

CONSIDERATIONS REGARDING THE PUBLISHING OF NON-FINANCIAL INFORMATION ACCORDING TO THE EUROPEAN DIRECTIVES

Maria Mădălina BOGEANU POPA¹, Mariana MAN²

¹*University of Craiova, Craiova, Romania*

²*University of Petrosani, Petrosani, Romania*

Abstract

This paper presents the approach of the non-financial information initiated by the Directive 32/2014 EU and currently transposed under the form of the Directive 95/2014 EU. Publishing information of non-financial nature is obeyed to a set of rules that needs to be followed by the big organizations and the groups of public interest. The structuring of the non-financial report is based on the GRI reporting model. The targeted economic organizations are not strangers to the non-financial reporting sphere because the majority have opted for a responsible growth of activity. The implication in environmental, social and governance actions has classified the organization's activity as being a durable one. It has been identified the fact that the responsibility of formulating the non-financial reports belongs to the management and the accounting compartments. It has also been followed how, in the stakeholders' ensemble, the non-financial information occupies an important position in the decisive process.

Keywords: non-financial information, durable development, sustainability, responsible growth, reporting

JEL classification: M41

1. Introduction

Up until now, there have been a series of studies that concentrated on the analysis of the way the social and the environmental performance, respectively the reporting level of these aspects have determined the economic

¹ *Ph.D. Student, Doctoral School of Economics, University of Craiova, Romania, madalinabogeanu@yahoo.com*

² *Professor Ph.D., Faculty of Sciences, Department of Economic Sciences, University of Petrosani, Romania, man_mariana2006@yahoo.com*

performance of the organizations. To inform the interested parties, the organizations publish more and more reports of non-financial nature, including the social, environmental and economic impact of their activities not only as a form of accountability, but as a way of projecting the organization's strategy (Caraiani, Lungu, Dascălu and Colceag, 2015). According to Gray, Owen and Adams (1996), it is considered that the financial reporting within an organization, including the social and environmental non-financial reporting as well as the financial accounting part, should be within a responsibility collective (the accountability model) in compliance with the existent regulations.

These mechanisms are represented by the non-financial reports, which support and complete the financial reports that determine a multitude of advantages for the organization (Gray, Dey, Owen, Evans, Zadek 1997) agree that the non-financial reporting represents the duty of assuring the registration of the stocks for which an organization is considered responsible. The requirements for the non-financial declaration clearly target the environmental, social and personnel problems which were mentioned through other measures of social responsibility, but at this moment they have been objectified under the name of the Directive 95/2014 EU (Burlaund, Niculescu, 2015).

Therefore, the social and the environmental non-financial reports are an instrument for supplying information to users and for reflecting the social and environmental performance and the concerns that the organizations have with the society and the environment (Shearer, 2002).

2. The theoretical bases of the Directive 2014/95/EU regarding the publishing of non-financial information by some companies and large groups

As a result of the need for improving the transparency of the activities run by the economic organizations and because of the need of reporting the environmental and social information, the appearance of this measure wants to create a legal base of a responsible and sustainable reporting. According to "The Order of the Ministry of Public Finance number 1938/2016 the modification and the completion of some accountable regulations has been decided" (OMPF 1948/2016) transposed under the form of the Directive 34/2013 EU, which is currently presented under the form of the Directive 95/2014 EU.

The model of the making of the non-financial situations is extracted from national, European and even international frameworks, but the non-financial declaration is accepted even if the presented models are not respected with the condition of accomplishing every requirement. The publishing of these is mandatory no matter the chosen model to present in a maximum of 6 months from the transmission of the balance sheet. The administrative council of the economic organization has the responsibility of assuring the making of the non-financial individual or consolidated situations. The non-financial declaration implies publishing in the administrator's report from the balance sheet or separately on the organization's own website of a report from which to result the contents of Table no.1.

Table no.1. The content of the non-financial declaration

The non-financial declaration	Environmental, social and personnel aspects
	Respecting the human rights
	Fighting corruption and bribing
	A short description of the business model
	The detailing of the policies adopted by the organization, including the detailing of the model of applying the adopted policies' results
	The description of the risks of the organization's activities, external relations that act negatively on the organization's activity and the way it manages the appeared risks
	The non-financial performance represented through key indicators of relevance for the activity specific to the organizations

Source: The projection of the author based on the Directive 2014/95 EU

Additional explanations can be added in the non-financial declaration if it's considered that they are necessary, but one cannot get rid of the presented mandatory elements. In case the policies are not applied, the organization justifies through declaration the reason that led to the choice made. The mother entity has the responsibility of assuring the making of the non-financial individual or consolidated situations if there are more branches. The organizations that have a number of employees of at least 500, an average number registered during the course of the financial exercise until the date the balance sheet is made, have to make these declarations.

The Directive 95/2014 EU has added the necessary additions and has created the propitious legislative framework to make a comparison in an equitable way between the activity of the big organizations that make financial reports and also non-financial reports in compliance with the European and international standards of durable development.

3. The analysis of the political arguments of the request for environmental, social and governance information (ESG), subordinated to the objective of “responsible growth”

In an economic organization, before implementing environmental, social or corporate governance actions, a radiography of it is needed to see concretely what the organization should focus on. The environmental, social and governance objectives (ESG) reflect the interests of the parties which represent the organization and the impact it has on the business environment and on the environment in general. After finishing the evaluation some actions are scheduled to manage the identified problems and the first step is to sincerely present the situation and to propose various methods of resolving it. The proposed ways need to take into account the relationship with the community, with its needs. The accountability current of the organizations has been developed and has been installed quickly in the management policy, introducing universal rules and easy to transpose in practice, adapted to the level and according to the specific and the policy of every country. We mention how in Romania these aspects have been objectified through the Directive 95/2014 of the European Union, a directive that makes a reference to the publishing of some organizations or groups of information of non-financial nature. The environmental, social and governance information propose the compartments of the economic organizations to be changed and they challenge them to answer to the impact of the non-financial information concerning responsible growth as it results from the regulations issued at an European and international level. According to the contents of the Directive 95/2014 EU, a responsible growth is expected, resulted at a managerial level from the commitments of the internal users and expectations from the external ones. The notion of responsible growth does not offer a lot of information about what it should mean, but it transposes the policy of the European level of association according to some instruments (Burlaund, Niculescu, 2015).

The responsible growth is often perceived as a public interaction, but this is more than that because it encourages growth, transparency and novelty. At a political level the requirement to publish ESG information is not new in an

integrated reporting that targets responsible growth, useful to the interested parties. The EU Directive concentrates and refers to other regulations published over the time but which are not capable of incorporating the information by themselves. In theory, this economic model is supported by the power of information and by the change of reasoning. The ESG contributes to the improvement of the communicated information and has a word to say in the management of the organization's information. Treating ESG problems is found in the applied policies by the organization that does not avoid the non-financial information and this fact places the ESG information at the peak of the commitments taken by the organization. The premise from which the non-financial information creates a growth of the economic organization's value is more and more used and it evens out the balance between social, environment and responsible.

The beginning argument of the Directive 95/2014 EU refers to the unique market, to the stimulation of the growth, trust and a new growth. The mentioned document refers to the "twelve leverages", out of which the public expense occupies a leading position when it comes to supporting the growth, so, the growth of the market's demand for goods and services cannot be avoided (OMPF 1938/2016). The responsible growth is supported, which results from the publishing and the application of the environmental, social and governance information because these are seen by the public as obligations and results are expected. The transparency and the giving of ESG information is not a strictly economical issue and it contains a larger sphere of activity. The economical approach of the ESG information would mean a form of defence on the market of the organization decided by the management which follows a well-defined purpose, which is combined with a grown responsibility of the social environment. The European Union takes care of and guides the states by assigning power and control, states that guide the economic organizations to a responsible growth of their value.

The European policies of durable development promote the organization's responsible growth, but these do not mention with specific terms where the "growth" needs to be registered. The registration of the growth of the consumption is not a policy promoted by sustainability because the waste and chaotic consume of resources intervenes. Not even the market can be the one targeted by growth because through its growth it attracts ineffectiveness and on the long run it is not at all embraced by a durable development. A series of documents issued by the European Union over time, balances the existent situation. The first argument was from the

representatives of the internal market and the European Commissariat took the lead and proposed balance in the political environment for the responsible request of goods and services to be supported and to help and make the existence of the smaller organizations easier (Burlaund, Niculescu, 2015). The European Parliament was not indifferent and took action regarding this problem in two ways with resolutions. They first referenced the social responsibility seen as a necessary element for assuring the future of the organizations, because you cannot evolve in a hostile environment. The second intervention refers to the organizations that are led to a responsible behaviour for a sustainable development, fact proven by the economic crisis that slowed down the mechanisms of the durable growth. The reestablishment of the trust and the readdressing can be regained through ESG, more so through the focusing on the durable development, without deviations from the adopted policy in the internal management. The attention is drawn from the fact that the social responsibility does not have to be treated as a way of promotion and publicity, even if the attained winnings indirectly promote the activity run by the organization. The second reaction is obtained through the Directive 95/2014 EU that promotes the non-financial information. The way it was presented, this guides the organizations towards the making of the non-financial reporting, but it gives the freedom of choosing the presentation, the form and the content at the latitude of the organizations. What is imposed is the presentation term and the achievement of the requirements asked by the Directive. The Global Reporting Initiative (GRI) and models of the United Nations Organization, of the Organization for Economic Co-operation and Development and of the ISO Standards are the ones that the Directive is based off of (Burlaund, Niculescu, 2015).

The United Nations Organization has intervened with information about the human rights and about the protection of these rights and in this situation the publishing of environmental, social and governance information is not taken into consideration and the focus is on the organization's actions that can threaten the human rights. The propositions enunciated by the United Nations have been taken into consideration by countries for the propositions to be applied, with the organizations having the necessary support in respecting the human rights and in handling the various situations regarding this subject. The problem of respecting the human rights has been more and more asked in the activity sphere of the organizations no matter the complexity and the structure of them.

The attention of the Organization for Economic Co-operation and Development regarding the Directive 95/2014 is mainly focused on the big organizations that often have branches in various countries. They target an equal as possible behaviour in compliance with the international legislation that actively supports the ESG information and has as an objective the responsible growth.

The ISO 26000 Standard is implicated in social responsibility intervened in more and more domains. This supports the evolution of the organizations and their direction towards actions of social responsibility, that is why it is a source of inspiration of the Directive 95/2014. The ISO offers the necessary support in the understanding and the implementation of the social responsibility in the organization and their communication through growth, progress and performance. The social responsibility of an organization can be identified through by integrating into the decisions of the organizations only of the actions based on the ESG principles.

The Global Integrated Reporting (GRI) is the main source of inspiration of the reporting of the environmental, social and governance information. GRI is an instrument of informing that had as a main purpose the communication with the users interested of the information. With time, the form of the GRI has suffered modifications, but at the moment it supports the durable development of an organization that, through its actions, influences the environment. The proposals made by the GRI are encouraging simple information and capable of showing the interests of the organization's activity. The GRI adopts the attitude that accustomed the organizations in the accounting reports and the confrontation through comparison is more than just a proposal.

4. Difficulties generated by the need of normalizing the ESG information with the purpose of making it usable by the stakeholders' assembly

The environmental, social and governance information (ESG) is considered basic knowledge for the investors and for the performance reports of the organizations. For a good chunk of time, it has been considered that the investors do not count on the ESG criteria, but the facts prove the contrary because the stakeholders not only that they are interested in this information but they want it to be applied. Becoming more and more used, the ESG information is the key that influences the organization on the long run. The fact that the stakeholders are implicated and promote the ESG information is a

greatly important thing for the third parties and for the own success with immediate effects and on the long run. The lack of implication of the other economic actors regarding ESG actions is because of the planning of the actions on the short term. This way of acting gets a lot of criticism and is hard to explain how the investment processes are handled on the short term in the activity of the organizations. The attempts during the course of the activity and the obstacles that they meet on the way make the investors reluctant regarding decision making and they do not throw themselves into challenges, but the ESG information wants to encourage investments and without these, the capacity of the organizations is limited on the long run and the results are late to appear because the flows of treasury are affected. The steps followed by the stakeholders during the implementation of the ESG can be:

Table no. 2: The steps of implementation of the environmental, social and personnel information

	<i>Steps to follow</i>	<i>Necessary actions</i>
<i>Step 1</i>	Identifying the needs of the organizations and of the stakeholders	Necessary to establish a starting point
<i>Step 2</i>	Identifying the information for the making of the report that can satisfy the needs of the users	The help for mobilizing of every compartment of the organizations is asked
<i>Step 3</i>	Assuring the disponibility of the information to match the needs	Identifying the information that firmly and clearly responds to the imposed requirements
<i>Step 4</i>	Choosing the right model of reporting	Model that responds to the needs of the organization
<i>Step 5</i>	Assuring the disponibility of the time, human and financial resources	It imposes financial disponibility and the training of the personnel

Source: The projection of the author based on the Directive 95/2014 EU

The management of the organizations that followed the principle of applying the environmental, social and governance information has an

advantage because the forecasts made can surpass the initial estimations. The investment process is encouraged through facts and discussions to invest time and resources in the ESG principles because this activity consists of an immediate research for which a durable activity can be sustained. The attempts through which an economic organization goes through until the adoption of the ESG principles are tied to the difficulty and the complexity that they are perceived at first sight and are labeled as being principles hard to quantify and evaluate in the decisions of the management. These shortcomings are caused by the poor informing initially provided by the ESG process in organizations and the received results are often treated improperly because through results a significant evaluation of the obtained factors from the ESG should be promoted. The models and the approaches of the ESG differ according to the particularities of the organization, but each one of these models have the so-called key indicators of performance (KPI Institute, 2017).

The complexity of the ESG urges the stakeholders to evaluations for different factors of the results of financial nature for them to follow the modifications of the cash flow and of the earnings, but the value of the assets and the cost of capital as well. Therefore, ESG offers the possibility of focusing on those factors considered significant for the activity of the organization and the value and the advantage created by the financial performance can be quantified. The personnel and especially the accountants of the organization are involved in the support of the organizations towards the fulfilling of the request volume of the stakeholders. The accountants need to assure the rightness and the relevance of the presented information for the image of the organization to be well reflected and to transpose from the ability acquired in the reporting and the analysis of the ESG and in the handling of the processes from the inside of the organization regarding this very subject.

Figure 1. The communication of the ESG reporting



Source: The projection of the author

Communication practices between the accounting compartment and the stakeholders are encouraged, being able to satisfy the stakeholders regarding the importance and the knowledge of the environmental, social and governance factors. Therefore, communication can be the way towards success and a good communication between the accounting and the management creates the ground for an investment accepted by the ESG. So, a propitious environment is created for the ESG performance and on the long run the created value is maintained at a high level and it motivates the actual and potential interested investors.

The financial and non-financial information are instruments necessary for the decisional factors and instruments followed with high interest by stakeholders. The reporting of these elements is the result of the implemented processes and of the implication of the environmental, social and governance information. The bonds between financial and non-financial aspects have to be merged because they influence the value and the performance of the organization. This merge bears the name of responsible growth and it refers to the usage of the resources and their impact for sustainability. The improvement of the reporting can happen continuously because the needs of the stakeholders change and the ESG information needs to remain at a significant importance, to be opportune and to be able to make comparisons between them. The ESG information transposes perfectly through the responsible growth because it eases the development work and analyses in detail the performance registered at an environmental, social and governance level.

The organizations are currently confronting with a more challenging reporting environment. The phenomenon of globalization has attracted complex operations that serve more and more domains. The rhythm of the legislative change is alert and the investors and the participants in the capital market have more and more requirements. In the presented situation, the interested parties need to show their interest in better reports. They need to be assured financial resources for the organization, for the making of the non-financial report, so useful for the parties, in good conditions. The making of an internal analysis of the organization is recommended to discover the challenges the organization would confront with considering internal and external aspects. Solutions to problems are also being identified, putting financial and non-financial situations, internal and external reports in one place, leading to a big efficiency and more coherence. In the making of the

financial and non-financial reports, an additional effort needs to be made for the decisions to be thought objectively, for a better relationship with the investors and the authorities of regulation and also a better image of the business. An important thing in the report policy is the one of surpassing the organization's strategy barrier (FAAS, 2014).

The increase of the number of active organizations on the international market leads to the appearance of new models of financial and non-financial reporting. The reporting aspects focus more and more on the non-financial sphere including elements of perspective that lead to a durable development. The organizations will have to obtain a balance between speed and precision, but the rightness of the information cannot be forgotten. The internal and external challenges of improvement of the reporting are not to be neglected because it is not easy for an organization to keep up. With limited resources, the organization can improve the efficiency of the reporting by upgrading the work equipment and the informatic systems and by optimizing the processes. The perfect formula between the standards of the reporting and the available accounting skills represents a challenge. According to the conducted studies in various states (FAAS, 2014), it is considered that a not so complex reporting and one that does not consume a lot of resources can offer consistent information as well. These considerations bring internal benefits that largely would improve transparency, coherency and the accuracy of the information which would mean better decision making.

The ESG reporting attracts a series of benefits and surpasses the gap created between the information requests of the public. This reporting needs to be seen as a way of communication between the organizations and the interested parties through which financial and non-financial information, consistent data, informatic systems and every method available in the organization are being used. The advantages are continuous, from the increased quality of the information from within the reporting to the strengthening of the relationship with the investors and even to the organization's reputation. Stakeholders consider this kind of reporting to be sluggish. If they are a part of the category of targeted organizations and if they will be compelled to mobilize themselves and to put into application policies of financial reports, the management will have to make some progress regarding this subject and to be well informed.

The needs of the stakeholders are as numerous as their opinions and because of this fact it is considered difficult to find a balance between the external and internal interests of reporting. For example, on one hand, the

requirements of regulation need really detailed reports with a high grade of precision of the presented data at the fixed calendars. On the other hand, the investors can request much more accessible and shorter information regarding the key indicators of performance on a basis as used as possible. Under these conditions, one of the big challenges is keeping the financial reports relevant to users.

The organizations try to satisfy the needs of the different interested parties for more specific data and for the most frequent ones, while they are confronting with a complexity in regulation, based on an increased volume of reporting. The current cycles of reporting simply cannot serve the needs of the stakeholders, because they are not sufficient. There is also pressure on the organizations to shorten the reporting cycle so that the interested external parties get information more quickly after a period ends. The shortening of the cycle puts a considerable pressure on the finances. They condense the reporting period into a shorter period with a mechanism that allows the entire apparatus to emit a report based on a day. This fact becomes really complicated when information needs to be followed from more regions and divisions and the publishing of this information to the investors from all around the world. These are included in the synthesis of the management and the analysis of this information.

5. Conclusions

In this paper, the risen interest for the reports of non-financial nature has been analyzed, interest which places this aspect at the top of the organizations' concerns. The high level of requirements of the market about the reporting of the non-financial information trains the economic actors towards the quick integration of social and environmental notions in their economic activity. It has gotten to the conclusion that the biggest challenge of an active organization is the financial situations that it makes and for it to include information of non-financial nature as well. This integration creates the ideal framework of transmitting complete information to the internal and external users.

The appearance of the Directive 95/2014 EU has been analysed, Directive that targets environmental, social and personnel problems which were mentioned by other measures of social responsibility. The requirements resulted out of the appearance of this Directive, punctually mention what a certain category of organizations need to accomplish, so it can be said that guidance regarding the making of the non-financial reports is being offered,

even though the form and the way of presenting is at the latitude of the organization. The premise from which the non-financial information creates a growth of the organization's value is more and more used and it balances the social, environment and responsible. Therefore, it has gotten to the idea that a responsible growth is the motto the European Union strongly believes in. Its application needs helping instruments that support the durable development and that are found in the internal and external structure of the organization. The environmental, social and governance (ESG) objectives have been called out, reflecting the interest of the parties that represent the organization and the impact that the organization has regarding the business environment and the environment in general, being the method of interaction promoted by transparency and novelty. The political implications of the durable development place the organization on the position of public interest, even though it should be followed from the perspective of its duty regarding the environment.

The economic approach of the ESG information would mean an integrated form of activation of the organization on the market, decided by the management that follows a well-defined purpose, which is combined with a risen responsibility of the social environment. The starting point of the Directive 95/2014 EU was the GRI model and the models of the United Nations Organization, of the Organization for Economic Co-operation and Development and also the ISO Standards, being considered sources of inspiration of the economic agents in the making of the reporting models. With that being said, the content of the non-financial information report should be tailored at the level of the organization, but the European Union refers to the GRI model. The proposals made by the GRI encourage simple information and capable of revealing the interest of the organization's activity and it adopts an attitude similar to the ones of the classic accountable reports.

It has been proven how the economic organizations try to satisfy the needs of the different interested parties for more specific data and for general data, while they are confronting with a complexity in regulations, based on a risen volume of reporting. The ESG information is considered basic information for the investors, for the performance reports of the organizations. It has come to the conclusion that the organizations that followed the principle of applying the environmental, social and governance information have an advantage. The application of the ESG offers the possibility of focusing on those factors considered significant for the activity of the organizations and the value and the advantage created by the financial performance can be

quantified. In the current situation, it has come to the conclusion that the interested parties need to manifest their interest for better reports to satisfy their requirements. The management needs to assure financial resources for the organization to make the non-financial reports, useful to the parties. The knowledge of the organization's particularities is recommended for the analysis of the challenges the organization is confronting with.

In conclusion, in the making of the financial and the non-financial reports, there has to be an additional effort put in to objectively think the decisions, towards a better relationship with the investors and the authorities of regulation and a better image of the business. A good implementation of the ESG aspects combined with the requirements of the Directive 95/2014 EU puts together financial and non-financial situations, internal and external reports, leading to a better efficiency and more coherency.

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