From Disclosure to Impact: ESG Reporting as a Driver of Financial Outcomes Across Romanian Sectors

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Abstract

As ESG (Environmental, Social, and Governance) frameworks gain traction globally, their financial implications in emerging markets remain underexplored. This study investigates the extent to which ESG reporting affects firm-level financial performance in Romania, a post-transition EU economy. Drawing on a balanced panel of 300 companies across key sectors between 2018 and 2022, we classify firms by ESG disclosure consistency and examine links to EBITDA, profit margins, and earnings volatility. The results reveal that consistent ESG reporters significantly outperform non-reporters, particularly in sectors such as Information and Communication or Energy, where ESG materiality is high. Conversely, traditional industries like manufacturing and trade show weaker financial outcomes, underlining the role of sector-specific dynamics. These findings underscore ESG reporting not merely as a compliance tool, but as a strategic asset whose value is contingent on long-term engagement and industry alignment. The paper offers actionable insights for firms, investors, and policymakers seeking to advance sustainability while preserving financial resilience.

Key words: ESG reporting, financial performance, Romanian firms, sectoral analysis, sustainability
J.E.L. classification: G30, M14, Q56

1. Introduction

In the past two decades, the integration of Environmental, Social, and Governance (ESG) frameworks into corporate strategies has evolved from a voluntary initiative into an increasingly institutionalized requirement, particularly in developed economies. ESG reporting is now widely recognized not only as a tool for enhancing corporate transparency and ethical positioning, but also as a mechanism for long-term financial risk mitigation and value creation (Eccles, Ioannou, & Serafeim, 2014; Friede, Busch, & Bassen, 2015). Institutional investors, regulators, and consumers alike demand that firms demonstrate measurable commitment to sustainability and responsible governance, often linking such performance to capital access and reputational capital.

However, the empirical relationship between ESG practices and financial outcomes remains context-dependent. While evidence from mature markets suggests a positive correlation between ESG engagement and indicators such as return on assets, profitability, or market valuation (Clark, Feiner, & Viehs, 2015), findings from emerging economies are more heterogeneous. These regions are frequently characterized by institutional voids, regulatory underdevelopment, and lower ESG enforcement mechanisms, which may alter the cost-benefit calculus of sustainability investments (Khanna & Palepu, 2010; Amel-Zadeh & Serafeim, 2018).

Romania, as a post-transition economy integrated into the European Union since 2007, offers a relevant empirical setting to investigate these dynamics. While ESG principles are formally endorsed by EU-wide directives such as the Corporate Sustainability Reporting Directive (CSRD), their operational implementation remains uneven across Romanian sectors and firms. The nascent ESG landscape, coupled with the country's mixed economic structure—ranging from legacy extractive industries to rapidly growing IT and services sectors—presents an opportunity to study sectoral divergences in ESG efficacy.

This study aims to assess whether consistent ESG reporting is associated with superior financial performance among Romanian firms between 2018 and 2022. By leveraging a panel dataset of 300 companies across multiple industries, the paper evaluates the relationship between ESG disclosure levels and key financial indicators such as EBITDA, turnover, and profit margin. A special focus is placed on the volatility of financial performance, acknowledging the risk-mitigating potential of ESG engagement. Furthermore, the sectoral analysis identifies where ESG adoption yields the highest financial returns, thereby providing insights into industry-specific strategic ESG planning.

By addressing these research gaps, the paper contributes to the literature on ESG-financial performance linkages in emerging markets, and offers practical implications for corporate managers, policymakers, and investors seeking to align sustainability objectives with financial resilience.

2. Literature review

ESG and financial performance: global evidence. The theoretical and empirical foundations linking ESG performance to corporate financial outcomes have been widely discussed in recent years. From a resource-based view, firms that internalize sustainability practices can develop unique capabilities and reputational advantages that lead to superior financial performance (Hart, 1995; Barney, 1991). Empirical meta-analyses have largely validated this hypothesis: Friede, Busch, and Bassen (2015) reviewed over 2,000 studies and found that approximately 90% reported a non-negative, and the majority a positive, correlation between ESG and corporate financial performance.

Further, Eccles et al. (2014) observed that companies classified as "high sustainability" outperformed their counterparts over the long term in both stock market and accounting performance metrics. Similarly, Khan, Serafeim, and Yoon (2016) argued that ESG investments generate value particularly when they are material to the firm's core operations, reinforcing the importance of industry context in ESG efficacy.

Regional gaps: emerging vs. developed economies. Despite robust findings in developed markets, the ESG-financial performance nexus remains underexplored in emerging and transitional economies. These settings are often marked by weaker institutional infrastructures, regulatory uncertainty, and underdeveloped stakeholder accountability systems (Khanna & Palepu, 2010). As a result, ESG reporting in such contexts tends to be reactive—driven by external legitimacy pressures rather than internal strategic priorities (Jamali, Safieddine, & Rabbath, 2008).

For instance, empirical studies in Central and Eastern Europe (CEE) suggest a mixed relationship between ESG implementation and financial metrics. Mura and Longo (2022) find that in post-socialist countries, ESG disclosures are often symbolic, serving more as signaling tools for foreign investors than for internal transformation. In Romania specifically, public ESG reporting is still at an incipient stage, with most disclosures unstandardized and highly heterogeneous across firms and sectors (E&Y, 2022; CSRMedia, 2021).

Sectoral variation in ESG effectiveness. The literature also emphasizes that ESG's financial benefits are not uniformly distributed across sectors. Industries with high stakeholder visibility or significant environmental/social externalities—such as finance, information technology, and energy—tend to reap greater value from ESG alignment (Clark et al., 2015; Ioannou & Serafeim, 2012). Conversely, more traditional or capital-intensive sectors like manufacturing, extractives, or agriculture often face higher adaptation costs and slower return horizons for sustainability investments.

Moreover, sector-specific ESG materiality plays a crucial role. The SASB (Sustainability Accounting Standards Board) materiality framework underscores the need for firms to tailor ESG strategies to sector-specific risks and opportunities, reinforcing the hypothesis that a one-size-fits-all approach is ineffective and potentially misleading (SASB, 2018).

Research gap and contribution. While existing scholarship establishes a broad connection between ESG and financial outcomes, it often lacks granularity in two key areas: (1) how this relationship manifests in underregulated, transitional economies, and (2) how industry-specific characteristics moderate ESG's financial impact. This study addresses these gaps by investigating Romanian firms over a five-year period, introducing a three-tier classification of ESG engagement and mapping it against financial performance indicators disaggregated by sector.

By combining longitudinal data analysis with a sectoral lens, this research aims to offer novel insights into how ESG reporting may function not just as a moral imperative or compliance activity, but as a performance-enhancing strategic tool—conditional on consistency and context.

3. Research methodology

The analysis draws on a balanced panel of 300 Romanian firms across key economic sectors—manufacturing, agriculture, IT, energy, and finance—classified according to NACE Rev. 2 and BvD sector codes. The sample includes both domestic enterprises and subsidiaries of multinational corporations, varying in size and ownership structure.

Financial indicators (EBITDA, turnover, profit margin) were sourced from the Orbis database, while ESG disclosure data were manually compiled from official company websites and sustainability reports. All monetary values are expressed in thousands of USD for standardization.

Firms were categorized into three ESG engagement tiers: non-reporters (no disclosures), single reporters (one disclosure), and consistent reporters (two or more disclosures). The empirical strategy combines descriptive statistics, correlation analysis, and sectoral comparisons. EBITDA volatility is employed as a proxy for financial resilience, and sectoral patterns are interpreted through the lens of ESG materiality, following Sustainability Accounting Standards Board framework.

4. Findings

The empirical analysis reveals that ESG engagement is positively associated with financial performance, particularly when sustainability reporting is consistent over time. Firms classified as consistent reporters exhibit significantly higher average EBITDA levels and reduced earnings volatility compared to non-reporting counterparts.

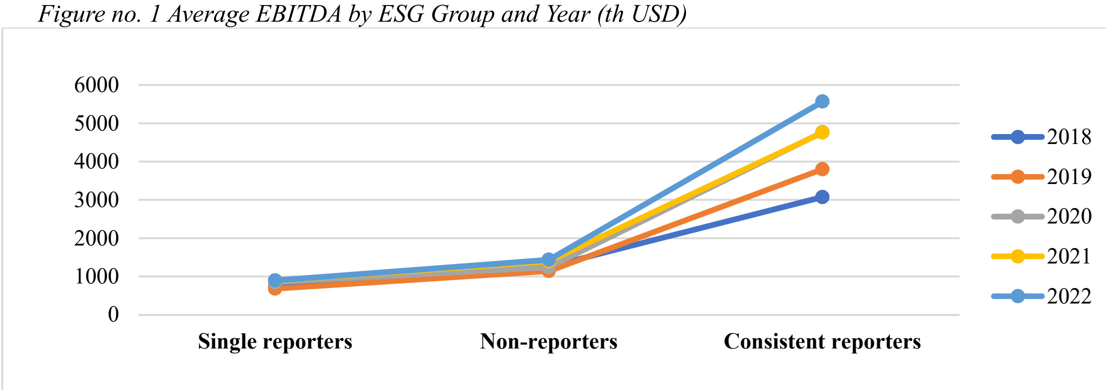
ESG engagement and EBITDA performance. To assess the financial impact of ESG engagement, average EBITDA was computed for each group of firms—non-reporters, single reporters, and consistent reporters—over the 2018–2022 period (Table 1). The results reveal a strong, persistent performance advantage for firms that consistently disclose ESG information.

Table no. 1 Average EBITDA by ESG Group and year (th USD)

ESG Group	2018	2019	2020	2021	2022
Non-reporters	1,255	1,141	1,242	1,396	1,436
Single reporters	714	682	849	891	896
Consistent reporters	3,073	3,802	4,769	4,758	5,569

Source: Orbis

Figure no. 1 Average EBITDA by ESG Group and Year (th USD)



Source: Own elaboration in Excel, based on data from Orbis

In 2018, consistent reporters already outperformed the other groups, with an average EBITDA of over $3 million, compared to just $1.25 million for non-reporters and $714k for single reporters. This gap widened significantly over time, reaching $5.57 million in 2022, more than 3.8 times higher than the average for single reporters and nearly 4 times that of non-reporters.

This trend suggests that ESG maturity may enhance operational efficiency, access to capital, or stakeholder confidence, particularly in uncertain or volatile economic periods such as 2020–2021. Notably, firms with only a single ESG disclosure show modest gains but remain far below the consistent reporters, highlighting the importance of sustained ESG integration.

ESG and financial stability (Volatility). Contrary to expectations in the existing literature, the analysis of EBITDA volatility over the 2018–2022 period reveals higher variability among consistent ESG reporters, with an average standard deviation of $1.38 million, compared to just $540k for non-reporters and $189k for single reporters (Table 2).

Table no. 2 Average EBITDA volatility (Standard deviation) by ESG Group (2018–2022)

ESG Group	Avg. EBITDA std. dev (th USD)
Non-reporters	541
Consistent reporters	1,378
Single reporters	189

Source: Orbis

While ESG engagement is typically associated with reduced financial risk and greater stability (Friede et al., 2015), this result may reflect the larger scale of consistent reporters, whose operational complexity and exposure to market dynamics naturally entail higher earnings fluctuations. In contrast, smaller or more static firms—many of which fall into the non-reporting group—may report less volatile EBITDA simply due to limited activity or growth.

This finding suggests that EBITDA volatility must be interpreted in light of firm size and sectoral structure, and that ESG reporting may correlate with more dynamic, growth-oriented corporate profiles, rather than with risk containment alone.

ESG and profitability trends. Profitability, measured by average profit margin, also shows variation across ESG engagement levels (Table 3). While non-reporters exhibited higher margins in the earlier years of the sample, their performance stagnated or declined toward 2022. In contrast, consistent reporters demonstrated a clear upward trajectory—from 4.9% in 2018 to 8.4% in 2022, reflecting more efficient cost structures or stronger pricing power, possibly due to reputational or operational advantages linked to ESG adoption.

Table no. 3 Average profit margin by ESG Group and year (%)

ESG Group	2018	2019	2020	2021	2022
Consistent reporters	4.9	4.7	5.9	7.2	8.4
Non-reporters	6.4	5.6	5.1	6.9	5.5
Single reporters	3.3	2.4	4.3	4.1	4.1

Source: Orbis

Notably, single reporters consistently underperformed, with average margins below 4.3% throughout the period. This suggests that isolated ESG disclosures, absent strategic continuity, may not yield measurable financial benefits.

Overall, the trend supports the hypothesis that long-term ESG commitment enhances not just earnings levels (EBITDA), but also financial efficiency, though the effect appears cumulative and requires sustained implementation.

Sectoral differences. The sectoral analysis confirms that the financial benefits of ESG reporting vary considerably across industries. Generally, consistent ESG reporters outperform other firms, particularly in sectors with high stakeholder pressure, regulatory scrutiny, or intangible assets.

Table no. 4 Average EBITDA and Profit Margin by ESG Group and Sector (2018–2022)

SECTOR	EBITDA (CONSISTENT)	PM (CONSISTENT)	EBITDA (NON-REPORTERS)	PM (NON-REPORTERS	EBITDA (SINGLE)	PM (SINGLE)
A - AGRICULTURE	7162.29	10.71	1321.50	7.34	-	-
C-MANUFACTURING	6777.97	3.85	1370.12	5.30	814.39	2.49
D - ELECTRICITY	2659.13	21.04	1472.40	7.07	-	-
E - WATER	-	-	325.23	-1.17	-	-
F - CONSTRUCTION	711.67	9.82	1064.29	8.92	-	-
G - WHOLESALE & RETAIL	449.88	1.78	965.44	7.92	669.92	8.22
H-TRANSPORTATION	317.11	4.91	1960.53	3.66	1032.78	1.30
I-ACCOMMODATION	348.92	12.70	-	-	-	-
J - INFORMATION & COMM	8667.56	25.54	1051.39	16.94	-	-
K - FINANCE	-	26.11	-	-	-	-
L - REAL ESTATE	-	-	1639.46	3.31	-	-
M - PROF. ACTIVITIES	5130.20	7.28	-90.91	-15.64	-	-
N - ADMIN SUPPORT	1450.36	9.60	404.22	5.06	-	-
S - OTHER SERVICES	-	-	1382.59	-0.79	-	-

Source: Orbis

The Information and Communication sector stands out, with consistent reporters achieving the highest EBITDA ($8.67 million) and profit margin (25.54%), suggesting strong alignment between ESG efforts and competitive advantage in innovation-driven fields. Likewise, in the Electricity and Gas sector, ESG adoption correlates with robust financials—profit margins of 21.04% and EBITDA of $2.66 million—likely due to regulatory alignment and environmental materiality.

In Agriculture, consistent reporters show a notable EBITDA advantage ($7.16 million vs. $1.32 million for non-reporters), suggesting that ESG practices are increasingly valued even in primary sectors. However, Manufacturing presents a more mixed picture: while consistent reporters have higher EBITDA, non-reporters slightly outperform in terms of profit margins, indicating potential lag in ESG return realization.

Traditional sectors such as Construction and Wholesale & Retail show smaller but positive effects of ESG consistency, though in some cases (e.g., retail), single or non-reporters outperform in profit margin, likely due to leaner structures or short-term cost focus.

Some sectors highlight the risks of poor ESG alignment. In Professional and Technical Activities, non-reporters show negative profit margins (-15.64%), while consistent reporters remain solid (7.28%). Meanwhile, Transportation sees higher profitability among single reporters than among consistent ESG adopters, possibly due to sector-specific challenges.

High EBITDA volatility among consistent reporters, especially in dynamic sectors like tech and energy, reflects greater scale and market exposure rather than instability.

Overall, ESG disclosure yields the strongest results in sectors where it aligns with core risks and stakeholder expectations. This underscores the need for sector-specific ESG strategies instead of one-size-fits-all approaches.

5. Conclusions

This study offers empirical evidence that consistent ESG reporting can serve as a strategic lever for improving financial performance in emerging markets. Analyzing Romanian firms across diverse sectors, we find that companies with sustained ESG engagement generally report higher EBITDA levels and rising profit margins—especially in sectors where environmental and social factors are financially material. These results suggest that ESG disclosure, when applied consistently and contextually, can enhance not only reputational capital but also operational efficiency.

However, the financial impact of ESG varies across industries, with traditional and capital-intensive sectors showing more subdued effects. This variation underscores the importance of industry-specific ESG strategies, tailored to regulatory frameworks, stakeholder expectations, and organizational capabilities. ESG should therefore be viewed not as a compliance burden, but as a performance-oriented approach that requires both commitment and alignment with sectoral realities.

Our findings have direct implications for corporate decision-makers and policymakers seeking to promote sustainable economic development through transparency and responsible governance.

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