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Board Governance and Sustainability Disclosure – A Romanian Insight

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ABSTRACT

This paper examines the corporate governance and sustainability disclosure and investigates the existing anchor between sustainability disclosure and corporate governance in Romanian companies. The topic provides a generous field of study because of the novelty of sustainable reporting for the Romanian companies and need for robust, consolidated corporate governance. The study's sample includes listed and non-listed companies operating in the oil, transportation, chemistry and pharmaceutical industries. Annual reports, comply-or-explain declarations and stand-alone sustainability reports of the companies were analyzed on a time frame of three years aiming at measure the quality of sustainability disclosures and investigate the correlations between board governance and sustainability disclosure. The study emphasized that the companies opted mainly to integrate sustainable reporting in the annual management report. The independent reports on sustainability are more rigorous and better aligned to the Romanian framework, then the information integrated into the annual management reports. Improved disclosure is needed on the main risks with severe impacts, policies regarding specific aspects of sustainability, key performance indicators relevant to particular businesses. The sustainability reporting is more focus on soft disclosure items. Companies with larger board size and a higher number of board meetings registered higher disclosure in sustainability reporting. Robust corporate governance is imperative for Romanian companies because they are facing drastic changes in all aspects of their activity. A new rethink approach is needed from the sustainability perspective aiming at reshaping the entire processes starting with a long-term strategy, business models, risk and data management and processing.

Keywords: *Corporate Governance, Sustainability, Non-Financial Reporting, Romania*

Introduction

Corporate governance continues to be a generous research field with significant implications in the economic life of the companies. For the emerging countries, as Romania is, the topic is of

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full interest for all researchers, practitioners and companies' board members aiming at ensuring a clear understanding and solid implementation of the corporate governance main principles and best practices. The need of mature corporate governance implementations in all Romanian entities (public institutions, companies, banks and all financial institutions in general and any other social, economic or government structures) is a must ensuring the consolidation of the economy and financial system, ensuring an increasing interest of foreign investors and stimulate the creation of a strong Romanian group of investors. Strong corporate governance in Romanian companies will contribute to the re-acquirement of the shareholders' and stakeholders' confidence, the sustainable development of the companies, and multiple positive impacts in all societal areas.

The Romanian code of governance is designed based of the Anglo-Saxon model and registered multiple updates aiming at ensuring full alignment to the best practices and the Romanian legal environment and stimulate corporate management to be more aware on the corporate governance issues. There are still gaps and inconsistencies in the legal frame and regulations connected to the corporate governance issues that could be easily solved ensuring the conditions for corporate governance continuous improvement and supervisors more active presence on the frame.

The big Romanian companies, mainly those presenting foreign capital, are characterized by an organizational culture, better crystallized and leadership ensured by professionals with experience. This is aligned with our expectations because foreign investors are also bringing their expertise and corporate governance culture. There is a visible awareness of the need for solid corporate governance and need to shift to a new sustainable strategy and operations. Even so, we identified cases of big listed companies presenting less transparency on corporate governance issues and even a mimic of their focus regarding corporate governance improvement. A very different landscape is characterizing the small and medium-sized companies, which are considered to be the engine for the emerging economies. All our previous investigations revealed limited knowledge on corporate governance and awareness on sustainable development even if at the declarative level, everyone agrees that those issues are of huge importance and require full commitment.

The present study is part of a larger research plan initiated four years ago regarding corporate governance and sustainability reporting in Romanian companies. From this perspective, we could follow the improvements in the corporate governance implementations and the companies' transparency on sustainability issues and identify the existing gaps in full transparency and accountability in board members actions.

The paper investigates the transparency concerning corporate governance issues and non-financial reporting disclosures in Romanian companies. Our paper provides several contributions to prior literature by emphasizing local characteristics and contributive factors in the process of consolidating the corporate governance in Romanian companies and non-financial reporting disclosure. We investigate the behaviour and attitude of the board members and top executives about corporate governance issues and non-financial reporting requirements as they are reflected in the companies' public documents and reports. We tried to assess the top management awareness, thinking and commitment to the corporate governance requirements and sustainable development. We wanted to understand which are the barriers and enables influencing the analyzed companies' engagement about non-financial reporting and the awareness concerning the sustainable strategic path and thinking at the top management level.

The objectives we stated for our research imposed a grounded theory strategy as a research method. In our opinion, this approach is appropriate in the case of studies exploring behaviours issues and exploring the attitude (in our study case of those in charge of corporate governance).

The paper aims to raise awareness on the need for full alignment to the corporate governance principles and requirements. Even if Romanian managers and regulators generally recognize the advantages of the full alignment and commitment to the good practice of corporate governance, the non-compliance emphasized by our study requires attention and rapid changes (in substance, not formal changes) and determine us to signal the identified non-compliances and their potential consequences. We also want to develop a discussion in regard with the pressures and companies' constraints and restrained attitudes in regard with social and environmental disclosures, the companies' reports being, too frequently, incomplete and less revealing.

Literature review

The scientific literature provides numerous definitions for corporate governance (CG); different researchers tried to emphasize specific issues or elements being considered relevant from a certain perspective. We consider adequate to start from the OECD's definition that is the milestone for any other one: "corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure to which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (OECD, 2015). Laterman (2014) underlines that organizations like OECD defines the context, and state the directions for the actions and lower levels structures at the activities' domains and companies' levels.

The Chartered Institute of Internal Auditors UK defines corporate governance as "a combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives" (IIA, 2019,2). Feleagă et al. (2011) consider that corporate governance establishes the structure by which are established the companies' objectives and the means for their achievement and performance monitor.

There is no corporate governance model that works in any country and company as a result of the cultural, legal, social-political, historical and even religious particular characteristics (Peters, Miller, & Kusyk, 2011). In this context, were issued different codes of "corporate governance best practice" based on specific business practices, regulatory environment and governance structures. However, all the corporate governance good practice codes are built on four main principles: fairness, transparency, accountability and responsibility. The literature reveals the main characteristics of the corporate governance models most applied all over the world. The Anglo-Saxon system that focuses primarily on the shareholder and defines, by a rigorous and well-defined legal framework, clearly the rights and responsibilities of the three key partners: management, directors and shareholders. The German system often perceived as achieving a greater balance of interests between shareholders and other external stakeholders. German model presents tree important elements: two-tiered board structure, the size of the supervisory board (the law sets that) and the voting right restrictions (one shareholder has a voting right limited to a certain percentage of the company's share capital regardless its position). The Japanese model is revealing as the main characteristic of the high level of stock ownership by affiliated banks and companies. The main key players are the main bank, affiliated company, also known as keiretsu, management and government (playing a key role including its representation on companies' boards registering financial problems). Next to the models mentioned above, Ntongo (2016) points the Latin model of governance, which in some respects is opposite to the Anglo-Saxon one (being based on a bottom-up philosophy and revealing informal relationships of mutual interests) and is characterized by "inherent problems of ownership structures that are either too concentrated or too dispersed (Jara, López-Iturriaga, San-Martín, & Saona, 2019).

The scientific research emphasizes the rhetoric language used in some cases by the companies in their corporate governance reporting when explaining the non-conformities aiming at creating a "creative and seductive illusion of corporate governance compliance" (Laufer, 2006). Shrives and Brennan (2017) consider that this is the way companies are using to legitimize the non-compliance and protect the company's image and trying to convince that "despite the non-compliance, the company has a full and robust system of governance" (Shrives & Brennan, 2017).

Starting with January 2017, all the Romanian companies of public interest having more than 500 employees, were required to provide their non-financial reports, as a result of the Romanian legislation alignment to the EU Directive 95/2014. The EU Directive ensures the link between non-financial reporting (including diversity and corporate social responsibility (CSR) issues) with corporate governance requirements. This because the ones in charge of corporate governance decide the strategic sustainability path for the company and direct the corporate social responsibility activities. Dumitru et al. (2017) appreciate that local characteristics influence the disclosure ensured by non-financial reporting practices. Due to the Romanian cultural and institutional characteristics, (for example the focus on rules then principles) corporate social responsibility disclosure and actions relate with the constraints enforced by the state (Dumitru et al., 2017).

Sustainable disclosure can be improved through robust governanc. Kaur and Lodhia (2018) emphasize that sustainability planning, accounting and reporting should be approached as a continuous process.

Many studies have focused on governance or sustainability and sustainability reporting, but there is less focus on analyzing sustainability reporting concerning corporate governance.

Method

The review of the existing studies revealed the most significant issues regarding corporate governance implementations and improvements and the main sensitive aspects related to sustainability reporting. The conclusions retained from the literature review helped the authors state the objectives of their research and establish the vectors of their analysis. Aiming at achieving the study's objective, we considered revealing to investigate the following themes:

1. *The awareness and commitment to corporate governance* (reflected in the companies' documents, declarations and actions). The transparency regarding corporate governance issues. Most sensitive areas in the companies' corporate governance disclosures.
2. *The alignment and understanding of the sustainability requirements reflected in the companies' documents*.

Applying the requirements on non-financial reporting starting with 2017, companies had less time to state the structure of the requested information (the authors' analysis is based on 2017 and 2018 reports) and understand how the reports should reflect the companies' efforts on the issue. Of course, the commitment to sustainability emerged from mature corporate governance implementations, and some of the analyzed companies reflect the aligning to the pre-existing legislation regarding the environment protection with direct impact on certain activities.

Aiming at fulfilling the objectives reflected by the established research path, the authors stated four research questions:

RQ1: Are the companies proving, in their comply-or-explain declarations, a real alignment to the corporate governance best practices?

RQ2: Has the transparency concerning corporate governance issues reflected by the public documents and information?

RQ3: Is there transparency in the non-financial reporting?

RQ4: Is there a real awareness concerning sustainability development in the companies' public information?

The link between the research paths and research questions is the following:

A. *Awareness and commitment to corporate governance*: RQ1, RQ2
B. *Alignment and understanding of the sustainability requirements reflected in the companies' documents*: RQ3, RQ4

The present study is part of a larger research project started four years ago on corporate governance extended, starting with 2017, with researches on sustainability reporting (as a result of the new reporting requirements issued aiming at aligning Romanian legislation to the EU Directives). The initial target sample of companies included oil, chemistry and pharmaceutical listed companies. The sample was extended in 2019 with other companies in industries mentioned above and also the transportation industry. Some of the new companies selected for the sample are listed on the alternative stock market or are not listed at all. The authors decided to include in the sample some unlisted transportation and manufactory companies aiming to understand the companies' awareness of the sustainability development need. The sample of companies (listed and not listed) is relevant for the study because [1] the industries they are operating in are important for the national economy, [2] the selected industries are impacting the environment, [3] the companies present different types of ownership. We included in our sample companies with:

- Romanian ownership
- foreign capital and Romanian state participation
- foreign ownership.

We considered that the ownership type could impact on corporate governance implementations.

Annual management reports represent the source of information, comply-or-explain declarations, non-financial reports, corporate governance documents (for example company's cod of governance, policies – remuneration policy, dividend policy, forecast policy, sustainability policy), general meetings of shareholders' procedures, article of associations (companies' constitutive acts), other public information (CRS policies and projects, CSR news and declarations). The time frame is covering 2016, 2017 and 2018. It worth mention that the reports for 2019 are not yet issued, Romanian legislation establishing as the time limit for the financial statements (inclusively consolidate financial statements) and annual management reports for large companies the month of May of the following year. The advantage of a consecutive time frame for the authors' analysis is that it could reveal the improvements in the corporate governance implementations, week existing points and also the gaps in the information transparency that remain year after year. Stating with 2017, Romanian companies of public interest, with more than 500 employees, were obliged to issue their non-financial reports, Romanian legislation integrating the EU's Directive (2013/34/EU). As a consequence, the authors' research was enlarged by integrating sustainability issues.

We included in sample 10 listed companies. We have also analyzed ten companies listed on an alternative stock market and also unlisted companies. The listed companies' structure on industries is the following: 2 companies from the oil industry, five companies from the chemistry industry, and three companies from the pharmaceutical industry.

Study on corporate governance and sustainability reporting in Romanian companies

Corporate governance implementation of good practices is very important for companies in emerging economies as Romania is. This is the reason why academicians, researchers and practitioners are focusing on the problem. The present paper manifests the same high interest in the topic. We initiated a study four years ago, and we will continue the study aiming to monitor the improvements in corporate governance implementations and awareness on business sustainability issues. The awareness regarding the importance of a mature implementation of corporate governance starts to be visible in many Romanian companies' boards. Less focus and knowledge concerning corporate governance is revealed for small, and sometimes in the case of medium, companies. In our opinion, this is one important factor determining small and medium companies' failures and insolvency. In this respect, the authors appreciate that the corporate governance landscape is very diverse, showing from strong commitment (mainly in case of big companies) to corporate governance hypocrisy and even shortage of knowledge on the subject.

Results

Awareness and commitment to corporate governance.

As it was already mentioned the landscape of corporate governance in Romanian companies is diverse and reflects the awareness and commitment of the board. Some important elements reflect this fact: transparency, rigour in presenting corporate governance issues, implementation elements of corporate governance (which can be reflected in documents, actions, organizational structures), awareness on sustainability issues and corporate social responsibility (CSR) inclusively.

We are aware that different levels in corporate governance maturity are inevitable and can be identified in any country. In our opinion, it is very important the reflection of the company's commitment to corporate governance in the companies' corporate governance strategy, policies and forward-looking thinking.

Our research is based on public documents and information regarding corporate governance issues, this being a limit of our research. Even if the information we get from this source is relevant and extremely useful, we face a barrier in understanding the gap between what the companies report and do on the corporate governance field. Some elements can be identified based on our analysis but an internal insight into the companies' life, in direct contact with the board members and companies' activities it would be more revealing.

One main finding of our analysis is that there is real progress reflected in the analyzed companies' corporate governance implementations. This is visible if we compare the corporate governance documents and reports on the topic in 2016 and 2017 with the ones issued in 2018; time frames we are going to refer for now on as TF1 (for 2016 and 2017) and respectively TF2 (2018). For TF1, it is worth mentioning, for some cases, a rhetorical language that is reflected by the explanations provided for the non-compliance in the comply-or-explain declarations. The shortage of explanations for the non-compliances or the missing time frames and responsibilities for solving the non-compliances reflects a formal alignment to the requirements. For example, one company provided the following explanation for one of its non-conformity in its comply-or-explain declaration in 2016: "the board will analyze this requirement in 2017". This rhetorical language is not specific just for some of the Romanian companies. The scientific literature emphasizes the rhetorical language regarding corporate governance declarations for years (Laufer, 2006). In our opinion, it is an unprofessional approach that might conduct to an unforeseeable consequence on a long time horizon for the companies adopting this attitude. This approach of explaining the non-compliance issues is, in our opinion, influenced by the management training, culture and understanding of the need for transparency and respect for investors, large public and regulators. Some companies, for multiple comply-or-explain articles, non-conformance did not provide any explanation which can be perceived as an obstruction for the readers to understood the causes of the non-compliance and an improper attitude of the board in regard with the stakeholders (Stanciu & Bran, 2019). For TF2, there is another attitude and approach to the explanations in the case of non-compliance. The non-compliances for certain issues are less numerous. They are accompanied by relevant explanation, being extremely rare the cases when we find vague information (for example “the solving process is in progress”, but the same non-compliance is present in all the comply-or-explain declarations we analyzed starting with 2016). In our sample, one company in its comply-or-explain declaration has no explanation for 24 non-conformities (out of 39 requirements).

For TF1, a relatively frequent non-compliance was the one regarding the need for an internal regulation defining the responsibilities of the board members and key management positions. Most companies explained that those responsibilities are included in the constitutive act of the companies. Nevertheless, if we correlate this non-conformance with the one referring to the periodical assessment of the board members, the link is obvious. Half of the analyzed listed companies are not complying with the amendment stating the need of the board members' performance and activity assessment and the existence of a policy in regard with the scope, criteria and periodicity of the board members' assessment. It is worth mentioning that the assessment of the board activity and performance is a sensitive problem.

Moreover, we can relate this issue to the fact that, for the analyzed sample, the number of companies adopting a dual structure of government (supervision board and board of directors) is very small. The need of the board members' activity assessment on the one hand, and their risk and industry knowledge, on the other hand, was proved, dramatically, during the last financial crisis. That should be the lesson nobody is allowed to forget and was the fact determining this corporate governance requirement to be embedded in a good practice framework. TF2 reflects, in general, more awareness of the requirement.

The most common explanation for this non-compliance mentioned above (missing procedure for the board members' activity assessment and annual evaluation based on the procedure mentioned above) is that the board members' activity is assessed on the performance PKI stated on their management contract. It worth mention that the board members' management contracts are not public documents, and the stakeholders cannot find out which are those performance indicators. On our knowledge, those PKI are mainly financial and economic ones. Alternatively, in the current sustainability trend, the performance PKI should also be aligned to these requirements too. The fact that the group evaluates the board members' activity raises another debate. The group will assess the board members' activity based on PKI established with the group interests and strategy. In the case of big Romanian companies, for example, those groups are international. Is there any public information for stakeholders that the group's PKIs are reflecting local needs and requirements too or just the financial interest of the stockholders? The answer is no. It worth also to be mentioned the pressure expressed directly or insinuated, in regard with the group activity relocation or the plant activity interruption (for a certain period or unspecified period) if the group's interests (financial mainly) are not fulfilled. Furthermore, this is not just a Romanian isolate case. A debate on this pressure correlated with the declared corporate governance responsibility can provide a generous space of research.

For TF1 sensitive issues proved to be the adoption of the following policies: the remuneration policy, forecast policy, dividend policy, CSR policy (the last one is not compulsory in the Romanian regulations, but some companies issued such policy and make it public). The explanations for the non-conformities about these policies cannot be considered satisfactory. For example, one explanation provided by a company for the non-compliance regarding the missing remuneration policy was: "The company does not have for the moment a remuneration policy issued. Even so, *the company has and applies some principles regarding the supervision council's and board' members' remuneration"*. In TF2 even if the policies are issued they are very synthetic (few lines) or worse, the policies are not published as distinct documents on the company's site (there are some references in the management report in regard with those policies as being issued). The number of the companies, subjects in our study, in this situation is extremely reduced, but the shortage of transparency is not understandable for a listed company that should provide this information of high interest for the potential investors.

The non-compliances mentioned above should be analyzed from a wider perspective: brief presentation of the board members and executive management (in some cases the CVs include several lines which are not revealing for the professional profile and expertise in the industry the company is operating), synthetic presentation of the remuneration policy, there is no guide for the board members' activity assessment, the nomination and remuneration committee for the board members (which is optional by the Romanian low) is missing in many cases, missing internal organizing act that state the board members and top executives responsibilities and attributions. When some of these non-compliances are present or worst all these non-compliances are present in case of the same company there is a huge question mark in regard with the management "ton at the top", awareness and willingness in regard with corporate governance best practice.

Frequent non-compliance cases are related to the conflict of interests' management; a sensitive problem that should offer clear explanations in case of non-compliance declared in the comply-or-explain declaration, and this is not just a Romanian isolate case.

There are cases where companies strive to minimize the importance of the non-compliance avoiding direct and clear explanation. A vague explanation is not bringing the clarification that any reader needs for understanding if the members of the board faced this conflict of interests issues and if the company registered any damage/losses as a result of the non-compliance.

The internal audit function is extremely important for the management being a valuable source of information concerning the effectiveness of the internal control system and risk management system. Despite that, this function implementation registers in Romanian entities, in our opinion, certain lateness. Aiming at urgent this function implementation, the legislation was updated in 2018 even if the requirement was compulsory for many years ago by other laws and regulations. For this situation we can take into consideration multiple possible factors, for example, the management un-awareness of the function importance, shortage of specialists, demotivation for existing certified accountants in case of public entities were till 2019 the remuneration was not encouraging. There are companies in the analyzed sample that externalized the internal audit function, which is a legal solution and accepted by the international professional body (Institute of Internal Auditors – IIA). The problem is if this solution provides the needed effectiveness. One company, part of an international oil group, considers that if the group ensures the function the requirement is fulfilled. In the authors' opinion, one of the authors had chief internal audit position for ten years in a Romanian bank; this "solution" is hard to be considered effective because the internal function in the group has, in a general, strategic and monitoring role. The existing resources at the group level, so that to be fulfilled their responsibilities and also to perform the internal audit activities in the subsidiaries, represent another important issue. Periodical missions in subsidiaries are not covering the entire set of responsibilities for internal audit function in the subsidiary. It worth mention that, being a continuous function, for its effectiveness, the direct implication in the auditee "life" is compulsory. Being a function ensured by the group, there are no reports issued for the company's board. In this context, one important mean for ensuring control monitoring becomes ineffective, and the non-compliance on corporate governance issues is present.

Alignment and understanding of the sustainability requirements

Non-financial reporting is new for Romanian companies. The first reports were issued in 2017, the requirement being compulsory just for the public interest companies with more than 500 employees. In this context, the 2017 reports present the "fingerprint" of a start reporting process and some unconformities can be understood. Their persistence in 2018 is hard to let it pass, mainly when is the case of simple transparency in information (the board members' CV is an example).

In general, the analyzed listed companies opted to include non-financial reporting in the annual management report. Just 3 of the analyzed companies specified the reporting standard they are following (GRI), and those companies are the ones presenting distinct non-financial reports. In the case of these companies is a visible awareness and understanding of the non-financial reporting importance, the documents issued being well structured, clear and including GRI indicators for all of the standard's chapters. It worth mention that in this companies case the sustainable thinking and commitment is materialized in a few distinct elements: strategy switch to a sustainability path and dedicated organizational structures for monitor the PKI selected and sustainability reporting.

Sad to say, the rhetorical language is present in some of the non-financial reports. The mimic of conformance to the regulation is obvious: the reports are including the reporting elements required by the legislation in a vague textual description. As long as the company will not be aligned to a reporting standard, we can face similar inconsistent reports.

In too many cases, the presentation of the board members and top executive managers is very short. This issue was also presented in the above analyze on corporate governance. The question is why? If you have high professional persons on the board, recognized for their expertise, it is in the companies' interest to make public their CVs. It is an image signal in regard to the transparency of the board members' CVs.

Where the awareness on sustainability issues is real, a fact reflected in the companies' medium-term strategy, there are specific policies issued and adequate actions are performed regarding the environment protection. Some of the analyzed companies already issue policies in regard to the security and health protection, waste, water and natural gas consumption. Less information was provided regarding renewable energy and greenhouse gas emissions. These requirements are stated in the UE Directive and the Romanian law: "use of renewable and non-renewable energy, greenhouse gas emissions, and water use and air pollution" (EU Directive, 2016, 2).

More than that, in a few cases, an independent periodical audit was performed on these important issues.

Surprisingly, the disclosure on the employees' structure (on gender, age, education, religious confession) is, in a few cases, undetailed. In our opinion, those companies have not effective human resource management and carrier management, or they considered that it is not worthwhile to provide a piece of detailed information on the topic. The question is why? Is just a formal alignment to the regulations or is more than that?

The anti-corruption chapter is extremely synthetic presented in the analyzed reports (less than five lines in general). There are no corruption cases reported. Nevertheless, is there a policy in place? Is there an anti-corruption management system in place, and periodic analyses are performed at the top? These issues are also linked with the internal audit function effectiveness (in fact non-effectiveness) and audit committee unconformities declared in the comply-or-explain declarations). The corruption phenomenon in Romania is emphasized by many public documents issued by Romanian entities in charge of its identification and mitigation. The numerous corruption cases investigated and reported by the National Anticorruption Directorate requires prompt reactions at the companies and public entities level. That is why we considered that the disclosure on the subject should be more detailed in the non-financial reports. Being such a sensitive subject and the legislation being vague in regard to the information that should be reported, we consider that the companies are not willing and/or interested to provide transparency on the topic. There are many other impacts determined by the anti-corruption problem: risk reputation with a huge impact on the business, potential investors' interest, corporate social responsibility issues.

Analyzing the non-financial reports, we conclude that where the board was more active, a fact reflected in the number of annual meetings and the shortlist on non-conformities in regard with comply-or-explain requirements, the non-financial reports were better structured, more detailed and the commitment to transparency was also visible.

As a general remark, more focus should be on the main risks of severe impacts (general risk issues are provided with no developments in regard to specific risks related to the company's operations and industry). The companies should work more on establishing, monitor and report key performance indicators relevant to the particular business. The risk rating is not disclosed (the EU Directives requires information on the scale and gravidity of those risks' impact).

We can admit that the novelty of the regulatory requirements justifies, in certain limits, the companies' insufficient in the depth of the information disseminated and a certain non-implication filling that raises from the report's analysis (Stanciu & Bran, 2019).

We included in our sample unlisted companies or companies listed on a secondary stock market aiming to see how they understood to ensure transparency about corporate governance issues and disclosure on a sustainability topic. The legislation has no compulsory requirements on those regards. The voluntary disclosure was expected to operate. We were surprised to find no transparency, which we explained by the missing compulsory reporting requirements in the legislation. Even big transportation companies, owned by the state, skip the disclosure on sustainability issues.

Conclusion

Corporate governance will continue to be an important challenge for all companies, no matter of size and industry. The new requirements on business sustainability impose important changes in the company's strategies, business models, processes and operations shift, rethink of the products and services provided as to respond to the consumption and pollution new requirements. Corporate governance improvement and operations' re-engineering based on a sustainable approach is continuous processes. There is a need for a higher commitment and resources involved in those processes.

Our analysis emphasized that companies provided mainly soft disclosure issues, for example, aspects regarding the vision and strategy and general information regarding projects oriented towards the communities they are interacting with. This information is more difficult to be verified. In our opinion, the companies' non-financial reports should be based on hard disclosure items, which are more relevant. We have in view performance indicators that provide insights on the company's contribution to its sustainability development. Aiming at achieving this objective, companies should decide on the standard they are going to follow and also establish a set of indicators adequate to their specific activity and industry. These soft disclosure issues are the weak point in the analyzed companies reporting. We can admit that the novelty of the reporting requirements can explain the "light" reporting approach we found. However, we also consider that there is a shortage of sustainability knowledge at the management and board members' level. In order to provide more relevance and focus on sustainability reported issues, the companies need to review their data management and reporting systems. The problem should be approached in a forward-looking perspective and solved based on the integrated financial and sustainability reporting requirements. The review process should be started from a detailed inventory of the regulatory impact on the existing internal and external reporting processes in place and also focus on sustainability risks management integrated into the holistic risk management process at the company level (Stanciu & Bran, 2019). Corporate governance is implied in all these changes.

The role of the accountants in this sustainability swift needs be taken into consideration. They are the managers of the company's data reservoir and are the ones to ensure integrated reporting. Their advisory role in the sustainability business re-engineering process should also be being taken seriously into consideration. This indeed implies the accountants' permanent training, including green business knowledge and its reflection in the accounting bookkeeping.

We consider that sustainability reporting continues to remain a top research topic not only for the Romanian researchers. The research can be deepened in regard to sustainability performance indicators, integrating reporting and business sustainability concept implementation in the company's operations and strategic thinking.

We are aware that the present study has limitations. The number of the Romanian listed companies included in the sample and the small number of industries generate limitations for our research conclusions and results but stimulate the authors for a deeper analysis. It is also compulsory to identify sustainability performance indicators with a focus on specific industries having an impact on the environment.

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