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A NEW DIMENSION IN ACTIVITY REPORTING AND THE PERFORMANCE OF THE ENTERPRISE – NON-FINANCIAL REPORTING

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Abstract:
Currently the focus is on the fact that non-financial reporting is essential for the transition to a sustainable economy which combines long-term profitability with social inclusion and protection of natural resources.

Therefore, the present requirements of the European Union institutions on reporting non-financial enterprises and large groups of enterprises require that they report to both environmental and social as well as issues regarding compliance with human rights issues on combating corruption and bribery. It aims to increase the transparency and comparability among large companies.

The merit and importance of non-financial reporting is that business goes beyond performance reporting financial size classical concept of performance thus completing two new dimensions, environmental and social.

Key words: *non-financial reporting, sustainable development, reporting models, reporting accepted standards*
JEL Classification: *M40, M41*

Introduction

Starting from the reality that in today's economy, the financial point of view is not the most important to assess performance; the management entity must take into account the social, and environmental exercised over any entity that has an interest in company results.

The merit and importance of non-financial reporting is that business goes beyond performance reporting financial size classical concept of performance thus completing two new dimensions, environmental and social.

Now, if you ignore the social and environmental issues, especially large corporations, they risk losing market share in international costs for the ecological area of activity, to allocate large sums to control losses to regain consumer confidence.

If not long ago economic entities would have reported aspects of social and environmental norms issued, today through the European Commission, large companies and large groups of companies are obliged to report these issues.

These issues are indispensable to users of information to judge the overall performance of the business and those entities.

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Literature Review

Research theme responds the current needs in the area of non-financial reporting. I studied current legislation and the latest works in area. It is a topical issue and of great interest.

1. The environmental and social dimension of performance

The environmental dimension of performance - this concerns the impact of entities on natural systems, including ecosystems, soil, air, water. Entities are encouraged to report this type of performance both in absolute and in relative values.

Absolute values give an idea of size or impact use, allowing you to analyze performance in the context of larger systems.

Relative values illustrates the efficiently of the entity and allows the comparison between entities of different sizes.

Environmental performance includes information which characterizes: the amount of energy consumed and its origin, treatments applied resource management, emissions, waste, how to exploit the earth, environmental management entity exists and operates.

Good environmental practice is good practice which results from economic to efficiently generated from environmentally friendly technologies, with products, services compatible with the environment by conserving natural resources and energy.

The Control and minimization of the environmental impact by reducing the entity, reusing and recycling become more and more important goals for economic entities.

The social dimension of performance - this can be measured by analyzing the interactions between the entity, human resource committed and any other parties who engage.

Social performance indicators include: relations between employees, labor safety and human resources, the report salary / cost of living, eliminating discrimination, respect for the local community, impact on community development, etc.

Many social issues covered by this type of performance are not easy to quantify, so a number of social indicators are qualitative measures of the systems and activities of entities such as policies, procedures and management practices.

To assess social and environmental elements it is necessary to use different units of measure as imposing monetary unit can lead to false representation and underestimating the impact compared to economics. Has better support reporting qualitative or descriptive.

2. Compulsory non-financial reporting

Most stakeholders, and here we consider particularly investors, NGOs and other beneficiaries appreciated the current level of transparency does not meet the information needs both in terms of quantity and quality of social and environmental information available.

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In the reporting companies, European Council Directive 2014/95/EU introduce a requirement that certain companies to publish information related to the impact they have on the environment and society.

The new directive amending Directive 2013/34 / EU on the annual consolidated financial statements and related reports of companies. The first reports made by non-financial companies due to the introduction of this requirement are reporting the financial year commencing 1 January 2016 or during the calendar year 2017.

The objective of new legislative measures is to ensure greater transparency and responsabilty of reporting non-financial information, to ensure a level playing field in business between Member of the UE States.

By introducing mandatory reporting of non-financial for the financial year beginning with1 th of January 2016, meaning the new directive are concerned entities have more than 500 employees, here comes enterprises listed on stock exchanges in any Member State, credit institutions, insurance institutions and reinsurance, financial institutions or companies designated by the Member States that have significant relevance for investors by nature of their size or number of employees.

3. What reporting standards may be used - in promoting sustainable development of information published

Companies with over 500 employees covered by the European Directive 2014/95 / EU, providing non-financial information can be used as a standard reporting:

■ National frameworks already exist;

■ Personnel of the European Union (System of Environmental Management and Audit);

■ International framework: United Nations Global Compact (UNGC); Guiding principles on business and human rights UN; OECD guidelines for multinational enterprises: ISO 26000; Global Reporting Initiative (GRI), etc.

GRI is an international organization whose purpose is to promote the publication of information on sustainable development. Guidelines developed by the GRI aim to replace not the current applicable accounting standards, *but to provide a basis to meet the credibility and relevance in non-financial reporting, to supplement the financial statements*.

It also aims to advance the quality of social and environmental reporting at the level of comparability, rigor and verifiability of specific financial reporting.

In developing its conceptual framework, GRI was inspired by reference of international accounting (IASB) and U.S. (FASB).

Natural environmental indicators recommended by the GRI, are grouped under the three main themes as shown below:

Table no. 1. Natural environmental indicators recommended by the GRI

Categories of indicators	Detailing directions of categories of indicators
Resource consumption	- Materials consumption;

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	- Water consumption; - Energy consumption.
Impact of the entity activity on the natural environment	- Terms of soil; - Shedding in the air, water, soil, seriously affecting the natural environment; - Waste; - The amount of benefits paid by court order on the natural environment.
Measures taken by the entity to minimize these impacts	- Initiatives to exploit renewable energy sources and improve energy efficiency; - Objectives, programs, forecasts of protection and restoration of ecosystems and indigenous areas of degraded areas.

Source: www.globalreporting.org

As the objective of financial statements is to provide a true financial position, performance and financial position of business development, the objective of social and conceptual environment GRI is to provide a balanced and reasonable picture of the areas: economic, social and environmentally.

Another international body, very important to make efforts in promoting the publication of information on sustainable development is the United Nations.

It has developed a conceptual framework and assessment methods and accounting consequences of business activities on the natural environment.

Indicators recommended by the UN on the natural environment are grouped into the following categories as shown below:

Table no. 2. Indicators recommended by the UN on the natural environment

Categories of indicators	**Detailing directions of categories of indicators**
Water	- The amount of consumed water; - The nature of water; - Water use
Energy	- The amount and nature of energy consumption, etc.
Greenhouse effect	- Emissions of greenhouse gas emissions from the use of petroleum, mineral consumption, etc
Ozone layer	- The consumption of goods with effect on the ozone blanket compared to net value added of the enterprise; - Information on the production, purchase, sale, storage, recycling goods influence the ozone layer, etc.
Waste	- The nature and amount of waste produced;

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	- Nature of the treatments used to reduce or suppress them, etc.

Source: www.globalreporting.org

Next we point out some issues related standards representative of the Global Reporting Initiative (GRI), now considered the most widely used standards for over 5000 companies from over 90 countries.

Global Reporting Initiative (GRI) recently launched a new version of the standard, namely G4.

In the non-financial reporting, the Global Reporting Initiative GRI G4 standard recommends organizations use a variety of reasons which we will present summarized below.

Thus, GRI standards are used on a large scale in the world as a model of the reporting framework for the non -financiare. For example, they are currently used by over 5000 organizations from at least 90 countries, câtmai advantage that provides a unified reporting and comparability.

Also, bring the GRI G4 standard requirements of Directive 2014/95 / EU. It should be noted that both standard and GRI G4 aforementioned Directive covering the same essential aspects which are compulsory: overview of CSR, diversity, environmental protection, social aspects, aspects relating to employees, protect human rights, fight against corruption and of bribery.

G4 version brings a number of changes on sustainable reporting, the most representative and we present them below.

Thus, elimination of compliance levels (Application Levels) - in their place, organizations can choose between two options in order to produce a report according to GRI, the basic option "Core" or the detailed, comprehensive "Comprehensive" .Opțiunea base containing essential elements of a sustainability report. Core option provides the background against which an organization communicates its performance impact of economic, environmental, social and governance. To achieve a detailed report must report all indicators for both standard aspect and for specific issues identified as relevant.

Also, put greater emphasis on relevance of content reporting (Materiality of content) - encouraging organizations to report on matters it deems relevant, important for the impact of their work. They must state the activity of the organization which issues are relevant throughout the value chain.

Also, option G4 introduces a new category of issues standard, namely, Ethics and Integrity (Ethics and Integrity) - requesting information about the values, principles, the ethical conduct of organization, internal mechanisms and external reporting concerns infringement ethical or integrity.

G4 eliminted obligativitivity reports to be verified by an external organization, but obliges organizations which reports state whether specific indicators were verified externally or not.

4. Ways for non-financial reporting requested

Non-financial reporting in accordance with the requirements of the new Directive for the categories of entities mentioned can be done in two different ways:

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- Either *a non-financial statements* as the management report, but distinct from it;
- Either a *separate report*.

For *the report as a non-financial statements*, the Directive *provides a minimum set of information to be disclosed*, copied below: a short description of the business organization; a description of the policies adopted by the organization on environmental issues, issues social and personal, human rights and fighting corruption and of bribery; an analysis of the main risks associated issues mentioned both in the organization's operations and in terms of business relationships, products or services that could have a negative impact; non-financial performance indicators relevant to the organization; references and explanations of amounts reported in the financial statements.

The condition imposed by the current European legislation is that statement non-financial is stated clearly reporting framework used such as the national, EU or international. Where is chosen as the method of reporting separate report, the report distinct management requirements to keep are: to be published together with the report of management; to be made available to users within relatively quickly, not to exceed six months from the balance sheet date, the website of the company; to be mentioned in the Management Report. It should be noted that for this reporting alternative report need not rely on a national, EU or international one. So the organization can opt to use and develop their own instrument, reporting framework, in compliance with the above requirements.What must be respected, regardless of the manner of reporting chosen is related to content in that it is obligatory to *retrieve information on environmental*, *social information and personnel*, and the degree of novelty are mandatory *information on rights man, fight against corruption and of bribery*.

Conclusions

The impact of economic entities on the environment and society is becoming increasingly important for managers, at any time to come, generating a number of risks and uncertainties of present and future, on which an economic entity must meet and should therefore be to include in public reports. In current conditions more selective consumers show a growing demand for products and services increased to not harm the environment, economic entities are seen in a situation that must report information about such features of their products and services.

Therefore, the present requirements of the European Union institutions on reporting non-financial enterprises and large groups of enterprises require that they report to both environmental and social as well as issues regarding compliance with human rights issues on combating corruption and bribery. New legislative measures imposed by adopting and implementing the provisions of European Directive 2014/95 / EU on non-financial reporting has II Project, to ensure greater transparency and non-financial responsibility among companies concerned. It aims to increase the transparency and comparability among large companies. The merit and importance of non-financial reporting is that business goes beyond performance reporting financial size classical concept of performance thus completing two new dimensions, environmental and social. Now, if you ignore the social and environmental issues, especially large corporations, they risk losing market share in international costs for the ecological area of activity, to allocate large sums to control losses to regain consumer confidence. We support the central feature that *activities organized on the principles of*

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environmental protection entities providing economic sustainability, the organization that has direct beneficial effects on the growth of economic performance. Corporate social and environmental reporting creates benefits for investors by reducing risks and by increasing profits. The researches has shown that non-financial reports are one of the most efficiently methods of presenting such information to investors.

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