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Empirical Study on the Analysis of the Relationship between the Relevance of Sustainability Performance Reporting and the Financial Performance of Companies

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Abstract

Companies are currently interested not only in financial performance, but also in the social and environmental practices carried out. Evaluating the performance of companies from a sustainability perspective involves measuring their capacity to obtain long-term profit, allowing sustainable survival by reducing risks in a dynamic and extremely complex environment.

Triple Bottom Line (TBL) can be considered an important strategy to follow in the face of one of the greatest challenges of current businesses, achieving sustainability. Although the economic dimension of TBL is critical in business competitiveness, financial sustainability is not sufficiently studied in business management research and strategies. The author believes that it is necessary to deepen knowledge regarding the relationship between sustainable business practices and the financial performance of companies. The current study aims to analyse the influence of the three TBL dimensions on the financial performance of companies.

Using panel data regression analysis, the author aimed to test whether the financial performance of companies listed on the BSE is influenced by sustainability performance reporting. The study examines the impact of sustainability performance reporting through the Triple Bottom Line (TBL) framework on the financial performance of companies listed on the Bucharest Stock Exchange (BSE) on the Regulated market, in the Premium, Standard, and Int'l categories, during the period 2018-2023.

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To calculate the financial indicators used in the study and the degree of reporting and compliance with sustainability requirements, there were analyzed the annual reports and sustainability reports of the selected companies, published on the official website of the Bucharest Stock Exchange, as well as on their websites over six years (2018-2023).

The results of the study support that the financial performance of companies listed on the BSE on the Regulated market, in the Premium, Standard, and Int'l categories, during the period 2018-2023 is positively and significantly influenced by sustainability reporting.

Key words: Triple Bottom Line; sustainability performance; financial performance; sustainable development;

JEL Classification: G34, M41, M14

1. Introduction

Sustainability issues have also begun to be addressed in emerging economies in the European Union, especially since 2016, due to the adoption of Directive 2014/95/EU, applicable from 1 January 2017, and OMFP 1938/2016, which introduced the Non-Financial Statement. Thus, companies are required to publish sustainability information.

Companies in emerging countries, to keep up with the pace of business development, must change their mindset in adopting business strategies, insisting on the transition from traditional development to sustainable development, through which sustainability performance, ethics and business collaboration, trust, and respect are the pillars and stimuli for the development of a moral and trust-based economy.

The success of a company in business depends on both financial performance and the sustainability performance achieved. Companies are under increasing pressure to maximize profit and productivity, but at the same time, they also face pressure from investors, business partners, and public institutions to take sustainability actions.

Sustainability reporting has become an important tool for communicating sustainability performance to investors and other stakeholders (Camilleri, 2015; Arvidsson &

Dumay, 2022), contributing to aligning companies with the Sustainable Development Goals (SDGs) (Beretta *et al.*, 2025). According to the guidelines set out in the UN Rio+20 Summit, these goals must be measurable, based on the latest research, and must apply to both developed and developing countries. Adherence to these sustainability goals denotes a higher level of transparency and information, contributing to improving sustainability practices (Erin *et al.*, 2022).

Companies present their relevant information on environmental, social, and governance performance in a single document through the sustainability report. Internationally, there is increased attention paid to non-financial reporting (Nechita, 2021). Non-financial reporting was voluntary in Romania until the advent of Directive 2014/95/EU, applicable from 1 January 2017 and adopted by Order of the ministry of Public Finance 1938/2016 and Order of the ministry of Public Finance no. 3456/2018, which introduced the Non-Financial Statement in annual reports (Marinescu, 2020). According to this directive, organizations exceeding an average of 500 employees are required to prepare a non-financial report for the previous financial year. By Order of the Minister of Finance No. 85/2024 on the regulation of aspects related to sustainability reporting, starting with the preparation of the 2024 annual financial statements, medium and large public interest entities are required to prepare, publish, and audit sustainability reports.

A framework for measuring sustainability is proposed by Ekington (1997), called the Triple Bottom Line Model. The Triple Bottom Line (TBL) incorporates three dimensions of performance: social, environmental, and economic. For real business success, Loviscek (2021) advocates the integration of the TBL performance dimensions into companies' business plans. Although launched 28 years ago, the TBL model challenges business strategies by incorporating new tools to protect people and assess the harm caused to society and the environment (Griggs *et al.*, 2013). Triple Bottom Line reporting is considered a comprehensive approach to achieving sustainability, integrating reporting on environmental, social, and financial issues (Assaf *et al.*, 2012).

The literature argues that TBL reporting denotes advantages and high company performance (Ittner *et al.*, 2003), however, there is little concrete evidence regarding these advantages and recorded performance (Assaf *et al.*, 2012). In this paper, we aim to examine the impact of the quality of sustainability performance reporting through the