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## Article

# The evaluation of the relationship between the companies' sustainability reporting and their financial performance

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## THE EVALUATION OF THE RELATIONSHIP BETWEEN THE COMPANIES' SUSTAINABILITY REPORTING AND THEIR FINANCIAL PERFORMANCE

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### Abstract

The purpose of the present research is to assess the impact of ESG reporting on the financial performance of the companies listed on the Bucharest Stock Exchange (BVB). The research methodology has been based both on a qualitative approach used in the analysis of the specialised literature and on the formulation of the research hypotheses and on a statistical analysis, respectively. The primary financial information found in the financial reports of 67 companies listed on the BVB for the period 2020-2022 has been used to determine the financial performance indicators. The ESG information that has been extracted from the sustainability reports, the administrators' reports, or from the companies' websites has been subjected to scoring procedures in order to design an aggregate ESG disclosure score. Both data sets have been manually collected and statistically processed by using the financial and economic profitability ratios, the earnings per share, and the market added value as dependent variables, whereas the aggregate ESG disclosure score has been used as the independent variable. The findings have shown that an increase in the ESG disclosure of ESGs will lead to an improvement in terms of economic and financial performance. A higher ESG disclosure index score results in higher earnings per share. However, it does not have a significant impact on the increase in the company's market value. Therefore, companies that have integrated sustainability into their business strategy and communicated it effectively have been perceived by investors as better prepared for future risks and opportunities. This perception prompts investors to redirect their funds towards sustainable and socially responsible investments, which, in turn, will contribute to a superior financial performance for these companies.

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**Keywords:** quality of sustainability reporting, financial performance, corporate governance, Bucharest Stock Exchange (BSE)

**JEL Classification:** M40, G20, G30

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## **Introduction**

An increasingly pronounced globalisation, as well as the changes that have taken place in terms of business practices, have had an impact on both the quantity and the quality of information reported by companies. They have been very useful to stakeholders in their decision making. Thus, stakeholders have consistently highlighted the fact that the decision-making process is no longer based solely on the financial information, but also requires additional nonfinancial information in order to supplement the traditional reporting. The companies' response to these informational requirements was initially in the form of voluntary narrative non-financial reports. It was later followed by the international regulation of corporate reporting on economic, environmental, and social aspects through the issuance of the integrated reporting standards designed by the Global Reporting Initiative – GRI (2025).

The next step in sustainability reporting internationally has been achieved through the issue of the first two sustainability reporting standards such as the IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and the IFRS S2 – Climate - related Disclosures (Carroll, 2023; Socoliuc, 2024).

At the European level, on 28 November 2022, the European Union issued the new sustainability reporting directive, also known as the Corporate Sustainability Reporting Directive (CSRD). This directive introduces the regulations that will be implemented gradually between 2024 and 2028 and which has been incorporated into Romanian legislation on January 26<sup>th</sup> 2024 through Order No. 85 of the Minister of Public Finances dated January 12<sup>th</sup>, 2024 regulating aspects related to the sustainability reporting (OMFP 85/2024; Barac, 2024).

Based on these regulations, sustainability reporting focuses on the disclosure of complementary information which refers to the three pillars: the environmental pillar (E), the social pillar (S) and the corporate governance pillar (G), which is commonly referred to under the acronym (ESG) in specialised literature. We have also used it in the present study.

Consequently, the environmental pillar addresses the issues related to biodiversity, water and air quality, as well as climate change, thus aiming to evaluate the degree of the entities' involvement in the reduction of pollution reduction by achieving energy efficiency as well as the optimal use of natural resources, whereas the social pillar refers to the extent of the entity's involvement in the community to which it belongs, as well as its commitment to the equal opportunity and gender equality, equity, and social inclusion.

The corporate governance pillar involves the entity's commitment to policies aimed at ensuring accounting transparency, staff remuneration, and balancing shareholder's task by fighting against corruption and other illegal practices (Cerciello, Busato and Taddeo, 2023).

Therefore, corporate sustainability reporting represents a highly current and widely debated issue in the international academic literature. On the one hand, this is due to the exponential

interest and increasingly diverse informational demands of stakeholders. On the other hand, it comes from the companies' interest in responding to these informational requirements and in identifying the best means of disclosing such information.

However, given the Romanian context, only a portion of the companies listed on the Bucharest Stock Exchange (BVB) have voluntarily disclosed the ESG information, thus opting for various reporting methods and formats in the absence of the legislation regulating and standardising the reporting of such data. Consequently, the extent to which the publication of this information can bring benefits to BVB-listed companies remains an open question.

In this regard, our study aims to present the impact of ESG information disclosure on the financial performance of the companies listed on the Bucharest Stock Exchange (BSE). Structurally speaking, the study further addresses the review of the specialised literature by summarising the aspects related to the ESG information reporting, the formulation of the research objectives and hypotheses, the research methodology, the findings, and the discussion section by highlighting findings and interpretations made by the authors as well as the final conclusions.

## **1. Review of the specialised literature and the foundation of the research hypotheses**

This section is dedicated to a review of the specialised literature and is divided into two subsections. The first subsection refers to the studies addressing the correlation between ESG reporting and the financial performance. The second subsection focuses on the studies that highlight the added value of ESG reporting for companies. On the basis of the above-mentioned information, the research hypotheses and the variables to be included in the statistical modelling have been formulated.

### **1.1. The relationship between sustainability reporting and companies' financial performance**

Regarding the impact of sustainability reporting disclosure on financial performance, the literature presents numerous aspects, so in the following we will focus our attention on the ones we considered most relevant. One such study is that conducted by Friede, Busch and Bassen (2015), in which the authors have examined the findings of 2.200 scientific papers that focused on the relationship between sustainability reporting and improved financial performance. The results have shown that more than 90% of the studies have indicated a positive correlation between the two. The findings have also been confirmed by the study conducted by Alshehhi, Nobanee and Khare (2018).

The research conducted by Siminică, Ionaşcu and Sichigea (2019), which focuses on the analysis of the relationship between the corporate social performance and the financial performance of the Romanian companies, indicates that there is no significant connection among the return on assets (ROA), the return on equity (ROE), the sales growth and the PER index measuring the financial performance of the analysed companies and the corporate social performance (CSP) index - a finding that contradicts the above - mentioned results.

Man and Bogeanu-Popa (2020) emphasises that superior performance in ESG (Environmental, Social and Governance) information reporting has led to increased

informational transparency, reduced informational asymmetry, attraction of new investors, and, consequently, a higher overall financial performance.

The findings of the study conducted by Aldieri, Amendola and Candila (2023) highlight the importance of assessing the impact of ESG factors on company's performance by highlighting their usefulness for the institutional investors in managing investments. Ni (2025) has highlighted the fact that investors have decided to incorporate ESG information analysis into their investment strategies by considering ESG factors alongside traditional financial data when making investment decisions.

In a bibliometric study on a significant number of scientific works, Whelan (2024) has demonstrated the existence of positive, negative, mixed, or no relationships between sustainability reporting and corporate financial success. Mixed results regarding the relationship among the ESG disclosure, the market value of the companies and their performance have also been obtained by Giannopoulos et al. (2020), who have highlighted a positive relationship between ESG scores and a firm's market value, as well as a negative relationship between sustainability reporting and financial profitability as expressed by the return on assets (ROA).

Therefore, taking into account the aforementioned research presenting contradictory results, as well as other relevant studies focusing on the relationship between superior ESG disclosure and the financial performance, such as those conducted by Buallay (2019), Veeravel, Murugesan and Narayanamurthy (2024), Deshpande et al. (2024), Solikhah and Weng (2024), the first research hypothesis has been formulated such as: H1: Increased disclosure of sustainability reporting information leads to better financial and economic performance.

From our point of view, the contradictory results that have been mentioned in studies examining the correlation between sustainability reporting and corporate financial performance are the consequence of the inconsistent reporting of ESG information by the companies based on various types of reports, the national contexts in which these studies have been conducted, as well as the industries in which the companies operate. We believe that the dominant accounting system and the specific financing methods of each accounting system have an impact on the extent of the disclosure of ESG. Thus, we consider that countries within the Anglo-Saxon system, which rely on the capital market financing, are more inclined to provide a greater amount of ESG information in order to attract more investors and reduce the cost of capital. Conversely, the countries within the Continental system that rely on bank-based financing are still characterised by a culture of confidentiality and compliance with the prescriptive legal norms. We believe that this shortcoming will be addressed through the adoption of the CSRD, IFRS S1, and IFRS S2 for the reporting companies.

## **1.2. The relationship between the sustainability reporting and the companies' market value**

The desire of the company management to achieve high financial performance and improve their image within the community where they operate, as well as among the stakeholders through partnerships with local communities and investments with real social impact in society (Dinu and Bunea, 2019) has led to the adoption of strategies focused on corporate social responsibility (CSR). Contradictory debates regarding the benefits associated with the CSR activities have prompted the regulatory bodies to find solutions for standardising

nonfinancial information which has currently been included in the sustainability reporting, namely the disclosure of the ESG information.

A first study has focused on examining the relationship between ESG disclosure ratings and the company value, Rossi and Harjoto (2020), who have demonstrated that the disclosure of the non-financial information which has been verified by an independent third party improves the credibility of the non-financial reports, reinforces the company's commitment to meeting stakeholder needs, reduces the information asymmetries, and ultimately leads to an improved financial performance. The study by Cheng, Kim and Ryu (2024), which has tested the relationship between ESG scores and a company's market value, has highlighted the fact that the publication of ESG information has significantly increased the company's market value or that ESG performance has been positively associated with the company's value (Giese et al., 2019; Cho, Lee and Park, 2024). Similarly, the study by Wong et al. (2021) has revealed that the ESG certification results in a lower cost of capital and an increase in the company's market value. These findings have been further supported by Bhaskaran et al. (2020) who have shown that entities with a superior ESG performance have recorded a higher market value. Based on the above - mentioned reasoning and taking into consideration the studies by Gonçalves, Louro and Barros (2023), Khan et al. (2024), Cheng, Kim and Ryu (2024) and Wang et al. (2024), which have focused on studying the relationship between sustainability reporting and the market value, we have suggested the second research hypothesis, H2, such as: A higher sustainability reporting index score leads to an increase in the company's market value.

From a different perspective, the study by Yadav et al. (2024) which focussed on the relationship between the ESG scores and the stock returns has highlighted the fact that investments in stocks associated with superior ESG scores can represent an optimal option for investors. From our point of view, these findings are due to a paradigm shift in terms of investment strategies whereby investors are increasingly inclined to invest primarily in ESG - oriented companies.

The study conducted by Wang et al. (2025) exploring the impact of the ESG reporting on the stock performance shows that the ESG reporting led to a higher stock performance during the pandemic period with conflicting results during the pre- and post-pandemic periods. In our view, these findings can be associated with the social investments made by companies during the pandemic period that have focussed on counteracting the impact of the COVID-19 pandemics on human resources.

Research by La Torre et al. (2020), focused on the analysis of the relationship between ESG components and stock returns of Eurostoxx 50 companies over the period 2010-2018, signals that their performance is not influenced by ESG commitments. This research highlights that for only 7 out of the 46 companies included in the study sample, there is a significant correlation between the variations in the "ESG Overall" factors and the stock returns. They are companies and belong to sectors where ESG investments have led to higher returns on energy and utilities stock returns.

We have also traced out the existence of contradictory results which are due to the heterogeneity of the sectors they are part of, as well as their different investment policies in terms of the ESG issues.

Thus, taking into account the above-mentioned studies and those conducted by Siminică, Ionașcu and Sichigea (2019), Setyaningsih and Wibowo (2024), Purnomo, Nuntupa and

Yuana (2024) and Zampella et al. (2025), which focus on the impact of the ESG reporting on stock returns, we have suggested the third research hypothesis H3 such as: A higher sustainability reporting index score leads to higher earnings per share.

## **2. Research methodology**

The research methodology is based on collecting both the financial information from the financial reports, as well as of the ESG information reported by the companies listed on the BSE, as shown by the sustainability reports, the management reports, or on the companies' websites for the period between 2020 and 2022 by using the Microsoft Office Excel. The sample used in this study initially consisted of 83 companies. Specific inclusion criteria have been applied based on the continuity of financial and ESG reporting as well as the companies of the industrial and consumer sectors. Exclusion criteria have also been used in terms of removing both those companies that had not carried out continuous activities and financial investment companies and banks. As a result, 67 companies have participated in the study itself.

The primary financial information reflect both the financial position and performance and the changes in the financial position. This information have been used to determine the return on equity (ROE), the return on assets (ROA), and the market value added (MVA) in accordance with the studied literature, while the earnings per share indicator (EPS) has been retrieved for each and every company from the BSE website.

The information on the sustainability reporting has been manually extracted from the sustainability reports, from the annual management reports published on the BSE website, as well as from the available data on the official websites of the sample companies. The voluntary nature of sustainability reporting during the analysed period, the absence of a standardised reporting framework, combined with the lack of an ESG disclosure index issued by a specialised body for Romanian companies listed on the BSE, are the factors that have led us to opt for using an ESG information scoring methodology in order to design an aggregated ESG disclosure score. This specific shortcoming has also been identified by Siminică, Ionaşcu and Sîchigea (2019), who suggested as a solution for companies either the aggregation of the ESG information and the creation of an ESG score or resorting to specialised institutions for calculating the ESG scores by using their own methodologies (Bucharest Stock Exchange, 2022). Therefore, we will refer to the methodological approach for developing the ESG disclosure score, which will allow us to quantify the impact of the ESG information disclosure by those companies listed on the BSE on their financial performance, as well as to compare the ESG information published in sustainability reports management reports or on the companies' websites.

This process initially involved designing a matrix that comprises the most representative indicators for each pillar of the ESG reporting, as outlined in the ESG Reporting Guide available on the BSE website. The guide complies with the GRI standards and is based on international sustainability reporting standards. The indicators are shown in Table no.1 as follows:

**Table no. 1. The indicators for the ESG information**

| <b>The Pillars of the sustainability reporting</b> |                               |   |
|--|-------------------------------|---|
| <b>Environmental indicators (E)</b>                | <b>Social indicators (S)</b>  | <b>Corporate governance indicators (G)</b>    |
| Environmental policy                               | Employment                    | Compliance with the Corporate Governance Code |
| Greenhouse gas emissions (GHGE)                    | Employees' health and safety  | Gender diversity in the Board of directors    |
| Energy consumption                                 | Education and training        | Independence of the Board of directors        |
| Climate change                                     | Diversity and equal chances   | Code of Ethics                                |
| Waste management                                   | Employee turnover             | Anti-corruption policy                        |
| Water consumption                                  | Employee- employer management | Whistleblowing procedure                      |
| The negative impact on the environment             | Human rights policy           |   |

We have basically taken into account the above- mentioned indicators for each and every company based on the type of sustainability reporting they have opted for. Thus, after reviewing the three types of sustainability reports (i.e., the sustainability reports, the management reports, or the reports published on the companies' websites) and identifying the ESG indicators reported by each entity, the methodology involved assigning scores/ratings depending on the source of the published information as well as the particular details provided by the companies, based on the following this reasoning:

- as far as companies that published the ESG information within a sustainability report are concerned, a score between 0 and 3 points has been awarded. Therefore, when a company did not publish the previously mentioned ESG indicators, it was awarded 0 points. An incomplete presentation of the ESG indicators was given a score of 1.5 points, while a comprehensive presentation of specific information, including all the previously mentioned ESG indicators, was awarded the maximum score of 3 points. The maximum score assignable for this category is 9 points.

- companies that included ESG (i.e., the Environmental, Social and Governance) information in their annual management reports have been assigned scores ranging from 0 to 2 points. Failure to present the ESG information has been scored with 0 points, a limited description of the ESG indicator content, or an incomplete presentation of the ESG indicators have received a score of 1 point, while a detailed presentation of the ESG indicators has received a score of 2 points. The maximum score assignable for this category is 6 points.

- the companies that have disclosed sustainability information on their official websites have received scores ranging from 0 to 1 point. Failure to disclose ESG information on their website resulted in a score of 0 points, a brief presentation of the ESG indicators has been assigned 0.5 points, while a detailed description of them has been given a score of 1 point. The maximum score assignable for this category was 3 points.

For a better understanding of the methodological reasoning described earlier, see Table no. 2 best synthesises this approach as follows:



**Table no. 2. The scoring methodology of the assigned scores based on the publication source and the degree of disclosure of the ESG information**

| ESG disclosure     | Sustainability reporting | The management report | Website    |
|--------------------|--------------------------|-----------------------|------------|
|                    | 0-3 points               | 0-2 points            | 0-1 points |
| Lack of disclosure | 0                        | 0                     | 0          |
| Partial disclosure | 1.5                      | 1                     | 0.5        |
| Full disclosure    | 3                        | 2                     | 1          |

By assigning different scores, which are higher for companies that published their ESG (Environmental, Social and Governance) information in the form of a sustainability report (up to 9 points) and lower for other types of sustainability disclosures such as in the annual management report (up to 6 points) or the ESG disclosures through the company's website (up to 3 points), the aim was to examine the companies' preferences for the ESG reporting, the investors' perceptions of it as well as the impact of the ESG disclosure on the financial performance. The aggregated ESG index value is the result of summing the three scores, which means that the maximum value assignable to a company is of 18 points. Thus, in order to achieve the objective of the study, it was necessary to develop an aggregated ESG disclosure index (ScorESG) that quantifies the level of ESG information disclosure. This index will be used as an independent variable and econometric model using the IBM SPSS Statistics software based on linear regression.

Table no. 3 presents the average ESG values in the companies of the present study during the period of 2020 – 2022 for each component pillar of the ESG reporting taken individually. These values have been calculated as an arithmetic average based on the scores assigned to each of the three sustainability reporting dimensions (i.e., the environmental information, the social information and the corporate governance information) both for each and every company across each type of the ESG reporting (as mentioned in Table no. 2) and for each year as follows:

**Table no. 3. The average reporting score for the disclosure of the Environmental (E), Social (S), and Corporate governance (G) information**

|                   | 2020  | 2021  | 2022  | ESG average score |
|-------------------|-------|-------|-------|-------------------|
| E average score   | 2.821 | 2.978 | 2.978 | 2.925             |
| S average score   | 2.791 | 2.948 | 2.948 | 2.896             |
| G average score   | 3.149 | 3.306 | 3.306 | 3.254             |
| ESG average score | 8.761 | 9.232 | 9.232 | 9.075             |

The dependent variables in this analysis are represented by the financial performance indicators which have been expressed by the ROE that expresses the extent to which equity generates net profit (Gomoi, 2021), the ROA which shows the degree to which total assets generate net profit (Gomoi, Pantea and Cuc, 2020), the EPS which expresses a company (Căruntu, 2019) and the MVA which indicates the added value or lost by the company from its shareholders (Vasilescu, 2011) corresponding to the studies conducted by Buallay (2019), Buallay (2020), Veeravel, Murugesan and Narayanamurthy (2024), Solikhah and Weng (2024) and Deshpande et al. (2024), as these financial indicators have been taken into

consideration by them to be the most representative in highlighting the financial performance of the companies. This methodological foundation is summarised in Table no. 4.

**Table no. 4. Suggested regressor variables**

| Statistical variables       | Definition           | Symbol    | Measurement  |
|-----------------------------|----------------------|-----------|--|
| <b>Dependent variables</b>  | Return on Equity     | ROE       | Net profit/Shareholders' equity                    |
|                             | Return on Assets     | ROA       | Net profit/Total assets                            |
|                             | Earnings Per Share   | EPS       | The company's net profit / number of issued shares |
|                             | Market value added   | MVA       | Economic asset value - Book value of net assets    |
| <b>Independent variable</b> | ESG disclosure index | ESG score | Average value of the ESG index                     |

Variables presented in Table no. 4 will be subject to statistical modelling, which in its turn will allow us to identify the impact of ESG information disclosure on companies' financial performance – one of the goals of the present study.

The following section presents the main findings as a result of the statistical research conducted.

### 3. Results and discussions

This section focuses on the findings of the present investigation and has been structured into two distinct subsections as outlined below.

#### 3.1. Results

In the first subsection, we will present the research findings in terms of the evolution of the ESG disclosure score of the companies in the sample. This will be followed in the second subsection by the presentation of the outcomes as a result of the performed statistical modelling.

##### 3.1.1. The findings as a result of quantifying the impact of sustainability information reporting on the company based on the scoring method

In order to identify the impact of ESG information disclosure on companies' financial performance, we have focused on the reasoning described in the previous section by designing an aggregated ESG disclosure index for the companies of the present study. Therefore, in terms of the evolution of the average ESG score, the results revealed that in the first year of analysis it recorded a value of 8.761 points, subsequently remaining constant at 9.231 points in the following years (see Table no. 3). This increase, although relatively insignificant, highlights the fact that more and more companies are turning toward ESG-oriented actions by acknowledging the benefits of engaging in such activities and reporting them on a yearly basis.

As a result of using the score, following the reasoning described in the methodology section of our study, we have identified the average ESG disclosure scores for the companies in the sample, namely the average value for the environmental factors (E) disclosure which is 2.925,

the average value for social factors (S) reporting which is 2.896 as well as the average value for corporate governance (G) reporting which is 3.254 (see Table no. 3). Based on these values, we have come to the conclusion that within the total ESG score, the highest proportion is held by the G score followed by the E score with the S score occupying the last position. Although the G score has the largest proportion, a more in-depth analysis has revealed that in terms of the impact of the ESG score on the financial performance of companies, the reporting of social factor reporting has the greatest influence. In our opinion, this is due to the involvement in actions aimed at countering the effects of the COVID-19 pandemics, as well as other social initiatives.

The distribution of ESG scores among the companies has revealed that no company scored 0 while 14 companies of approximately 20% of the total sample have achieved the maximum ESG score of 18 points. This fact shows that they have produced comprehensive sustainability reports both in the form of indicators and narratives. These companies operate in the medical, energy, and natural gas sectors. These are areas that are particularly suitable for ESG - oriented actions and have also paid increased attention to ESG reporting, too. Our analysis has shown that companies with average ESG scores have mainly disclosed all sustainability information, but failed to produce comprehensive sustainability reports. Instead, they issued non-financial statements, environmental reports, and energy balances to showcase their commitment to sustainability. These companies are active in the production of paper and biodegradable plastics, in maritime and land transportation, as well as in the IT services sector.

Companies that have registered lower scores have reported a minimum of ESG indicators in a narrative form and did not have calculated sustainability indicators. Instead, they are presented descriptively in their annual reports. These companies operate in the fields of production, installations, electrical equipment, civil and industrial construction. Our analysis has revealed that both the sustainability performance and disclosure of degree of the ESG information disclosure have increased during the analysed period of time, as highlighted by the evolution of the average ESG disclosure score (see Table no. 3). These improvements are the result of certain actions such as an increase of the number of women in leadership structures, the boost of the employment and the employee training rates, the enhancement concerns related to water/air/soil, and the improvement of recycling.

### 3.1.2. The findings as a result of the econometric testing of the correlations between the ESG disclosure index and the companies' financial performance

Statistical modelling has enabled us, in the first instance, to assess the correlations between the dependent and the independent variables by using the Pearson's correlation coefficient, as shown in the correlation Table no. 5.

**Table no. 5. Correlations**

|                            |                | ROE   | ScorESG |                            |                | ROA   | ScorESG |
|----------------------------|----------------|-------|---------|----------------------------|----------------|-------|---------|
| <b>Pearson Correlation</b> | <b>ROE</b>     | 1.000 | 0.818   | <b>Pearson Correlation</b> | <b>ROA</b>     | 1.000 | .801    |
|                            | <b>ScorESG</b> | 0.818 | 1.000   |                            | <b>ScorESG</b> | 0.801 | 1.000   |
| <b>Sig. (1-tailed)</b>     | <b>ROE</b>     | .     | 0.000   | <b>Sig. (1-tailed)</b>     | <b>ROA</b>     | .     | 0.000   |
|                            | <b>ScorESG</b> | 0.000 | .       |                            | <b>ScorESG</b> | 0.000 | .       |
| <b>N</b>                   | <b>ROE</b>     | 67    | 67      | <b>N</b>                   | <b>ROA</b>     | 67    | 67      |
|                            | <b>ScorESG</b> | 67    | 67      |                            | <b>ScorESG</b> | 67    | 67      |

|                            |                | EPS   | ScorESG |                            |                | MVA   | ScorESG |
|----------------------------|----------------|-------|---------|----------------------------|----------------|-------|---------|
| <b>Pearson Correlation</b> | <b>EPS</b>     | 1.000 | 0.781   | <b>Pearson Correlation</b> | <b>MVA</b>     | 1.000 | 0.347   |
|                            | <b>ScorESG</b> | 0.781 | 1.000   |                            | <b>ScorESG</b> | 0.347 | 1.000   |
| <b>Sig. (1-tailed)</b>     | <b>EPS</b>     | .     | 0.000   | <b>Sig. (1-tailed)</b>     | <b>MVA</b>     | .     | 0.002   |
|                            | <b>ScorESG</b> | 0.000 | .       |                            | <b>ScorESG</b> | .002  | .       |
| <b>N</b>                   | <b>EPS</b>     | 67    | 67      | <b>N</b>                   | <b>MVA</b>     | 67    | 67      |
|                            | <b>ScorESG</b> | 67    | 67      |                            | <b>ScorESG</b> | 67    | 67      |

Thus, in terms of the dependent variable ROE, the Pearson correlation coefficient value of 0.818 indicates a high intensity relationship between the ROE indicator and the ESG score. The Sig. value is less than 0.05 indicating that there is a significant relationship between the two variables with a confidence level of 95%. We have noticed that of the three ESG reporting pillars, the social factor has the greatest influence.

As far as the dependent variable ROA is concerned, the Pearson's correlation coefficient value of 0.801 indicates a high-intensity relationship between ROA and the ESG score. Moreover, among the three ESG reporting pillars, the econometric modelling results have revealed that the social factor (i.e., the disclosure score of social information - S) has the greatest influence on the company's financial performance measured by the ROA.

Regarding the dependent variable EPS is concerned, the Pearson's correlation coefficient value of 0.781 indicates a high intensity relationship between the EPS indicator and the ESG score. The results have revealed that the social factor (S) has the greatest influence on the EPS indicator among the three ESG reporting pillars. Thus, we believe that we have witnessed a paradigm shift in investments as investors have moved from traditional investments to socially responsible investments.

In terms of the MVA variable, the Pearson's correlation coefficient value of 0.347 indicates a weak relationship between the MVA indicator and the ESG score. This low correlation reveals that a higher level of disclosure of ESG can lead to an increase in the market value added by companies, albeit to a small extent.

In addition, the statistical processing has enabled the development of the summary of the statistical model as shown below in Table no. 6.

**Table no. 6. Model Summary**

| <b>ROE</b>   |                    |                 |                          |                                   |                      |
|--------------|--------------------|-----------------|--------------------------|-----------------------------------|----------------------|
| <b>Model</b> | <b>R</b>           | <b>R Square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> | <b>Durbin-Watson</b> |
| <b>ROE</b>   |                    |                 |                          |                                   |                      |
| <b>1</b>     | 0.818 <sup>a</sup> | 0.670           | 0.665                    | 5.57162                           | 1.977                |
| <b>ROA</b>   |                    |                 |                          |                                   |                      |
| <b>2</b>     | 0.801 <sup>a</sup> | 0.641           | 0.636                    | 6.61332                           | 1.948                |
| <b>EPS</b>   |                    |                 |                          |                                   |                      |
| <b>3</b>     | 0.781 <sup>a</sup> | 0.610           | 0.604                    | 0.87086                           | 2.159                |

Based on the information from the Model Summary table, we have observed that for the dependent variable ROE the value of 0.818 for the correlation coefficient (R) suggests the existence of a strong relationship among the analysed variables based on the linear regression model. The value of 0.670 for the determination coefficient (R Square) indicates that the variation in ROE is influenced by 67% of the variation of the ESG score.

Our findings are also supported by the results of the research conducted by Patel and Aditya (2024) that have highlighted the significant positive impact of ESG scores on both the ROA and ROE.

In terms of the dependent variable ROA, R has a value of 0.801 and indicates a strong statistical relationship between the variables analysed based on the linear model. The R Square value of 0.641 shows that 64% of the variation in the ROA is the result of the variation of the ESG scores. These results are further supported by the research findings of Rahman, Zahid and Al-Faryan (2023) and Burki et al. (2024) which have shown that the ESG disclosures have a significant positive impact on a company's performance measured by the ROA.

As far as the dependent variable EPS is concerned, the R value of 0.781 indicates a strong correlation among the variables analysed based on the linear model. R Square indicates a value of 0.610 which means that 61% in variation of the EPS is explained by the variation of the ESG scores.

The results indicate that the entities involved in the ESG actions have achieved a superior image among investors and have been rewarded by them with an increase in the return of their shares on the capital market. The study by Sharawi, Al-Zahrani and Al-Asmari (2024) validates our results and highlights the fact that reporting environmental information plays a significant role in the improvement of the ROA, whereas reporting social information has a positive impact on the ROE indicator. Reporting corporate governance information significantly contributes to the improvement of EPS.

Moreover, statistical processing has also facilitated the design of the ANOVA table shown below in Table no. 7.

**Table no. 7. ANOVA**

| ROE                             |            |                |    |             |         |                    |
|---------------------------------|------------|----------------|----|-------------|---------|--------------------|
| Model                           |            | Sum of Squares | df | Mean Square | F       | Sig.               |
| 1                               | Regression | 4089.667       | 1  | 4089.667    | 131.742 | 0.000 <sup>b</sup> |
|                                 | Residual   | 201.789        | 65 | 31.043      |         |                    |
|                                 | Total      | 6107.456       | 66 |             |         |                    |
| ROA                             |            |                |    |             |         |                    |
| Model                           |            | Sum of Squares | df | Mean Square | F       | Sig.               |
| 2                               | Regression | 5077.716       | 1  | 5077.716    | 116.099 | 0.000 <sup>b</sup> |
|                                 | Residual   | 2842.839       | 65 | 43.736      |         |                    |
|                                 | Total      | 7920.555       | 66 |             |         |                    |
| EPS                             |            |                |    |             |         |                    |
| Model                           |            | Sum of Squares | df | Mean Square | F       | Sig.               |
| 3                               | Regression | 77.168         | 1  | 77.168      | 101.750 | 0.000 <sup>b</sup> |
|                                 | Residual   | 49.296         | 65 | 0.758       |         |                    |
|                                 | Total      | 126.464        | 66 |             |         |                    |
| Predictors: (Constant), ScorESG |            |                |    |             |         |                    |

The ANOVA table reveals that for each model, the Sig. value is less than 0.05, which means that the proposed models can be econometrically acceptable. The parameters of the linear

regression model are determined in the coefficients table in the second column as follows (Table no. 8):

Table no. 8. Coefficients

|       |            | Unstandardised Coefficients |            | Standardised Coefficients |        |       | 95,0% Confidence Interval for B |             |
|-------|------------|-----------------------------|------------|---------------------------|--------|-------|---------------------------------|-------------|
|       |            | B                           | Std. Error | Beta                      |        |       | Lower Bound                     | Upper Bound |
| Model |            |                             |            |                           | t      | Sig.  |                                 |             |
|       | ROE        |                             |            |                           |        |       |                                 |             |
| 1     | (Constant) | -0.788                      | 1.214      |                           | -0.650 | 0.518 | -3.212                          | 1.635       |
|       | ScorESG    | 1.249                       | 0.109      | 0.818                     | 11.478 | 0.000 | 1.032                           | 1.467       |
|       | ROA        |                             |            |                           |        |       |                                 |             |
| 2     | (Constant) | -0.417                      | 1.440      |                           | -.290  | 0.773 | -3.294                          | 2.459       |
|       | ScorESG    | 1.392                       | 0.129      | 0.801                     | 10.775 | .000  | 1.134                           | 1.650       |
|       | EPS        |                             |            |                           |        |       |                                 |             |
| 3     | (Constant) | 0.243                       | 0.190      |                           | 1.281  | .205  | -0.136                          | 0.622       |
|       | ScorESG    | 0.172                       | 0.017      | 0.781                     | 10.087 | .000  | 0.138                           | 0.206       |

According to the coefficients table, we can observe that if the ESG score increases by one unit, the ROE increases on average by 1.249 units, while the ROA increases on average by 1.392 units, and the EPS increases on average by 0.172 units. These values have shown that the ESG score has a greater influence on the ROE than on ROA, as well as on the EPS despite its small difference. Following the tests carried out, we have discovered that the ESG score impacts ROE by 67%, the ROA by 64%, and EPS by 61% when the indicators are taken separately. Thus, the final results confirm the two out of the three research hypotheses, namely the first hypothesis (H1), which states that increased disclosure of the sustainability information leads to an improved financial and economic performance of companies, as expressed by the ROA and the ROE, as well as the third hypothesis (H3), stating that a higher ESG disclosure score leads to an increase in EPS.

As far as the second hypothesis of the study (H2) is concerned, which aimed to test whether a higher ESG disclosure score leads to an increase in market value, the final results show that this hypothesis is not supported at all. The model has been statistically validated with a Sig = 0.002, yet the correlation coefficient of 0.347 indicates a low impact of the ESG score on the MVA. This fact suggests that the superior disclosure of ESG information does not have a significant impact on the value added. This finding has also been confirmed by Wu et al. (2023) and Fernandes et al. (2024).

### 3.2. Discussions

In terms of the components of the impact of the ESG score on the financial performance that has been measured based on the ROE, the econometric findings have shown that the social factor has had the most significant influence.

We believe that this is due to the period fact that the analysed overlaps with the COVID-19 pandemics during which companies were more focused on their social actions aimed at mitigating the effects of the health crisis both on society as such and on their own employees. This fact has generated a positive image of the companies for the investors, thus leading to greater investments from their part in companies oriented towards sustainability and,

consequently, on higher profits. Similar results have also been obtained in the case of the ROA, with the social factor having the greatest impact on economic profitability, too.

Thus, the findings of our study have also been confirmed by Possebon et al. (2024), who have highlighted the fact that there is a significant and positive relationship between the ESG score and the ROA by indicating that companies' involvement in sustainability-oriented actions has led to higher sales volume (i.e., a more efficient operational activity). The study by Ji, Chen and Ao (2024) on the influence of the ESG performance on corporate performance based on the ROA has also shown a positive impact of the ESG performance on the ROA.

As far as the impact of the ESG score on the EPS is concerned, the findings are similar, with the social score having the strongest influence on the profitability of the company shares. Thus, we believe that there has been a paradigm shift in terms of the investment priorities, as the capital holders have prioritised the sustainable and socially responsible investments, meaning they prefer to buy shares in sustainability - oriented companies. They have been rewarded with higher earnings that have been measured by a higher EPS. In a study investigating the relationship between ESG indicators and the stock returns, Yadav et al. (2024) have highlighted a positive association between ESG scores and EPS. This fact confirms the findings of our study.

In terms of the impact of the ESG score on the MVA, the findings have shown that a higher disclosure of the ESG information contributes only slightly to the increase in market value, in alignment with other specialised studies on the same topic.

From this point of view, the study conducted by Gonçalves, Louro, and Barros (2023) which has focused on testing the relationship between corporate sustainability performance and economic performance, has revealed that a 1% improvement in the ESG score will lead to a 0.08% increase in MVA. The authors have emphasised the need to change the traditional way of doing business and the necessity to orient businesses toward sustainability, thus generating advantages in terms of the market value growth by stimulating the economic performance as such.

The study by Umanah and Akpa (2024) that examined the disclosure of impact of the ESG on maximising shareholder's wealth based on the use of the Economic Value Added (EVA) and the Market Value Added (MVA) indicators has reported that the disclosure of environmental and the corporate governance information has significant positive effects on the MVA while the disclosure of the social information has a positive, yet an insignificant effect on the MVA.

The study by Asl and Nokashti (2024) that focused on the relationship between environmental disclosure and MVA has demonstrated a positive and significant impact of environmental disclosure on MVA. This means that companies that disclose more information about their environmental activities will achieve a higher market value, whereas corporate governance, as a moderating variable, will improve the relationship between environmental disclosure and MVA.

Therefore, we can conclude that, as far as our study sample is concerned consisting of 67 companies listed on the Bucharest Stock Exchange, the ESG score has a strong impact on financial performance. Consequently, companies that decided to invest more in sustainable actions have registered better financial performances.

## **Conclusions**

The analysis of the specialised literature has revealed that sustainability reporting is a widely debated and highly relevant topic, with companies placing increased importance on sustainable development in recent years. This aspect has been the foundation for our study. Consequently, our study has focused on the statistical evaluation of impact of the sustainability reporting on the financial performance of the companies listed on the BSE. The financial performance has been measured by using the economic return rate, the financial return rate, the earnings per share, as well as the market value added as dependent variables, while the ESG disclosure score has been used as an independent variable.

The results of econometric modelling have revealed that an increase in ESG information disclosure will lead to improved financial and economic performance of the companies as expressed by the ROA and ROE indicators, namely, the ESG disclosure score has an impact of 67% on the ROE indicator and 64% on the ROA indicator. This fact suggests that a higher ESG disclosure score is positively associated with a higher financial performance for the companies analysed. In terms of the impact of the ESG disclosure score on market value, the econometric results indicated a weak statistical correlation with a Pearson coefficient of 0,347. This fact suggests that a higher ESG disclosure score has only a minor influence on MVA (34.7%). As far as the impact of the ESG score on the EPS indicator is concerned, our findings have shown that a higher ESG disclosure score will lead to an increase in the EPS with the calculated ESG score having a 61% impact on this particular indicator.

The study results have also shown that entities from the medical, energy, and natural gas sectors are the most inclined toward taking sustainable actions. This is reflected in their maximum ESG disclosure scores, which are associated with a high attractiveness for sustainability - oriented investors. Consequently, this has implicitly led to better financial performance by emphasising the fact that participation of these companies in the ESG actions and the reporting of these indicators have contributed to the attraction of new investors. Investors have positively valued the ESG practices carried out by Romanian companies by giving up traditional investments and by shifting toward sustainable and socially responsible investments. It is a paradigm shift in terms of investments in shares of listed companies by moving from traditional to sustainability-oriented investments.

The main limitation of our research refers to the lack of a standardised document on the sustainability information reporting. Therefore, in our analysis, we have relied on sustainability reports, the annual reports, and ESG information which have been published on the official websites. This shortcoming, along with the absence of certified ESG disclosure scores provided by regulatory bodies with expertise in the field, has served as our main motivation for developing the aggregated ESG disclosure score that was used as an independent variable in our statistical research.

We believe that our research is valuable for investors who can redirect their investments from the traditional ones to those focused on sustainability, thereby achieving superior returns on their investments. It is also beneficial for managers who need to integrate sustainability reporting into future business strategies of the performance-oriented companies. Moreover, it supports the state and the regulatory bodies in continuing to issue sustainability reporting regulations and standards that are adjusted to the size of the companies in conjunction with the European and international sustainability reporting regulations. The present study can be considered as the foundation for several future works, which are primarily focused on



evaluating the impact of the ESG information reporting on the Romanian listed companies following their adoption of both the CSRD directive, the IFRS S1 and the IFRS S2 standards starting on January 1, 2024.

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