SUSTAINABILITY REPORTING ON ROMANIAN CAPITAL MARKET

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Abstract

Sustainability reporting means that entities report information related to sustainability matters, i.e. the disclosure of non-financial performance information concerning environmental, social and governance issues (acronym ESG).

Sustainability reports allow companies build consumer confidence and corporate reputations by revealing and implementing responsibility programs and give stakeholders broader access to relevant information outside the financial sphere. Though such things influence the company's performance.

In the European Union the sustainability reporting is regulated by CSRD (Corporate Sustainability Reporting Directive) - Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting.

The legal framework of the Romanian capital market has already implemented European sustainability practices. Non-financial reporting is widely present at Romanian issuers, but the gender balance among directors of listed companies is a new item. Law no 11/2025 supplementing Law no 24/2017 on issuers and market operations lay down principles governing gender balance. The National Agency for Equal Opportunities between Women and Men (ANES), is designated as the body for promoting, analysing, monitoring and supporting gender balance within the management bodies of companies traded on a regulated market.

Keywords: *capital market, CSRD, sustainability matters, non-financial reporting, gender balance.*

1. Introduction

In the European Union the sustainability reporting is regulated by Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting CSRD (Corporate Sustainability Reporting Directive).

The EU Directive (2022/2381), fully in force as of late 2024, mandates that large listed EU companies reach at least 40% of the underrepresented sex among non-executive directors—or 33% of all directors—by 30 June 2026. It requires merit-based selection, with preference for equally qualified underrepresented candidates.

The legal framework of the Romanian capital market has already implemented European sustainability practices. Non-financial reporting is widely present in Romanian issuers. Gender balance among directors of listed companies is regulated too. Law no 11/2025 supplementing Legea no 24/2017 on issuers and market operations lay down principles governing gender balance. The National Agency for Equal Opportunities between Women and Men is the body in charge with monitoring gender balance within the companies traded on BVB.

2. Sustainability report and gender balance report

The sustainability report adopted by European law[1] is prepared by the administrators together with the annual financial report. The assurance of reporting is supervised by the financial auditor (art. 65 para. 5-7 Law no. 24/2017). The internal regulation transposes the subjects of the obligations and the deadlines for the implementation of this new report[2].

The sustainability report is part of the administrators' annual financial report, comprising non-financial elements related to the sustainable development of the business. It is a declaration by the administrators regarding the company's reporting to environmental, sustainability and governance standards.

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[1] Directive (EU) 2022/2464 of the European Parliament and of the Council amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU with regard to corporate sustainability reporting, published in the OJEU, L series, No 322 of 16 December 2022.

Regulation (EU) 2020/852 of the European Parliament and of the Council on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

[2] Art. IV of Ministry of Finance Order No. 85/2024.

Sustainability reporting standards specify the information that companies must present (regarding environmental, social and governance factors)[3].

2.1. The environmental factors

This report addresses the following issues: climate change mitigation, including greenhouse gas, climate change adaptation, water and marine resources, resource use and circular economy, pollution, biodiversity and ecosystems.

Environmental factors in the sustainability report represent a central pillar of the European corporate reporting framework established under Directive (EU) 2022/2464 (which amends Directive 2013/34/EU). Their inclusion reflects a fundamental shift in how companies are evaluated: environmental impact is no longer peripheral but integral to assessing long-term performance, resilience, and risk exposure.

Climate change stands at the core of environmental reporting. Companies are required to disclose greenhouse gas emissions as well as transition plans, reduction targets, and alignment with climate objectives. This ensures that stakeholders can assess both physical risks (such as extreme weather events) and transition risks (such as regulatory changes or market shifts toward low-carbon alternatives). Climate-related disclosures connect environmental responsibility directly with financial stability and strategic planning.

Reporting on pollution broadens the scope of accountability. Companies must disclose emissions into air, water, and soil, as well as the use of hazardous substances and mitigation measures. This dimension strengthens environmental compliance and demonstrates whether a company's operations contribute to environmental degradation and corrective strategies.

Water and marine resources are increasingly recognized as critical environmental assets. Sustainability reporting requires companies to explain their water consumption patterns, impacts on aquatic ecosystems. In water-stressed regions, these disclosures are particularly important for evaluating operational sustainability and potential business continuity risks.

Biodiversity and ecosystems have emerged as a strategic reporting area. Companies must identify their impacts on natural habitats, land use, and deforestation risks, as well as outline restoration or conservation questions. This reflects growing awareness that biodiversity loss presents systemic economic risks and may disrupt supply chains and natural resource availability.

Resource use and the transition to a circular economy highlight the efficiency dimension of environmental sustainability. Reporting obligations cover raw material consumption, waste generation, recycling rates, and initiatives aimed at reuse. By disclosing such data, companies demonstrate their capacity to dissociate economic growth from resource depletion and environmental harm.

Environmental factors in sustainability reporting create a comparable framework for evaluating corporate environmental performance. They enhance transparency, improve stakeholder trust, and facilitate sustainable investment decisions. These disclosures are not limited to describing past performance but they require forward-looking information and governance mechanisms as part of corporate strategy.

The integration of environmental factors into the sustainability report transforms environmental protection from a peripheral corporate social responsibility concern into a core governance issue.

This approach ensures that companies are assessed not only by the profits they generate but also by the environmental issues they leave behind and their capacity to contribute to a sustainable economy.

2.2. The social factors

These factors evaluated in the report concern: equal treatment and equal opportunities for all (including gender equality as well as employment and inclusion of persons with disabilities, measures against violence and harassment at work), working conditions (working hours, adequate wages, social dialogue, freedom of association, collective negotiating, consultation and participation of workers, work and life balance, health and safety), respect for human rights, fundamental freedoms, democratic principles and standards established by conventions (such as International Charter of Human Rights, European Convention for the Protection of Human Rights and Fundamental Freedoms, European Social Charter and the Charter of Fundamental Rights of the European Union).

[3] Art. 29b of Directive 2013/34/EU inserted by Art. 1 point 7 Directive (EU) 2022/2464.

Social factors in the sustainability report constitute another fundamental pillar of the European corporate reporting framework established under Directive (EU) 2022/2464. Their inclusion reflects the recognition that corporate performance cannot be measured solely through financial results or environmental impact, but must also consider how companies affect people—within and outside the organization.

The reporting of social factors strengthens corporate accountability toward a company’s own employees. Disclosures concerning working conditions, equal opportunities, diversity, gender pay gaps, health and safety, and employee training ensure transparency regarding how human capital is managed. This not only protects workers’ rights but also highlights the link between fair employment practices and long-term productivity, innovation, and resilience.

Social reporting extends beyond the company’s direct employees to workers in the value chain. This extraterritorial dimension is particularly significant in a globalized economy. Companies must assess and disclose risks related to forced labour, child labour, unsafe working conditions, and other human rights violations among suppliers and business partners. As a result, sustainability reporting becomes closely connected to corporate due diligence obligations and responsible supply chain management.

The framework emphasizes the impact of corporate activities on affected communities. Businesses are required to identify and disclose how their operations influence local populations, including vulnerable groups. This may involve land use, access to resources, public health, or social cohesion. By promoting stakeholder engagement and transparency, sustainability reporting fosters dialogue between companies and communities.

Social disclosures are not limited to descriptive statements. The CSRD framework requires companies to adopt targets, policies, and governance mechanisms, linking social performance to strategic management and risk oversight. This integration ensures that social considerations are implanted within decision-making processes at board level.

Social factors in sustainability reporting represent an important change in European environment. They transform social responsibility from a voluntary commitment into a designed legal obligation tied to transparency, accountability, and long-term value creation.

2.3. The governance factors

The governance issues from the sustainability report concern: the role of the administrative and management bodies with regard to sustainability issues, as well as their competences to fulfil this role, the characteristics of the company's internal control and risk management systems with regard to sustainability reporting and decision-making, business ethics and corporate culture (including combating corruption and bribery, protection of whistleblowers), the company's activities and commitments regarding the exercise of political influence (including lobbying activities), the management of relationships with stakeholders (customers, suppliers and communities affected by the company's activities, including payment practices, especially late payments).

The regulations situate the company in the middle of the social and natural ecosystem by studying the intricate interactions that go beyond simple concern for the well-being of associates and profit by any means. The insertion of the company in the natural and social environment must ensure balance and good prospects for long-term coexistence and accommodation with all internal and external factors of the company.

Governance factors in the sustainability report represent an important element of the European corporate reporting architecture established under Directive (EU) 2022/2464. While environmental and social disclosures describe a company’s external impact, governance disclosures explain the internal structures and mechanisms that ensure accountability and ethical conduct.

Governance reporting enhances transparency regarding the structure and functioning of management and supervisory bodies. Companies must disclose how boards are composed, how responsibilities are allocated, and how sustainability matters are integrated into decision-making processes. By clarifying the role of directors in supervising ESG risks and opportunities, the framework reinforces fiduciary responsibility and long-term value creation.

Governance disclosures strengthen ethical standards and corporate culture. Companies are required to present information on codes of conduct, anti-corruption measures, whistleblowing mechanisms and compliance systems. These elements demonstrate whether the organization has established effective safeguards against bribery, fraud, conflicts of interest, and other forms of misconduct.

Internal control and risk management systems constitute a central governance dimension. The sustainability report must explain how ESG risks are identified, assessed, and managed within the broader risk management framework. This integration ensures coherence between financial oversight and non-financial risk monitoring.

Executive remuneration policies reveal whether sustainability objectives are effectively embedded in corporate incentives. Disclosing how variable compensation is connected to ESG performance indicators ensures alignment between leadership rewards and long-term sustainability goals.

Governance reporting addresses relationships with shareholders and stakeholders, highlighting transparency in decision-making processes and engagement mechanisms. By encouraging dialogue and accountability, the framework supports trust in corporate institutions and strengthens market confidence.

Governance factors in sustainability reporting transform sustainability from a reporting obligation into a governance principle embedded within corporate strategy and accountability systems. Under the European legal framework, effective governance ensures that environmental and social commitments are credible, measurable, and enforceable.

2.4. Gender balance in the management of listed companies

European law is concerned with strengthening gender balance in the management of companies[4]. Domestic law[5] has implemented European norms that aim for a balanced representation of women and men among the directors of listed companies by establishing effective measures to ensure gender balance.

Companies traded on a regulated market must satisfy at least one of the legal tests: members of the underrepresented sex must hold at least 40% of non-executive director positions or members of the underrepresented sex must hold at least 33% of all director positions, both executive and non-executive directors. The effective application of these tests is made explicit by the effective indication of the minimum number of underrepresented persons for each numerical composition of the administrative body[6].

Companies traded on a regulated market that do not meet the composition tests of the administrative bodies must adjust their selection process for candidates for appointment to director positions. In the selection process for candidates for director positions, if candidates are equally qualified in terms of suitability, skills and professional results, priority is given to the candidate belonging to the underrepresented sex.

Beyond the stated goal of the regulation on gender equality, the regulation is achieving, perhaps unintentionally, a true meritocratic revolution. The selection of persons for regardless of gender, has never been based, in Romanian companies, on a competition of skills, a comparison of capacities and professional experience. Their election was an indisputable right of the shareholders with decision-making power. However, the procedure inserted normatively currently tends, with appropriate enforcement instruments, towards such a meritocratic finality. In concrete terms, the selection will be made according to transparent criteria of competence and only in case of equality will the candidate of the underrepresented sex be preferred. The remedies included in the law make the procedure efficient.

If a rejected candidate belonging to the underrepresented sex proves before a court that he had the same qualifications as the candidate of the opposite sex who was selected for a position of administrator (or higher qualifications!), the competent court at the company's headquarters notified with a request for annulment (or finding of nullity) will annul the decision of the company's shareholders (art. 109^4 para. 6 Law no. 24/2017). If the election of directors is carried out by a shareholder vote, companies traded on a regulated market inform shareholders, prior to the vote, of the legal provisions regarding gender balance, including the sanctions to which the company traded on a regulated market is subject as a result of non-compliance with obligations. Obviously, the vote is free and secret and shareholders act according to their will.

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[4] Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November on enhancing gender balance among directors of companies listed on stock exchanges and related measures, published in the Official Journal of the European Union (OJEU), L series, No. 315 of 7 December 2022.

[5] Law no. 11/2025 introduced Chapter V^1 into Law no. 24/2017.

[6] Annex to Law No. 24/2017.

2.5. The rules establish a true meritocracy in the category of directors of listed companies

Thus, companies traded on a regulated market are obliged to publish on their own website a document that includes the selection/suitability policy of the management, which includes a presentation of the criteria underlying the selection process.

Companies traded on a regulated market are obliged to report annually to the A.S.F. data on gender representation within their management bodies (with an indication of executive and non-executive directors), as well as on the measures adopted in order to achieve the objectives of the legal tests (percentages). The mentioned information on gender balance is also included in the company's corporate governance statement, a statement given in accordance with the applicable accounting regulations[7].

In addition to the ASF, the National Agency for Equal Opportunities between Women and Men (ANES) is designated as the body for monitoring and supporting gender balance within the management bodies of companies traded on a regulated market (art. 109^8 Law no. 24/2017).

3. Conclusions

The adoption of the sustainability report by the directors is now part of annual company reporting, together with the annual financial report. Under European directives sustainability reporting is no longer a voluntary report, but a legal obligation embedded within the annual reporting framework of companies.

Such European reform strengthens the accountability of directors. By requiring management bodies to prepare and formally adopt the sustainability report, EU law makes them directly responsible for the accuracy, completeness, and reliability of ESG disclosures (environmental, social, and governance issues). Sustainability considerations are thus integrated into directors' fiduciary duties and strategic decision-making processes.

Publication of financial and sustainability information, together, promotes an extended understanding of corporate performance. Financial results are now assessed alongside with other general criteria such climate risks, social impact, governance structures, and long-term resilience. This integrated model reflects the reality that non-financial risks can materially affect financial stability and enterprise value.

The introduction of standardized European Sustainability Reporting Standards (ESRS) enhances comparability and transparency across the markets. Stakeholders benefit from consistent, and reliable data and investors are provided with decision-useful information that support sustainable investment flows.

The European framework establishes sustainability as a core component of corporate governance and long-term value creation. As directors adopt the sustainability report together with the annual financial report, EU law embeds responsible business conduct into the heart of corporate accountability and strategic management.

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[7] Art. 4 paragraph (3) letter b, of Law no. 82/1991, republished, with reference to the accounting regulations issued by the ASF.