Compliance		GRI 418 Customer Privacy
GRI 206 Anti-Competitive Behavior			

Source: adaptation according to GRI standards and Marinescu (2020)

"The Sustainability Accounting Standards Board (SASB) is an independent, nonprofit organization that sets standards for companies to use when disclosing environmental, social, and governance (ESG) information to investors. SASB standards help companies publicly report consistent and comparable information about how they are managing issues related to climate change, natural resource constraints, technological innovation, population growth, and more. As a result, SASB standards allow investors to better understand how a company influences – and is affected by – a changing world. With this information in hand, investors can direct their capital to those companies that are most effectively managed over the long term" (Hales, 2021).

The ESRS (European Sustainability Reporting Standards) framework aims to provide a transparent, accurate and comparable picture of a company's ESG impacts, risks and opportunities. This is not just a regulatory requirement, but a shift towards embedding sustainability at the core of business reporting, reflecting the European Union's commitment to a sustainable economic future (see ESRS).

The European Union (EU) is developing the Taxonomy to harmonize the definition of sustainability and its measurement (Dumrose et al., 2022). The EU Taxonomy establishes criteria for approximately 80 economic activities, which an activity must meet to be classified as sustainable (Schütze et al., 2023).

In general, Hickson (2014) believes that sustainability is achieved through four components, through the existence of a balance between: energy, economy, environment and ethics.

2. Research methodology

To conduct the research, data were collected through a questionnaire, but also through KPMG reports on the KPMG.com website. The questionnaire was applied in the period 2022-2023 to 133 companies in Romania, and the data from the KPMG reports were analyzed in the period 1999-2024 in the N100 (1) and G250 (2) databases. The fields in which these companies operate are diverse, and the database includes all companies, regardless of whether they operate in the field of production, services or trade. The people who checked the questionnaire answers occupy one of the following positions within the company: manager/administrator, chief accountant/accountant and associate/shareholder/investor.

3. Results and discussion

The company's sustainability policies provide a higher degree of informational transparency by complying with ethical and non-financial practice standards. According to the results of the questionnaire, 120 out of 133 economic entities in Romania analyzed in the sample apply social responsibility policies and practices, as noted in figure no. 2. This result demonstrates that the adoption of social responsibility is increasing in Romania, being in the interest of all stakeholders, because CSR activities contribute to financial stability and maintaining the going concern assumption (Galant and Zenzerović, 2023). CSR can reduce the risk of financial difficulties, contribute to the value of a company, reduce systematic risk, protect against legal risks, prevent litigation risk, reduce the risk of stock price decline by promoting informational transparency policies and increase the company's notoriety (Suganda & Kim, 2023). As can be seen in Figure no. 2, only 11 of the companies do not apply social responsibility policies and practices at all, and 20 of them are not aware of this.

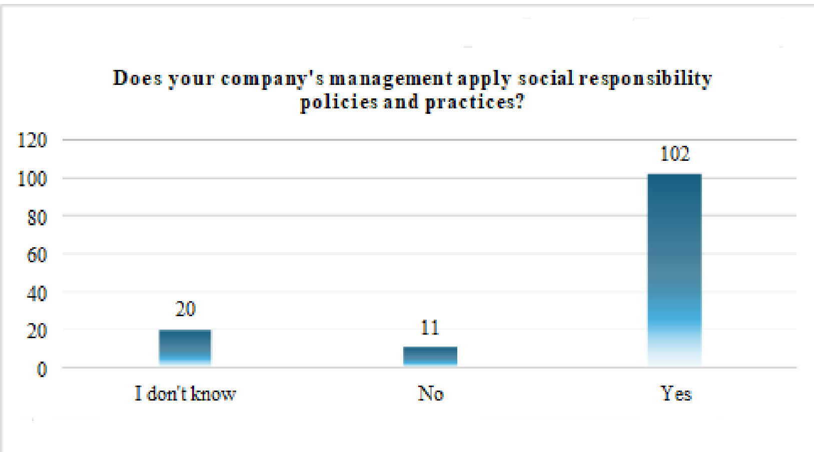

Figure 2. Degree of application of social responsibility policies and practices for companies in Romania included in the sample during 2022-2023

Source: authors' own processing based on the questionnaire

In terms of preparing sustainability reports, most Romanian companies are guided by the GRI set of standards (Mihai & Aleca, 2023). According to Petrescu et al. (2020), through sustainability reporting, companies must provide information not only about their current activities, but also about their impact on the economy, responsibility towards employees, society and the environment. These reports should represent the company's values, as well as their business models over time, demonstrating the connection between their strategies and their commitment to a local and global sustainable economy. An effective sustainability reporting process will provide both internal and external benefits to both reporting companies and those who outsource, thus contributing to increasing their success in the market.

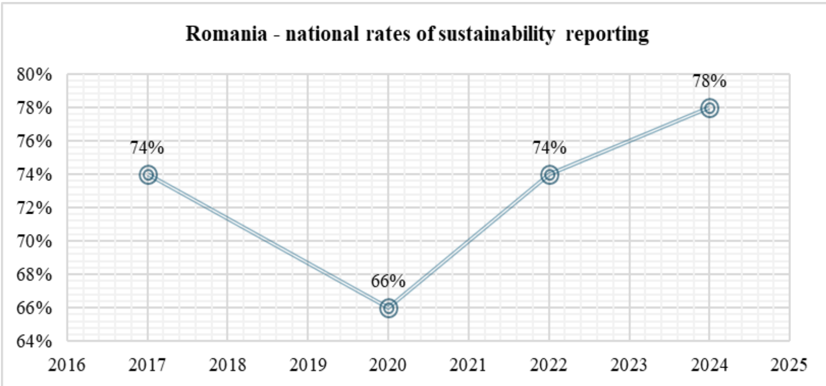

Figure no. 3. National rates of sustainability reporting in Romania in the 2017-2024 period
Source: own processing based on data from the KPMG report (see KPMG2024report)

As we can see in Figure no. 3, Romania has a lower sustainability reporting rate in 2020, but an increase of 8 percentage points in 2022 compared to 2020. It has the highest sustainability reporting rate in 2024 (78%). This situation is also explained by the fact that in many European countries the EU Directive on non-financial reporting has been transposed into the national legislation of the EU Member States, but also by the fact that there has been some pressure from authorities and stakeholders.

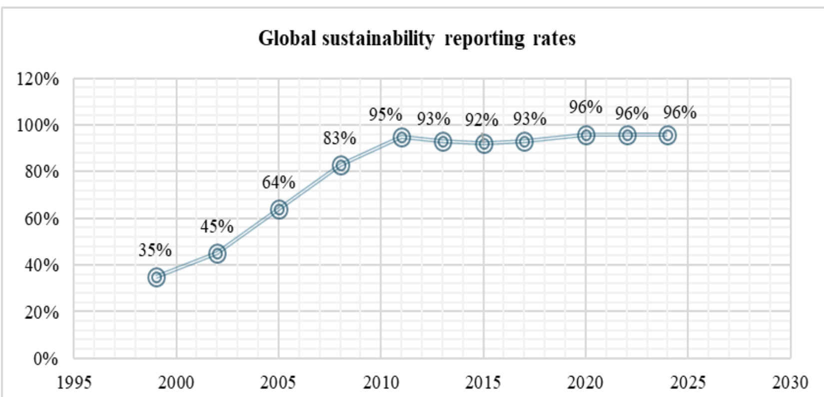

Figure no. 4. Global sustainability reporting rates (1999–2024)
Source: own processing based on data from the KPMG report (see KPMGreport)

Figure no. 4 shows that sustainability reporting has become a standard practice for many companies around the world, with a steady increase over the past decade. Today, almost all G250 companies report on sustainability. In 2024, the reporting rate remains at 96%, the same as in 2022 and 2020. The increase from 35% in 1999 to 96% in 2024 reinforces studies that demonstrate that high investments in CSR reduce financial difficulties, increase the reputation and solvency of firms, create a more attractive corporate environment, which ultimately improves organizational economic prospects (Khan et al., 2021).

Table no. 2. Top 10 countries, territories and jurisdictions by use of GRI standards and SASB standards

No.	GRI Standards	SASB Standards
1.	Venezuela	Canada
2.	Brazil	US
3.	Spain	Mexico
4.	Portugal	Venezuela
5.	Greece	Brazil
6.	Japan	Chile
7.	Taiwan	Argentina
8.	Malaysia	Ireland
9	Singapore	Japan
10.		Taiwan

Source: own processing based on data from the KPMG report (see KPMG2024report)

Table no. 3. Top 6 highest levels of companies referencing ESRS and EU taxonomy by country, territory or jurisdiction

No.	ESRS	EU taxonomy
1.	Spain	Iceland
2.	Cyprus	Portugal
3.	Estonia	Sweden
4.	Ireland	Spain
5.	Portugal	Germany
6.	Poland	Italy

Source: own processing based on data from the KPMG report (see KPMG2024report)

The most popular guidelines and standards remain those led by the Global Reporting Initiative (GRI), but the standards set by the Sustainability Accounting Standards Board (SASB), now part of the IFRS Foundation, have also grown in popularity (see KPMG2024report). Table no. 2 shows the top 10 countries, territories and jurisdictions using the GRI and SASB standards, and table no. 3 shows the top 6 highest tier companies referencing the ESRS and the EU taxonomy by country, territory or jurisdiction. In table no. 2, we can see countries like Brazil, Japan and Taiwan using both GRI and SASB standards. The same situation can be seen in table no. 3 where Spain refers to both ESRS and EU taxonomy.

Conclusions

In conclusion, non-financial information refers to additional data on the company and refers to its development, performance, position and impact in the area where it operates, data specifically related to environmental issues, social and employee issues, community respect, issues related to bribery and corruption, contributions of the company to the economic and social environment. According to the results of this study, 120 out of 133 economic entities in Romania analyzed in the sample apply social responsibility policies and practices. Romania also has a lower sustainability reporting rate in 2020, but an increase of 8 percentage points in 2022 compared to 2020. It has the highest sustainability reporting rate in 2024 (78%). Globally, sustainability reporting has become standard practice for many companies around the world, with a steady increase over the last decade (from 35% in 1999 to 96% in 2024). As for the most popular guidelines and standards, these remain those led by the Global Reporting Initiative (GRI).

It is encouraging that companies are becoming more aware of the importance of non-financial reporting, and every year studies show that more and more companies from different fields of activity are becoming more responsible and aware of the need for this reporting.

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