ETHICS AND DISCLOSURE OF ACCOUNTING, FINANCIAL AND SOCIAL INFORMATION WITHIN LISTED COMPANIES. EVIDENCE FROM THE BUCHAREST STOCK EXCHANGE

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Abstract
Organizational behavior reports are extremely important both for organizations that issue these reports as well as stakeholders such organizations, and mainly investors, customers, suppliers, competitors and public agencies that are informed of these reports. In their reports, organizations reveal themselves to the society, trying to create an image, communicated explicitly and implicitly, on the activities and vision of the organization, trying to improve their reputation and to communicate objectively the decisions and the fulfillment of objectives. The ethics of organizational reporting must focus on the fundamental requirements of transparency and trust, as well as the shared responsibilities of those who produce, certify and use these reports.
In this paper we will study the practice of information disclosure in a research sample of companies selected from Bucharest Stock Exchange, quantifying the qualitative information disclosed on financial reporting, the mission and vision of the company, corporate governance, social responsibility, environmental issues, attracting human resources, sustainability, through websites of selected companies.

Keywords
Ethics, disclosure, accounting, financial and social information, social responsibility

JEL Classification
M14, G34, Q56

Introduction
Accounting ethics, financial and social reporting addresses a number of issues regarding reporting, accuracy, use and credibility of reports: the correctness and completeness of these organizational reports, masking of certain issues by hiding behind formalities, reliability and

validity of these reports, the responsibility for the accuracy reports, the reporting of nonfinancial performance.

Until the 1990s the accuracy of financial reporting was not a very much addressed issue. With the financial scandals of the millennium (Enron and WorldCom), suspicions about the fairness of presentation of an organization's activities and results have grown exponentially. Although the reports were certified by publicly recognized auditors, they misrepresented the financial performance of companies, as a result of unethical practices of hiding information (Enderle, 2004).

The existing regulatory framework at that time did not stop, but encouraged practices and conflicts of interest (between auditors and investors). The accounting rules and realization of investment were vague, providing insufficient guidance on complex issues. We can say that at the beginning of the millennium companies from the energy, accounting, banking and investment industry, and professional associations of Certified Public Accountants have affected, to various degrees, quality and confidence in financial-accounting reports.

In order to ensure the ethics of financial and accounting reporting, it is important to define the scope to which ethics should be applied and to establish the responsibilities attached to the authority entrusted to various actors' disclosure of financial information and accounting (Sitnikov and Bocean, 2012). Financial reporting involves information providers, organizations that certify or audit reports and those using the financial and accounting statements.

Disclosure of accurate, complete and timely accounting financial information, as well as non-financial information (hereafter NFI) on sustainability is essential for the efficient functioning of capital markets and ensuring the survival of the constituent companies of the capital market. The quality of information diminishes information asymmetry phenomenon defined by agent theory (Healy and Palepu, 2001; Sitnikov and Bocean, 2010).

While the regulation of financial and accounting disclosure activities is over 70 years old, and with the financial scandals of the turn of the century (Enron, WorldCom, Lehman Brothers, etc.) the public's attention has focused on it, reporting the disclosure non-financial information (NFI) by organizations is a relatively new field and very little regulated (Enderle, 2004). There have been several attempts in recent years to provide a generally accepted framework (GRI, ISO 26000 etc.), but failed to impose regulatory bodies, remaining at the level of voluntary guidelines. Currently, the disclosure of NFI within the organization is achieved through sustainability reports or social responsibility reports, which, however, do not have a generally established form, the organizations using different guidelines to orient themselves in structuring these reports.

The paper is divided into five sections. After the introduction of the first section we conducted a review of the mainstream literature. The third section presents the research methodology, while the fourth section presents the results of research. The last section concludes and provides future research directions.

Literature review

Disclosure of information by the company is the communication of information by people inside or outside of the company. Previous studies on information disclosure practices are extensive, cover a wide range of issues and use a variety of indices to measure the quality of information disclosure. The aim of this paper is to analyze and compare the quality level of disclosure of financial and non-financial information (hereafter FNFI) on social responsibility and sustainability using qualitative indices of information disclosure and by aggregating a total index on disclosure by an organization. The annual reports aim to "communicate with users and, in an easy and clear way, to provide relevant, reliable and relevant information about past, present and future organizational activities" (Breton, 2009).

Many authors emphasize the importance of the elements in the annual report (Santema and van de Rijt, 2001; Linsley and Shrives, 2006; Li, 2008). Cerf (1961) built the first index of information disclosure, the idea being taken over and then used in countless works. Disclosure indices are generally based on an analysis of information, based on pre-established elements and awarding a score for the existence of these elements. While researches on information disclosure have received increased attention from researchers in developed countries, only a few studies in this area with applicability in less developed economies can be emphasized (Pivac et al., 2017).

Transparency and disclosure of information are essential elements of ethics and social responsibility, as they provide the basis for informed decision-making by all company's stakeholders. The importance of transparency has been extensively established both within the scientific world and within the regulatory authorities, which has led to the gradual implementation of numerous rules and regulations to generate a fast, precise and accurate disclosure of FNFI (Fung, 2014). In this regard, there have emerged reporting standards in the financial field that companies must comply with, as well as codes (ethics, conduct, corporate governance etc.) and initiatives in the field of social responsibility and sustainability.

Research Methodology and Hypotheses

In order to empirically evaluate the disclosure activity, different levels of information disclosure by companies need to be compared. Some authors make comparisons between firms, others use temporal comparisons. In this paper we chose to make comparisons among companies.

Rapid technological expansion has an impact on corporate governance, especially regarding corporate information disclosure practices (Hashim et al., 2014). The Internet allows companies to effectively and instantly disclose their corporate information to the public, including international users (Wagenhofer, 2003). Andrikopoulos et al. (2013) believe that the performance of companies can increase as a result of improving the disclosure of FNFI through the Internet, with an influence between the transparency manifested in the disclosure of information and the company performance. Stock exchanges react positively to greater transparency in information disclosure and become more efficient (Gul and Leung, 2004).

In this paper we will study the practice of mandatory and voluntary disclosure of information regarding financial reporting, the mission and vision of the company, corporate governance, social responsibility, environmental issues, attracting human resources, sustainability. In order to carry out the study, we selected 12 companies that are listed at the Bucharest Stock Exchange (hereafter as BSE) and have a listing of more than five years. To determine the amount of information disclosed online by companies, an analysis was performed on the companies' websites to identify them. The information content from the companies' websites was researched in depth using the content analysis technique, to build indices for the disclosure of FNFI, a technique used also by other authors. This analysis technique was used to study the information included in companies' annual reports (Sanchez et al., 2011; Shan, 2013; Hashim et al., 2014).

Following the research of the mainstream literature and after collecting the primary data, we formulated two hypotheses:

H1. The value of disclosure index on financial information (DFI) is higher than the value of disclosure index of NFI (DFI) via the Internet, due to the fact that the disclosure of financial information is mandatory.

H2. The disclosure indices of FNFI via the Internet, as well as the total disclosure index (hereafter as TDI), influence share value evolution as a result of improving the image and reputation of the respective companies.

The two hypotheses will be subjected to research and validation, using the content analysis technique of companies' websites to identify the information disclosed, as well as a series of statistical-mathematical techniques to identify the relationships between the index values established through a qualitative process and the shares' value evolution of the companies within the BSE.

Results and discussions

To build the financial information disclosure index, we have selected five criteria, which were the basis for quantification, each of these having a series of sub-criteria (consistency of the data presented, accessibility, data presentation, language used). Table no.1 presents the DFI for the selected companies, based on the following criteria: annual financial-accounting reports, quarterly financial-accounting reports, presentation of current reports and boards decisions, presentation of results and financial calendar, corporate governance rules.

Table no. 1 Financial Disclosure – investor relations

	Annual accounts and financial reports	Quarterly accounting and financial reporting	Overview current reports and AGS decisions	Presentations of results and financial calendar	Corporate governance rules	Disclosure of financial information index (DFI) Total (50 points max)
ALRO S.A.	8	8	10	10	4	40
BANCA TRANSILVANIA S.A.	10	10	10	10	10	50
BRD - GROUPE SOCIETE GENERALE S.A.	10	10	10	10	8	48
BURSA DE VALORI BUCURESTI SA	10	10	10	10	10	50
C.N.T.E.E. TRANSELECTRICA	10	10	10	10	5	45
CONPET SA	10	10	10	10	10	50
FONDUL PROPRIETATEA	10	10	10	10	10	50
OMV PETROM S.A.	10	10	10	10	4	44
S.N. NUCLEARELECTRICA S.A.	10	10	10	10	10	50
S.N.G.N. ROMGAZ S.A.	8	8	10	10	4	40
S.N.T.G.N. TRANSGAZ S.A.	10	10	10	10	4	44
SOCIETATEA ENERGETICA ELECTRICA S.A.	10	10	10	10	4	44

Source: BSE, 2020

Table no.2 presents the NFI disclosure index for the selected companies, based on the following criteria: sustainability reporting, mission and vision presentation, environmental protection, career section, social responsibility.

Table no. 2 Non-financial disclosure - the relationship with other stakeholders

	Sustainability Reports	Mission and Vision Presentation	Environmental protection	Careers section	Social responsi-bility	Disclosure of nonfinancial information index (DNI) Total (50 points maximum)
ALRO S.A.	10	0	10	0	8	28
BANCA TRANSILVANIA S.A.	10	10	0	10	10	40
BRD - GROUPE SOCIETE GENERALE S.A.	6	10	0	10	10	36
BURSA DE VALORI BUCURESTI SA	5	10	0	10	5	30
C.N.T.E.E. TRANSELECTRICA	2	10	10	2	4	30
CONPET SA	0	10	10	0	2	32
FONDUL PROPRIETATEA	0	10	0	0	0	10
OMV PETROM S.A.	8	10	10	10	10	48

S.N. NUCLEARELECTRICA S.A.	10	10	10	4	10	44
S.N.G.N. ROMGAZ S.A.	10	10	10	3	10	43
S.N.T.G.N. TRANSGAZ S.A.	2	10	4	4	6	26
SOCIETATEA ENERGETICA ELECTRICA S.A.	10	10	10	2	8	40

Source: BSE, 2020

Table no.3 presents the indices of disclosure of FNFI through the Internet, the aggregate total index and the evolution of the value of the shares of the companies.

Table no. 3 Indices of information disclosure compared with the share value evolution

	Indices of disclosure of information			Evolution of shares in one year (from date 02/13/2020)
	Disclosure of financial information index (DFI)	Disclosure of nonfinancial information index (DNI)	Total disclosure index (TDI)	
ALRO S.A.	40	28	68	-9.16%
BANCA TRANSILVANIA S.A.	50	40	90	37.50%
BRD - GROUPE SOCIETE GENERALE S.A.	48	36	84	34.05%
BURSA DE VALORI BUCURESTI SA	50	30	80	4.08%
C.N.T.E.E. TRANSELECTRICA	45	30	75	-6.67%
CONPET SA	50	32	82	-0.37%
FONDUL PROPRIETATEA	50	10	60	62.89%
OMV PETROM S.A.	44	48	92	21.43%
S.N. NUCLEARELECTRICA S.A.	50	44	94	72.44%
S.N.G.N. ROMGAZ S.A.	40	43	83	9.84%
S.N.T.G.N. TRANSGAZ S.A.	44	26	70	-3.89%
SOCIETATEA ENERGETICA ELECTRICA S.A.	44	40	84	1.12%

Source: BSE, 2020

By comparing the values of the DFI and DNI, we observed greater values of DFI compared with DNI due to the fact that the disclosure of the financial information is mandatory and it is better and unitary regulated. Consequently, we can consider that hypothesis H1 is validated, which is in correspondence with Chandler researches results (1997) and Healy and Palepu's (2001).

To investigate the H2 hypothesis, we calculated the correlations that are established between the information disclosure indices and share value evolution (table no.4).

Table no. 4 Correlation of indices of information disclosure compared with the share value evolution

		DFI	DNI	TDI	Share value evolution
DFI	Pearson Correlation	1	-0.203	0.178	0.577 *
	Sig. (2-tailed)		0.527	0.580	0.049
DNI	Pearson Correlation	-0.203	1	0.927 **	0.006
	Sig. (2-tailed)	0.527		0.000	0.985
TDI	Pearson Correlation	0.178	0.927 **	1	0.227
	Sig. (2-tailed)	0.580	0.000		0.479
Share Evolution	Pearson Correlation	0.577 *	0.006	0.227	1
	Sig. (2-tailed)	0.049	0.985	0.479	

*. Correlation is average. **. Correlation is strong.
Source: Developed by authors based on the collected data

Following the analysis of table no.3, we observed that there is a relatively good correlation between the share value evolution and the DFI, an index that quantifies the information transparency that particularly interests investors. The financial information does not have a clear influence on the evolution of the share value for the selected companies and the period taken into account. In order to carry out an in-depth analysis, we used an analysis model of artificial neural networks that are established between the four variables, the evolution of the share value being the independent variable. Fig. no.1 shows the relationships that are established between the variables following the use of a multilayer perceptron model.
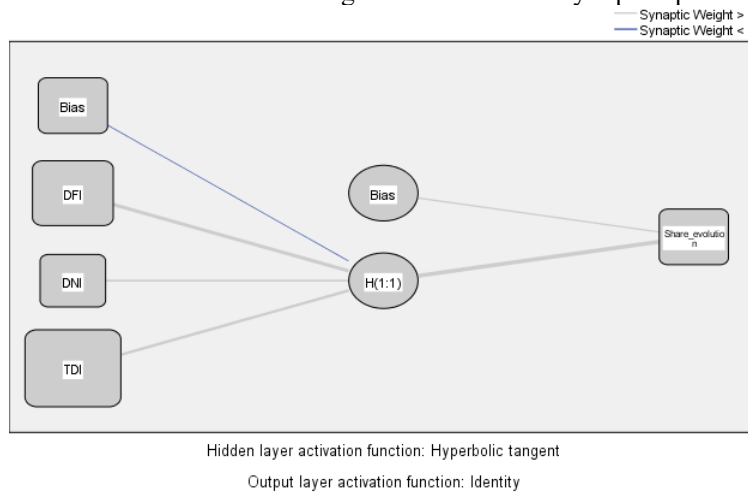

Hidden layer activation function: Hyperbolic tangent

Output layer activation function: Identity

Fig. no. 1 Model of multilayer perceptron indices used to detect the influence of disclosure indices on share value development companies
Source: Developed by authors based on the collected data

As a function of activating the hidden layer (the image and reputation of the company) we used the identity function, and as a function of activating the output layer (the evolution of the value of the shares of the companies) we used the hyperbolic tangent function.
Table no. 5 presents the predicted values of the multilayer perceptron model as well as the levels of importance of the independent variables.

Table no. 5 Values of the multilayer perceptron model

Predictor		Predicted		Independent variable importance	
		Hidden Layer 1	**output Layer**		
		H (1: 1)	**Share evolution**	**Importance**	**Normalized Importance**
Input Layer	(Bias)	-0.366			
	DFI	0.827		0.334	71.7%
	DNI	0.431		0.200	42.9%
	TDI	0.760		0.466	100.0%
Hidden Layer 1	(Bias)		0.412		
	H (1: 1)		1.295		

Source: Developed by authors based on the collected data

Following the analysis of fig. no.1 and table no.5, it can be concluded that DFI influence significant on shares evolution, as DFI has a little influence, because the Romanian investors are not yet very interested in making investments based on sustainability and social responsibility reports. The influence of other exogenous variables (through bias) is

exerted on the hidden layer, such as interest groups, mass media. On the output layer represented by the evolution of the actions an important influence is exerted by the performance of the companies themselves (through the bias). Following the researches, we can say that the H2 hypothesis is partially validated, confirming the result of other researches, according to which the disclosure of information optimally can increase transparency by improving investor confidence, contributing to a higher value of the company (Allegrini and Greco, 2013).

Conclusions

Reporting activities and organizational behavior is essential for organizations providing reports and especially for those who use them. However, the activities of disclosure of FNFI differ in many respects. Financial reporting has a tradition, is subject to strict regulations and varies substantially from country to country. Non-financial reporting (in the field of sustainability) has developed in recent decades and includes a mix of information on economic, environmental and social performance, operates on a voluntary basis and there is a tendency for international harmonization of standards (Barbu, 2019).

The main purpose of the article was the comparative analysis of the ethics and the disclosure of the financial-accounting and NFI for a sample of companies listed on the BSE. We have built two qualitative indices, for an FNFI disclosure, as well as a total aggregate index. We used a multi-criteria quantification method that included within the criteria a series of qualitative sub-criteria according to which points were assigned subjectively following the analysis of the websites of the companies selected in the sample. By combining the existing classification methodologies, a new approach is presented which provides an excellent basis for comparative analysis of the quality of information disclosure by listed companies.

At the same time, in the article we presented the influences of the information disclosure indexes on the evolution of the value of the share of the companies as a result of improving the image and the reputation within the selected companies, thus proposing an instrument for quantifying the influences of the policies.

In the forthcoming work we will extend comparative research to companies listed in other capital markets from both developed and less developed countries.

Following the research, we concluded that the correct disclosure of information through the Internet could help corporations to stay in an increasingly turbulent business environment and to increase corporate value. Corporate governance should consider both the correct disclosure of mandatory financial information and the disclosure of NFI on a voluntary basis.

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