

## EXPLORING TOP BET INDEX COMPANIES OF THE BUCHAREST STOCK EXCHANGE THROUGH THEIR INTEGRATED REPORTS

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**Abstract: Research objectives:** *This paper proposes to study environmental, social and governance (ESG) type sustainable aspects and the way they impact the most traded companies listed on the Bucharest Stock Exchange (BVB) according to the Bucharest Exchange Trading (BET) index.*

**Study methodology:** *The research methods used include parametric correlations and descriptive analysis focusing on the data from top BVB listed economic organizations. To draft the research one included ESG type non-financial information (NFI) as well as financial information for which the liquidity indicators, the return on assets (ROA) and the return on equity (ROE) were calculated.*

**Main results of the research:** *The research results show that the BET economic organizations must improve and standardize the manner in which they report non-financial information of environmental, social and governance (ESG) nature. A direct link relationship has been proven between the financial indicators and the best performing organizations regarding non-financial indicators. The findings learned from this research may aid define a new strategy of reporting non-financial information of ESG type.*

**Keywords:** *reporting, financial information, non-financial information, BVB, BET index;*

**JEL codes:** Q01, Q56, M14

### Introduction

Over time, economic organizations have not been evaluated only from the economic-financial perspective, but one has also taken into account environmental, society and governance (ESG) aspects, requiring their integration within the business strategy and the organization's mission. To answer regulation frameworks and the expectations of the users, one marks the biggest transformation in corporate reporting in the last few years, when the first accounting regulations were launched, harmonized with the International Accounting Standards (IAS) in Romania (KPMG, 2023).

At a European level, the reporting requirements of ESG type information continuously improve by introducing reporting requirements for a much wider variety of economic organizations. Implementing reporting requirements of ESG type information is fundamental in supporting the declared objective of the European Commission of directing capital flux towards sustainable activities (KPMG, 2023; PWC, 2018).

The sustainable aspects represent a point of interest for research which analyzes the relationship between the financial and social plan of companies. In European context, the 2014/95/EU Directive and the 2022/2464/EU Directive have come to support the big economic organizations which have an average number of 500 employees at the date of the balance sheet, thus imposing a series of requirements regarding the reporting of non-financial information of

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environmental, social and governance (ESG) type. The objective of these directives refers to the distinct presentation of the financial situations as opposed to non-financial situations. The latter presents non-financial information composed of ESG indicators aligned to the European standards of: The European Commission (EC), Global Reporting Initiative (GRI), Corporate Social (CSR) and the Objectives of Sustainable Development (OSD) of the 2030 Agenda (2022/2464/EU Directive; 2014/95/EU Directive).

The 2014/95/EU Directive and the 2022/2464/EU Directive provide the presentation of information regarding aspects such as the business model, the strategy and the related policies, the non-financial key indicators of performance and the target indicators, the company governance regarding aspects of sustainability, evaluation of double materiality, risk management and ESG opportunities. These directives impose the distinct presentation of information from the environmental domain (including European taxonomy), the social domain, in conformity with the European standards of sustainability reporting, and from the domain of corporate governance (2022/2464/EU Directive; 2014/95/EU Directive).

Judging by common drafting practices of ESG type reports, one has identified the following opportunities as well as challenges (KPMG, 2023):

#### Opportunities

- Increasing visibility by growing the complexity degree of the integrated reports by simultaneous evaluation of financial materiality corroborated with impact materiality (ESG);
- Detailed presentations with prospective and retrospective information which apply to the whole value chain of the economic entity;

#### Challenges:

- Presenting information on policies and initiatives of the economic entity in concordance with the objectives related to sustainability aspects;
- Reporting and evaluating the impact of an economic organization regarding its own actions;
- The economic organizations must draft reports according to the European standards which would include sustainability and taxonomy aspects;

The substance and form reporting regulations have been gradually improved with time, reaching a mandatory applicability level for the organizations of public interest with over 500 employees, and in the near future they will become mandatory for large economic entities (which surpass two of the size criteria: over 250 employees and/or 40 million euros revenue and/or 20 million euros total assets), being applicable starting with 2026, with the listed IMMs having applicability starting with 2027 (KPMG, 2023).

- *In 2024:* The requirement of integrated reporting for economic entities of public interest which at the date of the balance sheet have an average number of employees of over 500.
- *In 2026:* The requirement of integrated reporting for large economic entities (which surpass two of the size criteria: over 250 employees and/or 40 million euros revenue and/or 20 million euros total assets).
- *In 2027:* The requirement of integrated reporting for listed IMMs.

Regarding ESG reporting, some practitioners consider that it constitutes a catalyst of change and has a vital role for building the future of the economic organization (KPMG, 2023). Drafting ESG reports requires the allocation of some substantial investments and specialized resources. The effort of the economic organizations can also gain a competitive advantage by integrating this reporting framework within the evaluation process of risks and opportunities related to ESG.

The ESG reporting system is under permanent change, evolving from a niche segment to new valences. The ESG sustainable report is evaluated and treated with the same rigor as the financial reporting. The financial auditors play an essential role in constituting the report's trust regarding the robustness of non-financial information as follows: they ensure the credibility of ESG information within the annual report; they create a positive impact on the brand and the economic

organization's reputation; they reinforce the organization's awareness towards material ESG risks and facilitate system, internal process, control and performance improvement for the companies within the ESG area (KPMG, 2023).

The ESG reporting adopts some governance frameworks which incorporate principles of sustainability which generate changes in economy, in general, and in financial services, especially. The potential risks for financial stability due to climate change represent a key priority for the economic organizations. The latter must understand their own exposure as well as their clients' whenever they determine the strategy and business model. Reporting in conformity with the European Directives of reporting will be an essential step in this direction (Gutierrez-Ponce, Arimany-Serrat, Chamizo-Gonzalez, 2022).

The EU Directives regarding ESG reporting sustainability comes with multiple requirements and brings more clarity regarding the reporting of these aspects. Increasing the level of transparency and communicating the progress in reaching targets from the ESG strategy of an economic organization represents an opportunity to increase the level of trust of employees, shareholders, financiers, and communities (KPMG, 2023).

### **Literature Review**

The specialty literature showed that good corporate governance has a positive impact on the organization's performance, leading to more predictable results and higher trust for the third-parties (Brown and Caylor, 2006; Arjoon, 2017; Global Alliance for Banking on Values, 2023). The purpose of unveiling ESG information is to increase the transparency of organizations and to obtain better financial and non-financial performance (Bogeanu-Popa and Man, 2023). A more sustainable growth and better workforce occupation improves the interested third parties' trust, especially if it is about investors and consumers.

According to studies, the organizations from emerging economies are currently close to a tie with those in developed countries regarding the inclusion of ESG measures and policies within their business plan (Betz, 2015). Through the research of Yekini et. al. (2019) it is proven that the majority of Chinese organizations maintain an intermediary level of information regarding ESG.

The non-financial information of ESG type must be made available to users transparently on their website, having the purpose of unveiling how the organization creates value with time. This manner of displaying ESG information may represent a challenge for the economic organization's investors (Adams, 2015).

The non-financial information makes the transition from the results obtained by a business to the impact it has throughout its activity. Information regarding the organizations' reputation is of high interest for the investors, and the non-financial reports of ESG type have become an integrated part of the actual business model (Simas, Slater and Miller, 2018).

ESG reports may offer a reliable way of identifying the quality of information (Churet and Eccles, 2014). Over time, authors have investigated the benefits of the integrated reports and have analyzed the value this data has regarding the materiality of non-financial aspects. Studies have demonstrated that multiple reports regarding ESG show that administrative councils should be more involved within the business strategy (Gutierrez-Ponce, Arimany-Serrat, Chamizo-Gonzalez, 2022). Other research focused on the importance of identifying risks, especially technological and security risks (PWC, 2018).

Similar work has been made by authors such as Gutiérrez-Ponce, Creixans-Tenas and Arimany-Serrat (2019) which analyze the quality of web information and the corporate governance within Spanish hospitals. Other authors such as Gutiérrez-Ponce, Chamizo-Gonzalez and Arimany-Serrat (2022a) evaluate web displaying of non-financial information as being information displayed by companies of four European stock exchange indexes (IBEX35, AEX25, DAX30 and CAC40). Becht, Bolton and Roell (2003) have found that through corporate governance one displays preoccupation towards solving collective problems within investors.

Studies made within the last years have shown that providing non-financial information of ESG type are of lower quality which offers limited usage of interested parties (Krasodomska and Cho, 2017). The challenge of economic organizations is to provide superior quality reports regarding ESG. Thus, through this paper one proposes to analyze the transparency of non-financial information of ESG type made available by the top 20 economic organizations listed on BVB in 2023 (BVB, 2024).

The objective of this research is to find out whether BVB lists the most profitable economic organizations and whether they unveil the most information of ESG type. Based on the mentioned specialty literature, one wants to acknowledge the situation of the Romanian economic organizations regarding the accomplishment of the 2014/95/EU Directive requirements as well as the 2022/2464/EU Directive's. Thus, a series of research questions have been formulated (Rq):

*Rq1: What does the non-financial information provided by BET organizations listed on BVB refer to?*

*Rq2: What makes top BET organizations different than the rest of the BVB listed organizations from the point of view of non-financial reports?*

*Rq3: Do the top BVB listed companies, according to the BET index, present an advantage over the rest of the organizations regarding the financial position?*

*Rq3.1: Is liquidity relevant?*

*Rq3.2: Is the return on assets relevant?*

*Rq3.3: Is the return on equity relevant?*

### **3. Methodology research**

In order to accomplish the proposed objectives and to answer the research questions, one referred to making a qualitative and quantitative research. The qualitative research has as basis an exploratory study, while for the quantitative research one refers to the descriptive statistics to analyze correlations.

#### **3.1. Data source**

The first part of the research established which are the most BVB traded economic organizations of 2022 according to the BET Romanian selective index. For higher precision, after their identification, one studied the information provided on the organizations' websites where non-financial information as well as environmental, social and governance information has been identified and collected. This part of the research assumes exploratory study given the identification process of non-financial information of the top 20 BET index economic organizations (BVB, 2024).

#### **3.2. Quantitative research**

One resorted to quantitative research in order to answer the research questions through descriptive analysis having as samples the data collected from the top 20 BVB economic organizations judging by the BET index. The data collected from the non-financial information started with 2017, the year where it was mandatory to provide non-financial information within the non-financial declaration. The purpose of collecting this information was to acknowledge an evolution and a time comparison of the economic organization. When it comes to the financial information for each economic organization there was a series of data extracted and stored in a Microsoft Excel sheet. The collected financial information included: total assets, current assets, equity, current liabilities, turnover and after tax earnings (net income). Moreover, the activity sector of the economic organization has also been taken into account (BVB, 2024).

With the help of financial information, for each economic organization a series of indicators have been calculated:

- $\text{Liquidity} = \text{current assets} / \text{current liabilities}$  (1)
- $\text{Return on assets (ROA)} = \text{net profit} / \text{total assets}$  (2)

- Return on equity (ROE)= net income/ equity (3)

The rentability indicators (ROA) and the liquidity (ROE) are used within the large-scale specialty literature being considered key financial indicators (Flórez-Parra, Martín and Serrano, 2020) as they represent relevant values which usually do not align as well as profitability/performance and financial balance (Oladimeji and Udosen, 2019).

After the exploratory study of the top 20 BET economic organizations has been concluded, a ranking of the turnover has been drafted with the purpose of finding out whether there is any significant relationship between the provided non-financial information and their operational result.

For the economic organizations a ranking has been made according to their income (from highest to lowest) and the provided non-financial information (the environmental, social and governance information was considered). Moreover, the ranking has been made according to liquidity, ROA and ROE. The debt has been excluded as there were no concrete values for some categories of economic organizations.

#### **4. Research results**

This section is divided into three subsections for a better understanding of the results and to be able to easily answer the research questions. The first part presents details about the non-financial reporting for the top BET index organizations. The second part presents the non-financial information disclosure strategy, and the last part represents a comparative analysis of financial indicators specific to BET organizations.

##### ***4.1. Non-financial reporting for economic organization within the BET ranking.***

The exploratory study of providing non-financial information for the top-ranking economic organizations listed on BVB according to the BET index meant accessing their websites and covering the published documents. The process was tedious as information was dispersed and did not follow a reporting draft, requiring additional time for localizing information. As a result, it has been noticed that the non-financial information of ESG type is compliant with the European and national standards for every top-ranking organization listed on BVB.

Even though the BET economic organizations provide non-financial information of ESG type, one has noticed multiple discrepancies regarding their presentation. Aspects have been noticed regarding information updating, as some economic organizations present out of date information making it impossible to carefully study them or to draft a comparison in time. Another problem refers to focusing on certain elements of the non-financial declaration, while other aspects are only superficially mentioned. For instance, involvements in concrete social actions are mentioned offering statistical data, while environmental actions are mentioned without being quantified in any way.

Within specialty studies, authors such as Gutiérrez-Ponce, Chamizo-Gonzalez and Arimany-Serrat (2021) compare relevant indicators regarding the consumption of energy and water as well as polluting emissions for every company within a sample and have shown that the reports express data regarding environmental non-financial indicators in different measurement units. Using different measurement units prevents comparability. The economic organizations should observe each other whenever they publish non-financial information and whenever they use measurement units.

Aspects regarding employees represents an important element to mention within the non-financial statement as well as the published reports. All the BVB listed economic entities and especially those falling under the BET ranking offer the total number of employees, gender diversity, personnel motivation, and workplace stability. The employee number is provided in percentage of 100% by all the economic organizations. Information on employee gender diversity and workplace stability surpasses the percentage of 96%, and information on superior studies and the duration of the employment contract is offered in percentage of over 78%. The least common

information is gender diversity in leading positions, being found within only 37% of the analyzed organizations.

In the case of some economic entities the environmental information has only been mentioned, and not quantified, or the information contained only a percentage decrease or increase compared to anterior financial exercises. Through this practice it is impossible to determine an exact sum, a dimension, or a quantity.

Another delicate aspect noticed within the contents of non-financial reports for BET organizations was the exact representation of leave and absenteeism from the workplace. There was no information regarding leave or leave broken down into gender diversity for 63% of economic organizations. The rest of 37% represented in numbers the annual, maternity, or paternity leave and their duration, also displaying the rate of absenteeism. Similar studies have been made by the authors Gutiérrez-Ponce, Chamizo-Gonzalez and Arimany-Serrat (2022b) which have obtained similar results regarding the disclosure of these elements of the non-financial information for the stock exchange listed economic organizations in Spain.

#### **4.2. Exploring top BET ranking organizations through their non-financial reporting strategy**

The economic entities within the sample publish non-financial information as the ones detailed before, allowing the authors to answer affirmatively to the first research question (*Rq1: What does the non-financial information provided by BET organizations listed on BVB refer to?*). Moreover, one can also answer the second research question (*Rq2: What makes top BET organizations different than the rest of the BVB listed organizations from the point of view of non-financial reports?*) through the fact that it has been remarked that all BET economic organizations have the highest level of the BET index, presenting some certifications and having implemented different international standards such as ISO 9001 Quality management system, ISO 27001, 27002 Information Security Management System, ISO 45001/OHSAS 18001 Health and operational security management system and ISO 140001 Environmental management system. Presenting this information may come as a single report accessible on the website together with the financial information.

From the total of economic organizations, 62% have highlighted aspects such as the occupancy degree of women in leading positions and the satisfaction degree of clients based on reviews. Discrimination cases or employee harassment is mentioned in 1.2% of economic organizations with the specification that they have been solved.

The organizations have mentioned their own antifraud or anticorruption policies and the measures they have taken to fight discrepancies. Thus, regarding *Rq2: What makes top BET organizations different than the rest of the BVB listed organizations from the point of view of non-financial reports?*, the results indicate that BET organizations improved and extended the non-financial information of ESG type.

They have focused on every aspect imposed by the non-financial declaration: gender diversity within employees and management, the developed interest for the environment, social and good corporate governance aspects, involvement in anticorruption policies, presenting risks and fighting them etc. It has been proven that starting with the introduction of obligatory implementation up until now, the BET economic organizations have fully complied with the 2014/95/EU Directive, have promoted information on the organization's reputation and have provided information for the investors.

#### **4.3 Financial indicators of BET organizations – comparative analysis**

Table 2 presents the top economic organizations listed on BVB according to the BET index for 2022. By analyzing the data, it has been proven that non-financial information is compliant with the non-financial statement for every entity, the differences consisting of the focus on certain indicators.

**Table no 2.** Top BVB economic organizations according to the BET index

| <b>Curr. No.</b> | <b>Economic organization</b>   | <b>Symbol</b> | <b>Activity sector</b> | <b>Index weight (%)</b> |
|------------------|--------------------------------|---------------|------------------------|-------------------------|
| 1                | Fondul Proprietatea SA         | FP            | mutual funds           | 20,51                   |
| 2                | Banca Transilvania S.A.        | TLV           | banking                | 19,52                   |
| 3                | OMV Petrom S.A.                | SNP           | petrol                 | 15,42                   |
| 4                | S.N.G.N. Romgaz S.A.           | SNG           | natural gases          | 10,52                   |
| 5                | BRD - Groupe Societe Generale  | BRD           | banking                | 7,75                    |
| 6                | S.N. Nuclearelectrica S.A.     | SNN           | electricity            | 5,43                    |
| 7                | S.C. MedLife S.A.              | M             | medical services       | 3,18                    |
| 8                | Digi Communications N.V.       | DIGI          | telecommunications     | 3,11                    |
| 9                | S.N.T.G.N. Transgaz S.A.       | TGN           | natural gases          | 2,81                    |
| 10               | Electrica S.A.                 | EL            | electricity            | 2,39                    |
| 11               | One United Properties S.A.     | ONE           | real estate            | 2,18                    |
| 12               | TeraPlast SA                   | TRP           | processing             | 2,00                    |
| 13               | C.N.T.E.E. Transelectrica      | TEL           | electricity            | 1,11                    |
| 14               | TTS (Transport Trade Services) | TTS           | transport              | 0,80                    |
| 15               | Aquila Part Prod Com           | AQ            | distribution           | 0,72                    |
| 16               | ALRO S.A.                      | ALR           | production             | 0,61                    |
| 17               | Purcari Wineries P.L.C.        | WINE          | wine production        | 0,59                    |
| 18               | S.C. CONPET S.A.               | COTE          | pipe transport         | 0,48                    |
| 19               | Bursa de Valori București S.A. | BVB           | stock exchange         | 0,45                    |
| 20               | Sphera Franchise Group         | SFG           | food                   | 0,42                    |

*Source:* Author’s projection based on BVB

BET (Bucharest Exchange Trading Index) is the first index developed by the Bucharest Stock Exchange and it represents the reference index of the local capital market. BET reflects the evolution of the 20 most traded economic organizations on the Regulated Market of BVB, exclusively financial investments societies (FIS). The main selection criterion of index societies is liquidity. Starting with 2015, the selection also accounts for criteria related to issuers’ transparency, the quality of reports and communication with the investors.

Even though the 2014/95/EU European Directive and the 2022/2464/EU Directive are respected by every BET economic organization, it has been noticed that they do not have standardized non-financial information as it is the case with financial information. This does not allow the comparison of organizations to find out whether they activate within the same domain or not.

Similar studies have analyzed, other than non-financial situations, financial ones as well (Bureau Van Dijk, 2021), thus drafting a series of financial indicators such as: liquidity, return on assets (ROA) and return on equity (ROE) for the established sample, according to table 3.

**Table no. 3.** Financial and non-financial indicators of BET economic organizations

| <b>Curr. No.</b> | <b>Economic organization</b>  | <b>Liquidity</b> | <b>ROA (%)</b> | <b>ROE (%)</b> | <b>NFI (%)</b> |
|------------------|-------------------------------|------------------|----------------|----------------|----------------|
| 1                | Fondul Proprietatea SA        | 12,30 [17]       | 1,87 [10]      | 19,91 [14]     | 75,20 [13]     |
| 2                | Banca Transilvania S.A.       | 34,87 [6]        | 1,77 [13]      | 62,22 [5]      | 98,50 [1*]     |
| 3                | OMV Petrom S.A.               | 26,69 [8]        | 1,61 [15]      | 15,14 [18]     | 97,00 [2*]     |
| 4                | S.N.G.N. Romgaz S.A.          | 12,57 [15]       | 1,78 [12]      | 13,55 [19]     | 88,90 [6]      |
| 5                | BRD - Groupe Societe Generale | 39,09 [4]        | 1,81 [11]      | 47,71 [7]      | 77,80 [12]     |
| 6                | S.N. Nuclearelectrica S.A.    | 71,78 [1*]       | 2,34 [8]       | 62,02 [6]      | 70,40 [15]     |
| 7                | S.C. MedLife S.A.             | 12,31 [16]       | 3,22 [6]       | 19,21 [15]     | 55,50 [20]     |
| 8                | Digi Communications N.V.      | 60,89 [2*]       | 1,19 [18]      | 60,55 [4]      | 81,40 [11]     |

|    |                                |            |           |            |            |
|----|--------------------------------|------------|-----------|------------|------------|
| 9  | S.N.T.G.N. Transgaz S.A.       | 14,29 [14] | 4,20 [5]  | 38,14 [8]  | 85,20 [8]  |
| 10 | Electrica S.A.                 | 33,51 [7]  | 7,47 [4]  | 91,53 [2*] | 62,90 [16] |
| 11 | One United Properties S.A.     | 22,66 [10] | 1,05 [20] | 12,96 [20] | 74,10 [14] |
| 12 | TeraPlast SA                   | 12,25 [18] | 2,32 [9]  | 85,41 [3*] | 96,30 [3*] |
| 13 | C.N.T.E.E. Transelectrica      | 10,30 [20] | 3,31 [7]  | 16,25 [17] | 88,80 [7]  |
| 14 | TTS (Transport Trade Services) | 24,84 [9]  | 1,74 [14] | 29,98 [10] | 85,00 [9]  |
| 15 | Aquila Part Prod Com           | 20,93 [11] | 7,74 [2*] | 16,33 [16] | 81,50 [10] |
| 16 | ALRO S.A.                      | 17,29 [13] | 1,13 [19] | 20,53 [13] | 59,30 [18] |
| 17 | Purcari Wineries P.L.C.        | 11,19 [19] | 1,21 [17] | 20,64 [12] | 96,20 [4]  |
| 18 | S.C. CONPET S.A.               | 18,95 [12] | 7,64 [3*] | 91,80 [1*] | 55,60 [19] |
| 19 | Bursa de Valori București S.A. | 36,91 [5]  | 9,09 [1*] | 29,21 [11] | 62,70 [17] |
| 20 | Sphera Franchise Group         | 60,05 [3*] | 1,59 [16] | 38,04 [9]  | 92,60 [5]  |

Source: Author's projection based on BVB

From the desire to make comparisons, the data from table 2 and table 3 has been used. In case of table 3, the order of the economic entities according to BET has been kept, but a series of economic-financial and non-financial indicators has been calculated.

Thus, one has calculated indicators such as: the liquidity of economic organizations by dividing current assets to current liabilities, the economic rentability obtained by dividing the net profit to the total assets and the financial rentability obtained by dividing the net profit to the equity. For all these indicators that have been calculated relative measures have been used, including the non-financial indicators which have been calculated by reporting to a total number of 27 indicators (environmental, social and governance indicators).

Respecting the BET ranking, a separate ranking has been made referring to the obtained financial and non-financial indicators and it has been noticed that the economic organizations are found in different positions. Regarding liquidity, the first three positions have been occupied by: S.N. Nuclearelectrica S.A. (71,78%), Digi Communications N.V. (60,89%) and Sphera Franchise Group (60,05 %). The same ranking does not hold when one is talking about the economic rentability where the top is occupied by: Bursa de Valori București S.A. (9,09%), Aquila Part Prod Com (7,74%) and S.C. CONPET S.A. (7,64%). The most cost-effective economic organizations are S.C. CONPET S.A. (91,80%), Electrica S.A. (91,53%) and TeraPlast SA (85,41%).

From a non-financial point of view, the economic organizations which provide the most information are Banca Transilvania S.A. (98,50%), OMV Petrom S.A. (97,00%) and TeraPlast SA (96,30%). Out of these, Banca Transilvania S.A. and OMV Petrom S.A occupy the leading positions within the BET ranking, and TeraPlast SA does not occupy a leading position according to BET but, it occupies the third place within the authors' ranking regarding the most cost-effective organizations financially. Thus, one can answer affirmatively to the third research question *Rq3: Do the top BVB listed companies, according to the BET index, present an advantage over the rest of the organizations regarding the financial position?* Even though the top 3 BET economic organizations do not correspond to the top 3 non-financial reports, there are 2 economic organizations found within both rankings, so one may say that the BET index can contribute in a somewhat measure that would influence non-financial reports, as a leading position within BET rankings may determine the economic organization to disclose as much non-financial elements as possible.

To confirm the findings, one refers to the statistical correlation to determine the relationships between two or more variables. For this research one refers to the Spearman Coefficient, solving some limits of the Pearson Coefficient, as it is not parametric, and it does not make any assumptions regarding variable normality.

This type of correlation has been used because the conditions regarding statistical parameters cannot be accomplished, there is no group homogeneity present, and the number of subjects is relatively small (20 economic organizations). The obtained results were converted in ranks, showing the place of every economic organization within a leaderboard. To draft the



graphical representation of the Spearman Correlation, one referred to the Python programming language. The formula used for the Spearman's rank correlation coefficient is the following:

$$\rho = 1 - \frac{6\sum d^2}{n(n^2-1)} \quad (4)$$

where:  $\rho$  = Spearman's rank correlation coefficient; d = difference between the two ranks of each observation; n = number of observations

The Spearman correlation coefficient evaluates the monotonous relationship as being a quantitative value which describes the relationship between two or more variables. It varies between (-1 and +1), where the extreme values suppose a perfect relationship between variables while 0 represents a total lack of a linear relationship. The Spearman coefficient is less strong than the Pearson coefficient (~90%). The relationship between variables does not have to be linear, but it must have a direction and it does not require data scaled on an interval as seen in Figure 1.



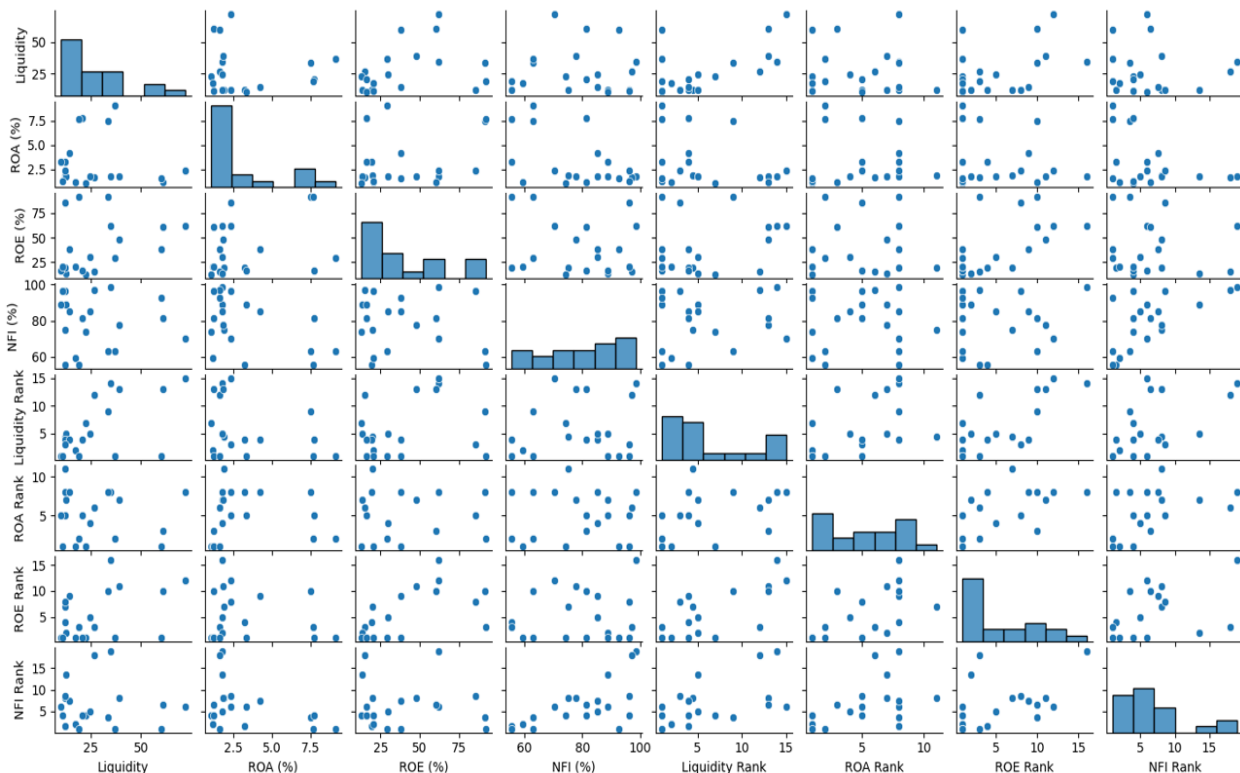
**Figure no. 1.** Spearman correlation matrix  
Source Author's projection

Regarding secondary questions which start off from this research question, one refers strictly to the financial part of the top BET organizations. Thus, considering Table 3 Financial and non-financial indicators of BET economic organizations and Figure 1 Spearman correlation matrix, it has been proven that there is a series of direct links between them as such:

- Liquidity is correlated negatively with ROA (%), Rank ROA and Rank NFI and moderately positively with ROE (%) (0.37) and Liquidity Rank (0.38). There is a high positive correlation with ROE Rank (0.54).

- ROA (%) is negatively correlated with liquidity, Liquidity Rank and weakly positively correlated with ROE (0.26). There is a medium correlation (0.42) ROA Rank and a weak positive correlation with ROE Rank (0.42).
- ROE (%) is positively correlated with medium intensity with liquidity (0.37). There is a weak positive intensity with ROA (%) (0.26), Liquidity Rank (0.13), ROE Rank (0.15), a weak positive correlation with ROE Rank of high intensity (0.64) and a weak negative correlation with NFI (%).
- NFI (%) is correlated with NFI Rank (0.64) in a strong positive manner, correlated with Liquidity, ROA (%), ROE (%) in a weak negative manner and there is no correlation with Liquidity Rank, ROA Rank and ROE Rank.

In order to graphically represent the correlation, a pair plot of selected variables was made as seen in figure no. 2.



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The best performing economic organizations in terms of liquidity, ROA and ROE are not found as being at the top of the BET index, but, as a follow up of the made correlations, a series of opinions can be issued, opinions which highlight secondary research questions. Within the top BVB economic organizations, according to BET, there is a positive relationship of medium intensity between liquidity and economic rentability and a positive relationship of low intensity between the return on assets and the economic rentability. Regarding non-financial information provided by the economic entities between them and the analyzed financial indicators (Liquidity, ROA and ROE) there is no correlation.

## **5. Conclusions**

Implementing the legislation for the reporting of non-financial information of ESG type represents a direction regarding the content of non-financial declarations for the Romanian economic organizations. This research highlights the necessity of complying with the requirements of the 2014/95/EU Directive and the 2022/2464/EU Directive considering the representative sample selected in order to draft the case study. The BVB listed economic entities lead other entities directly or indirectly towards the value chain by their corporate influence. Through exploratory study, the research also followed the financial indicators of the BET ranking to establish whether there is any correlation between financial and non-financial information.

Following the proposed objectives, this paper presents in a descriptive and analytical manner a study regarding the reporting of non-financial information within the top ranking BVB listed organizations judging by the BET index. The results have demonstrated that all the sampled organizations have non-financial reports compliant with the requirements of the European directives but in different measures. Discrepancies have been noticed regarding the studied reports: non-financial declarations not explicit enough, not detailed or updated, making the process of data collection difficult. Moreover, the comparability of non-financial information between economic organizations has been limited, indicating a supplementary effort that the BET ranking should take to realize the homogeneity and comparability wanted through the 2014/95/EU Directive and the 2022/2464/EU Directive as well as the visibility of the ESG aspects on their websites.

The results of the study have offered answers to the research questions. The majority of answers to the non-financial information the BET organizations provide have been towards environmental indicators in proportion of 78%, social indicators in proportion of 69% and corporate governance indicators in proportion of 64%. The corporate governance indicators are found under gender diversity within the administration council. The availability of environmental information contributes greatly to the answer of the first research question as this is the most complete and complex set of information offered followed by social indicators. Similar studies have been drafted by authors such as Sierra-Garcia, Garcia-Benau and Bollas-Araya (2018) which have found that Spanish economic organizations report non-financial indicators having the same preferences.

The research results have demonstrated that the economic organizations are looking forward to publishing, within non-financial reports, indicators which are related to the activity sector. Thus, depending on the interests they have, the economic organizations are headed towards the promotion and involvement in environmental and social actions. Equally, the study has also noticed the weaknesses of the governance indicators: a limited presentation of gender diversity within the organization and especially leading positions.

BET economic organizations might improve the transparency of the information provided on their website so that interested parties find the organization's commercial value. By appealing to digitalization, these economic organizations have a competitive edge against organizations which are not obliged to publish non-financial information. Similar studies in the field have also been conducted by Sierra-Garcia, Garcia-Benau and Bollas-Araya (2018) which have demonstrated that the economic organizations which rank highest in liquidity and ROA have more chances to do it on the highest ESG rank.

The limits of this research refer to the dynamic of financial and non-financial information reported by entities and the fact that non-financial information is found only on the organization's website and there is not homogeneity from a qualitative or quantitative point of view. Future research may refer to yearly comparative research of the top BVB listed economic organizations, judging by the BET index, or a comparative research of BVB organizations with other stock exchanges in Europe.

In conclusion, one considers that improving website quality is imposed for BET economic organizations, as minimal compliance with the 2014/95/EU Directive is not enough. Improving transparency, unveiling information, user interaction, data standardization and declaration

complexity are only a handful of aspects which might be improved upon. At a European Level one focuses on sustainable development together with the providing of non-financial information to promote a strong economy and to avoid potential financial crises.

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