

# FINANCIAL PERFORMANCE AND SUSTAINABILITY: LINKING ROI AND ROE TO ESG DISCLOSURE IN ROMANIAN COMPANIES

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<https://doi.org/10.66793/titue19proceeding9>

**Abstract:** *The growing importance of sustainability and responsible corporate governance has transformed financial reporting into an integrated process that includes Environmental, Social, and Governance (ESG) indicators. This paper examines the relationship between financial profitability and sustainability disclosure among major Romanian companies, assessing whether transparency in ESG practices is associated with stronger financial outcomes. The study uses secondary data from annual reports and sustainability disclosures published between 2021 and 2023. A comparative analysis was conducted on eight companies from four strategic sectors — automotive, energy (oil & gas and electricity), and retail — using two profitability indicators: Return on Investment (ROI) and Return on Equity (ROE).*

*The findings show that companies with solid ESG alignment and responsible leadership (Hidroelectrica, Dacia, Kaufland) display higher profitability and greater financial stability. In contrast, firms facing undercapitalization or market volatility (Rompetrol, Electrica Furnizare) demonstrate weaker or fluctuating results. These results confirm that sustainability reporting and financial performance reinforce each other, supporting long-term competitiveness in a knowledge-based economy. The study contributes to understanding how responsible leadership and transparency can enhance resilience and sustainable value creation in emerging European markets.*

**Keywords:** ROI, ROE, ESG disclosure, financial performance, sustainability reporting

## INTRODUCTION

In recent years, the growing emphasis on environmental, social, and governance (ESG) principles has fundamentally reshaped corporate reporting and financial evaluation frameworks. The transition towards a knowledge-based and sustainable economy has amplified expectations for transparency, accountability, and responsible leadership (OECD, 2020; European Commission, 2023). Investors and stakeholders now assess companies not only by their short-term financial performance but also by their long-term capacity to manage risks, innovate, and generate shared value (Eccles & Krzus, 2018; Freeman et al., 2021).

Financial profitability and sustainability disclosure are increasingly seen as interdependent dimensions of organizational resilience. A growing body of empirical research demonstrates that firms integrating ESG factors into their strategic and operational models achieve superior financial outcomes and lower risk exposure (Friede et al., 2015; Fatemi et al., 2018; Velte, 2017; Albuquerque et al., 2019). These findings support the premise that responsible management enhances not only stakeholder trust but also return on investment and equity.

In Romania, as well as in other emerging European markets, however, the relationship between ESG practices and financial performance is underexplored. Despite the rapid diffusion of sustainability frameworks, including the Global Reporting Initiative (GRI, 2021) and the EU Corporate Sustainability Reporting Directive (CSRD, 2022), the empirical evidence connecting disclosure quality and financial profitability is still limited. This study addresses this research gap by analyzing the link between sustainability disclosure and financial performance in Romanian companies across four strategic sectors: automotive, energy (oil & gas and electric power), and retail. Using Return on Investment (ROI) and Return on Equity (ROE) as key financial indicators of profitability, the research aims to identify patterns that reflect how ESG orientation, capital structure, and operational efficiency contribute to long-term competitiveness.

Based on the reviewed literature and the identified research gap, this study tests four main hypotheses that guide the empirical analysis presented in the following sections. The hypotheses are noted as H1, H2, H3, H4 and they are presented below.

**H1:** There is a positive relationship between the level of ESG disclosure and financial performance (ROI and ROE).

**H2:** Companies with higher ESG maturity and transparent governance demonstrate greater profitability and financial stability.

**H3:** Capital adequacy moderates the relationship between sustainability practices and profitability, enhancing resilience.

**H4:** The relationship between ESG orientation and financial performance differs across sectors, being stronger in stable, sustainability-oriented industries and weaker in cyclical markets.

The paper contributes to both academic and managerial knowledge by offering sector-specific evidence from an emerging market that is aligning its corporate governance and sustainability practices with European standards under the Green Deal and CSRD implementation (European Commission, 2023).

## LITERATURE REVIEW AND THEORETICAL BACKGROUND

The relationship between financial performance and sustainability disclosure has become one of the most widely debated topics in corporate governance and strategic management. Early research established that the integration of non-financial information into business decision-making reflects a paradigm shift from shareholder primacy toward stakeholder-oriented management (Freeman, 1984; Freeman et al., 2021). This approach emphasizes that organizations create long-term value not only through profit maximization, but also through responsible practices that support social and environmental well-being.

The theoretical foundations of the ESG–performance relationship are often linked to three complementary perspectives. The stakeholder theory (Freeman, 1984) suggests that companies maintaining strong relationships with their stakeholders — employees, investors, communities, regulators — are more likely to achieve sustainable competitive advantage. The resource-based view (RBV) shows that sustainability capabilities, such as transparency, ethical leadership, and environmental efficiency, act as intangible strategic resources that enhance performance (Hart, 1995; Barney, 1991). Finally, the triple bottom line (TBL) framework (Elkington, 1997) integrates economic, environmental, and social dimensions, reinforcing the idea that long-term profitability depends on balancing these three pillars.

Empirical evidence on the ESG–financial performance nexus remains mixed, though the majority of studies report a positive relationship. A meta-analysis by Friede et al. (2015) reviewing over 2,000 empirical papers concluded that approximately 90% found a non-negative, and most a positive, link between ESG factors and financial outcomes. Similarly, Fatemi et al. (2018) argue that high-quality ESG disclosure enhances firm valuation by reducing information asymmetry and increasing investor confidence. Velte (2017) and Albuquerque et al. (2019) provide additional evidence from European markets, where strong ESG governance correlates with improved profitability, risk mitigation, and access to capital.

In emerging markets, however, the evidence is more fragmented. Studies such as Miralles-Quirós and Miralles-Quirós (2017) and Atan et al. (2018) highlight that the benefits of ESG integration depend heavily on institutional maturity, regulatory stability, and market expectations. The adoption of frameworks such as the Global Reporting Initiative (GRI, 2021), the EU Taxonomy for Sustainable Activities, and the Corporate Sustainability Reporting Directive (CSRD, 2022) has accelerated ESG standardization in Europe but remains uneven in Central and Eastern Europe. This institutional asymmetry influences how ESG performance translates into financial results.

The Romanian context offers a particularly relevant setting for this debate. As part of the EU regulatory ecosystem, Romanian companies are progressively adopting sustainability reporting standards, yet with heterogeneous depth and transparency. Recent studies (Stoian & Gilman, 2017; Feleaga et al., 2020) suggest that ESG reporting in Romania is still largely compliance-driven, with limited integration into strategic management. Therefore, analyzing the financial implications of ESG disclosure provides valuable insight into how Romanian firms transition toward responsible competitiveness and knowledge-based growth.

Thus, the specialized literature indicates that ESG integration enhances financial performance primarily through improved governance quality, risk management, and stakeholder trust. However, the strength of this relationship varies across industries and markets, underscoring the need for empirical evidence from emerging economies such as Romania.

## METHODOLOGY

This study employs a documentary and comparative analytical approach based on secondary financial data. The objective is to examine the relationship between sustainability disclosure and financial performance in Romanian companies across four key sectors: automotive, energy (oil & gas and electric power), and retail. The analysis focuses on identifying patterns that reveal how profitability, capital structure, and ESG orientation interact to support corporate resilience and long-term value creation.

The research sample includes 8 (eight) major Romanian companies selected according to their market relevance, data availability, and representativeness for the selected industries: Automobile Dacia and Ford Otosan Craiova (automotive), OMV Petrom and Rompetrol Rafinare (oil & gas), Hidroelectrica and Electrica Furnizare

(electric power), Lidl and Kaufland (retail). All companies are among the top performers in their respective sectors and disclose annual financial and non-financial data publicly. All these companies are among top 15 companies in Romania by their 2023 turnover.

Data were collected from official annual reports, audited financial statements, and sustainability reports covering the period 2021–2023. These reports were accessed through company websites, the Bucharest Stock Exchange (BVB), and the Romanian Ministry of Finance.

The dataset includes the following key variables: net profit, total assets (as a sum of total fixed assets and total current assets), and shareholders' equity. Based on these data, two profitability indicators were computed for each company and each year, namely ROI and ROE. ROI is computed as a ratio between net profit and total assets, while ROE is computed as net profit divided by Shareholders' equity.

ROI (Return on Investment) is the financial indicator that measures the efficiency of total capital (both equity and debt) in generating profit, while ROE (Return on Equity) evaluates the profitability of shareholders' funds. For each company, ROI and ROE were calculated annually for 2021, 2022, and 2023, expressed in percentages (%) and then averaged to assess three-year performance trends. The collected data, as well as the computed ROI and ROE financial indicators are presented in Table 1.

**Table 1 ROI and ROE financial indicators for 8 major companies in Romania during 2021-2023**

Year	Net profit/ Loss (RON)	Total shareholders' equity (RON)	Total Fixed assets (RON)	Total current assets (RON)	ROI (%)	ROE (%)
<b>Automobile Dacia</b>						
2023	529.233.980	3.880.370.851	3.755.481.463	4.837.674.693	6,16%	14%
2022	526.783.840	4.421.215.526	4.281.634.822	4.945.009.585	5,71%	12%
2021	498.287.581	5.436.917.821	4.631.000.755	4.591.086.793	5,40%	9%
<b>Ford Otosan</b>						
2023	-15.196.180	2.371.359.392	3.614.768.572	2.451.006.502	-0,25%	-1%
2022	-24.446.491	2.262.888.391	2.616.198.996	2.466.119.257	-0,48%	-1%
2021	61.664.713	1.318.651.342	3.123.017.030	2.177.739.284	1,16%	5%
<b>OMV Petrom</b>						
2023	3.944.059.894	37.930.402.732	33.155.377.909	22.485.843.279	7,09%	10%
2022	10.287.553.182	39.143.576.653	29.404.727.639	26.873.153.394	18,28%	26%
2021	2.688.416.594	32.869.707.478	30.622.801.653	18.119.121.826	5,52%	8%
<b>Rompertrol Rafinare</b>						
2023	-550.355.167	1.962.613.686	6.551.068.253	3.715.248.052	-5,36%	-28%
2022	666.277.159	2.919.993.039	7.411.965.134	2.916.036.661	6,45%	23%
2021	-450.988.114	2.331.807.666	7.145.150.816	3.070.434.865	-4,41%	-19%
<b>Hidroelectricita</b>						
2023	6.352.326.530	25.037.000.997	20.812.171.940	8.238.150.638	21,87%	25%
2022	4.394.378.205	21.626.313.231	19.898.289.282	5.497.463.082	17,30%	20%
2021	3.019.511.168	19.152.906.335	18.369.170.988	4.311.759.691	13,31%	16%
<b>Electrica Furnizare</b>						
2023	64.882.909	121.522.985	137.207.165	5.359.627.011	1,18%	53%
2022	370.620.348	39.024.100	165.588.100	3.885.684.129	9,15%	950%
2021	-463.187.300	-332.775.768	109.505.690	1.299.671.935	-32,87%	139%
<b>Lidl</b>						
2023	1.078.382.276	2.649.031.655	1.412.076.797	6.274.305.819	14,03%	41%
2022	1.054.580.568	3.666.144.705	1.211.061.817	7.687.804.622	11,85%	29%
2021	737.412.992	3.006.564.145	913.189.001	5.779.496.939	11,02%	25%
<b>Kaufland</b>						
2023	864.897.809	10.843.262.255	11.641.572.777	3.398.057.960	5,75%	8%
2022	884.346.491	9.592.911.508	10.283.285.699	3.047.777.733	6,63%	9%
2021	887.003.357	8.708.565.017	9.053.801.278	2.821.348.206	7,47%	10%

Source: Author’s contribution based on the official annual reports, audited financial statements, and sustainability reports covering the period 2021–2023

The analysis used a cross-sector comparative design, allowing the identification of differences between industries with distinct capital structures and ESG maturity levels. The results were interpreted descriptively, supported by tables summarizing the main financial ratios and qualitative insights regarding corporate sustainability practices. This mixed interpretative approach aligns with prior studies exploring ESG–financial linkages in emerging markets (Atan et al., 2018; Feleaga et al., 2020).

The study has some limitations, as presented furtheron. The study relies exclusively on secondary data from publicly available reports, which may vary in transparency, accounting practices, or ESG disclosure quality. In addition, the analysis focuses on a limited sample of eight companies and a three-year period, which constrains the generalization of findings. However, the research provides a solid empirical foundation for future quantitative studies using larger datasets and econometric models to test the causal link between ESG disclosure and profitability in the Romanian context.

## RESULTS AND DISCUSSION

The empirical analysis was conducted on eight major Romanian companies representing four strategic sectors of the national economy — automotive manufacturing, energy (oil & gas and electric power), and retail. For each company, the indicators Return on Investment (ROI) and Return on Equity (ROE) were calculated for the period 2021–2023 using official financial data.

The centralized results are presented in Table 2. The results were then compared across sectors to identify patterns of profitability and stability associated with sustainability orientation, capital structure, and market dynamics.

**Table 2 Average ROI and ROE indicators (2021-2023)**

Sector	Company	Average ROI (%)	Average ROE (%)
Automotive Sector	Automobile Dacia	5.76	11.57
Automotive Sector	Ford Otosan Craiova	0.14	0.99
Energy Sector – Oil & Gas	OMV Petrom	10.30	14.95
Energy Sector – Oil & Gas	Rompetrol Rafinare	-1.11	-8.20
Energy Sector – Electric Power	Hidroelectrica	17.50	20.49
Energy Sector – Electric Power	Electrica Furnizare	-7.51	380.88
Retail	Lidl	12.30	31.34
Retail	Kaufland	6.62	9.12

Source: Author’s contribution

### Automotive sector

The automotive manufacturing sector demonstrates moderate but consistent profitability. Automobile Dacia maintains a stable upward trajectory in both ROI (average 5.76%) and ROE (11.57%), reflecting a mature operational model, efficient asset management, and strong brand equity. In contrast, Ford Otosan Craiova shows temporarily low returns (ROI 0.14%, ROE 0.99%) due to large-scale investments and restructuring following the ownership transfer in 2022. This divergence between the two manufacturers illustrates how strategic reinvestment phases may suppress short-term profitability while building long-term competitiveness, particularly in the transition toward electrification and advanced production technologies.

### Energy sector – Oil & gas

The oil and gas sector shows pronounced volatility driven by external price dynamics and global supply chain disruptions. OMV Petrom exhibits strong profitability (ROI = 10.30%, ROE = 14.95%), benefiting from exceptional market conditions in 2022 when crude oil prices peaked. Rompetrol Rafinare, on the other hand, recorded alternating losses and gains, with negative averages (ROI = -1.11%, ROE = -8.20%) that highlight its vulnerability to refining margins and geopolitical shocks. These findings confirm that fossil energy companies operate in cyclical environments where profit volatility is amplified by global uncertainty and regulatory pressures for decarbonization.

### Energy sector – Electric power

The comparison between Hidroelectrica and Electrica Furnizare underscores the divergence between renewable producers and energy distributors. Hidroelectrica reports exceptional performance (ROI = 17.50%, ROE = 20.49%), reflecting efficient use of capital and consistent profit growth in a low-risk, high-barrier industry. Conversely, Electrica Furnizare demonstrates extreme variability, with ROI fluctuating between -33% and +9% and an inflated average ROE (380%) due to low equity levels and structural undercapitalization. While Hidroelectrica embodies the financial and environmental benefits of ESG-oriented operations, Electrica exemplifies the instability of companies exposed to retail energy regulation and policy-driven pricing schemes. It is noticed that ROE average was heavily influenced by negative or very low equity values in 2021–2022.

## Retail sector

Both retail companies show high operational efficiency and profitability, confirming the resilience of the fast-moving consumer goods (FMCG) sector. Lidl achieves the highest return ratios among all analyzed firms (ROI = 12.30%, ROE = 31.34%), owing to rapid capital turnover, optimized logistics, and strategic reinvestment in local infrastructure. Kaufland maintains more moderate but stable figures (ROI = 6.62%, ROE = 9.12%), reflecting a conservative financial model with strong capitalization. The contrast between the two companies illustrates that retailers can balance growth and stability through different financing and sustainability strategies — aggressive asset utilization versus equity-backed expansion.

## Cross-sector comparative analysis

When comparing all sectors, several key patterns emerge. Three of the main findings are presented further on.

First, companies with strong ESG orientation and transparent sustainability governance (Hidroelectrica, Dacia, Kaufland) show higher and more stable profitability. Their performance demonstrates that responsible corporate behavior aligns with efficient resource utilization and reduced financial risk.

Second, capital structure proves essential for financial stability. Firms with strong equity bases (Hidroelectrica, Kaufland) display lower volatility and consistent returns, whereas undercapitalized or highly leveraged entities (Electrica Furnizare, Rompetrol Rafinare) reveal erratic results and sensitivity to market shocks.

Third, industry cyclicalities remain a defining factor of ROI and ROE variation. Energy companies dependent on fossil fuels exhibit sharp profit fluctuations, while retail and renewable energy sectors maintain steadier trajectories due to demand stability and efficiency-driven models.

## DISCUSSION

The comparative evidence supports the hypothesis that ESG maturity correlates positively with financial performance in the Romanian corporate landscape. Companies that integrate sustainability principles not only achieve better profitability but also display greater resilience in volatile environments. These findings are consistent with the international literature (Friede et al., 2015; Velte, 2017; Fatemi et al., 2018), reinforcing that transparency and stakeholder engagement contribute to both financial stability and reputational capital.

Furthermore, the results highlight the relevance of capital adequacy as a structural driver of sustainable profitability. Companies combining strong equity with responsible governance exhibit durable financial strength, while those operating with fragile balance sheets face high variability despite occasional profit surges.

Overall, the empirical outcomes demonstrate that financial performance and sustainability disclosure are mutually reinforcing and essential for competitiveness in a knowledge-based economy. The Romanian experience, as reflected in this study, underscores that sustainability-oriented leadership — supported by clear ESG reporting — enhances not only stakeholder trust but also long-term financial value creation.

## CONCLUSIONS

This study examined the relationship between sustainability disclosure and financial performance in eight major Romanian companies from four strategic sectors: automotive, energy (oil & gas and electric power), and retail. By analyzing profitability indicators — Return on Investment (ROI) and Return on Equity (ROE) — for the 2021–2023 period, the research provided empirical insights into how ESG orientation and capital structure influence corporate efficiency and resilience.

The empirical results allow partial confirmation of the proposed hypotheses. **H1** and **H2** are strongly supported by the findings, as companies with higher ESG maturity consistently achieved better ROI and ROE

results. **H3** is also validated, since companies with strong equity positions showed higher stability and profitability. **H4** is partially confirmed: ESG-related profitability effects are most visible in renewable energy and retail, but less consistent in cyclical sectors such as oil & gas or automotive. These results reinforce the theoretical proposition that sustainability and financial performance are interconnected dimensions of corporate resilience and competitive advantage. The results confirm that financial performance and sustainability operate in mutual reinforcement, where responsible management and transparent governance strengthen both profitability and resilience. Companies with a high level of ESG maturity and transparent governance, such as Hidroelectrica, Automobile Dacia, and Kaufland, demonstrate stronger profitability and lower volatility. Conversely, firms characterized by weak capitalization or exposure to highly volatile markets, such as Rompetrol Rafinare and Electrica Furnizare, show unstable financial performance and limited long-term value creation. These findings align with prior international studies (Friede et al., 2015; Velte, 2017; Fatemi et al., 2018), reinforcing the positive link between sustainability practices and profitability.

From a theoretical perspective, the research supports both the stakeholder theory (Freeman, 1984) and the resource-based view (Hart, 1995), suggesting that responsible management, transparency, and knowledge-oriented innovation are intangible resources that strengthen competitive advantage. Practically, the results emphasize that integrating ESG frameworks — such as GRI Standards (2021) and the EU Corporate Sustainability Reporting Directive (CSRD, 2022) — into financial strategy and decision-making enhances both performance and credibility. At the policy level, the study contributes to understanding how responsible leadership and sustainable finance can accelerate Romania's alignment with the European Green Deal objectives. Strengthening ESG reporting, particularly in high-impact industries, could improve investor confidence and foster a culture of corporate accountability.

Future research should expand the dataset to include a broader time frame and a larger number of companies, enabling statistical modeling (panel data regression, correlation analysis) to test the causality between ESG disclosure and profitability. Qualitative research could also explore how corporate narratives on sustainability translate into measurable performance indicators.

In conclusion, this paper demonstrates that sustainability and profitability are not competing goals but complementary pillars of resilience and growth. Companies that invest in responsible leadership, innovation, and transparent governance not only create profit but also contribute to the development of a sustainable, knowledge-based economy. These findings collectively support the proposed research hypotheses (H1–H4) and provide empirical evidence of the ESG–profitability relationship in Romanian companies.

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