

CSR reporting in the context of sustainable development in Romania

Miruna ZAPCIU

Bucharest University of Economic Studies, International Business and Economics, Romania

Abstract - *Corporate Social Responsibility includes a component by "social reporting" type. The two are closely related, being part of the same system: ethics and compliance management. There are several ways in which social reporting is done, as indeed there are many ways to apply the CSR concept in company.*

In Romania, the concept of corporate social responsibility has emerged in the 1990s, once with the establishment of several NGOs companies, especially the ones in humanitarian field, founded with the support of international institutions, public or private.

This situation has been followed by major reforms in Romania in the period 2000-2007 as part of the preparation for EU membership; these reforms have affected the involvement of large and small companies' in CSR/SR activities which consisted largely in replacement of classical production technologies with more "friendly" environment and social measures that have targeted employees or the society. Due to extensive legislation in these areas, there is a constant competition in terms of technologies used to protect the environment and employees and to promote sustainable development.

*The paper presents the situation of CSR reporting in 41 countries, including Romania. A recent directive of EU is **related to corporation's activity which has required reporting annually a number of non-financial issues related to diversity of activities in the workplace. CSR reporting in Romania follows the good practices in the EU and will further build on the recommendations of ISO 26000. Those companies that are required to report will also have long-term benefits, such as improved performance and lower cost financing.***

Key Words: *CSR reporting, corporate performance, sustainable development.*

1. INTRODUCTION

The implementation of responsible practices by the private sector has become stronger after EU accession and was driven mainly by the involvement of multinational companies who have transferred best practices and organizational culture at local headquarters and later (2014-2020) by opportunity to access EU funds [1-5].

The most relevant corporations, with branches in Romania, are applying CSR on renewable energy industry,

waste management, rural and eco-tourism, marketing of organic and green products. In the future, the attention is given to increasing integration of responsible practices in organizational policies and practices of companies, regardless the core of business.

Responsible corporate behavior was evaluated initially in Romania based on commercial considerations, image and reputation, not in terms of sustainable development and the needs of stakeholders. Actually, we have in Romania an increase of the implementation of the second approach. Responsible practices are associated with long-term success in direct proportion with community development, environmental welfare, practices and business relations [6-8].

Social Reporting, besides that provide assessment and communication of how companies work, contributes to building credibility. It is necessary that stakeholders (from shareholders and employees to NGOs and community) to be convinced that the company's shares ensure sustainable development of the company and the community.

The concept of social reporting is different from the concept of CSR Report. Reporting activity is the whole process of evaluation and communication of the results of this assessment.

CSR Report is the final document which presents the conclusions of the report. The distinction between the two concepts is important because it makes the difference between those who practice social reporting because they see it as a benefit and those who do it just for communication [9-10].

The EU CSR agenda is aimed at enhancing the following actions:

- 1) Improving the visibility of CSR and good practices dissemination
- 2) Tracking and improving levels of trust in business
- 3) Improving self and integrated regulation of processes
- 4) Market reward for CSR policies
- 5) Enhancing company disclosure of social and environmental information
- 6) Further integrating of CSR into education, training and research activities
- 7) Awareness the importance of national and regional CSR policies [11]
- 8) Aligning the European and global approaches into CSR reports. CSR reporting are in constant

evolution and aim to demonstrate the sustainable development efforts of companies.

2. HOW TO MAKE CSR REPORTING?

The components of social reports follow, typically, from strategy of company. If it includes aspects of ethics and compliance, it will provide a great deal of relevant indicators for social reporting.

If an organization wants to start from scratch a social reporting process, auditing requires an ethics and compliance, to evaluate the state of "health" and identify potential organizational risks. Then comes the creation of mechanisms (internal policies, codes of conduct for employees, monitoring and control structures, training specific organizational culture change awareness by all employees) in order to have necessary elements to report.

Scott McAusland, Director of Ausland Communications, states that Global Reporting Initiative does not know any company in Romania that reports using GRI G3 (or G4) reporting model. On the other hand, the Social Accountability International website is provided statistics showing that in Romania there are seven companies that are certified to the standard ISO 8000 (the first standard with social implications regarding the way in which human resources are managed, rights of employees and working conditions) and therefore report annually according this standard. Mentioned statistics do not fully Romanian reality, because they are limited to their model. However, this does not mean that the social reporting in Romania is very effective, at least for the time being.

European Commission awards in 2013 two projects in Romania, celebrating CSR partnerships innovation for social and business impact [12].

- The Green Laboratory for Recycling (project for SMEs)

Leading company: Eco-Rom Ambalaje (sector of waste recovery and recycling); The implementation and impact is in the period 2012 – present. CSR issues addressed are waste & pollution, environmental protection, community impact/ engagement, education.

- Adopt a river from its spring to its mouth (project for Large Company)

Leading company: The Coca-Cola System Romania. The implementation and impact is in the period: 2007 – present. CSR issues addressed are environment, community impact/engagement, stakeholder engagement, education, employee involvement. The adoption was Dorna springs area, the Siret and Danube course and the Delta.

3. CSR 5 STEPS REPORTING

3.1. Ethics and Compliance Audit

Ethics and compliance audit is suitable for management organizations and has the advantage that identifies potential risks and proposes possible solutions. On the other hand, this assessment must be carried out exclusively by external auditors to observe the principles of independence and integrity. Ethics and compliance audit result and the organization's strategy provide a list of indicators to follow in social reporting.

3.2. Stakeholder Analysis

This type of analysis is designed to identify those relevant stakeholders for an organization and their impact. For example, a company that produces cement, the environment is an external stakeholder. Instead, a consulting company with 500 employees, the environment is no longer a stakeholder as important as, for example, their own employees. This does not mean that the environment disappears from company stakeholders concerned, only the share which has reporting will be lower.

3.3. Social reporting Assessment

This step establishes the time period covered by the report, build the skeleton on which will be analysis, and establishes the factors that will contribute to this process. Typically, social reporting covers a period of one year. Depending on the activity (chemistry, for example) they can cover a period of 6 months (while it lasts fiscal semester, to coincide with the financial reporting and give investors a clearer picture of organizational performance).

3.4. Reporting exercise

Social Reporting Mission involves several aspects: analysis of the indicators previously identified; their monitoring for a certain period; collaboration with rational stakeholders to make corrections and to prevent possible conflicts between their interests (Stakeholder Management). This is the most important step for social reporting.

3.5. Communication of final report

The last step is approval of the final report by the management of company; publish it on the organization's website and sending it to all relevant stakeholders. The final report includes information on the measures taken, how to do the monitoring activity and how the organization's vision was implemented in these measures.

4. CSR REPORTING IN ROMANIA

A year ago, KPMG published a study on the situation of CSR reporting in 41 countries, including Romania. The information disclosed by companies during the period 2012 - 2013 was analyzed considering some data and information available from 2011.

The study comprises two sections: a quantitative analysis of CSR information from top 100 companies, according to the income of each country (in total, 4.100 companies), a qualitative analysis of CSR reporting in the largest 250 companies in the world (after the Fortune Global 500).

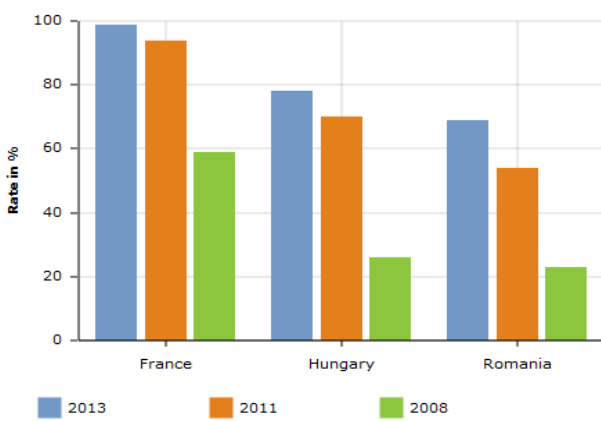


Fig.-1: "Reporting Rates" according KPMG study; average value for EU: 73% (2013), 71% (2011), 51% (2008).

According to the study, Romania had a CSR reporting rate of 69% in 2013 (Fig.-1).

In this section of the study, KPMG has indexed a number of companies which have published, over the period analyzed, information about CSR practices, whether they have resulted in CSR reports, annual reports on the company's website or, in the case of a subsidiary, the data that was sent to the headquarters in order to be integrated into the Group report.

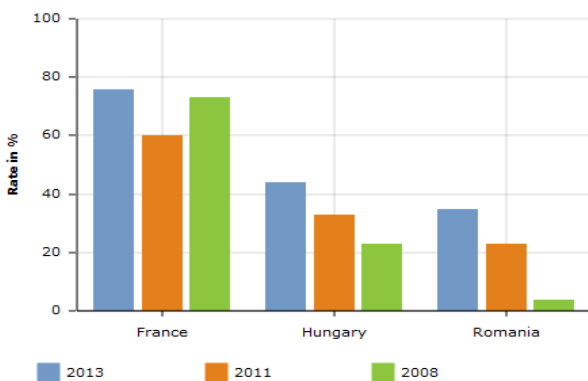


Fig. -2: "Assurance Rates" according KPMG; average for EU: 40% (2013), 41% (2011), 20% (2008)

The most important conclusion of this section is: the number of companies that have published information about their CSR practices has increased in the past two years (Fig.-2). There were no differences between reporting rates in different industrial sectors for the large companies. Companies in the automotive and telecommunications were the most transparent in terms of CSR reporting. That happened in conditions that, two years ago, the two sectors recorded the lowest rates of reporting.

According to the study, Romania had a rate of quality reporting on CSR by over 25% in 2013. The experts evaluated the content of these reports especially information such as risks and opportunities in terms of corporate responsibility, CSR objectives, the impact they have in the value chain, and many other aspects of good practice. Depending on the quality of reporting of indicators analyzed, the authors have given scores from 1 to 100. The European companies have published the best CSR reports; companies with a high impact on the environment and society obtained the lower scores in terms of the quality of CSR reporting. These companies come from sectors such as petroleum, metallurgical, energy and building materials from industry. At the other extreme were the companies in the following sectors: electronic, pharmaceutical and mining, which had CSR reports of the highest quality. Only 1/8 of the companies analyzed have communicated about their CSR objectives and only 1/5 of them met the criterion of "balance" (including the report describes not only positive performance, but also failures). Most of these are part of the sectors: food, pharmaceutical and electronics.

The number of companies that report data for CSR in Romania has increased. To achieve global survey, KPMG Romania inventoried the top 100 companies according to revenue in our country. According to research by 2014, over 70 of them have published the CSR information in one form or another:

- 28 local CSR reports published (of which only 3 were used GRI standard)
- 5 included information in their annual sustainability report
- 36 of them have transmitted the CSR data to headquarters, to be included in the group reports.

The European Parliament adopted on 15 April 2014, a directive on corporation's activity which have required reporting annually a number of non-financial issues related to diversity of activities in the workplace. This information is related to:

- Environmental protection: Environmental Health and Safety (EHS) issues, use of renewable and traditional energy resources, emissions of greenhouse gases, air and water pollution;

- Relationships with suppliers and distributors, measures taken to ensure gender equality and the rights of employees, ensuring optimal working conditions, ensuring health and safety at work, dialogue with local communities and actions development of these communities.
- Diversity of management structures.

Before the non-financial reporting being mandatory, less than 10% of European companies were publishing information on their CSR performance. These companies were reporting some costs, which became a disadvantage against competitors who did not report. In addition, how responsible companies chose to analyze and present the information was so different, that the results could not be compared. Both for public and especially for investors, reports proved somewhat ineffective in trying to understand the development, performance and the impact a company has in relation to its competitors.

It is estimated that those companies that are required to report will also have long-term benefits, such as improved performance, lower cost financing, rare interruptions and less extensive activity, and better relationships with stakeholders and consumers.

Investors should benefit from better information that would allow them to make better-informed decisions, and society would benefit as a result of better management of adverse impacts as a result of corporate activity.

It also applies to companies from Romania, and only for companies with over 500 employees, SMEs are not required to report due to the high costs compared to the benefits.

However, the Commission encourages and they are transparent, as far as human and financial resources they allow. In Romania, the number of companies with over 500 employees is 720 (according to the Association for Community Relations, quoted by EurActiv <http://arcromania.ro/content/index.php>).

In terms of non-financial cost reporting of companies, it is estimated that the concerned companies have the possibility to choose the topics of report and how to report.

These may include information deemed relevant by them or the annual financial report or CSR report group or a separate CSR report.

Also, now, the company could choose a single reporting standard, with available tools such as:

- UN Global Compact,
- Global Reporting Initiative (GRI 4.0),
- ISO 26000
- German Sustainability Code.

In the future, to facilitate the reporting process, the Commission aims to create a reference guide, starting from the most used international standards.

Based on ISO 26000, the governance of organization includes a holistic approach related to CSR (Fig. -3).



Fig.-3: Holistic approach of CSR based on ISO 26000 and organizational governance.

All six components are important, but the most current topics in reporting are related to Environment, Consumer issues and Community involvement. ISO 26000 and GRI4.0 are providing guidance for the organizations to operate in a socially responsible way and to translate principles into effective actions [13].

5. CONCLUSIONS

- CSR reporting in Romania is trying to follow the good practices in the EU and will further build on the recommendations of ISO 26000 in conjunction with best practices offered by GRI4.0;
- This paper presents and details the five steps followed in CSR reporting;
- It is likely that those companies that are required to report will also have long-term benefits, such as improved performance and lower cost financing.
- Romania had a rate of quality reporting on CSR by over 25%. The experts evaluate continuously the content of these reports, especially information such as risks and opportunities.

ACKNOWLEDGEMENT

This work was partially supported by the strategic grant POSDRU/159/1.5/S/134197 – PERFORMANTA, of the Ministry of Education and Scientific Research, Romania, co-financed by the European Social Fund – Investing in People, within the Operational Sector Program Human Resources Development, 2007-2013.

REFERENCES

- [1] Wolfe H. CSR Bibliography: Articles of Interest to the HR Function. Published by Institute for Employment Studies. Brighton BN1 9RF, UK, 2004.
- [2] http://ec.europa.eu/research/horizon2020/pdf/work-programmes/msca_draft_work_programme.pdf Accessed on 11.03.2015
- [3] Petrescu I. Capitalul uman în eco-economia și dezvoltarea durabilă a României. *Annals of the Academy of Romanian Scientists, Series on Science and Technology of Information*, Vol.2, Number 2/2013. ISBN 978-973-0-14480-1
- [4] Mohaci M. Managementul mediului în contextul dezvoltării durabile la nivelul județului Brașov. *Conferința Internațională Eco-Economia și dezvoltarea durabilă, Brașov, 20-21 septembrie 2013*.
- [5] <http://ec.europa.eu/programmes/horizon2020/en/> Accessed on 11.03.2015
- [6] <http://www.eco-social.ro/> Eco-economia și dezvoltarea durabilă. Accessed on 10.03.2015
- [7] http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm Accessed on 11.03.2015
- [8] European Commission: Communication from the commission to the European parliament, the council, the european economic and social committee and the committee of the regions. Brussels, 25.10.2011, COM(2011) 681.
- [9] http://ec.europa.eu/public_opinion/index_en.htm Accessed on 11.03.2015
- [10] Witherell B. Corporate governance and responsibility Foundations of market integrity. *Revue Observer* No. 234 October 2012.
- [11] <http://www.europeancsrawards.eu/> Accessed on 11.03.2015
- [12] European Commission - Celebrating CSR partnerships innovation for social and business impact. First European CSR Awards Projects 2013. <http://www.europeancsrawards.eu/wp-content/uploads/2013/06/Goldenbook.pdf>. Accessed on 11.03.2015.
- [13] GRI G4 Guidelines and ISO 26000:2010 How to use the GRI G4 Guidelines and ISO 26000 in conjunction. http://www.iso.org/iso/iso-gri-26000_2014-01-28.pdf Accessed on 07.04.2015.

BIOGRAPHIES



PhD student at University of Economics, Bucharest, Romania

Main interest subjects: Corporate Social Responsibility, Sustainable Development, Life Cycle Assessment of products.